KOT ADDU POWER COMPANY LIMITED

Analyst:
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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A+	A1	A+	A1
RATING OUTLOOK/ WATCH	Stable		Rating Watch - Developing	
RATING ACTION	Maintained		Maintained	
RATING DATE	November 11, 2026		March 31, 2026	

Shareholding (5% or More)	Other Information
Pakistan Water and Power Development Authority – 40.25%	Incorporated in 1996
MCB Bank Limited –9.43%	Public Listed Company
KAPCO Employees Empowerment Trust – 5.48%	**Chief Executive Officer:** Waqar Ahmed Khan
United Bank Limited - Trading Portfolio – 5.00%	**Chairman:** Lt. General (Retd) Muhammad Saeed
	External Auditor: A.F. Ferguson & Co., Chartered Accountants

Applicable Rating Methodology

V IS Entity Rating Criteria Methodology – Corporates Rating
https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf
Government Supported Entities
https://docs.vis.com.pk/Methodologies-2025/GSEntities.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

Assigned ratings reflect the Company's strategic importance to Pakistan's power infrastructure, including black-start functionality and the resumption of operations under a revised three-year Tripartite Power Purchase Agreement (TPPA). The Company's sizeable liquid asset base, manageable leverage and ongoing strategic repositioning through investments in Attock Cement Pakistan Limited (ACPL) provide further support. KAPCO is pursuing a strategic transition to diversify its earnings base beyond conventional thermal power generation, with its investment in ACPL representing a key step in this direction. The new investments, alongside potential future diversification initiatives, are expected to contribute to profitability over the medium term and gradually reduce the Company's reliance on its existing power generation arrangements. The extent of these benefits will depend on the operating performance and cash-generating capacity of the new investments, as well as the sustainability of KAPCO's core operations. Accordingly, successful execution of the diversification strategy, prudent capital allocation and preservation of liquidity will remain important to strengthening the Company's financial profile.

Company Profile

Kot Addu Power Company Limited (the Company or KAPCO), was incorporated in Pakistan on April 25, 1996 as a public limited company under the Repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on April 18, 2005 on Pakistan Stock Exchange Limited. The principal activities of the Company are to own, operate and maintain a multi-fuel fired power station at Kot Addu, District Muzaffargarh, Punjab, Pakistan and to sell the electricity produced therefrom to a single customer, Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA) which was initially for a period of 25 years. WAPDA irrevocably transferred all of its rights, obligations and liabilities under the PPA to Central

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Power Purchasing Agency Guarantee Limited (CPPA-G) (Power Purchaser) thereunder via Novation Agreement which became effective on May 21, 2021 after approval from the relevant authorities. The PPA was extended by 16 months from June 26, 2021, pursuant to the terms of Master Agreement and the Third Amendment to the PPA, which expired on October 24, 2022. On June 3, 2025 the Company signed a new Tripartite Power Purchase Agreement (TPPA) for 495 MW capacity with CPPA-G and National Grid Company of Pakistan Limited (NGC). The TPPA is effective from September 13, 2025, and has a duration of 3 years from effective date. The Company has a corporate office located in Lahore and registered office located in Islamabad.

Management and Governance

KAPCO's ownership profile is anchored by WAPDA, which holds a 40.25% stake, while the remaining shareholding is distributed among institutional investors including MCB (9.43%), the KAPCO Employees Empowerment Trust (5.48%) and UBL (5.00%), while remaining is publicly held.

KAPCO's governance framework is supported by a Board comprising independent and non-executive directors, with representation from diverse professional backgrounds. The Board includes three independent directors, five non-executive directors and female representation through Ms. Mahwish Humayun Khan. Lt. General (Retd.) Muhammad Saeed, HI (M), who also serves as Chairman of WAPDA, was appointed Chairman of KAPCO's Board in August 2025. At the management level, Mr. Waqar Ahmad Khan was appointed Chief Executive Officer for a three-year term commencing July 1, 2026, following the resignation of Mr. Shahab Qader Khan in February 2026 and an interim arrangement under the CFO. The new CEO brings over 30 years of leadership and technical experience in Pakistan's energy sector, having previously served as Chief Executive of National Power Parks Management Company Limited, Rousch (Pakistan) Power Limited and Star Hydro Power Limited. His experience is expected to support the Company in navigating its evolving contractual arrangements and pursuing diversification opportunities.

