ENGRO POWERGEN QADIRPUR LIMITED

ANALYST:
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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	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	November 25, 2026		November 06, 2025	

SHAREHOLDING 5% OR MORE	OTHER INFORMATION
Engro Energy Limited – 50.36%	**Incorporated in** 2006
General Public – 49.64%	Public Limited Company (Listed)
	External Auditor: AF Ferguson & Co. Chartered Accountants
	Chief Executive Officer: Mr. Khurram Abdullah

APPLICABLE RATING CRITERIA

VIS Entity Rating Criteria Methodology – Corporates
https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf

APPLICABLE RATING SCALE

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

RATING RATIONALE

The ratings reflect Engro Powergen Qadirpur Limited's ('EPQL' or the 'Company') contractual revenue framework under a long-term Power Purchase Agreement (PPA) with a government-backed counterparty, which supports cash flow visibility despite the transition to a hybrid take-and-pay structure that has reduced fixed capacity entitlements and shifted a greater share of returns to dispatch. Sponsor support from the Engro group and recent management transitions that have not disrupted functional continuity are considered supportive.

Operational performance remains strong, with availability consistently at or near full contractual levels. Fuel supply risk stemming from depletion of the Qadirpur field has been partly mitigated by the additional gas arrangement, although dispatch continues to depend on merit-order positioning and securing further allocations, leaving load factors moderate within a sector still constrained by circular debt. Profitability has weakened following the tariff revision, lower delayed payment income, and cost pressures exceeding indexation limits. Nonetheless, the capital structure is conservative, with no long-term debt, low gearing and leverage, and adequate coverage and liquidity, supported by unutilized financing lines. Overdue receivables from the power purchaser have declined markedly following settlement of historical arrears as part of the government's circular debt reduction exercise. Sustained dispatch, receivable discipline and margin stability remain key sensitivities.

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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). 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 grid under a Power Purchase Agreement (PPA) with the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), valid for a period of 25 years from the commercial operations date. The Company was listed on the Pakistan Stock Exchange (PSX) in 2014.

MANAGEMENT & GOVERNANCE

SPONSOR/GROUP PROFILE

EPQL is a subsidiary of Engro Energy Limited (EEL), which acts as the holding company for the energy vertical of the Engro group. EEL is fully owned by Engro Corporation Limited, which in turn is a wholly owned subsidiary of Engro Holdings Limited (the Ultimate Parent Company). The Engro group operates a diversified portfolio of subsidiaries and joint ventures across multiple sectors in Pakistan, including fertilizers, PVC resin manufacturing, food, dairy, LNG terminals, and chemical storage operations. Within the energy segment, EEL manages EPQL (50.36%), Engro Powergen Thar (Pvt.) Limited (50.1%), and holds an 11.9% stake in Sindh Engro Coal Mining Company Limited (SECMC). The group's financial backing and management expertise provide operational continuity and support in navigating fuel transitions and regulatory developments in the energy sector. In February 2026, EEL disposed of 18.52% shareholding in EPQL.

BOD & COMMITTEES

The Board of Directors (BoD) is responsible for the overall strategic direction, governance, and risk oversight of the Company. The BoD features a mix of sponsor-nominated and independent representation, comprising seven directors (excluding the CEO). The composition includes four Non-Executive Directors and three Independent Members.

Name of Member	Designation	Committees
Mr. Ahmad Shakoor	Non-Executive (Chairman)	BPC
Mr. Athar Abrar Khwaja	Non-Executive	-
Ms. Rabia Wafah Khan	Non-Executive	BPC
Mr. Aneeq Ahmed	Non-Executive	BARC
Mr. Muhammad Ali Bhabha	Independent Member	BARC, BPC
Ms. Ayla Majid	Independent Member	BPC (C)
Mr. Yacoob Suttar	Independent Member	BARC (C)

During 2026, the Board experienced a transition in its structural composition. Effective October 15, 2026, Mr. Khurram Abdullah was appointed as Chief Executive Officer. He succeeded Mr. Athar Abrar Khwaja, who stepped down from the executive management role but was subsequently retained on the Board as a Non-Executive Director.

Mr. Ahmad Shakoor currently serves as the Chairman of the Board. Acting as a Non-Executive Director representing Engro Energy Limited, he brings demonstrated sector experience and strategic oversight to the Company. His primary responsibilities involve guiding the Board's agenda, ensuring the effective functioning of corporate governance structures, and facilitating alignment between the sponsor group's strategic objectives and the Company's operational execution.

