VIS
Credit Rating Company Limited

RATING REPORT

ENGRO POWERGEN QADIRPUR LIMITED

Analysts:
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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	AA-	A1	AA-	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Maintained	
RATING DATE	November 06, 2025		September 04, 2024	

Shareholding (5% or More)	Other Information
Engro Energy Limited - 68.89%	Incorporated in 2006
	Public Limited Company (listed)
	Chief Executive: Mr. Adeel Qamar
	External Auditor: A.F. Ferguson & Co Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

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

Rating Rationale

Engro Powergen Qadirpur Limited ((‘EPQL’ or the ‘Company’), a subsidiary of Engro Energy Limited (EEL), operates a 217 MW combined-cycle power plant under a power purchase agreement (PPA) with Central Power Purchasing Agency (guarantee) Limited (CPPA-G) valid till 2035. With the ongoing depletion of the Qadirpur gas field, the Company faces heightened fuel supply risk; however, the Company requested modifications to its generation license and tariff, approved by NEPRA in December 2023 and February 2024 for Petroleum Exploration Limited (PEL) gas and executed Gas Sale and Purchase Agreement with PEL for 8–13 mmscfd of low-BTU gas from the Badar field in August 2024. Subsequently, the supplemental agreement to the PPA has also been signed with CPPA-G. The arrangement is expected to support operational continuity once fully implemented.

Following the execution of the amended PPA effective November 1, 2024, EPQL has transitioned to a hybrid take-and-pay structure with revised return parameters. While the change introduces revenue variability, the continued capacity payments, low leverage, and fully paid project debt provides comfort. In addition, assigned ratings take into account strong backing of the Engro Group. The group’s financial strength and management expertise provide stability and support, particularly in navigating fuel transitions and regulatory developments.

Company Profile

Engro Powergen Qadirpur Limited ('EPQL' or the 'Company') was incorporated in 2006 as a private limited company and operates as an independent power producer (IPP) under the power policy, 2002. The Company owns and operates a 217.3 megawatt (MW) combined-cycle power plant, which commenced commercial operations on March 27, 2010. Electricity generated is supplied to the National Transmission and Dispatch Company (NTDC) under a power purchase agreement (PPA) signed in 2007, with a validity of 25 years from the commercial operations date (COD). In February 2021, following the execution of a master agreement with the Government of Pakistan (GoP), the PPA and related agreements were novated to the Central Power Purchasing Agency (guarantee) Limited (CPPA-G). Effective November 1, 2024, EPQL signed Negotiated Settlement Agreement with CPPA-G and Private Power and Infrastructure Board (PPIB) , introducing a Hybrid Take-and-Pay model entitling the company to 35% of ROE and ROEDC as capacity payments, with incremental returns linked to higher dispatch.

EPQL was listed on the Pakistan Stock Exchange (PSX) in 2014. Engro Holdings Limited (ENGROH) (Formerly Dawood Hercules Corporation Limited) holds a majority stake of 68.89% through its subsidiary, Engro Energy Limited (EEL), while the remaining shares are held by institutional and public investors. The plant, located near Qadirpur in Sindh, operates on a 1+1+1 configuration comprising one gas turbine, one heat recovery steam generator, and one steam turbine. The project converts low- British Thermal Unit (BTU), high Sulphur permeate gas, previously being wasted and flared, as its primary fuel source, with high-speed diesel (HSD) serving as a backup. National Electric Power Regulatory Authority (NEPRA) has approved tariffs based on net output capacities of 217.3 MW for permeate gas operations and 212.9 MW for HSD operations. More recently, EPQL signed a Gas Sale and Purchase Agreement (GSPA) with Petroleum Exploration Limited (PEL) in August 2024 for the supply of 8–13 mmscfd of low-BTU gas from the Badar Gas Field. Subsequently, the supplemental agreement to the PPA has also been signed with CPPA-G for addition of PEL gas.

Group Profile:

ENGROH fully owns Engro Corporation Limited (ENGRO), which operates a diversified portfolio of subsidiaries and joint ventures across multiple sectors, including fertilizers, PVC resin manufacturing and marketing, food, energy, LNG terminals, telecommunications infrastructure, and chemical terminal and storage operations. The group's key listed entities include Engro Fertilizers Limited (EFERT), Engro Polymer & Chemicals Limited (EPCL), and Friesland Campina Engro Pakistan (FCEPL). Within the energy segment, EEL (100% owned) manages EPQL (68.89%), Engro Powergen Thar (Pvt.) Limited (EPTL) (50.1%) and Sindh Engro Coal Mining Company Limited (SECMC) (11.9%).

