



The Pakistan Credit Rating Agency Limited

LIBERTY POWER TECH LIMITED

	NEW [DEC-16]	PREVIOUS [DEC-15]
SUKUK		
Sukuk	A+	A+
Outlook	Stable	Stable

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1. RATING ANALYSES
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<p>Profile & Ownership</p> <ul style="list-style-type: none"> • An Independent Power Producer (IPP) under the power policy 2002. • Liberty Power Tech Limited (LPTL) started commercial operations in Jan-11. • Operates a Residual Fuel Oil based thermal power plant with a net capacity of 196MW. • Total project cost USD 240mln with a debt to equity ratio of 75:25. • LPTL majority owned by Liberty Group (Liberty Mills Limited: 29% & Mukaty Family: 61%) and Soorty Enterprises (10%). <p>Governance</p> <ul style="list-style-type: none"> ▪ BoD comprises eight members including CEO. ▪ All members from Liberty Group, depicting family dominance. ▪ Mr. Salim Mukaty - chairman of the board - has rich experience in running family textile business. <p>Management</p> <ul style="list-style-type: none"> ▪ Mr. Azam Sakrani, the CEO, has over 20 years of experience in the banking and finance industry and industrial finance. ▪ Lean organizational structure with a professional management team. ▪ The Group has a new CFO, Mr. Adamjee Yakoob (CA) since Sept 16. <p>Performance Risk</p> <ul style="list-style-type: none"> ▪ The Company has an O&M contract with Wartsila Pakistan till 2021. ▪ The plant's availability remained well above required level in FY16 (Required: 88%; Actual: 94%). ▪ Thermal efficiency remained above the required level of 45%. ▪ Fuel being supplied by Attock Petroleum Limited, HASCOL, and Byco. ▪ Generation of electricity reduced a little in FY16 with net electrical output for the year at 1,250 GWh (FY15: 1,514 GWh). ▪ The revenue decreased significantly on YoY basis on account of lower Energy Purchase Price (EPP) owing to reduced oil prices (FY16: PKR 14,773 mln; FY15: PKR 24,390 mln). ▪ Trickle-down effect of revenue decline resulted in a slight reduction in after tax profit (FY16: 3,490mln; FY15: 3,680mln). ▪ However, on account of lower fuel costs for the year, the business margins of the Company improved (PAT Margin: FY16: 23.6%; FY15: 15.1%) <p>Financial Risk</p> <ul style="list-style-type: none"> ▪ LPTL's working capital requirements reduced on a YoY basis due to lower trade receivables and inventory, a facet of lower oil prices. ▪ Company's cash cycle has witnessed a surge on account of delayed payments (Net cash cycle: end-FY16: 211 days; end-FY15: 155 days; end-FY14: 143 days). ▪ The company has been meeting its cash requirements via a combination of internal cashflows and short-term borrowing (STB), with the company's reliance on STB reducing over time (STB: FY16: PKR 873mln; FY15: PKR 2,646mln). ▪ LPTL has arranged working capital lines of PKR 9,000 mln, out of which PKR 872mln was utilized at end-FY16 (end-FY15: 27%). ▪ During FY16, with decline in PAT, FCFO also reduced (FY16: PKR 6,000mln; FY15: PKR 6,855 mln). ▪ The Company's debt and interest coverages stood at 2.6 and 5.2x, respectively at end-FY16, showing improvement on a YoY basis (FY15: 2.2x and 3.7x respectively). ▪ With continuous repayment of debt, LPTL's leveraging stood at 41% at end-FY16 (FY15: 51%; FY14: 60%). ▪ The Company paid dividends worth PKR 1,766mln during FY16, and expects to continue the practice going forward. <p>Financial Facilities</p> <ul style="list-style-type: none"> ▪ LPTL issued a Sukuk in January 2011 for PKR 13,488 mln. The profit on issue, payable quarterly, is at 3M Kibor + 300bps, maturing in Jan 2021. ▪ LPTL issued a TFC in January 2011 for PKR 1,649 mln. The profit on issue, payable quarterly, is at 3M Kibor + 300bps, maturing in January 2021 	<p>RATING RATIONALE</p> <p>Liberty Power Limited (LPTL) runs a 200MW power plant based on Residual Fuel Oil. The Company operates in the regulated power sector. It enjoys sovereign guarantee against receivables from power purchaser CPPA given adherence to agreed performance benchmarks. The Company's operations and maintenance operator, Wartsila Pakistan (WPK), is a key source of comfort in managing the plant's operations. The Company's financial risk profile is largely dependent on repayment behaviour of the power purchaser. Although capacity payments observed improvement, the Company's cash cycle has witnessed a surge on account of delayed energy payments by CPPA. The Company has been paying consistent dividends. Nevertheless, strong internal cash generation has helped it in managing its working capital requirements efficiently, while it significantly reduced its short-term borrowings. The Company, while managing its financial obligations, makes use of the cushion available from the lenders. The ratings draw comfort from the sponsors' demonstrated support to the Company.</p> <p>KEY RATING DRIVERS</p> <p>Upholding operational performance in line with agreed performance levels would remain a key rating driver. Improving, indeed aligning, the Company's repayment behaviour with its financial profile would be ratings positive. Meanwhile, any significant increase in overdue receivables, as a result of rise in circular debt, may impact the ratings, though this risk is expected to be curtailed on the back of CPEC and increased foreign investor involvement in Pakistan's power sector.</p>
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Liberty Power Tech Limited