MANAGEMENT

The Company's operations are guided by a formalized Management Committee (MANCOM), which serves in an advisory capacity and oversees the implementation of strategies approved by the Board. During the review period, the Company experienced several transitions at the chief executive level. Mr. Adeel Qamar succeeded Ms. Semeen Akhtar in June 2025, followed by the temporary appointment of Mr. Athar Abrar Khwaja as CEO in 2026, pending the appointment of a permanent successor. Subsequently, effective October 15, 2026, Mr. Khurram Abdullah was appointed as the Company's new Chief Executive Officer, while Mr. Khwaja transitioned to the Board as a Non-Executive Director. Despite these changes at the CEO level, the broader functional management team has remained stable, ensuring continuity in the Company's day-to-day operations and execution of its strategic objectives.

Mr. Khurram Abdullah brings over 20 years of sector experience spanning project execution, operations, and corporate management. Prior to his current appointment at EPQL, his professional background included roles at Hub Power Company Limited (HUBCO), K-Electric, Siddiqsons Power, and Orient Energy. He holds a bachelor's degree in electrical engineering from NED University of Engineering & Technology and a Master of Business Administration (MBA) in Finance from the Institute of Business Management (IoBM).

ESG

EPQL's core operational model utilizes low-BTU, high-sulfur permeate gas that was previously flared, thereby reducing net greenhouse gas emissions relative to conventional thermal power plants. The Company maintains full compliance with the National Environmental Quality Standards (NEQS) and World Bank Group guidelines regarding effluent discharge, air emissions, and waste disposal. The facility

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holds ISO 14001 certification for environmental management. Recent resource conservation measures include the commissioning of a water conservation pit to collect and route forward wash water from filtration systems to the clarifier, generating freshwater savings of 130 cubic meters per day at full load. Wastewater management relies on an HDPE-lined evaporation pond to prevent soil and groundwater contamination.

AUDIT OPINION

A.F Ferguson & Co. Chartered Accountants, categorized as 'Category A' on SBP's Panel of Auditors and with satisfactory QCR rating from ICAP, has provided an unqualified opinion of the financials as of Dec'25.

BUSINESS RISK

INDUSTRY

Pakistan's power sector entered 2025 with a materially over-contracted generation base, high-capacity payments and a large circular-debt stock. During 2025 and YTD2026, the policy framework shifted decisively toward capacity rationalization, IPP restructuring, lower reliance on imported fuels, competitive procurement and tighter fiscal discipline.

The reduction in circular-debt stock achieved during FY2024-25 and the restructuring of approximately PKR 1.225 trillion of legacy obligations represent meaningful progress. However, the subsequent PKR 364 billion increase in FY2025-26 circular debt demonstrates that structural weaknesses in distribution, collections and tariff administration continue to offset these gains.

The FY2026-27 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 thermal IPPs with high fixed costs, weak 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.

POWER PURCHASE AGREEMENT

The Company operates under a 25-year Power Purchase Agreement (PPA) with the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), valid until 2035. Pursuant to the Amendment Agreement effective November 1, 2024, the tariff and payment framework underwent structural revisions. EPQL transitioned to a Hybrid Take-and-Pay model, under which the Company is entitled to 35% of the Return on Equity (ROE) and Return on Equity During Construction (ROEDC) components as fixed capacity payments. The differential ROE is claimable only on Net Electrical Output (NEO) generated in excess of the 35% threshold.

As part of the negotiated settlement, the Company waived all claims related to late payment interest (LPI) accumulated up to October 31, 2024, with the Government of Pakistan facilitating a back-to-back waiver of corresponding LPI with the gas supplier. The revised framework also facilitated the clearance of historical capacity arrears, culminating in a lump-sum settlement of PKR 7.4 billion in the first quarter of 2025, which structurally improved the predictability of cash flows.

GAS SUPPLY AGREEMENT

EPQL's base fuel source relies on a Gas Supply Agreement (GSA) with Sui Northern Gas Pipelines Limited (SNGPL) for permeate gas from the Qadirpur field. Driven by the depletion of this reserve, the plant transitioned to a mixed-mode operation utilizing permeate gas and High-Speed Diesel (HSD). To address fuel supply constraints, the Company executed a Gas Sale and Purchase Agreement (GSPA) with Petroleum Exploration Limited (PEL) for the supply of 8-13 mmscfd of low-BTU gas from the Badar Gas Field.

