

## CREDIT RATING REPORT On APSCL NON-CONVERTIBLE AND FULLY REDEEMABLE COUPON BEARING BOND

**REPORT: RR/57645/22**

*This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. The rating will be valid for one year from the date of declaration. After the above period, the rating will not carry any validity unless the instrument goes for rating surveillance. CRISL followed Bond Rating Methodology published in CRISL website [www.crislbd.com](http://www.crislbd.com)*

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**Issue Rating:** AA

**Rating Base:**

Based on legal documents, term sheet and audited financials up to June 30, 2021

**Issuer:**

Ashuganj Power Stations Company Limited

**APSCL NON-  
CONVERTIBLE AND  
FULLY REDEEMABLE  
COUPON BEARING  
BOND**

**Issuance Amount:**

Tk.6000.00 million

**Trustee:**

ICB Capital Management Limited

**Coupon:**

8.50%-10.50% per annum

**Placement Process:**

Tk.5000.00 million in private placement

Tk.100.00 million in public placement

**Listing:**

Public placement are listed in both DSE & CSE

Issue Rating (Unsecured Subordinated Bond)	Long Term
Entity Rating	AA
Date of Rating Declaration	October 26, 2022
Rating Validity	October 25, 2023
Outlook	Stable

### 1.0 RATING RATIONALE

CRISL has reaffirmed the AA (pronounced as double A) rating to "APSCL Non-Convertible and Fully Redeemable Coupon Bearing Bond". The above rating has been reassigned in consideration of some strong fundamentals of the issue such as attractive coupon rate, provision of additional payment for late payment etc. CRISL also duly took into account the business prospects of Ashuganj Power Stations Company Limited (APSCL) that include good business performance, good liquidity as well as good debt serving capacity in rating consideration. The above factors are, however, moderated, to some extent, by unsecured debt instrument, subordination to Bank & FI liability, high finance cost burden of the issuer etc.

Securities rated in this category are adjudged to be of high credit quality and offer higher safety. This level of rating indicates a security with sound credit profile and without significant problems. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

CRISL also views "Stable" outlook of the issue rating which indicates it does not foresee any significant changes in rating in short to medium term.

### 2.0 ISSUE FEATURE: APSCL NON-CONVERTIBLE COUPON BEARING BOND

Ashuganj Power Stations Company Limited is one of the largest power generation company in Bangladesh. At present the installed capacity of its eight (8) units is 1,690 MW, which is 8.00% of the total power generation capacity in the country and 14% of total electricity generation capacity in the public sector. With the approval of Bangladesh Securities Exchange Commission (BSEC), APSCL issued Non-Convertible and Fully Redeemable Coupon Bearing Bonds (NCFRCBB or the issue) through private placement and public offer. The issue was Tk.6,000.00 million (private placement of Tk.5,000.00 million and public offer of Tk.1,000.00 million) and the issue price per bond was Tk.5,000 against face value of Tk.5,000.00 in case of private offer with 2,000 unit per lot. A total of 1,000,000 units worth Tk.5 billion have been sold under private placement. The issue price per bond was Tk. 5,000 against face value of Tk. 5,000.00 in case of public offer with 1 unit per lot. A total of 200,000 bonds worth Tk. 1 billion (redeemable and non-convertible in nature) have been sold to public. Investors in public placement of Tk.1,000.00 million are 530 individual investors, 204 institutional investors and 37 mutual funds as on July 04, 2022. NCFRCBB offered the private placement bond among institutional investors i.e. large corporations, banks, insurance companies, NBFI's, asset management firm, mutual funds and merchant banks and general investors. Investors in private placement of Tk.5,000.00 million are Agrani Bank Limited (20%), Bangladesh Infrastructure Finance and Fund Limited (20%), Rupali Bank Limited (15%), Janata Bank Limited (13%), Sonali Bank Limited (10%), Dutch Bangla Bank Limited (10%), Uttara Bank Limited (4%), ICB Asset Management Company (1%), ICB AMCL Unit Fund (1%), ICB Bangladesh fund (2%) and Sadharan Bima Corporation (4%). The issue will mature in seven years. The principal redemptions will start from 48<sup>th</sup> month and will be paid annually (25% per year) till 7<sup>th</sup> year. The coupon will be paid semi-annually. The first coupon will be paid after 12 months of the drawdown. The coupon rate will be Reference rate plus coupon margin or 8.50% whichever is higher. The reference rate is the 6 months average of 182 days Bangladesh Treasury bill (182 days T-bill). The coupon margin is 4.00%. The coupon rate will be between 8.50%-10.50% per annum (coupon ceiling rate is 10.50% and coupon floor rate

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is 8.50%).The issuer already paid its coupon in due time. Investment Corporation of Bangladesh (ICB) and BRAC EPL Investments Limited (BEIL) are the mandated lead arrangers and managers to the issue for both the private placement and public offer while ICB Capital Management Limited (ICML) acts as the Trustee to the Issue.

**3.0 ISSUER SUMMARY- ASHUGANJ POWER STATION COMPANY LIMITED**

**3.1 Genesis**

Ashuganj Power Station Company Limited is one of the largest power stations in Bangladesh having installed capacity of 1,690 MW (total 8 Units). APSCl was incorporated under the Companies Act 1994 on June 28, 2000 as a private limited company and thereafter converted into a public limited company under the reform program of the Government of Bangladesh (GoB). Ashuganj Power Station (APS) complex (with its asset and liabilities) was transferred to the APSCl through a provisional vendor's agreement signed between BPDB and APSCl on May 22, 2003. Initially its authorized share capital increased from Tk.1,000.00 million to Tk.15,000.00 million through a special resolution passed on March 01, 2003 and again authorized capital was increased from Tk.15,000.00 million to Tk.30,000 million on December 26, 2010. Its paid up capital was also increased to Tk.6,614.00 million on July 08, 2012 (here considering on the basis of provisional vendor's agreement, maximum Tk.6,614.00 million can be transferred to BPDB's paid up capital from its equity). As on June 30, 2021 the paid up capital stood at Tk. 12,492.30 million. All the activities of the company started formally on June 1, 2003. Total Sales revenue and net profit after tax of the company stood at Tk.22,843.61 million and Tk.2,468.78 million in FY2020-21. The power plant is located at Ashuganj, Brahmanbaria-3402 and Corporate office is located at Navana Rahim Ardent,185 Shahid Syed Nazrul Islam Soroni, Dhaka.

