# PAKGEN POWER LIMITED

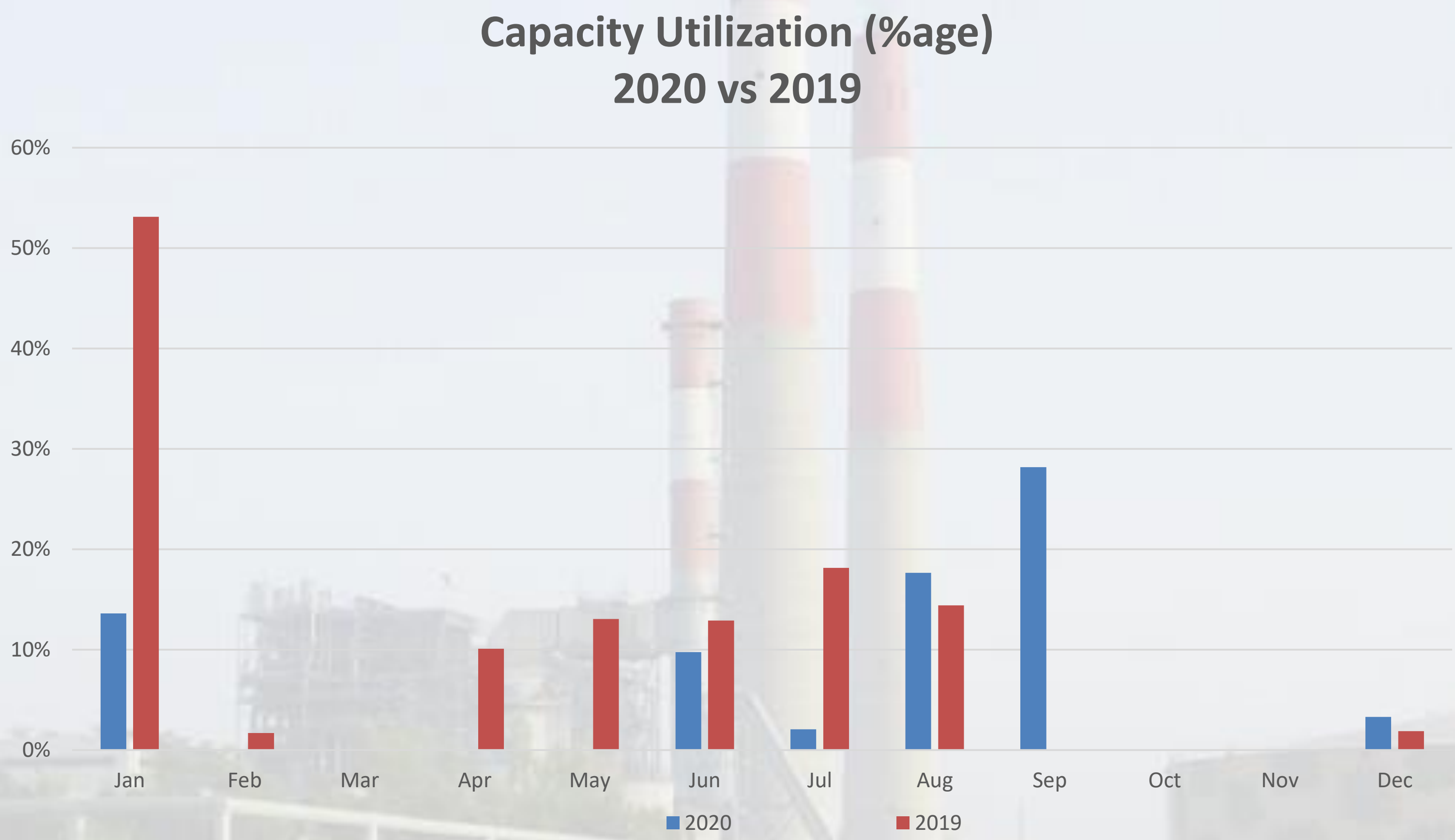
Corporate Briefing Session

on Annual Audited Accounts for the Financial Year ended December 2020

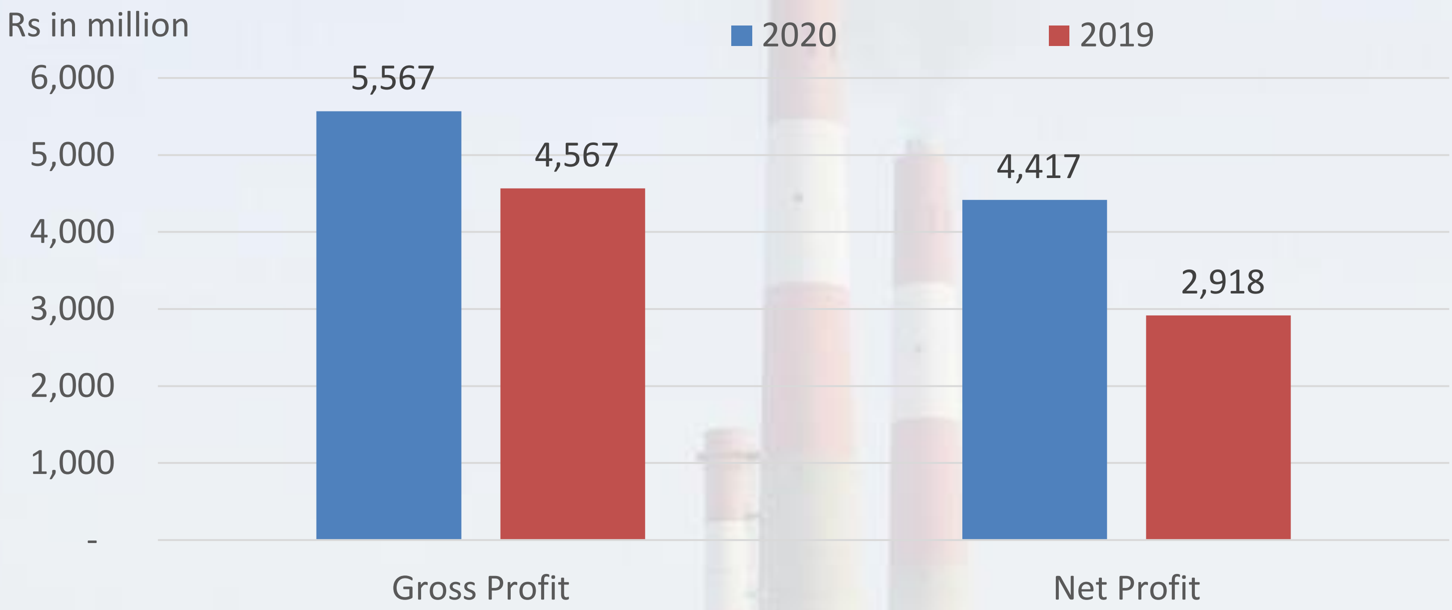
# Company Brief

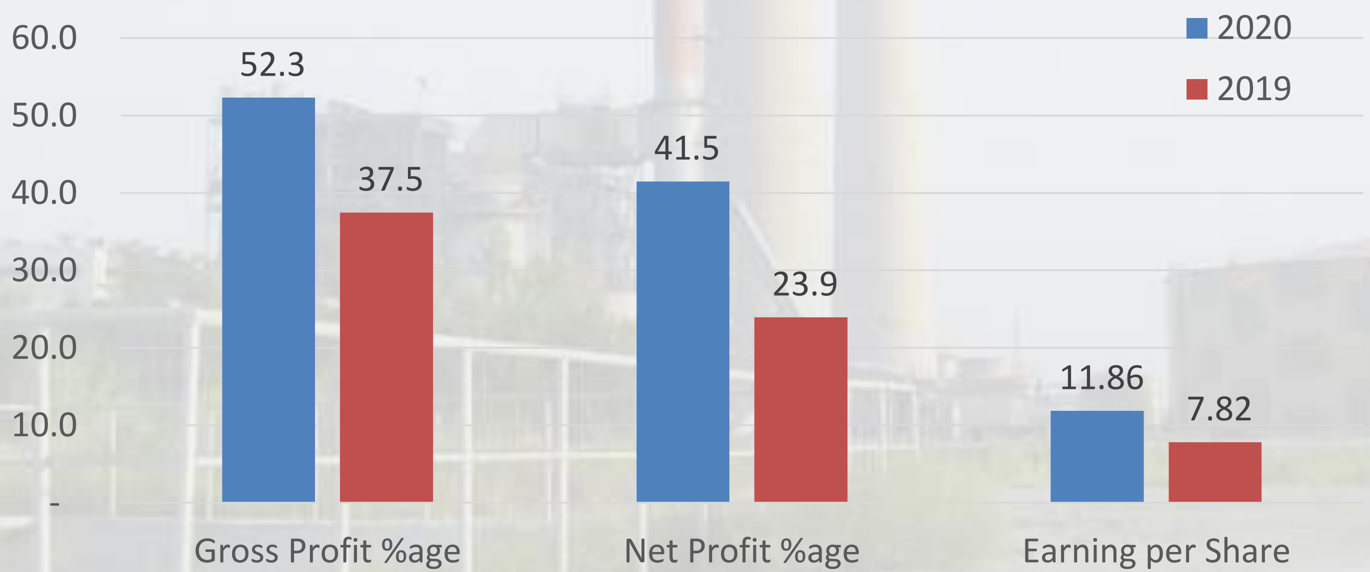
- Located at Mehmood Kot, Muzaffargarh Punjab
- Gross capacity: 365 MW
- Net/ Dependable Capacity: 350 MW
- Technology: Oil-Fired Steam Turbine
- Established under the “Power Policy 1994”
- Incorporated in year 1995
- Commissioning Date: February 1, 1998
- Shares listed in year 2011

