



The Pakistan Credit Rating Agency Limited

LIBERTY POWER TECH LIMITED

	NEW [JUN-17]	PREVIOUS [DEC-16]
Long-Term	A+	A+
Short-Term	A1	A1
Sukuk	A+	A+
Term Finance Facility	A+	A+
Outlook	Stable	Stable

REPORT CONTENTS
1. RATING ANALYSES
2. FINANCIAL INFORMATION
3. RATING SCALE
4. REGULATORY AND SUPPLEMENTARY DISCLOSURE

JUNE 2017

<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 are from Liberty Group. ▪ Mr. Salim Mukaty - chairman of the board - has rich experience in running textile, power and other business. <p>Management</p> <ul style="list-style-type: none"> ▪ Mr. Azam Sakrani, the CEO, has over 20 years of experience in banking and finance industry and industrial finance, and has been with the Company since last 2 years. ▪ 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. ▪ Mostly fuel is being supplied by Attock Petroleum Limited, Hascol, and Byco. ▪ Slight increase can be seen in Generation of electricity in 9MFY17 with net electrical output for the period at 985 GWh (9MFY16: 961 GWh). ▪ The contracted efficiency of the plant is 45% and availability has been set up to 88%. Plant has performed up to the mark with greater availability and efficiency factor than of its set benchmark. ▪ The revenue decreased significantly on account of lower Energy Purchase Price (EPP) owing to reduced oil prices as at Dec-16: PKR 7,599mln (Dec-15: PKR 8,844mln; FY16: PKR 14,773mln; FY15: PKR 24,390mln). ▪ However, on account of lower fuel costs for the year, the business margins of the Company improved as at Dec-16: 26.2% (PAT Margin: Dec-15: 21.7%; FY16: 23.6%; FY15: 15.1%). <p>Financial Risk</p> <ul style="list-style-type: none"> ▪ Company's cash cycle as at Dec-16: 249 days (Net cash cycle: Dec-15: 177 days; FY16: 211 days; FY15: 155 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). However, STB has been significantly increased as at Dec-16: PKR 7,472mln owing to increased working capital requirements. ▪ LPTL has arranged working capital lines of PKR 11bln, out of which PKR 7.5bln was utilized up till May-2017. ▪ During FY17, with decline in PAT, FCFO also reduced at Dec-16: PKR 2,688mln (Dec-15: PKR 3,204mln; FY16: PKR 6,000mln; FY15: PKR 6,855mln). ▪ The Company's interest coverages stood at 5.4x, respectively at Dec-16, showing improvement on a YoY basis (Dec-15: 5.3x; FY16: 5.2x; FY15: 3.7x respectively). ▪ With significant increase in short-term borrowings, LPTL's leveraging stood at 65% as at Dec-16 (Dec-15: 41%; FY15: 51%; FY14: 60%). <p>Financial Facilities</p> <ul style="list-style-type: none"> ▪ LPTL issued a Sukuk in January 2011 for PKR 13,488mln. The profit on issue, payable quarterly, is at 3M Kibor + 300bps, maturing in January 2021. ▪ LPTL issued a TFC in January 2011 for PKR 1,649mln. The profit on issue, payable quarterly, is at 3M Kibor + 300bps, maturing in January 2021. 	<p>RATING RATIONALE</p> <p>Liberty Power Tech 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 NTDC 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 behavior of the power purchaser. The Company has been paying consistent dividends. Nevertheless, strong internal cash generation and available working capital lines has helped it in managing its working capital requirements efficiently. 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 behavior with its financial profile would be ratings positive. Meanwhile, any significant increase in overdue receivables may impact the ratings.</p>



Liberty Power Tech Limited

BALANCE SHEET	31-Dec-16	30-Jun-16	30-Jun-15	30-Jun-14
	1H	FY16	FY15	FY14
Inventory	1,210	340	849	843
Trade Receivables	9,609	8,593	10,171	11,912
Total Assets	25,904	26,027	28,272	30,265
Debt	16,316	10,466	13,883	16,677
Short-term	7,472	873	2,646	4,345
Long-term (Inlc. Current Maturity of long-term debt)	8,844	9,593	11,237	12,331
Other Short term liabilities (inclusive of trade payables)	922	640	1,059	2,267
Total Liabilities & Equity	25,904	26,027	28,272	30,265

INCOME STATEMENT

Turnover	7,599	14,773	24,390	28,698
Gross Profit	2,230	4,783	5,583	5,349
Financial Charges	(495)	(1,157)	(1,852)	(2,061)
Net Income	1,990	3,490	3,680	3,204

Cashflow Statement

Free Cashflow from Operations (FCFO)	2,688	6,000	6,855	6,784
Net Cash changes in Working Capital	(1,691)	1,480	793	(6,230)
Net Cash from Operating Activities	493	6,267	5,649	(1,590)
Net Cash from Investing Activities	1,995	(1,062)	(1,567)	(445)
Net Cash from Financing Activities	(2,488)	(5,206)	(4,499)	(3,864)
Net Cash generated during the period	0	(1)	(418)	(5,899)