State owned entity

**3.2 Ownership Pattern as on June 30, 2021**

Being a Government Supported Entity (GSE), most of the shares are held by Bangladesh Power Development Board (99.99% of total share) and rests of the shares are distributed among Ministry of Finance, Ministry of planning, power division, MOPEMR & Energy Division.

SL No	Name of the Shareholder/representative	No of Shares
1.	Bangladesh Power Development Board (BPDB), Chairman	1,249,200,768
2.	Bangladesh Power Development Board (BPDB), Member (Generation)	10
3.	Bangladesh Power Development Board (BPDB), Member ( Planning and Development)	10
4.	Power Division - Secretary, MOPEMR	19,475
5.	Energy and Mineral Resources Division - Secretary, MOPEMR	10
6.	Finance Division - Secretary, Ministry of Finance	10,250
7.	Planning Division - Secretary, Ministry of Planning	10
<b>Total</b>		<b>1,249,230,533</b>

**4.0 ISSUER CREDIT RATING**

CRISL has performed shadow rating of Ashuganj Power Stations Company Limited (APSCl) from two distinct perspectives, firstly, as Government Support Entity (GSE) and secondly, as a commercial entity on stand-alone basis.

CRISL has assigned "AAA" (Triple A) rating in the Long Term and "ST-1" rating in the Short Term to Ashuganj Power Stations Company Limited, being state owned Power Generation Company. The above ratings have been assigned in consideration of the implied commitment of the Government of the People's Republic of Bangladesh to the entity. In addition, Government has been providing support both in financial and policy matters and in other areas to handle adverse situation which has been factored in the rating process.

CRISL has also assigned the Long Term rating of "AA+" (pronounced as double A plus) and Short Term rating 'ST-2' to Ashuganj Power Stations Company Limited, as a stand-alone

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commercial entity without considering the Government support or intervention on its commercial prudence.

The Long Term rating (AA+) indicates that entities rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions. The short term rating indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

CRISL also views the company with "Stable Outlook" believing that the company will be able to maintain its fundamentals with the same trend in the foreseeable future.

**5.0 TRUSTEE TO THE ISSUE**

**5.1 Background of Trustee**

ICB Capital Management Limited is a fully owned subsidiary of Investment Corporation of Bangladesh. The company obtained license from the Securities and Exchange Commission to act as Issue Manager, Underwriter, Portfolio Manager and to carry out other merchant banking operations under the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulations, 1996. The company incorporated under the Companies Act, 1994 on December 05, 2000 and obtained registration from the Securities & Exchange Commission on 16 October 2001. The company started its' operation from July 01, 2002 upon issuance of gazette notification by the Government. The Managing Director of ICB is the Chairman of the Board. The company has excellent working environment being equipped with logistics and computer facilities. The authorized capital and paid up capital of the company stood at Tk. 5,000 million and Tk. 3,296.47 million as on June 30, 2021.

**5.2 Roles and Responsibilities of the Trustee**

ICB Capital Management Limited is the Trustee to the issue as per approval of Bangladesh Securities and Exchange Commission (BSEC). The Trust Deed sets out the rights of the bondholders and the responsibilities of the Trustee. The Trustee will be entrusted with the responsibility of monitoring and ensuring that the interest and rights of the bondholders are fully protected. The Trustee has the following duties and powers in connection with the Trust.

To keep the money and assets representing the Trust Property (including enforcement proceeds) and to deposit and withdraw such moneys and assets as may be required from time to time;

To issue, manage and administer the Bonds in accordance with the terms of this Trust Deed and execute, acknowledge, confirm or endorse any agreements, documents, deeds, instruments and papers in connection therewith

To call any meetings of the Bondholders in accordance with the provisions of the Trust Deed and the Bonds and to facilitate the proceedings of such meeting as it deems appropriate in accordance with the terms of this Trust Deed

Upon instruction by the Bondholders in accordance with this Trust Deed, to sell or otherwise dispose of the Trust Property and close any bank accounts that may have been opened in pursuance of this Trust Deed after distribution of amounts standing to their credit

To do all such other acts, deeds and things as may be necessary and incidental to the above objects unless such acts require the prior consent of the Beneficiaries in accordance with this Trust Deed.

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### 5.3 Covenants of Event of Default

According to the draft Trust Deed, the following events, will be considered as the events of defaults and breach of covenants:

Default in the payment of principal of, or premium, if any, on, the Bonds when the same becomes due and payable at maturity, redemption or otherwise, provided that no such default shall be an Event of Default if caused by an administrative or technical error that is remedied within five Business Days of the relevant payment date.

An order is made or an effective resolution passed or analogous proceedings taken for the Issuer's winding up, bankruptcy or dissolution or a petition is presented and admitted by the relevant court, or analogous proceedings taken for the winding up or dissolution of the Issuer.

### 6.0 ESTIMATED RETURN FROM THE BOND

The investors are likely to get good return from their investment in NCFRCBB. The coupon will be paid semi-annually. The coupon rate will be Reference rate plus margin or 8.50% whichever is higher. The reference rate is the 6 months average of 182 days Bangladesh Treasury bill (182 days T-bill). The coupon margin is 4.00%. The coupon rate will be between 8.50%-10.50% per annum (coupon ceiling rate is 10.50% and coupon floor rate is 8.50%). The issuer shall pay a late payment penalty of 2% higher than the coupon rate and be payable on the amount not paid on the due date up till the date of actual payment.