Management and Governance

CHAIRMAN & CEO PROFILE

Mr. Athar Abrar Khwaja serves as chairman of the Board of Directors (BoD). In a professional career spanning nearly 20 years, he has diverse experience in Process Engineering, Projects, Marketing, Strategic Sourcing and Business Development. Prior to this, he had been working as Chief Executive Officer (CEO) EPTL since 2023 & continues to hold this position alongside his role as CEO of EEL. He joined EPCL in 2004 as a Process Engineer and worked his way to the position of General Manager (GM) Technical in 2014. From 2015 – 2018, he led the marketing function for the chemicals business at ICI Pakistan. He re-joined Engro Polymers as GM Expansion Projects in 2018. He later went onto assume the position of Vice President Projects and Business Development where he was responsible for crafting the long-term growth strategy of the organization. He holds a bachelor's degree in chemical engineering from McGill University, Montreal, Canada.

Mr. Adeel Qamar currently serves as CEO succeeding Ms. Semeen Akhter in June 2025. He brings over 20 years of diverse experience spanning leadership, technical operations, commercial strategy and talent development across various Engro Group companies. He began his career at EFERT in 2003 as a Graduate Trainee Engineer. Before his current role at EPQL, he held several senior leadership positions at EPCL. He led the Human Resources function, where he spearheaded initiatives in Diversity, Equity & Inclusion (DE&I) and technical capability building, contributing to a more inclusive and skilled workforce. He holds a Bachelor's degree in Mechanical Engineering from the Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI).

Board of Directors (BoD):

Category	Name
Independent Director - Male	Mr. Muhammad Ali
	Mr. Yacoob Suttar
Independent Directors - Female	Ms. Ayla Majid
Non-Executive Directors	Mr. Athar Abrar Khwaja (Chairman)
	Mr. Aneeq Ahmed
	Ms. Rabia Wafah Khan
	Mr. Atif Muhammad Ali
Executive Director	Mr. Adeel Qamar

During the Board of Directors election held on October 14, 2025, Mr. Kaiser Bengali, Ms. Maryam Aziz, Ms. Nausheen Ahmad (Independent Directors), and Mr. Shabbir Hussain Hashmi and Mr. Vaqar Zakaria (Non-Executive Directors) retired from the Board. Mr. Athar Abrar Khawaja and Mr. Atif Muhammad Ali were re-elected as Non-Executive Directors, while Mr. Aneeq Ahmed and Ms. Rabia Wafah Khan joined the Board as Non-Executive Directors. The newly elected Independent Directors are Ms. Ayla Majid, Mr. Yacoob Suttar, and Mr. Muhammad Ali.

Board oversight is exercised through two standing committees, Board Audit and Risk Committee and Board People Committee (HR and Remuneration Committee).

Business Risk

INDUSTRY

The business risk profile of Pakistan's non-renewable power generation sector is assessed in the medium to low range. This reflects the essential nature of electricity consumption, which remains relatively inelastic across residential, commercial, and industrial segments. Demand is supported by population growth and urbanization. IPPs benefit from long-term PPAs, which provide predictable cash flows and reduce exposure to market volatility. Entry barriers remain high due to the capital-intensive nature of generation assets, established incumbents, and centralized planning. However, the overall risk profile incorporates recent regulatory developments and shifts in the energy landscape that may impact future business dynamics.

Electricity demand in Pakistan exhibits low cyclicality. In FY24, total electricity generation decreased marginally by 1.9% to 127,167 GWh, primarily due to subdued industrial activity and higher reliance on self-generation through solar installations. This decrease is not considered structural, as underlying demand remains supported by demographic trends. The stability in usage patterns across seasons, particularly the high summer load, further contributes to the sector's relatively low exposure to economic cycles.