Ratio Analysis

Coverages				
Debt Service Coverage (X) (FCFO/Gross Interest+CMLTD)	2.4	2.6	2.2	2.1
Interest Coverage (X) (FCFO/Gross Interest)	5.4	5.2	3.7	3.3
Liquidity				
Net Cash Cycle (Inventory Days + Receivable Days - Payable Day)	248.8	210.5	154.5	143.0
Capital Structure (Total Debt/Total Debt+Equity)	65.5%	41.2%	51.2%	59.6%

Liberty Power Tech Limited

Jun-17



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	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.	<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-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	
A+ A A-	High credit quality. Low expectation of credit risk. 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.	
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. 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.	
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. 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.	
B+ B B-	High credit risk. 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.	
CCC CC C	Very high credit risk. “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.	
D	Obligations are currently in default.	

<p>Rating Watch 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) 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 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 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.



Rated Entity

Name of Rated Entity

Liberty Power Tech Limited

Sector

Independent Power Producer

Type of Relationship

Solicited

Purpose of the Rating

Independent Risk Assessment

Rating History

Dissemination Date	Long Term	Short Term	Outlook	Rating Watch
22-Jun-17	A+	A1	Stable	-
17-Dec-15	A+	A1	Stable	-
19-Dec-14	A+	A1	Stable	-
07-Nov-13	A+	A1	Stable	-
30-Nov-12	A+	A1	Stable	-
09-Apr-12	AA	A1+	Stable	RW

Methodology:

IPP Rating Methodology

Sector Research:

Sector Study | Independent Power Producers (Mar-17)

Rating Analysts

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Rating Team Statement

Rating Procedure

Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

Disclaimer

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Surveillance

PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the rated entity/ issuer, the security

arrangement, the industry etc, is disseminated to the market, in a timely and effective manner, after appropriate consultation with the entity/issuer

PACRA reviews all the outstanding ratings on annual basis or as and when required by any stakeholder (including creditor) or upon the occurrence of such an event which requires to do so

PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating

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relating to the credit rating by another employees of the company that came to his/her knowledge. The Compliance Officer reports to the BoD and SECP

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transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from

PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past.

Probability of Default (PD)

Name of Issuer
Name of Issue
Sector
Type of Relationship
Purpose of the Rating
Rating History

Liberty Power Tech Limited
 Liberty Power Tech Limited | Sukuk
 Independent Power Producer
 Solicited
 Independent Risk Assessment

Dissemination Date	Long Term	Short Term	Outlook	Action
22-Jun-17	A+	-	Stable	Maintain
17-Dec-15	A+	-	Stable	Maintain
19-Dec-14	A+	-	Stable	Maintain
07-Nov-13	A+	-	Stable	Maintain
30-Nov-12	A+	-	Stable	Downgrade
16-Feb-12	AA	-	Stable	Maintain
6-Apr-11	AA	-	Stable	Upgrade
25-Mar-10	AA-	-	Stable	Maintain
6-Jan-09	AA-	-	Stable	Initial

Instrument Details

Nature of Instrument	Size of Issue (PKR mln)	Tenor (yrs) including grace period of 2 years	Security	Trustee
Sukuk	13,488	12	Hypothecation on immovable property, mortgage of project receivables, all present and future assets (excluding fuel stock) and all property of LPTL and a pledge of 51% share capital of LPTL.	Allied Bank Limited

Amortization Schedule

See Annexure Below

Related Criteria and Research

Sector Study | Independent Power Producers (Mar-17)

Rating Methodology

IPP's Rating Methodology

Rating Analysts

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[Probability of Default \(PD\)](#)

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Regulatory and Supplementary Disclosure

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

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

Name of Issuer Liberty Power Tech Limited
Name of Issue Liberty Power Tech Limited | Term Finance Facility
Sector Independent Power Producer
Type of Relationship Solicited
Purpose of the Rating Independent Risk Assessment

Rating History

Dissemination Date	Long Term	Short Term	Outlook	Action
22-Jun-17	A+	-	Stable	Maintain
17-Dec-15	A+	-	Stable	Maintain
19-Dec-14	A+	-	Stable	Maintain
07-Nov-13	A+	-	Stable	Maintain
30-Nov-12	A+	-	Stable	Downgrade
16-Feb-12	AA	-	Stable	Maintain
6-Apr-11	AA	-	Stable	Upgrade
25-Mar-10	AA-	-	Stable	Initial

Instrument Details

Nature of Instrument	Size of Issue (PKR mln)	Tenor (yrs) including grace period of 2 years	Security	Nature of Assets	Trustee
Term Finance Facility	1,649	12	Hypothecation on immovable property, mortgage of project receivables, all present and future assets (excluding fuel stock) and all property of LPTL and a pledge of 51% share capital of LPTL.	Property & plant of LPTL, future cashflows, and stocks	Allied Bank Limited

Amortization Schedule

See Annexure Below

Related Criteria and Research

Sector Study | Independent Power Producers (Mar-17)

Rating Methodology

IPP's Rating Methodology

Rating Analysts

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[Rating Team Statement](#)

Rating Procedure

Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

[Disclaimer](#)

Rating Shopping

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PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating.

