VIS
Credit Rating Company Limited

RATING REPORT

QUAID-E-AZAM THERMAL POWER (PRIVATE) LIMITED

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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		Upgrade	
RATING DATE	September 10, 2025		September 23, 2024	

Shareholding (5% or More)	Other Information
Government of Punjab – 99.99%	Incorporated in 2015
	Private Limited Company
	Chief Executive: Mr. Syed Wasim Ur Rehman
	External Auditor: A.F. Ferguson & Co PwC

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/do cs/VISRatingScales.pdf

Rating Rationale

The entity ratings of Quaid-e-Azam Thermal Power (Private) Limited (‘QATPL’ or the ‘Company’) reflect the full ownership by Government of Punjab and assurance of debt servicing under the tariff framework for Independent Power Producer (IPPs). QATPL has maintained a low leverage profile with steady debt repayments backed by sustained operational performance.

Support is derived from the 30-year take-or-pay Power Purchase Agreement (PPA) with Central Power Purchasing Agency (Guarantee) (CPPA-G), sovereign guarantee to pay the IPPs dues in the event that the power purchasing entity defaults on its obligations, provisions to mitigate gas non-supply and delayed payment risks. The long-term Operations and Maintenance (O&M) arrangements with the Original Equipment Manufacturer (OEM) syndicate and General Electric further underpin operational stability.

Following re-negotiation of tariffs with downward revision of ROE from 16% to 13% and capping of dollar rates for state owned plants, profitability has reduced from the earlier levels in FY25. We expect debt servicing to remain protected under the revised tariff framework and with reference to the ownership structure. Provincial government ownership poses a certain level of political risk which may continue to impact the profitability of the Company.

Company Profile

Quaid-e-Azam Thermal Power (Private) Limited ('QATPL' or the 'Company') is wholly owned by the Government of Punjab (GoPb). The Company owns and operates Re-Liquefied Natural Gas (RLNG) based Combined Cycle Gas Turbine (CCGT) power plant of 1,163 MW (net) generating capacity at Bhikki, District Sheikhupura, Punjab.

Commercial Operation Date (COD) of combined cycle plant was achieved on May 20, 2018. However, National Electric Power Regulatory Authority (NEPRA) determined the final tariff for the Company on Jan 3, 2023.

Governance

QATPL is a wholly owned entity of the Government of Punjab, Energy Department. The Board of Directors consists of 12 members, including Zaheer A. Ghanghro, Naeem Rauf, Mujahid Sherdil, Abdul Basit, Aasia Saail Khan, Khurram Saleem, and Waseem Akhtar, all appointed by the Government of Punjab. Syed Waseem Umer Rehman serves as the Chief Executive Officer. No changes in the composition of the Board were noted during FY24.

Business Risk

INDUSTRY

The business risk profile of Pakistan's non-renewable power generation sector is assessed in the low to medium 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. Independent power producers (IPPs) benefit from long-term power purchase agreements (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 declined marginally by 1.9% to 127,167 GWh, primarily due to subdued industrial activity and increased reliance on self-generation through solar installations. This decline 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 National Transmission and Dispatch Company's (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, may 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 National Electric Power Regulatory Authority (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 concluded reducing ROE components as well as benchmarking the dollar rates, nevertheless, debt servicing components are unlikely to be affected. 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 mostly as capacity payments are fixed and any fluctuation in profits are due to increased payments including ROE in line with increased dispatches, 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 constrained sector performance, limiting the ability of power plants to operate at optimal levels. While gradual economic recovery in FY25 is expected to support a partial rebound in industrial demand, the government's ongoing reform agenda introduces operational and financial uncertainties. Key reforms include the transition towards competitive market structures, revisions in tariff mechanisms, and potential changes in fuel supply frameworks. For established IPPs, continuation under existing contractual arrangements provides near-term stability; however, exposure to evolving regulatory directives, delayed payments from the power purchaser, and rising energy costs pose risks. The sector's medium-term outlook and risk profile will largely remain sensitive to the pace and effectiveness of reform implementation, as well as the resolution of structural issues within the circular debt framework.

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 remains contained within the low to medium band, supported by existing contractual protections and the essential nature of the sector.