Competitive pressures in the sector are limited. The market is dominated by incumbent IPPs and public generation companies operating within a single-buyer framework. The capital requirements, regulatory clearances, and long-term PPA structures act as barriers to entry. Capacity additions are guided by the NTDC Indicative Generation Capacity Expansion Plan, which further restricts unplanned competition. However, a gradual shift towards renewables and distributed energy sources, such as rooftop solar and captive power, poses a moderate substitution risk over the long term.

While renewable generation is expanding, large thermal IPPs continue to play a central role in base-load and peak power supply. The sector's exposure to substitution risk is expected to remain moderate in the near term. Nonetheless, rising electricity tariffs have led some consumers to reduce reliance on the grid, potentially affecting incremental demand growth.

The sector operates within a highly regulated environment under the oversight of the NEPRA. Historically, the cost-plus tariff model has ensured cost recovery for IPPs, including debt servicing and return on equity, while government-backed guarantees have provided comfort regarding payment obligations. However, recent policy shifts aimed at reducing capacity payments and addressing circular debt have introduced an element of regulatory uncertainty. In late 2024, PPAs for five IPPs were terminated by mutual agreement, with lump-sum settlements replacing future capacity payments. Negotiations to convert additional PPAs from take-or-pay to take-and-pay terms have also taken place. These developments, while intended to improve fiscal sustainability, highlight the potential for regulatory actions to alter the financial framework underpinning IPPs.

The transition toward a Competitive Trading Bilateral Contract Market (CTBCM) is expected to introduce more market-based mechanisms. While implementation is likely to be gradual, the shift may increase volume and price risks for generators. For now, most IPPs continue to operate under the existing PPA regime with sovereign backing, which remains a cornerstone of their business stability.

Capital intensity is a defining feature of the sector. IPPs rely heavily on long-term financing structures supported by PPAs. These contracts typically include take-or-pay provisions and a dedicated debt servicing component, which secures cash flows for loan repayment. The presence of sovereign guarantees on PPA obligations provides further assurance to creditors. These features collectively insulate IPPs from demand fluctuations and fuel price volatility, if contractual terms are honored.

Despite this insulation, sectoral liquidity stress resulting from circular debt has led to persistent delays in payments. While IPPs are contractually entitled to delayed payment interest and the government has maintained support mechanisms to avoid payment defaults, the situation underscores the risk posed by weak fiscal capacity. The effectiveness of the PPA framework remains contingent on timely enforcement and institutional reliability.

In FY24, subdued offtake and elevated electricity prices posed challenges. However, gradual economic recovery in FY25 is expected to support a modest rebound in industrial demand. Reforms initiated by the government, while introducing short-term uncertainty, are aimed at addressing structural inefficiencies. Established IPPs are likely to continue operating under traditional arrangements during this transition period.

Going forward, the sector's risk profile will depend on the pace and scope of reforms. A well-managed transition to a competitive market, coupled with resolution of circular debt and continuity in sovereign payment support, could sustain the current risk profile. Conversely, a shift toward merchant exposure without adequate risk mitigation could raise business risk. As of FY25, risk largely remains contained within the medium to low band, supported by existing contractual protections and the essential nature of the sector.

OPERATIONAL UPDATE:

Plant capacity and production	CY22	CY23	CY24
Maximum Generation capacity MWh	1,860,982	1,887,518	1,889,120
Annual Billable Capacity – MWh	1,742,045	1,868,612	1,889,120
Net Electricity Output – MWh	768,202	870,380	847,237
Load Factor	**41%**	**46%**	**45%**

In 2024, EPQL delivered a net electricity output of 847,237 MWh to the national grid, translating into a load factor of 45%, slightly lower than 46% in FY23. The marginal decrease was primarily due to reduced offtake by the power purchaser during periods of lower system demand with the outage based on CI cycle, despite the plant's stable position on the merit order.

The plant demonstrated a billable availability factor of 100% in 1H 2025, with a load factor of 39% compared to 46% in 1H 2024. The decline in load factor was primarily due to a scheduled HGPI outage during the period. EPQL continues to hold the 11th position in the economic dispatch merit order for PG and 14th position for PEL gas.

Gas Supply Agreement (GSA) and Amended PPA

The Company has a Gas Supply Agreement (GSA) with Sui Northern Gas Pipelines Limited (SNGPL), for the supply of permeate gas from the Qadirpur Gas Field. The gas supply from Qadirpur gas field is depleting and based on profile shared by the gas supplier, the Company has declared gas depletion phase and made its plant available in mixed mode, that is, on both gas and High-Speed Diesel (HSD).