The Company's financial statements for FY26 were audited by A.F. Ferguson & Co., Chartered Accountants, an audit firm included in Category 'A' of the SBP's Auditors' List. The auditors issued an unqualified opinion. However, contingent tax liabilities arising from pending income tax and sales tax cases were highlighted as a key audit matter. The auditors reviewed management's assessment, obtained external legal confirmations and evaluated the adequacy of the related disclosures. While no qualification was issued, the eventual outcomes of these proceedings remain relevant to the Company's financial risk assessment.

Business Risk

INDUSTRY

During FY25 and FY26, the policy framework shifted decisively towards capacity rationalization, IPP restructuring, lower reliance on imported fuels, competitive procurement and tighter fiscal discipline. However, power sector circular debt stood at PKR 1.67tr (June 2025: PKR 1.61tr) as of June 2026 reflecting a net increase of PKR 61b. This increase was cushioned by stock payments of approximately PKR 302 billion, offsetting the PKR 364 billion increase in aggregate circular debt in FY26 compared to SPLY demonstrating persistent structural weaknesses in distribution, collections and tariff administration.

Indicator	FY25	FY26
Installed generation capacity (MW)	46,275	49,651
Thermal share of capacity %	57	49.2
Total generation (GWh)	135,000	128,700
Thermal share of generation %	48.8	46.9
Thermal plant utilization %	43	38.0 – 40.0
Power purchase cost (PKR in trillion)	2.94	3.34
Circular debt stock (PKR in trillion)	1.614	1.675
FY2026–27 power subsidy (PKR in billion)	—	830
FY2026–27 IPP payment allocation (PKR in billion)	—	252
Competitive procurement (MW)	—	Initial 800

Sources: NEPRA, CPPA-G, Industry reports

The FY26-27 Federal Budget is broadly consistent with the reform trajectory: power subsidies are budgeted at PKR 830 billion, an explicit PKR 252 billion is allocated for IPP payments, and the previous dedicated circular-debt containment allocation has been removed. Accordingly, the sector's medium-term trajectory is viewed as gradually improving but still highly exposed to execution and policy risks. Structural cost reduction is likely to favor efficient and indigenous-fuel generation assets, while older

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thermal IPPs with high fixed costs, muted dispatch prospects or expensive fuel structures will remain under pressure. The ultimate improvement in sector credit quality will depend less on further tariff increases and more on whether Pakistan can achieve sustained reductions in distribution losses, improve collections, prevent new over-contracting and transition successfully toward a competitive electricity market.

OPERATIONAL PERFORMANCE

Following the expiry of its initial 25-year Power Purchase Agreement (PPA) in late 2022, KAPCO executed a three-year Tripartite Power Purchase Agreement (TPPA) for its 495 MW generation facility and associated switchyard. NEPRA approved the IGCEP 2025–35 on September 11, 2026, wherein KAPCO has been retained till 2028-29 as per TPPA term. Effective September 13, 2025, the facility operates under a hybrid tariff structure, comprising a 25% take-or-pay component covering fixed costs and providing a minimum 25% return on equity at 25% availability, while the remaining 75% is based on actual dispatch. The arrangement provides a baseline level of revenue, with additional earnings dependent on dispatch.

Metric	Unit	FY23	FY24	FY25	FY26
Net Output	GWh	588	–	53	479
Thermal Efficiency	%	42.3	–	40.9	44.1
Load Factor	%	5.5	–	16.4	11.1
Availability	%	97.8	–	99.0	96.6

The reference generation tariff was established in September 2025 at Rs. 32.6333/kWh for RLNG and Rs. 33.9899/kWh for LSFO for Block-IIA, and Rs. 30.0863/kWh for RLNG and Rs. 31.5572/kWh for LSFO for Block-I. Fuel cost fluctuations are passed through to CPPA-G, limiting their direct impact on operating margins. However, fixed and variable O&M costs are subject to inflation indexation, while capacity charges are influenced by interest rate movements. The disallowance of RLNG standby letter of credit costs and the absence of return-on-equity indexation under the hybrid framework remain relevant considerations. Diversification through ACPL acquisition: During FY26, KAPCO and Fauji Cement Company Limited (FCCL) each acquired a 46.02% stake in Attock Cement Pakistan Limited (ACPL), which is expected to contribute to future profitability of the Company. Management is also evaluating further diversification opportunities. The realization of these initiatives, alongside the sustainability of KAPCO's revised power purchase arrangements, will remain important considerations in assessing its future operating and financial profile.