Attractive coupon rate

### 7.0 UTILIZATION OF ISSUE PROCEEDS & REDEMPTION SCHEDULE

APSCL issued Non-Convertible fully redeemable coupon bearing Bond of Tk.6,000.00 million (private placement of Tk.5,000.00 million and public offer of Tk. 1,000.00 million). The company received Tk.5,000.00 million from private placement in the beginning of 2019 and Tk. 1,000.00 million from public offer in January 2020.

#### 7.1 Utilization of Issue Proceeds from Private Placement

Sl.	Particulars	Tk. in BDT Million
1	Construction of 400MW CCPP (East) Power Plant	600.00
2	L TSA Payment with Siemens (For 225 MW CCPP, 450 MW CCPP South & 450 MW CCPP North)	2,640.00
3	Initial payments of 1320 MW coal based power plant	1,000.00
4	Working capital	760.00
<b>Total</b>		<b>5,000.00</b>

#### 7.2 Utilization of Issue Proceeds from Public Placement

Sl.	Particulars	Tk. in BDT Million
1	Land development & civil works (400 MW East)	468.00
2	Primary Fuel (400 MW East)	300.00
3	Vehicle purchase (400 MW East)	36.00
4	Engineering & Consultancy service (400 MW East)	44.00
5	Working capital (400MW East)	109.90
6	IPO expenses	42.10
<b>Total</b>		<b>1,000.00</b>

#### 7.3 Redemption Schedule

The principal redemptions will be in four tranches, each tranche being 25 %of the principal amount commencing at the end of year-4 from the date of issuance in the following manner:

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Number of years	Redemption
1	Nil
2	Nil
3	Nil
4	25.00%
5	25.00%
6	25.00%
7	25.00%

### 8.0 PROJECT DETAILS

APSCL is one of the largest power stations in Bangladesh. Since the last decade, Ashuganj Power Station Company Ltd. has been producing the highest power and continuously increasing from 724 MW to 1,690 MW now. The company's main objective is to enhance electricity generation from existing 1,690 MW to 37924000 MW by 2030. The power station is located at Ashuganj, Brahmanbaria-3402 on 333 acres land. APSCL is also on the process of acquisition of further 930.62 acres of land in Dhankhali and Champapur Union of Kalapara Upazila of Patuakhali district under "The Land acquisition, land development and protection project". The power station is facilitated by 230 & 132 kv Grid, Medical center, Gas supply, Jetty crane, Training center, Workshop, Residence, School etc. In this station, natural gas from Bakhrabad Gas Distribution Company limited is used as primary fuel. Water from the river Meghna is used through intake channels for steam generation and cooling of the plants and some portion of the used water (after cooling) is thrown into the river Meghna through discharge channels. The main portion of the used water from the discharge channels are used for irrigation in the local area in the dry season. It is known that about 36,000 acres of land of Ashuganj are irrigated by this water.

Total installed capacity  
1,690 Mw

Name of the Unit	Year of Commissioning	Installed Capacity (MW)	Present Net Capacity (MW)
Unit - 3	1986	150	118.08
Unit - 4	1987	150	139.46
Unit - 5	1988	150	127.35
50 MW	2011	53	42.134
225 MW	2015	223	218.88
200 MW Modular (Co-Owner with United Enterprise)	2015	195	198.51
450MW CCPP (South)	2016	383	375
450MW CCPP (North)	2017	386	378
<b>8 Units</b>	<b>Total</b>	<b>1,690</b>	<b>1,597.41</b>

#### 8.1 Unit 3, 4 & 5

These units are the oldest plant of APSCL. At present the installed power generation capacity of these three units is 450 MW and during the considering period 2020-21, these units generate 735 million kWh of electricity with an average plant factor 20.08%, availability factor 94.59% and plant efficiency 28.79%. The total running hours of these units are 8527 hours in the reporting period. The average tariff rate per unit of electricity of these Units is Tk. 1.81. In the said period the sales proceed from these units was Tk.3,730 million against fuel cost of Tk.1,157 million.

#### 8.2 50MW GE

The gas engine power plant was installed by APSCL own fund. The installed power generation capacity of this plant is 53MW and during this period it generates 190 million kWh which fetched sales revenue of Tk.440 million. The fuel cost of this plant is Tk.225 million in this period. The plant factor of this plant is 40.44%, the availability factor 99.64% and the plant efficiency is 39.63%. The average tariff rate for this plant is Tk. 1.87. The total running hours of this plant are 8,583 hours in the reporting period.

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### 8.3 225MW CCPP

This is the first Export Credit Agency (ECA) financed project which started in 2013 and came into commercial operation in 2015. The installed capacity of this plant is 223 MW while during this fiscal it generates 1,603 million KWh of electricity. The average tariff rate of this plant is Tk.2.03. In this period the revenue & fuel cost of this plant are Tk. 5157million and Tk.1,707 million respectively. At present, the plant factor of this unit is 81.15% while the availability factor is 97.83% and plant efficiency is 48.51%. The total running hours of this plant are 8,539 hours in the reporting period.

### 8.4 450 MW CCPP (South)

Another ECA backed project is 450MW CCPP (South) whose works started in 2013 while the commercial operation launched in 2016. The installed capacity of this plant is 383 MW. In the last fiscal, this plant produced 2,046 million KWh of electricity which fetched Tk. 7,593 million in sales revenue. The fuel cost for generating such electricity from this plant is Tk.1,909 million. At this instant, the average tariff rate is Tk. 2.0044 for this plant. The plant factor of this plant is 60.55% while the availability factor is 81.49% and plant efficiency is 55.72%. The total running hours of this plant is 7,138 hours in the reporting period.