# Operational Highlights



# Financial Highlights

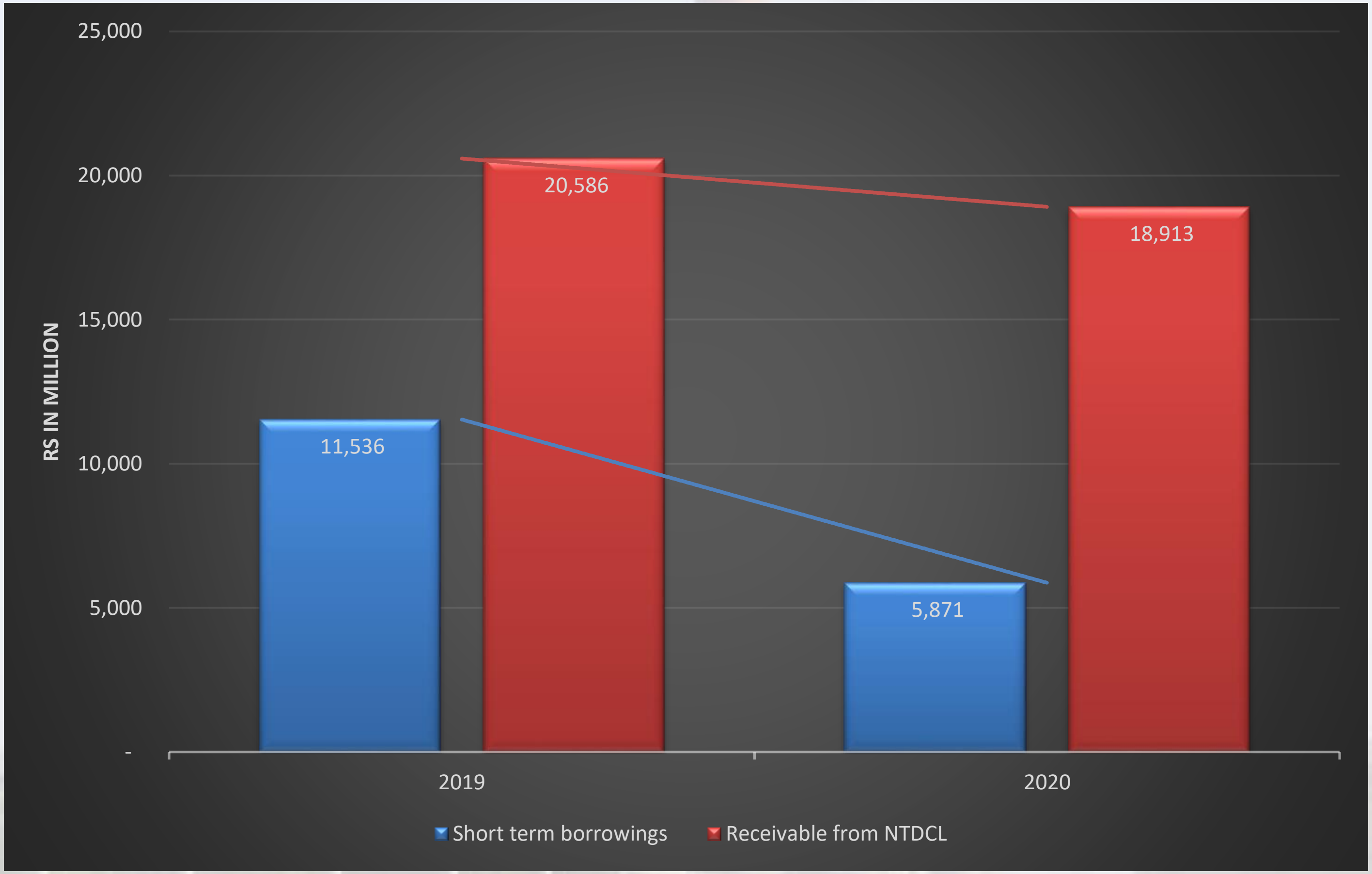


# Strategic/Operational Developments

- In response to load demanded by CPPA-G, the Pakgen plant operated at capacity factor of 6.2% with load factor of 54.5% and availability of 99.7% and dispatched 190.4 GWh of electricity. The Company continues to allocate funds on various improvement projects towards the ongoing modernization of the plant in order to ensure its long term integrity and maximum availability for its customer CPPA-G.

# Challenges


25,000
20,000
15,000
10,000
5,000
-
RS IN MILLION
11,536
20,586
5,871
18,913
2019
2020
Short term borrowings
Receivable from NTDCL

# Challenges

**Arbitration Disputes**

During 2018, the Company filed case for arbitration in the International Chamber of Commerce (ICC) to resolve the following matters, as per the mechanism allowed by PPA for resolutions of disputes:

- The Power Purchaser unlawfully set off amounts from payments due to the Company
- The Power Purchaser has unlawfully deducted amounts from the Company's invoices on the basis of fuel supply
- The Power Purchaser has failed to renew the WAPDA Letter of Credit
- The Power Purchaser has failed to pay interest in full on its delayed payments

On 18 December 2020, the Arbitrator has issued Final Award.

## PPA Amendment

Our sole customer CPPA-G remains unable to meet its obligations in accordance with the Power Purchase Agreement (PPA) which are secured under a sovereign guarantee of Government of Pakistan. As on 31 December 2020 an amount of Rupees 18.913 billion was outstanding against CPPA-G.

Subsequent to year end, the Company entered into “Master Agreement” and “PPA Amendment Agreement” with CPPA-G in order to get payment of its overdue receivables as on 30th November 2020 amounting to Rs. 16.337 billion. This amount will be paid as 40% in first installment and remaining 60% in second installment. Above installments shall be made in the breakup of 1/3rd cash, 1/3rd in the form of tradeable Ijarah Sukuk, and 1/3rd in the form of tradeable Pakistan Investment Bonds (PIBs).

According to the agreement, the Company has voluntarily reduced its Capacity Purchase Price (CPP) and Variable O & M by 11%. Furthermore, 50% of the reduced CPP shall not be indexed with USD Exchange rate and US CPI. Whereas remaining 50% of reduced CPP shall continue to be indexed with USD Exchange rate and US CPI.