SALES & PROFITABILITY

Following a prolonged period of plant inactivity, during which profitability was primarily supported by investment income, KAPCO's operating performance recovered in FY26 with the resumption of power generation under a new three-year Transitional Power Procurement Agreement (PPA). Generation increased to 479 GWh from 53 GWh in FY25, driving net revenue to Rs. 19.16b (FY25: Rs. 1.5b; FY24: nil). The improvement in revenue, alongside higher thermal efficiency, narrowed the gross loss to Rs. 38.5m (FY25: Rs. 438.0m). Operating expenses also declined substantially to Rs. 990.8m (FY25: Rs. 3.39b), primarily reflecting the cessation of plant preservation costs following the resumption of operations. Other income, while remaining a significant contributor to profitability, declined to Rs. 4.87b (FY25: Rs. 7.07b), on account of liquidation of investments towards the acquisition of ACPL. However, the recovery in operating revenue, lower operating expenses and continued investment income supported an increase in profit before tax to Rs. 3.83b (FY25: Rs. 2.99b). However, higher taxation largely offset this improvement, keeping net profit broadly stable at Rs. 2.52b (FY25: Rs. 2.54b).

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Financial Risk

CAPITAL STRUCTURE

KAPCO's capital structure remains manageable, although financial leverage increased in FY26 following debt-funded investment in ACPL and a gradual contraction in the equity base amid dividend distributions. Total borrowings rose to Rs. 21.2b, comprising Rs. 7.9b in short-term loans and long-term foreign currency facilities of USD 47.5m (approximately Rs. 13.3b), repayable in quarterly installments through April 2029. Consequently, debt leverage increased to 0.48x at end-FY26 (FY25: 0.14x), while equity declined marginally to Rs. 56.2b (FY25: Rs. 57.1b). The Company also placed Rs. 13.6b in long-term deposits under lien as cash margin against the foreign currency facilities, providing collateral coverage but limiting the availability of these funds for general liquidity purposes. Despite the increase in leverage, KAPCO's liquidity position remains supported by a historically strong liquid asset base that has exceeded total borrowings over the past four years, resulting in negative net gearing. Going forward, maintaining low net gearing will be critical in sustaining the credit risk profile of the company.

DEBT COVERAGE & LIQUIDITY

Funds from operations declined in FY26, partly reflecting the reversal of a PKR 1.8b provision against fuel stock under net realizable value (NRV), which supported reported profitability without a commensurate cash flow benefit. Meanwhile, the resumption of power generation increased working capital requirements, necessitating greater reliance on short-term borrowings. Additional debt was also raised to finance the ACPL acquisition which was accompanied by liquidation of investments, resulting in normalization of the current ratio to 2.37x. While cash and cash equivalents of approximately Rs. 23b provide a substantial liquidity buffer, debt servicing capacity remains constrained pending a meaningful contribution from new investments and sustained cash flow generation from core operations.

Working capital management remains sensitive to collections from CPPA-G, with outstanding trade debts increasing to Rs. 3.5b at end-FY26 (FY25: Rs. 2.5b), of which Rs. 3.2b remained disputed (FY25: Rs. 2.5b). Although dividend payouts declined in FY26, future distributions will remain a key consideration given the additional acquisition-related debt and competing funding requirements.