### 8.5 450MW CCPP (North):

The newest addition to the APSCS production portfolio is 450MW CCPP (North) plant which is mainly an ADB & IDB Financed project. The project work started in April 2014 while it has come into generation from June 2017. The installed capacity of this unit is 386 MW and, in this period, it generates 2,188 million KWh of electricity. The sales proceed from this electricity is Tk.5,922 while fuel cost is Tk. 2,034 million. The average tariff rate for this plant is Tk. 1.88 and the efficiency & plant factor is 55.33% & 65.57% respectively. The availability factor of this plant is 86.51%. The total running hours of this plant are 7,566 hours in the reporting period.

## 9.0 INDUSTRY OVERVIEW

The power and energy sector is one of the most growing sectors in Bangladesh. This sector has experienced considerable progress in meeting the demand for electricity. Electricity access, coverage and level of consumption have significantly increased over the years. As on 30<sup>th</sup> June 2022, 100% of total population has access to electricity.

The country's electricity generation capacity has been improving steadily and present installed capacity including import of electricity has reached at 22,482 MW up to June 2022. The share of total electricity generation capacity by the public sector power plants is about 45.06% while the rest 54.94% is generated by the private sector (including those of the IPPs, rental/quick rental), joint venture and imported from India. In other words, private sector is gradually becoming the dominant in power generation.

**Source Wise Electricity Generation: FY 2021-22**

Source	Number of Plants	Installed Capacity (MW)	Share of Total Capacity (%)
Public Sector	58	10,130	45.06
Joint Venture	01	1,244	5.53
Private (IPP/ Rental/Quick Rental)	94	9,948	44.25
Import	-	1,160	5.16
<b>Total</b>	<b>153</b>	<b>22,482</b>	<b>100.00%</b>

\*Source: Power Division Bangladesh

To achieve the aim to ensure the power and energy security through public investment there are total 34 power plants with capacity of 13,103 MW are under construction. Moreover, contracts under signing stage (LOI and NOA has provided) for the construction of 22 power plants with a capacity of 2,577 MW, Four (04) power plants with a capacity of 550 MW are in process of tendering and construction of 35 power plants with capacity of 12,923 MW is under planning stage up to 2030. Beyond these, One nuclear power plant of 2,400 MW is under construction stage and 1,996 MW (net capacity) is under process to be imported from India.

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However, a large part of the existing installed capacity is idle as the potential industrial consumers' demand remains much below the expected level. Though the government has successfully facilitated sufficient power generation capacity to make power available through the national electricity grid all over the country, industry owners broadly prefer depending on captive power generation and its use in their industries as the grid power so far cannot always reliably ensure quality power supply.

Experts fear that unutilized capacity for electricity generation may reach 50.00% or above in the near future. The Power System Master Plan recommends that the government should limit reserve generation capacity within 20-25 per cent. Idler power generation capacity has been causing not only the lost opportunity for the precious capital invested but also incurring huge regular expenses from the exchequer in the form of capacity charges. The capacity charges are paid by the government following its contractual obligations to private power plants based on calculated unutilized installed capacity.

Currently, the electricity generation cost at a gas-fired independent power producer (IPP) plant is below Tk. 3.0 per unit (one kilowatt-hour). The cost at a state-run gas-fired power plant is around Tk. 3.0 per unit, and at a gas-fired rental power plant around Tk. 4.0 per unit. The electricity generation cost at a government-owned furnace-oil fired power plant is Tk. 13-16 per unit, at a rental or quick rental power plant Tk. 9.5-13 per unit, and at an IPP plant Tk. 9.0-14 per unit. The electricity generation cost at a state-owned diesel-fired power plant is Tk. 15-32 per unit, and at a diesel-fired rental power plant Tk. 23-33 per unit. However, the cost of per unit supply of electricity at the bulk level of Bangladesh Power Development Board (BPDB) is Tk. 5.82 and its average selling price at the bulk level is Tk. 4.80.

Industries need power supply at an affordable price for retaining their competitiveness. Overdependence on imported fuel, especially liquid fuel for generating electric energy ignoring domestic fuel resources including coal and gas, may jeopardize the dream of attaining affordable energy supply and sustainable industrial growth.

**Fuel Based Capacity of Electricity Generation as on FY 2021-22**

Source	Number of Plants	Capacity (MW)	Share of Total Capacity (%)
Coal	03	1,768	7.86
Gas	67	11,476	51.05
HFO	64	6,329	28.15
HSD	10	1,290	5.74
Hydro	01	230	1.02
Solar	08	229	1.02
Import		1160	5.16
<b>Total</b>	<b>153</b>	<b>22,482</b>	<b>100%</b>

\*Source: Power Division Bangladesh

However, domestic natural gas, the largest primary energy source for electricity generation, has been falling short of supply for power generation. And the shortfall has been met by imported LNG, liquid petroleum and coal resulting in gas and electricity price escalation, as well as growing demand for subsidies. As per present projections, further reliance on imported LNG for the country's energy sector will start increasing in 2025 inviting further incremental rise in power and fuel gas prices in the near future. The government has plan to import substantive quantity of natural gas. Power System Master Plan 2016 (PSMP) prognoses that coal will be the cheapest primary energy and in future coal-fired power plants will increase in the county. On the other hand, supply, quality and price of coal will become very unstable in the future, as demands for coal supply in South and South East Asia have been increasing. PSMP projects that coal demand in 2040 will be approximately 60 million tons, hence domestic coal resource development will become more important by then than it is at present. Besides, there are changes in the use of technology in electricity generation. According to the analysis of Data provided by Power Division, Bangladesh, use of gas and steam turbine in power plants are less, while use of combined cycle power plants, are growing.