To mitigate this exposure, EPQL has secured an alternate fuel arrangement with Petroleum Exploration Limited (PEL) for supply of 8–13 mmscfd of low-BTU gas from the Badar Gas Field. NEPRA has approved the necessary modifications in the generation license, and a Gas Sale and Purchase Agreement (GSPA) was executed in August 2024 following successful system testing. Utilization of gas from the Badar field, once fully operationalized, is expected to partially offset the depletion risk of the Qadirpur field and support continuity of operations through the remaining PPA term.

Moreover, with the execution of the amended PPA effective November 1, 2024, the Company enters a new operational phase characterized by tariff adjustments and a hybrid take-and-pay model for return on equity. Under the revised arrangement, EPQL will receive 35% of the Return on Equity (ROE) and Return on Equity During Construction (ROEDC) as part of the capacity payment, with potential for higher returns linked to incremental dispatch. The Company has also waived all late payment interest (LPI) claims up to October 31, 2024, while the GoP has agreed to facilitate a back-to-back waiver with SNGPL, ensuring LPI recovery where applicable. As part of the agreement, CPPA-G was to pay PKR 8.04 billion within 90 days to settle outstanding receivables.

PROFITABILITY:

EPQL reported sales revenue that remained broadly stable at PKR 13.25 billion (2023: PKR 13.25 billion) compared to the previous year, with a modest improvement in gross profit driven by tariff adjustments offsetting lower dispatch and capacity payments. Quarterly performance reflected fluctuations in profitability due to variations in dispatch, finance income, and ongoing PPA renegotiations. The first three quarters recorded healthy earnings, with steady gross margins and net finance income driving profitability. However, the fourth quarter was marked by a net loss of PKR 734 million owing to provisions associated with tariff adjustments and contractual revisions. Despite this setback, effective receivables management and disciplined cost controls helped preserve overall positive performance. The Company also benefitted from net finance income, which cushioned the impact of subdued demand and macroeconomic pressures. Net profit after tax was lower at PKR 2.14 billion (2023: PKR 2.51 billion) with return on average asset (ROAE) of 14.93% (2023: 18.20%).

During the 1H2025, EPQL reported a significant decline in profitability compared to the same period last year (SPLY). Sales revenue stood at PKR 5.26 billion (1H2024: PKR 6.59 billion), reflecting the impact of both lower plant dispatch and reduced capacity payments under the Hybrid Take and Pay mechanism. As a result, gross profit declined to PKR 646 million from PKR 1.33 billion in the previous year. Finance costs and operating expenses remained under control; however, the decline in topline directly impacted profitability. Net profit was recorded at PKR 460 million, significantly lower than PKR 1,610 million in the first half of CY24. ROAE further reduced to 6.96%.

Financial Risk

CAPITAL STRUCTURE

As of Jun'25, the EPQL's capitalization reflects a notable contraction of PKR 1.97 billion in total equity compared to Dec'24, primarily driven by interim cash dividend declared of PKR 2.43 billion. Share capital and share premium remained stable at PKR 3.24 billion and PKR 0.08 billion respectively. The maintenance reserve stood at PKR 1.32 billion (Dec'24: PKR 1.43 billion), slightly lower than the Dec'24 position. On the liabilities side, a sharper reduction was observed, with total liabilities decreasing to PKR 3.39 billion (Dec'24: PKR 7.25 billion), driven by lower short-term borrowings and trade and other payables, which nearly halved to PKR 1.80 billion (Dec'24: PKR 3.99 billion) and PKR 1.49 billion (Dec'24: PKR 3.11 billion) respectively. This decline is reflected in improved gearing to 0.15x (Dec'24: 0.28x), while leverage also eased to 0.28x (Dec'24: 0.51x) as of Jun'25.