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FINANCIAL SUMMARY				
Balance Sheet (PKR Millions)	**FY23A**	**FY24A**	**FY25A**	**FY26A**
Property, plant and equipment	1,931.2	1,929.1	1,818.3	1,847.0
Long-term Investment - ACPL	-	-	-	21,247.3
Stock-in-trade	11,565.5	9,836.5	7,709.5	5,230.1
Trade debts	26,611.4	10,866.1	1,881.6	4,526.0
Short-term Investments	50,101.5	47,425.9	41,071.8	11,121.9
Cash & Bank Balances	1,919.8	2,784.3	1,367.4	12,386.6
Other Assets	9,718.7	8,709.5	11,404.7	27,064.2
Total Assets	**101,848.2**	**81,551.3**	**65,253.4**	**83,423.1**
Creditors	419.4	18.9	69.1	206.2
Long-term Debt (incl. current portion)	-	-	-	13,304.2
Short-Term Borrowings	22,153.7	9,944.2	-	7,912.1
Total Debt	**22,153.7**	**9,944.2**	**-**	**21,216.3**
Other Liabilities	13,191.4	9,626.7	8,086.2	5,766.7
Total Liabilities	**35,764.4**	**19,589.8**	**8,155.3**	**27,189.2**
Paid up Capital	8,802.5	8,802.5	8,802.5	8,802.5
Revenue Reserve	56,836.7	52,714.5	47,851.1	46,986.9
Capital Reserve	444.4	444.4	444.4	444.4
Equity (excl. Revaluation Surplus)	**66,083.7**	**61,961.4**	**57,098.1**	**56,233.9**
Income Statement (PKR Millions)	**FY23A**	**FY24A**	**FY25A**	**FY26A**
Net Sales	25,435.3	-	1,563.3	19,162.5
Gross Profit	2,062.2	-	(438.2)	(38.5)
Other income	15,829.6	14,630.0	7,073.4	5,226.2
Finance Costs	6,252.9	3,779.8	248.4	366.9
Profit Before Tax	6,819.3	5,539.2	2,995.1	3,830.0
Profit After Tax	**3,958.8**	**4,313.6**	**2,536.1**	**2,519.6**
Ratio Analysis	**FY23A**	**FY24A**	**FY25A**	**FY26A**
Gross Margin	8.1%	-	-28.0%	-0.2%
Net Margin	15.6%	-	162.2%	13.1%
Funds from Operation (FFO) (PKR Millions)	682.1	(4,681.1)	195.7	(5,478.8)
FFO to Total Debt	3%	-47%	-	-26%
FFO to Long Term Debt	-	-	-	-41%
Gearing (x)	0.34	0.16	-	0.38
Net Gearing (x)	(0.45)	(0.65)	(0.74)	(0.04)
Leverage (x)	0.54	0.32	0.14	0.48
Debt Servicing Coverage Ratio (x)	1.12	0.46	3.77	(0.77)
Current Ratio (x)	3.01	4.37	7.83	2.72
(Stock in trade + trade debts) / STD (x)	1.72	2.08	-	1.23
Return on Average Assets	3.32%	4.70%	3.46%	3.39%
Return on Average Equity	5.88%	6.74%	4.26%	4.45%

A: Audited Accounts

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REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Kot Addu Power Company Limited				
Sector	Power				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	**Rating Date**	**Medium to Long Term**	**Short Term**	**Rating Outlook/Rating Watch**	**Rating Action**
		Rating Type: Entity			
	11-11-26	**A+**	**A1**	**Stable**	**Maintained**
	31-03-26	A+	A1	RW - Developing	Maintained
	24-01-25	A+	A1	Stable	Maintained
	08-01-24	A+	A1	RW - Developing	Downgrade
	12-01-23	AA	A1	Stable	Downgrade
	10-12-21	AA+	A1+	RW - Developing	Maintained
	14-12-20	AA+	A1+	RW - Developing	Maintained
	02-12-19	AA+	A1+	Stable	Reaffirmed
	31-12-18	AA+	A1+	Stable	Reaffirmed
	18-12-17	AA+	A1+	Stable	Reaffirmed
	28-11-16	AA+	A1+	Stable	Reaffirmed
	20-11-15	AA+	A1+	Stable	Reaffirmed
	29-12-14	AA+	A1+	Stable	Reaffirmed
	20-09-13	AA+	A1+	Stable	Reaffirmed
	03-05-12	AA+	A1+	Stable	Reaffirmed
	21-02-11	AA+	A1+	Stable	Initial
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meetings Conducted	**Name**	**Designation**	**Date**		
	Zubair Aslam	Financial Controller	10-10-2026		

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