Following regulatory approvals and a Supplemental Agreement to the PPA, EPQL commenced gas offtake from PEL in 2025. This alternate fuel arrangement mitigates depletion exposure and supports operational continuity. As of Sept'26, EPQL holds the 9th position in the economic dispatch merit order for permeate gas, while its position for PEL gas moved to the 18th rank. Management is actively exploring additional gas allocations, including Kandhkot gas under the PPL corridor and incremental volumes from the Salam field. These initiatives are targeted to elevate the plant's load factor to 80-85%, compared to the roughly 50% levels achieved on existing PG and PEL gas allocations.

OPERATIONS & MAINTENANCE

The operations and maintenance (O&M) of the plant are managed by an in-house technical team, supported by service agreements with EEL, drawing on the sponsor group's sector experience. During 2025, the Company executed an Extended Hot Gas Path Inspection ahead of schedule, supporting technical reliability. The plant demonstrated a billable availability factor of 100% in 2025 and maintained 99% during the nine months ended September 30, 2026 (9MCY26), avoiding any liquidated damages or capacity penalties from the power purchaser.

During 2025, the plant dispatched a Net Electrical Output (NEO) of 774 GWh to the national grid (2024: 847 GWh), translating to a load factor of 42% (2024: 45%). The contraction in generation was attributable to a scheduled maintenance outage conducted during the year.

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Despite the outage, the plant maintained a billable availability factor of 100%. For the nine-month period ended September 30, 2026 (Sep'26), NEO increased to 653 GWh, resulting in a load factor of 47% (Sep'25: 41%), with billable availability recorded at 99%. The increase in load factor during the interim period was driven by higher utilization of PEL gas and fewer scheduled outage days compared to the corresponding period last year.

PROFITABILITY

EPQL's financial results over CY25 and 9MCY26 reflect the operational transition to the Hybrid Take-and-Pay model and prevailing cost variables. Full-year 2025 revenue declined by 10.3% year-on-year to PKR 11.9bn due to scheduled outage days and reduced capacity payments under the hybrid tariff formula. Gross margin compressed to 11.1% (2024: 21.1%). Bottom-line profitability dropped to PKR 836.3mn (2024: PKR 2.1bn), also reflecting reduced delayed payment income following the settlement of historical power purchaser arrears. In 9MCY26, revenue expanded to PKR 10.1bn (Sep'25: PKR 8.6bn), driven by higher generation output and contractual tariff indexation. However, gross margin contracted to 10.7% (Sep'25: 12.9%). This contraction was driven by inflationary pressures in operating costs and supply chain components following regional logistics disruptions (Hormuz corridor), which exceeded the 5% contractual indexation cap on local O&M tariffs, alongside maintenance cycle expenditures. Finance costs declined to PKR 227.3mn in 9MCY26 (9MCY25: PKR 334.8mn) due to reduced working capital line utilization and benchmark interest rate reductions. Net profit stood at PKR 700.2mn in 9mCY26 (9MCY25: PKR 851.1mn), yielding an annualized ROAE of 8.0% and ROAA of 5.9%.

FINANCIAL RISK

CAPITAL STRUCTURE

The capitalization profile is supported by paid-up capital of PKR 3,238.0mn and total equity of PKR 11,602.9mn as of Sept'26 (Dec'25: PKR 11,631.3mn; Dec'24: PKR 14,194.9mn). The equity base contracted during 2025 due to a total dividend distribution of PKR 10.5 per share (PKR 3,399.9mn aggregate), funded by the PKR 7.4bn arrears settlement. During 9M26, dividend payments amounted to PKR 2.25 per share (PKR 728.7mn). A further interim cash dividend of PKR 0.75 per share was approved on Oct'26, after the reporting period.

The debt profile comprises exclusively short-term borrowings used for working capital and fuel inventory management. Outstanding short-term debt decreased to PKR 2,129.6mn at end-Dec'25 and further to PKR 1,652.4mn by end-Sep'26. Consequently, gearing stood at 0.14x as of Sept'26 (Dec'25: 0.18x; Dec'24: 0.28x). Total leverage was 0.36x at end-Sep'26 (Dec'25: 0.35x; Dec'24: 0.51x). In addition, unutilized funded lines of PKR 2.8bn and an unutilized EEL sponsor line of PKR 2.0bn provide funding flexibility.

DEBT COVERAGE & LIQUIDITY

Funds from Operations (FFO) were recorded at PKR 1,710.5mn in CY25 (CY24: PKR 2,897.4mn) and PKR 1,301.0mn during 9MCY26. FFO-to-total debt stood at 80.3% as of Dec'25 and 104.7% (annualized) as of Sep'26. The Debt Servicing Coverage Ratio (DSCR) remained adequate at 4.94x as of Dec'25 and 6.54x as of Sep'26.