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[Probability of Default \(PD\)](#)

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Regulatory and Supplementary Disclosure

Term Finance Facility Amount (PKR)	1,649,134,649
Tenor (Years)	10
Rate	3 Months K+ 3%

Installment	Due Date	Days	Principal	Mark Up	Total Installment	Outstanding
	1-Jan-11					1,649,134,649
1	1-Apr-11	90	17,819,013	66,932,276.00	84,751,289	1,631,315,636
2	1-Jul-11	91	17,806,565	66,944,724.00	84,751,289	1,613,509,071
3	1-Oct-11	92	17,809,671	66,941,618.00	84,751,289	1,595,699,400
4	1-Jan-12	92	18,548,562	66,202,726.00	84,751,288	1,577,150,838
5	31-Mar-12	90	20,029,340	64,721,949.00	84,751,289	1,557,121,498
6	1-Jul-12	92	20,851,289	63,900,000.00	84,751,289	1,536,270,209
7	1-Oct-12	92	21,014,174	63,737,115.00	84,751,289	1,515,256,035
8	1-Jan-13	92	21,886,014	62,865,275.00	84,751,289	1,493,370,021
9	1-Apr-13	90	24,140,923	60,610,366.00	84,751,289	1,469,229,098
10	1-Jul-13	91	24,458,152	60,293,137.00	84,751,289	1,444,770,946
11	1-Oct-13	92	24,810,315	59,940,974.00	84,751,289	1,419,960,631
12	1-Jan-14	92	25,839,651	58,911,638.00	84,751,289	1,394,120,980
13	1-Apr-14	90	28,169,075	56,582,214.00	84,751,289	1,365,951,905
14	1-Jul-14	91	28,696,365	56,054,924.00	84,751,289	1,337,255,540
15	1-Oct-14	92	29,270,938	55,480,351.00	84,751,289	1,307,984,602
16	1-Jan-15	92	30,485,337	54,265,952.00	84,751,289	1,277,499,265
17	1-Apr-15	90	32,902,319	51,848,970.00	84,751,289	1,244,596,946
18	1-Jul-15	91	33,676,440	51,074,849.00	84,751,289	1,210,920,506
19	1-Oct-15	92	34,512,354	50,238,935.00	84,751,289	1,176,408,152
20	1-Jan-16	92	35,944,210	48,807,079.00	84,751,289	1,140,463,942
21	1-Apr-16	91	37,949,773	46,801,516.00	84,751,289	1,102,514,169
22	1-Jul-16	91	39,507,128	45,244,161.00	84,751,289	1,063,007,041
23	1-Oct-16	92	40,649,020	44,102,269.00	84,751,289	1,022,358,021
24	1-Jan-17	92	42,335,475	42,415,814.00	84,751,289	980,022,546
25	1-Apr-17	90	44,975,799	39,775,490.00	84,751,289	935,046,747
26	1-Jul-17	91	46,379,532	38,371,757.00	84,751,289	888,667,215
27	1-Oct-17	92	47,882,069	36,869,220.00	84,751,289	840,785,146
28	1-Jan-18	92	49,868,610	34,882,678.00	84,751,288	790,916,536
29	1-Apr-18	90	52,650,912	32,100,377.00	84,751,289	738,265,624
30	1-Jul-18	91	54,454,890	30,296,399.00	84,751,289	683,810,734
31	1-Oct-18	92	56,381,199	28,370,090.00	84,751,289	627,429,535
32	1-Jan-19	92	58,720,355	26,030,934.00	84,751,289	568,709,180
33	1-Apr-19	90	61,669,487	23,081,802.00	84,751,289	507,039,693
34	1-Jul-19	91	63,943,769	20,807,520.00	84,751,289	443,095,924
35	1-Oct-19	92	66,368,028	18,383,261.00	84,751,289	376,727,896
36	1-Jan-20	92	69,121,519	15,629,770.00	84,751,289	307,606,377
37	1-Apr-20	91	72,127,966	12,623,323.00	84,751,289	235,478,411
38	1-Jul-20	91	75,087,900	9,663,389.00	84,751,289	160,390,511
39	1-Oct-20	92	78,096,972	6,654,317.00	84,751,289	82,293,539
40	1-Jan-21	92	82,293,538	3,386,379.00	85,679,917	1