Power Purchase Agreement

The Company's 30-year take-or-pay PPA with the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), backed by sovereign guarantee for payment of receivables, provides long-term revenue assurance. This robust contractual framework, supported by sovereign backing, effectively insulates QATPL from the power sector's circular debt challenges and ensures stability in its financial risk profile.

The PPA includes provisions to mitigate the risk of Re-Liquefied Natural Gas (RLNG) non-supply by Sui Northern Gas Pipelines Ltd (SNGPL). In the event of any interruption in gas supply from or after the Commercial Operations Date (COD) that prevents the Company from declaring full available capacity, the period will be treated as a "gas non-supply event," during which capacity payments will continue to accrue. The Suspension Clause also entitles the Company to halt operations if receivables remain unpaid beyond 60 days, without compromising capacity payment flows.

In late FY24, as a result of power sector renegotiations conducted by the Government of Pakistan (GoP), the tariff structure was revised to a "take-or-pay" arrangement, offering a 13% return on equity (ROE) with dollar indexation fixed at PKR 168/USD, applicable up to a 35% capacity factor. For dispatches above this threshold, a "take-and-pay" model applies, with the ROE component capped at PKR 1.8 billion annually. Nevertheless, debt servicing component remains protected even under the current mechanism.

Gas Supply Agreement

The Company has entered into a Gas Supply Agreement (GSA) with SNGPL on 22 July 2016 for 15 years from CoD. Under this contract, SNGPL will arrange RLNG at the plant site. RLNG fuel price shall be determined by Oil & Gas Regulatory Authority (OGRA) on a periodical basis and any change in the fuel price is a pass-through item under the PPA. Prior to expiry of the GSA, SNGPL shall enter into necessary arrangements to ensure the term is extended for a further period of 15 years for which QATPL shall have the first right of refusal for any gas available in the system. The gas supply and price risk are thus largely mitigated for the Company.

Following the late tariff determination by NEPRA, on Jan 3, 2023, a major dispute arose with SNGPL regarding Take-or-Pay gas supply invoices amounting to Rs. 12.9 billion for the period 2017–2022. The matter proceeded to international arbitration (LCIA) and subsequently the UK High Court, both of which upheld SNGPL's claims. After exhausting legal remedies, QATPL initiated settlement discussions with SNGPL and has provisioned Rs. 10.9 billion in its books as of June 30, 2024. In parallel, the Company has maintained an escrow deposit of around Rs. 10.0

billion with the National Bank of Pakistan (NBP) under the GSA, though not yet at the full contractual requirement, with management expecting compliance to be regularized upon finalization of settlement. As of current date the escrow account balance is Rs 15 billion which is in line with requirement of amendment no. 1 to Gas Supply Agreement (GSA) hence QATPL is complied with requirements of Gas Supply Deposit (GSD).

Operations & Maintenance Contract

The Company has an existing Operations and Maintenance (O&M) contract with its Original Equipment Manufacturer (OEM), a joint venture between Harbin Electric International Company Limited (HEI) and Habib Rafiq (Pvt) Ltd (HRL) for a period of 12 years (excluding gas turbines). The previous maintenance was carried out in FY23, and the most recent conducted in FY25, based on the number of operational hours specified in the agreement. The Company has entered Long-term Service Agreement (LTSA) with General Electric International Company, Inc. (GE), for twelve years for O&M of gas turbines.

Product Profile & Capacity

Plant capacity and production	FY23	FY24	9MFY25
Annual Installed capacity GWh	10,336,800	10,336,800	10,336,800
Annual capacity – (Based on ACT) GWh	9,809.877	9,788.310	9,910.489
Actual Dispatched (GWh)	4,697.549	3,660.000	6,098.000
Load Factor	**48%**	**37%**	**62%**

In FY24, QATPL dispatched 3,660.0 GWh to the national grid, translating into a load factor of 37%, compared to 48% in FY23. The decline was mainly attributable to lower off-take by CPPA due to reduced system demand during the economic slowdown, despite an improved ranking on the merit order. In 9MFY25, energy dispatch increased to 6,098.0 GWh, with the load factor rising to 62%, supported by resurfacing higher system demand and improved plant utilization.