# The Terms of the PPA Amendment Agreement II

A. Minimum load of the Complex has been increased from 20% to 50% in line with OEM recommendations of the total capacity of the complex. [This will reduce machinery breakdown, increases plant life and reduce delta losses ].

B. Different disputes (arbitration/expert mediation) have been resolved through signing of this settlement consisting of following points:

   i. The Company has waived off interest on interest. In return the Company would get payments based on First In First Out (FIFO) principle. [CPPA-G will now release payment of our long outstanding interest invoices and the Company can charge interest on increased overdue balances of Capacity and Energy invoices]. If FIFO principle is not followed then the Company's right to claim interest on interest will resume.

   ii. The shutdown period of the complex on account of non-availability of fuel has been treated as Other Force Majeure Event (OFME) under the Power Purchase Agreement (PPA) and Term of the PPA has been extended by 156 days. During this extended period the Company will issue Energy Purchase Price invoices only and will not issue Capacity Purchase Price (CPP) invoices for these 156 days, and accordingly Liquidated Damages (LDs) amounting Rs.2.2 Billion imposed on the Company for this period shall be withdrawn by the Central Power Purchasing Agency (Guarantee) Limited.

   iii. The Company is entitled to procure fuel from any licensed Oil Marketing Company other than Pakistan State Oil Company Limited (PSO). [The Company can now buy fuel on Competitive basis].

# Business Outlook

- Due to induction of new power generation plants based on hydel energy, coal, renewable and RLNG at a lower price, it is expected that Pakgen will be dispatched in peak demand seasons, in case of interruption in supply of RLNG or in low water months only. This will help Company minimize its fuel losses.
- Financial impact of PPA Agreement will be projected net profit of Rs. 1,392 million which is mainly because of not raising CPP invoice for 156 days.

# Questions and Answers

# Thank You