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In addition to that, to distribute the generated electricity, the electricity grid capacity and its highest generation have significantly increased. The transmission network has been found to be 13,889 circuit km long comprising 400, 230 and 132KV lines and the total distribution lines of 629,000 km as on June, 2022. In addition to that, another proposed project of constructing of 408km of transmission lines, substations and bay extensions has been on process. The Asian Infrastructure Investment Bank (AIIB) has agreed to finance the project.

The energy and power sector has expanded rapidly over the last one decade particularly with the public expenditure in power and energy sector. However, this sector needs to reduce lack of transparency, accountability, efficiency, irregularities and corruption. It is high time to pay attention to the primary energy sector particularly gas and coal. There should be gradual withdrawal of all sorts of inefficient activities such as operation of quick rental power plants, replacing low capacity/high cost power plants and renegotiating term and condition of payments for QRR power plants etc. Further demand for power and energy needs to be addressed based on the master plan. The governance in the power and energy sector institutions needs to be strengthened further.

### 10.0 CORPORATE GOVERNANCE

#### 10.1 Board of Directors

The Board of APSCCL consists of 12 members including Managing Director. The Board is Chaired by Mr. Md. Belayet Hossain. The Board is involved in setting key targets for the company, monitoring the progress, approving of long term strategic plan and adopting sufficient risk management systems to mitigate the core risks. The Board has conducted 18 meetings during FY2020-21 against 13 meetings in FY2019-20. The Board members list has been given below:

Name	Designation
Mr. Md. Belayet Hossain	Chairman
Professor Dr. Md. Quamrul Ahsan	Director
Professor Mamtaz Uddin Ahmed	Director
Mr. Abu Alam Chowdhury	Director
Mr. Al Mamun Murshed	Director
Mr. Md. Rashed Mahmood Russell	Director
Mr. Md. Ashraful Islam	Director
Ms. Tania Khan	Director
Mr. Md. A Hamid Zammader	Director
Mr. Mahmudul Kabir Murad	Director
Mr. Dhurjjati Prosad Sen	Director
Mr. A M M Sazzadur Rahman	Managing Director

12 members board

#### 10.2 Management Team

The operations of APSCCL are being looked after by an experienced management team and the team is led by Engr. AMM. Sazzadur Rahman, Managing Director of the company. He leads the team with the assistance of Mr. Kshitish Chandra Biswas, Executive Director (Planning & Development); Mr. Md. Mizanur Rahman Sarker, Executive Director (Finance) and Mr. Abu Hayat Mohammad Bodiuzzaman, Executive Director (Operation & Maintenance). Engr. AMM. Sazzadur Rahman was promoted to Managing Director of APSCCL on February 22, 2022. Prior to this assignment, Mr. Rahman served as Executive Director (Engineering). The Management team of APSCCL has been given below:

Name	Designation
Engr. AMM. Sazzadur Rahman	Managing Director
Mr. Kshitish Chandra Biswas	Executive Director (Planning & Development)
Mr. Md. Mizanur Rahman Sarker	Executive Director (Finance)
Mr. Abu Hayat Mohammad Bodiuzzaman	Executive Director (Operation & Maintenance)
Mr. Shah Alam Khan, P.Eng.	Chief Engineer, Maintenance Unit
Mr. Mohd. Abdul Mazid	Chief Engineer
Mr. Anwar Hossain	Chief Engineer (Operation and Maintenance)
Mr. Ratan Kumar Paul	Deputy General Manager(Finance & Accounts)
Mr. Mohammad Abul Mansur, FCMA, ACS	Company Secretary



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Experienced  
management team

#### 10.3 Human Resource Management

APSCCL recognizes human resource as the most important resource and for this it tries to create a congenial working environment within the company. APSCCL has dynamic diversified workforce of 864 as on June 30, 2021 of which 728 permanents, 96 no work no pay, 7 contractual and 8 teacher in school for vocational projects. The company follows service rule to deal with employees and to ensure transparency at all level. The company is providing long term employee benefits such as contributory provident fund and employee gratuity scheme. The company regularly arranges annual trainings covering Fire fighting & safety, water treatment, power plant mechanical maintenance etc. In order to improve productivity of the company's manpower, the company is continuously providing formal and informal training to its employees at its own training center (Power Plant Training Center-PPTC), on the job training at APSCCL, various trainings at institutions such as The Institute of Engineers Bangladesh, Bangladesh Power Management Institute, Bangladesh Institute of Management, Training Institute for Chemical Industries, Bangladesh Tax Training Institute, Institute of Cost and Management Accounts of Bangladesh etc. and also foreign trainings. During 2020-21, 74 trainings have been done by its own training center- PPTC where 1,578 participants attended with 9,424 man hrs. On job training at APSCCL, had been attended by 400 participants on 27 various subject spending 36,160 man hrs. In domestic training 52 various subject training has been performed with 204 participants spending 7,465 man hrs. Total Training man hrs. was 53049 in FY2020-21 which was 121,67% of target training man hrs. of 43,600.

#### 10.4 Board Committees

There are four standing committee formed by the Board members and they are Audit committee, Recruitment & promotion committee, Procurement review committee and Project Steering committee. The Audit committee consists of four members, Chaired by Prof. Mamtaz Uddin Ahmed; Recruitment & promotion committee consists of four members, Chaired by Mr. Khaled Mahmood; Procurement Review Committee consists of four members, Chaired by Dr. Md. Quamrul Ahsan; Project Steering committee consists of six members, Chaired by Mr. Khaled Mahmood.