DEBT COVERAGE & LIQUIDITY:

As of Jun'25, the EPQL's debt coverage and liquidity profile reflect improvement compared to Dec'24, underpinned by better working capital efficiency. Funds from operations (FFO) stood at PKR 902.4 million, which, despite being lower than the year-end position, translated into a markedly stronger FFO-to-total debt ratio of 100.4% owing to the reduction in outstanding short-term borrowings. The debt servicing coverage ratio (DSCR) also improved materially to 7.78x (Dec'24: 4.87). Liquidity indicators remain sound, with the current ratio strengthening to 1.62x (Dec'24: 1.52x). Additionally, following the recovery of trade receivables and delayed payment charges during the review period, the Company has utilized the cash to invest in short-term investments. Furthermore, operational efficiency gains are visible in the reduction of the cash conversion cycle to 192 days, down from 210 days at year-end Dec'24, indicating quicker recovery of cash tied up in receivables.

Financial Summary

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	6MFY25M
Property, plant and equipment	11,112.55	10,609.43	10,244.55	9,956.42
Intangible Assets	206.10	184.18	155.37	140.09
Long-term loans and advances	13.0	12.47	9.96	9.07
Stock-in-trade	844.30	943.25	959.97	946.25
Trade debts	9,800.24	8,767.85	9,295.21	2,204.52
Short-term Investments	450.00	49.99	0.00	1,254.33
Cash & Bank Balances	80.12	270.18	28.47	208.89
Delayed Payment charges	1,281.01	1,759.38	172.34	447.74
Other Assets	374.35	480.73	581.18	446.65
Total Assets	**24,161.67**	**23,077.46**	**21,447.05**	**15,613.96**
Trade and other payables	4,822.71	4,475.79	3,110.04	1,486.08
Long-term Debt (incl. current portion)	0.00	0.00	0.00	0.00
Short-Term Borrowings	6,014.46	3,863.82	3,985.79	1,797.99
Total Debt	6,014.46	3,863.82	3,985.79	1,797.99
Other Liabilities	219.7	255.26	156.3	103.56
Total Liabilities	**11,056.87**	**8,594.87**	**7,252.13**	**3,387.63**
Paid up Capital	3,238.00	3,238.00	3,238.00	3,238.00
Revenue Reserve	9,558.83	10,215.67	10,876.14	8,907.56
Other Equity (excl. Revaluation Surplus)	307.95	1,028.93	80.77	80.77
Sponsor Loan	0.00	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	**13,104.78**	**14,482.60**	**14,194.91**	**12,226.33**

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	6MFY25M
Net Sales	10,026.88	13,256.38	13,249.78	5,257.77
Gross Profit	1,711.29	2,662.74	2,800.39	646.08
Finance Income/ (Costs)	135.18	302.02	225.43	56.91
Profit Before Tax	1,478.79	2,522.34	2,148.95	480.05
Profit After Tax	1,471.75	2,511.12	2,140.80	459.92

Ratio Analysis	FY22A	FY23A	FY24A	6MFY25M
Gross Margin (%)	17.07	20.09	21.14	12.29
Net Margin (%)	14.68	18.94	16.16	8.75
Funds from Operation (FFO) (PKR Millions)	2,456.04	3,345.99	2,867.27	902.40
FFO to Total Debt* (%)	40.84	86.60	71.94	100.38
FFO to Long Term Debt* (%)	-	-	-	-
Gearing (x)	0.46	0.27	0.28	0.15
Leverage (x)	0.84	0.59	0.51	0.28
Debt Servicing Coverage Ratio* (x)	-	2.79	4.87	7.78
Current Ratio (x)	1.16	1.43	1.52	1.63
(Stock in trade + trade debts) / STD (x)	1.77	2.51	2.57	1.75
Return on Average Assets* (%)	5.70	10.63	9.62	4.96
Return on Average Equity* (%)	10.05	18.20	14.93	6.96
Cash Conversion Cycle (days)	334.74	188.79	209.92	191.99

**Annualized, if required*
A - Actual Accounts
P - Projected Accounts
M - Management Accounts

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Engro Powergen Qadirpur Limited
Sector	Power Non-Renewable Generation
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
06/11/2025	AA-	A1	Stable	Reaffirmed
04/09/2024	AA-	A1	Stable	Maintained
24/10/2023	AA-	A1	Positive	Maintained
14/07/2022	AA-	A1	Stable	Reaffirmed
23/06/2021	AA-	A1	Stable	Reaffirmed
05/06/2020	AA-	A1	Stable	Reaffirmed
23/04/2019	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
Mr. Mohsin Waqas	Manager- Finance & Planning	21st August, 2025
Mr. Faizan Hanif	DM – Finance & Planning	