Profitability

In FY24, QATPL reported net sales of PKR 121.26 billion, a 13% decline from PKR 139.93 billion in FY23, primarily attributable to lower dispatches. Despite the revenue contraction, gross margin improved to 21.71% (FY23: 17.02%), supported by a reduction in fuel costs, which was not immediately passed through in the tariff due to the time lag between quarterly tariff adjustments and movements in fuel prices. Operating margin increased to 29.87% (FY23: 21.20%), driven by higher interest income on receivables from the power purchaser. Despite the slight increase in financial charges, the above improvement translated into the bottom line to boost net profits which amounted to PKR 22.7 million in FY24.

The impact of re-negotiation of tariffs with GoP has impacted the financials from FY25 onwards with significant reduction in ROE. During 9MFY25, actual dispatches increased by 66.66% over FY24. However, revenues increased only by 4.07% to PKR 126.19 billion with reduction in tariffs while the Company had to bear the cost of RLNG with increased dispatches, increasing by 112% over the corresponding 9MFY24 period. As a result, gross margin nearly halved to 14.18% (9MFY24: 24.89%). Additionally, the Company also booked provisions of PKR 12,332 million pertaining to tariff discounts, efficiency adjustments, delayed payment interest, and unbilled receivables under the unapproved memorandum of understanding (MOU) by Govt. of Punjab with CPPA-G. Interest income on receivable from CPPA-G declined to PKR 3,169 million from the preceding year 9MFY24 of PKR 9,452 million. Financial charges also reduced to PKR 5,972 million (FY24: 9,728 million) due to the decreasing interest rate scenario as well as due to continued debt repayment. As a result of the above shocks, net profits reduced to PKR 1,322 million in 9MFY2025 with loss in the third quarter of the year of PKR 8.1 millon.

Going forward, the profitability position of the Company to may be hindered as a result of the revised tariffs. Further, the impact of Government of Punjab's decision to support a tariff cut through the IPPs profitability remains to be seen.

Financial Risk

CAPITAL STRUCTURE

Total equity of the Company amounted to PKR 88,706 million as of Mar'25 including paid up capital of PKR 21,250 million and advance against equity by Government of Punjab of PKR 4,425 million. Sound profitability has resulted in increase in equity with nominal dividend payouts of PKR 3.19 million In FY24 and PKR 5 million in 9MFY25.

Leverage and gearing ratios are reducing in line with debt repayments and sound profitability recorded at 0.47x (FY23: 0.73x) and 0.83x (FY23: 1.39x) in FY24.

For project funding, the Company raised a STFF (Syndicated Term Finance Facility) under CTAA (Common Terms and Accounts Agreement) from the consortium of banks of PKR 63.7 billion in 2018. With periodic principal repayments after expiry of grace period in Dec'2018, PKR 23.04 billion remains at the end of Mar'25. The STFF carries interest rate of 3M Kibor + 3% with remaining tenor of ~2.5 years. The financials are expected to continue to benefit from the declining interest rate scenario in the coming years.

DEBT COVERAGE & LIQUIDITY:

The Company's Debt Service Coverage Ratio (DSCR) has remained strong and improved slightly to 1.71x in FY24 (FY23: 1.62x), amid improved profitability during the year. However, in 9MFY25, the DSCR declined to 1.39x, in line with the reduced profitability despite reduced finance costs. Debt servicing remains secured under the tariff mechanism, including in the recent renegotiation with government.

Trade receivables amounted to PKR 66.87 million as of Jun'24 of which PKR 27.95 million past due above 60 days. The total receivables amount includes delayed interest payment charges of PKR 27.15 million as well as some amounts not yet billed to CPPA. As of 3QFY25, outstanding amount slightly increased to PKR 69.62 million. Furthermore, the cash balance amounted to PKR 11,222 million in FY24 of which PKR 582 million was cash in hand and the remaining pertained to held balances with different entities as deposits. Current ratio remains strong at 1.57x in 9MFY25.

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Quaid-e-Azam Thermal Power Private Limited
Sector	Non-Renewable Power 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				
10 Sep, 25	AA+	A1+	Stable	Reaffirmed
23 Sep, 24	AA+	A1+	Stable	Upgrade
23 Aug, 23	AA	A1	Stable	Reaffirmed
30 Jun, 22	AA	A1	Stable	Reaffirmed
24 May, 21	AA	A1	Stable	Reaffirmed

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. Salman Shahid	Deputy CFO	9th July, 2025