### 11.0 BUSINESS & FINANCIAL PERFORMANCE

#### 11.1 Business & Financial Performance

Indicators	FY2020-21	FY2019-20	FY2018-19	FY2017-18
Total Revenue (In Mil. Tk.)	22,843.61	24,353.00	23,049.90	21,773.27
Gross Profit (In Mil. Tk.)	9,204.44	10,205.39	10,802.66	10,291.45
Net Profit after Tax (In Mil. Tk.)	2,468.78	2,514.03	4,047.63	3,295.85
Return on Average Assets (ROAA)%	2.05	2.14	3.66	3.22
Return on Average Equity (ROAE)%	10.00	11.07	20.83	22.03
Return on Average Capital Employed %	2.35	2.45	4.16	3.58
Gross Profit Margin%	40.29	41.91	46.87	47.27
Operating Profit Margin%	34.25	35.64	40.32	41.56
Net Profit Margin%	10.81	10.32	17.56	15.14
EPS	1.98	2.01	6.12	4.98

Overall business and financial performance of APSCCL has been found to be average with moderate downturn in revenue and return on asset & equity. During FY2020-21, the company supplied 6515.56 million KWh of electricity into the national grid which was 12.00% less than that of the previous period. Total revenue decreased to Tk.22,843.61 million in FY2020-21 from Tk.24,353.00 million in FY2019-20 with a negative growth of 6.20%. The revenue consisted of capacity payment of Tk.14,962.67 million, energy payment (O&M price) of Tk. 471.10 million, energy payment (fuel price) of Tk.7055.03 million and adjustment of price index of Tk.354.80 million in FY2020-21. The gross profit decreased to Tk.9204.44 million in FY2020-21 from Tk.10205.39 million in FY2019-20 with a margin of 40.29% and 41.91% respectively. The net profit after tax also declined and stood at Tk.2468.78 million in FY2020-

## CREDIT RATING REPORT On APSCS NON-CONVERTIBLE AND FULLY REDEEMABLE COUPON BEARING BOND

21 and Tk.2514.03 million in FY2019-20 with a margin of 10.81% and 10.32% respectively. The profitability of a company can also be measured in terms of Return on Average Assets (ROAA), Return on Average Equity (ROAE) and Return on Average Capital Employed (ROACE). These indicators have also been found to be average where ROAA, ROAE and ROACE stood at 2.05%, 10.00% and 2.35% respectively in FY2020-21.

### 11.2 Cost Efficiency

Indicators	FY2020-21	FY2019-20	FY2018-19	FY2017-18
Cost of goods sold to Revenue Ratio (%)	59.71	58.09	53.13	52.73
Operating and maintaining Exp to Revenue Ratio (%)	6.56	6.68	7.26	6.44
Finance Cost to Revenue Ratio (%)	16.85	19.31	15.52	14.68

Good financial performance

The cost efficiency related ratios of the company moved upward during FY2020-21. The cost to revenue ratio increased to 59.71% in FY2020-21 from 58.09% in FY2019-20. During the reporting period, APSCS reported significant increase in depreciation on plant and machinery (15.66% increase from previous year). The finance cost to revenue ratio stood at 16.85% in FY2020-21 and 19.31% in FY2019-20.

### 12.0 CAPITAL STRUCTURE

Indicators	FY2020-21	FY2019-20	FY2018-19	FY2017-18
Current assets	27,306.79	28,005.73	24,127.56	15,479.32
Less: Current liabilities	15,748.46	15,572.92	13,956.96	13,028.10
<b>Net Current Asset</b>	<b>11,558.33</b>	<b>12,432.81</b>	<b>10,170.60</b>	<b>2,451.22</b>
Add Non-current assets	93,646.55	92,284.39	90,445.64	91,376.67
<b>Capital Employed</b>	<b>105,204.87</b>	<b>104,717.20</b>	<b>100,616.24</b>	<b>93,827.89</b>
FINANCED BY				
Equity:				
Paid up capital	12,492.31	12,187.61	6,615.00	6,615.00
Equity of BPDP & Govt.	1,233.69	1,233.69	6,820.29	5,572.61
Retained earnings	11,813.61	9,742.29	8,137.15	4,420.26
Direct Grant	344.18	344.18	344.18	344.18
<b>Total Equity</b>	<b>25,883.79</b>	<b>23,507.78</b>	<b>21,916.62</b>	<b>16,952.06</b>
Non-Current Liabilities:				
Non-current liabilities and subordinated loan	79,321.08	81,209.42	78,699.62	76,875.83
<b>Capital Employed</b>	<b>105,204.87</b>	<b>104,717.20</b>	<b>100,616.24</b>	<b>93,827.89</b>
<b>Total Assets</b>	<b>120,953.33</b>	<b>120,290.12</b>	<b>114,573.20</b>	<b>106,855.99</b>
Leverage Ratio (X)	3.67	4.12	4.23	5.30
Short Term Leverage Ratio (X)	0.61	0.66	0.64	0.77
Long term Leverage Ratio (X)	3.06	3.45	3.59	4.53
Internal Capital Generation (%)	6.16	8.75	16.66	18.47

(Figure in Tk. Million)

Debt based capital structure

APSCS has been operating with leverage ratio of 3.67 times as on June 30, 2021. The capital employed as on June 30, 2021 stood at Tk.105,204.87 million consisting of net current asset of Tk. 11,558.33 million and fixed assets of Tk. 93,646.55 million. The above capital has been financed by shareholder's equity of Tk.25,883.79 million and noncurrent liabilities of Tk.79,321.08 million. The short term leverage ratio stood at 0.61 times in FY2020-21 and 0.66 times in FY2019-20. The long term leverage ratio stood at 3.06 times in FY2020-21. The components of shareholder's equity as on June 30, 2021 included share capital of Tk. 12,492.31 million, equity of BPDB and Govt. of Tk.1,233.69 million, direct grant of Tk.344.18 million and retained earnings of Tk.11,813.61 million.