Working capital liquidity improved following the Q1 of 2025 bullet payment of PKR 7.4bn. Overdue receivables from CPPA-G were brought down from PKR 6.7bn at end-Dec'24 to PKR 1.5bn at end-Dec'25 and stood at PKR 950.0mn as of Sept'26 (all within the 3-month aging bucket). Total trade debts were PKR 4,148.8mn at end-Sep'26. The Company maintained short-term investments of PKR 574.2mn (comprising mutual funds and T-Bills) and cash balances of PKR 107.3mn. Trade payables stood at PKR 2,016.6mn, reflecting prompt clearing of fuel supplier dues. The current ratio was 1.54x at end-Sep'26 (Dec'25: 1.42x).

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Financial Summary (PKR Mn)					
BALANCE SHEET	**CY22 (A)**	**CY23 (A)**	**CY24 (A)**	**CY25 (A)**	**9MCY26 (UA)**
Property, Plant & Equipment	11,112.6	10,609.4	10,244.6	9,751.9	9,253.0
Stock-in-Trade	844.3	943.3	960.0	976.4	1,002.8
Trade Debts	9,800.2	8,767.8	9,295.2	3,510.2	4,148.8
Short Term Investments	450.0	50.0	-	544.7	574.2
Cash & Bank Balances	80.1	270.2	28.5	263.7	107.3
Other Assets	1,874.4	2,436.8	918.9	706.4	690.2
Total Assets	**24,161.6**	**23,077.5**	**21,447.0**	**15,753.2**	**15,776.2**
Trade & Other Payables	4,822.7	4,475.8	3,110.0	1,918.3	2,016.6
Short Term Borrowing	6,014.5	3,863.8	3,985.8	2,129.6	1,652.4
Other Liabilities	219.7	255.3	156.3	74.1	504.2
Total Liabilities	**11,056.9**	**8,594.9**	**7,252.1**	**4,122.0**	**4,173.2**
Paid Up Capital	3,238.0	3,238.0	3,238.0	3,238.0	3,238.0
Unappropriated Profit	9,558.8	10,215.7	9,450.5	6,930.1	6,538.2
Other Equity	308.0	1,028.9	1,506.4	1,463.2	1,826.8
Total Equity	**13,104.8**	**14,482.6**	**14,194.9**	**11,631.3**	**11,602.9**
INCOME STATEMENT	**CY22 (A)**	**CY23 (A)**	**CY24 (A)**	**CY25 (A)**	**9MCY26 (UA)**
Revenue	10,026.9	13,256.4	13,249.8	11,888.6	10,101.2
Gross Profit	1,711.3	2,662.7	2,800.4	1,313.6	1,084.2
Profit Before Tax	1,478.8	2,522.3	2,149.0	863.4	713.6
Profit After Tax	**1,471.8**	**2,511.1**	**2,140.8**	**836.3**	**700.2**
RATIO ANALYSIS	**CY22 (A)**	**CY23 (A)**	**CY24 (A)**	**CY25 (A)**	**9MCY26 (UA)**
Gross Margin (%)	17.1%	20.1%	21.1%	11.1%	10.7%
Operating Margin (%)	13.4%	16.7%	14.5%	7.0%	7.3%
Net Margin (%)	14.7%	18.9%	16.2%	7.0%	6.9%
Funds from Operations (FFO)	2,467.2	3,377.1	2,897.4	1,710.5	1,301.0
FFO to Total Debt (%)	41.0%	87.4%	72.7%	80.3%	104.7%*
Gearing (x)	0.46	0.27	0.28	0.18	0.14
Leverage (x)	0.84	0.59	0.51	0.35	0.36
Debt Servicing Coverage Ratio (DSCR) (x)	2.98	2.81	4.91	4.94	6.54*
Current Ratio (x)	1.16	1.43	1.52	1.42	1.54
Return on Average Assets (%)	-	10.6%	9.6%	4.5%	5.9%*
Return on Average Equity (%)	-	18.2%	14.9%	6.5%	8.0%*

A- Audited
UA- Un-Audited
* *Annualized*

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REGULATORY DISCLOSURES	Appendix II
Name of Rated Entity	Engro Powergen Qadirpur Limited
Sector	Non-Renewable Power
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				
25-11-2026	AA-	A1	Stable	Reaffirmed
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 and Commercial	29 October 2026
Ms. Amna Kamran	Assistant Manager Finance and Planning	

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