BALANCE SHEET

	30-Jun-16	30-Jun-15	30-Jun-14
	FY16	FY15	FY14
Inventory	340	849	843
Trade Receivables	8,593	10,171	11,912
Total Assets	26,027	28,272	30,265
Debt	10,466	13,883	16,677
Short-term	873	2,646	4,345
Long-term (Inlc. Current Maturity of long-term debt)	9,593	11,237	12,331
Other Short term liabilities (inclusive of trade payables)	640	1,059	2,267
Total Liabilities & Equity	26,027	28,272	30,265

INCOME STATEMENT

Turnover	14,773	24,390	28,698
Gross Profit	4,783	5,583	5,349
Financial Charges	(1,157)	(1,852)	(2,061)
Net Income	3,490	3,680	3,204

Cashflow Statement

Free Cashflow from Operations (FCFO)	6,000	6,855	6,784
Net Cash changes in Working Capital	1,480	793	(6,230)
Net Cash from Operating Activities	6,267	5,649	(1,590)
Net Cash from Investing Activities	(1,062)	(1,567)	(445)
Net Cash from Financing Activities	(5,206)	(4,499)	(3,864)
Net Cash generated during the period	(1)	(418)	(5,899)

Ratio Analysis

Coverages

Debt Service Coverage (X) (FCFO/Gross Interest+CMLTD)	2.6	2.2	2.1
Interest Coverage (X) (FCFO/Gross Interest)	5.2	3.7	3.3

Liquidity

Net Cash Cycle (Inventory Days + Receivable Days - Payable Day)	210.5	154.5	143.0
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Capital Structure (Total Debt/Total Debt+Equity)

	41.2%	51.2%	59.6%
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Liberty Power Tech Limited

Dec-16



STANDARD RATING SCALES & DEFINITIONS

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

LONG TERM RATINGS		SHORT TERM RATINGS
AAA	<p>Highest credit quality. Lowest expectation of credit risk.</p> <p>Indicate exceptionally strong capacity for timely payment of financial commitments.</p>	<p>A1+: The highest capacity for timely repayment.</p> <p>A1: A strong capacity for timely repayment.</p> <p>A2: A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.</p> <p>A3: An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.</p> <p>B: The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.</p> <p>C: An inadequate capacity to ensure timely repayment.</p>
AA+ AA AA-	<p>Very high credit quality. Very low expectation of credit risk.</p> <p>Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.</p>	
A+ A A-	<p>High credit quality. Low expectation of credit risk.</p> <p>The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.</p>	
BBB+ BBB BBB-	<p>Good credit quality. Currently a low expectation of credit risk.</p> <p>The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances or economic conditions are more likely to impair this capacity.</p>	
BB+ BB BB-	<p>Moderate risk. Possibility of credit risk developing.</p> <p>There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.</p>	
B+ B B-	<p>High credit risk.</p> <p>A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business, and economic environment.</p>	
CCC CC C	<p>Very high credit risk.</p> <p>“CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.</p>	
D	<p>Obligations are currently in default.</p>	

<p>Rating Watch</p> <p>Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. Rating Watch may carry designation – Positive (rating may be raised, negative (lowered), or developing (direction is unclear). A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled.</p>	<p>Outlook (Stable, Positive, Negative, Developing)</p> <p>Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.</p>	<p>Suspension</p> <p>It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, a suspended rating should be considered withdrawn.</p>	<p>Withdrawn</p> <p>A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, or e) the entity/issuer defaults.</p>
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Disclaimer: PACRA's rating is an assessment of the credit standing of an entity/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.