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**13.0 LIQUIDITY AND CASH FLOW ANALYSIS**

Indicator	FY2020-21	FY2019-20	FY2018-19	FY2017-18
Current Ratio (X)	1.73	1.80	1.73	1.19
Quick Ratio (X)	1.45	1.50	1.56	1.01
Operating Cash flow (Tk.in million)	9,881.17	9,876.12	12,680.59	9,202.92
Operating Cash flow to current debt	0.63	0.63	0.91	0.71
Operating Cash flow coverage Ratio (Current Maturity in Times)	1.16	1.26	1.75	1.22
Operating cash to Debt Service (in times)	0.80	0.79	1.17	0.86

Good liquidity

Being a power generation company not alike the other inventory based manufacturing companies, APSCL depends highly on its early realization of receivables from BPDB to support its liquidity. Albeit its revenue flow has been structured through PPA, presently it has to delay almost 45 days to cash its receivable from BPDB. However, CRISL perceived that, if receivable from BPDB becomes higher, liquidity of the company may be affected in future, which will also hamper the repayment of financial obligation duly. The current ratio stood at 1.73 times in FY2020-21 and 1.80 times in FY2019-20. The quick ratio stood at 1.45 times in FY2020-21 and 1.50 times in FY2019-20. The operating cash flow as on June 30, 2021 stood at Tk.9,881.17 million, which indicates good liquidity of the power company.

**14.0 LIABILITY AND PAYMENT EFFICIENCY**

**14.1 Liability Position**


Financing parties	Outstanding as on 30.06.2021	Outstanding as on 30.06.2020	Purpose
The Government of Bangladesh	3,291.98	2,850.43	450 Mw (North), 1320 Coal based power plant, 400 Mw (east) & overhauling Unit 3,4 & 5
Foreign Loan	30,343.07	28,835.09	450 Mw (North), 400 Mw (east) and overhauling Unit 3,4 & 5
Export Credit Agency (ECA)	18,148.33	23,380.11	450 Mw (south) and 225 Mw
Bond payable	6,000.00	6,000.00	400 MW CAPP (East) Power plant, 1320 Coal based power plant
<b>Total</b>	<b>57,783.38</b>	<b>55,065.63</b>	

As on June 30, 2021 the total loan and bond liability stood at Tk. 57,783.38 million consisting of Government loan of Tk.3,291.98 million, foreign loan including ADB & IDB loan of Tk.30,343.07 million, ECA loan of Tk.18,148.33 million and bond payable of Tk.6,000.00 million.

**14.2 Payment Efficiency and Creditworthiness**

Indicator	FY2020-21	FY2019-20	FY2018-19	FY2017-18
Debt Service Coverage Ratio (X)	1.09	1.08	1.61	1.67
Interest Coverage Ratio (X)	2.12	1.90	2.53	2.36

Though the debt servicing coverage capacity (DSCR) of the company is low but still it is in a comfortable position to pay off its external liabilities. The DSCR stood at 1.09 times in FY2020-21 and 1.08 times in FY2019-20. The interest coverage ratio (ICR) stood at 2.12 times in FY2020-21 and 1.90 times in FY2019-20.

  
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**15.0 RISK MANAGEMENT****15.1 Issue Related Risk****15.1.1 Unsecured debt instrument**

There is no specific charge creation over the fixed or floating assets of the company against the bond issue whereas the other lenders will get priority on first charge basis over the fixed and floating assets of the company. In this case, the bondholders are strategically becoming subordinated to those lenders. So, for any default in loan repayment, bondholders will not get priority over other lenders.

**15.1.2 Late Payment Risk**

Late payment risk arises from delay in payment of bond redemption amount. In case of late repayment, the issuer shall pay a late payment penalty of 2% higher than the coupon rate and be payable on the amount not paid on the due date up till the date of actual payment. Hence, the issue is less exposed to late payment risk.

**15.1.3 Bond Repayment Risk**

Redemption risk arises from the failure of the issuer to redeem the bond at the end of the 4th, 5th, 6th and 7th year from the issue date. APSCL has to pay off the bond subscribers with an amount of Tk.1500.00million each at the end of mentioned year. Significant amount of cash outflow from the company at one time may create pressure on its cash flow as well as liquidity. However, it has been estimated that the company may be able to manage the situation with its regular inflow of cash.

**15.1.4 Transferability Risk**

Transferability risk arises when the bondholder faces difficulty to sell the bond. The company collected Tk. 5,000.00 through Private placement. As a significant portion of the bond is issued under private placement and is not proposed to be listed, the bondholders are exposed to easy transferability risk. However, the company raised Tk. 1,000.00 million through public offer which is listed with DSE/CSE.

**15.2 Issuer Related Risk****15.2.1 Receivable Collection Risk**


APSCL supplies power to BPDB from its plant and APSCL's ability to service its both existing and future debt obligations rest on buyer's ability to meet the tariff payments under the PPA. As on June 30, 2021 the account receivable of the company stood at Tk. 4307.70 million from BPDB. However, if receivable from BPDB becomes higher, liquidity of the company may be affected in future, which will also hamper the repayment of financial obligation duly. Hence, APSCL is exposed to receivable collection risk to some extent.

**15.2.2 Liquidated Damage Risk**

If the initial dependable capacity is set at a level that is below the contracted facility capacity, liquidated damage will be paid by the company and initial dependable capacity shall be deducted from the monthly invoice; the liquidated damage is only applicable if the difference is above 5% of the contracted facility capacity.

**15.2.3 Operation & Maintenance Risk**

Among the 8 power plant units, Unit- 3, 4 and 5 is very old plant. Unit- 3, 4 and 5 were commissioned in 1986, 1987 and 1988 respectively. Therefore these plant and machineries are required regular maintenance and overhauling which is very costly.

  
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### 15.2.4 Gas supply risk

As per the agreement with BPDB, Bakhrabad Gas Distribution Company limited is responsible for supplying of gas in appropriate specification and quantity to all project. The company is guaranteed by BPDB for gas supply agreement with required quantity and pressure. The company is yet to face any shortage of gas supply or required gas pressure from its inception. Again, availability of gas, being a natural resource is not fully dependent on supplier's commitment. Therefore, project has dependency risk for availability of natural gas. However, as the scarcity of natural gas is going on, like other the power plants in the country, APSCL might face the shortage of gas in near future which will ultimately affect its business operation.