Regulatory and Supplementary Disclosure

Loan Amount (PKR) 13,488,387,000
Tenor (Years) 10
Rate 3Months K+ 3%

Installment	Due Date	Days	Principal	Mark Up	Total Installment	Outstanding
	01-Jan-11					13,488,387,000
1	01-Apr-11	90	145,742,947	547,443,740.00	693,186,687	13,342,644,053
2	01-Jul-11	91	145,641,130	547,545,557.00	693,186,687	13,197,002,923
3	01-Oct-11	92	145,666,537	547,520,150.00	693,186,687	13,051,336,386
4	01-Jan-12	92	151,709,983	541,476,704.00	693,186,687	12,899,626,403
5	31-Mar-12	90	163,821,361	529,365,326.00	693,186,687	12,735,805,042
6	01-Jul-12	92	170,544,141	522,642,546.00	693,186,687	12,565,260,901
7	01-Oct-12	92	171,876,389	521,310,298.00	693,186,687	12,393,384,512
8	01-Jan-13	92	179,007,234	514,179,453.00	693,186,687	12,214,377,278
9	01-Apr-13	90	197,450,290	495,736,397.00	693,186,687	12,016,926,988
10	01-Jul-13	91	200,044,927	493,141,760.00	693,186,687	11,816,882,061
11	01-Oct-13	92	202,925,294	490,261,393.00	693,186,687	11,613,956,767
12	01-Jan-14	92	211,344,303	481,842,384.00	693,186,687	11,402,612,464
13	01-Apr-14	90	230,396,821	462,789,866.00	693,186,687	11,172,215,643
14	01-Jul-14	91	234,709,566	458,477,121.00	693,186,687	10,937,506,077
15	01-Oct-14	92	239,409,038	453,777,649.00	693,186,687	10,698,097,039
16	01-Jan-15	92	249,341,692	443,844,995.00	693,186,687	10,448,755,347
17	01-Apr-15	90	269,110,354	424,076,333.00	693,186,687	10,179,644,993
18	01-Jul-15	91	275,441,946	417,744,741.00	693,186,687	9,904,203,047
19	01-Oct-15	92	282,278,940	410,907,747.00	693,186,687	9,621,924,107
20	01-Jan-16	92	293,990,191	399,196,496.00	693,186,687	9,327,933,916
21	01-Apr-16	91	310,393,835	382,792,852.00	693,186,687	9,017,540,081
22	01-Jul-16	91	323,131,548	370,055,139.00	693,186,687	8,694,408,533
23	01-Oct-16	92	332,471,160	360,715,527.00	693,186,687	8,361,937,373
24	01-Jan-17	92	346,264,797	346,921,890.00	693,186,687	8,015,672,576
25	01-Apr-17	90	367,860,184	325,326,503.00	693,186,687	7,647,812,392
26	01-Jul-17	91	379,341,420	313,845,267.00	693,186,687	7,268,470,972
27	01-Oct-17	92	391,630,771	301,555,917.00	693,186,688	6,876,840,201
28	01-Jan-18	92	407,878,834	285,307,853.00	693,186,687	6,468,961,367
29	01-Apr-18	90	430,635,472	262,551,215.00	693,186,687	6,038,325,895
30	01-Jul-18	91	445,390,336	247,796,351.00	693,186,687	5,592,935,559
31	01-Oct-18	92	461,145,751	232,040,936.00	693,186,687	5,131,789,808
32	01-Jan-19	92	480,277,867	212,908,820.00	693,186,687	4,651,511,941
33	01-Apr-19	90	504,399,022	188,787,665.00	693,186,687	4,147,112,919
34	01-Jul-19	91	523,000,535	170,186,152.00	693,186,687	3,624,112,384
35	01-Oct-19	92	542,828,718	150,357,969.00	693,186,687	3,081,283,666
36	01-Jan-20	92	565,349,715	127,836,972.00	693,186,687	2,515,933,951
37	01-Apr-20	91	589,939,651	103,247,036.00	693,186,687	1,925,994,300
38	01-Jul-20	91	614,149,158	79,037,529.00	693,186,687	1,311,845,142
39	01-Oct-20	92	638,760,569	54,426,119.00	693,186,688	673,084,573
40	01-Jan-21	92	673,084,570	27,697,430.00	700,782,000	3