### 16.0 OBSERVATION SUMMARY

<p><b>Rating Comforts:</b></p> <p><b>Issue:</b></p> <ul style="list-style-type: none"> <li>• Provision of additional payment for late payment</li> <li>• Attractive coupon rate</li> </ul> <p><b>Issuer:</b></p> <ul style="list-style-type: none"> <li>• Profitable business performance</li> <li>• Good liquidity</li> <li>• Good debt servicing capacity</li> <li>• One of largest power station of Bangladesh</li> <li>• Government supported entity</li> <li>• Experienced top management</li> <li>• Good infrastructural facilities</li> </ul>	<p><b>Rating Concerns:</b></p> <p><b>Issue:</b></p> <ul style="list-style-type: none"> <li>• Unsecured debt instrument</li> <li>• Exposure to late payment risk subordination to Bank &amp; FI liability</li> </ul> <p><b>Issuer:</b></p> <ul style="list-style-type: none"> <li>• Debt based capital structure</li> <li>• Low return on assets</li> <li>• High finance cost burden</li> <li>• Liquidated damage risk</li> <li>• Operation &amp; maintenance risk</li> </ul>
<p><b>Business Opportunities:</b></p> <p><b>Issue:</b></p> <ul style="list-style-type: none"> <li>• Development of financial market in Bangladesh</li> <li>• Changes in Govt. regulations</li> </ul> <p><b>Issuer:</b></p> <ul style="list-style-type: none"> <li>• Significant deficit of electricity generation</li> <li>• Implementation of coal based power plant</li> </ul>	<p><b>Business Challenges:</b></p> <p><b>Issue:</b></p> <ul style="list-style-type: none"> <li>• Lower market depth of Bangladesh financial market</li> <li>• Mostly dependent on institutional investor for subscription</li> </ul> <p><b>Issuer:</b></p> <ul style="list-style-type: none"> <li>• Scarcity of natural gas</li> </ul>

### END OF THE REPORT

*(Information used herein is obtained from sources believed to be accurate and reliable. However, CRISL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement)*

*[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]*

  
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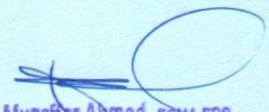
## CREDIT RATING REPORT

### On

### APSCS NON-CONVERTIBLE AND FULLY REDEEMABLE COUPON BEARING BOND

#### RATING SCALES LONG-TERM RATING OF DEBT INSTRUMENTS

RATING	DEFINITION
<b>AAA</b> Triple A (Highest Safety)	<b>Investment Grade</b> Securities rated in this category are adjudged to be of highest credit quality. This level of rating indicates highest level of safety for timely payment of interest and principal. Risk factors are negligible and nearest to risk free government securities.
<b>AA+, AA, AA-</b> (Double A) (High Safety)	Securities rated in this category are adjudged to be of high credit quality and offer higher safety. This level of rating indicates a security with sound credit profile and without significant problems. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.
<b>A+, A, A-</b> Single A (Adequate Safety)	Securities rated in this category are adjudged to be of good credit quality and offer adequate safety for timely repayment of financial obligations. Protection factors are considered variable and more susceptible to changes in circumstances than securities in higher-rated categories.
<b>BBB+, BBB, BBB-</b> Triple B (Moderate Safety)	Securities rated in this category are adjudged to offer moderate safety for timely repayment of financial obligations. This level of rating indicates deficiencies in certain protective elements but still considered sufficient for prudent investment. Risk factors are more variable in periods of economic stress than those rated in the higher categories.
<b>BB+, BB, BB-</b> Double B (Inadequate Safety)	<b>Speculative Grade</b> Securities rated in this category are considered to be of speculative grade but deemed likely to meet obligations when due. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down frequently within this category.
<b>B+, B, B-</b> Single B (High Risk)	Securities rated in this category are considered to be of highly speculative grade. This level of rating indicates high risk associated with timely repayment of interest and principal. Financial protection factors will fluctuate widely according to economic cycles, industry conditions and/or company fortunes. Potential exists for frequent changes in the rating within this category or into a higher or lower rating grade.
<b>CCC+, CCC, CCC-</b> (Vulnerable)	Securities rated in this category are currently vulnerable to non-repayment, and is dependent upon favorable business conditions for the obligor to meet its financial commitments on the obligation.
<b>CC+, CC, CC-</b> (High Vulnerable)	Securities rated in this category is currently high vulnerable to non-repayment.
<b>C+, C, C-</b> (Near to Default)	Securities rated in this category are considered to be near to default. Protection factors are scarce. Timely repayment of interest and principal is possible only if favorable circumstances continue.
<b>D</b> (Default)	<b>Default Grade</b> Defaulted debt obligations. Issuer failed to meet scheduled principal and/or interest payments.

  
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DISCLOSURE AS PER RULE 8(b) of BSEC NOTIFICATION NOVEMBER 17, 2009.

We, Credit Rating Information & Services Limited (CRISL) while assigning this rating to **"APSCL Non-Convertible and Fully Redeemable Coupon Bearing Bond"** hereby solemnly declare that:

- (i) We, Credit Rating Information & Services Limited (CRISL) as well as the analysts of the rating have examined, prepared, finalized and issued this report without compromising with the matters of our conflict of interest, if there be any;  
And
- (ii) We have complied with all the requirements, policy and procedures of these rules as prescribed by the Bangladesh Securities and Exchange Commission vide No. BSEC/CMRRCD/2001-27/01/Admin/01-41 dated November 17, 2009 in respect of this rating.

  
Muzaffar Ahmed, FCMA, FCS  
President and CEO  
Credit Rating Information and Services Ltd