VIS
Credit Rating Company Limited

RATING REPORT

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**APPLICABLE METHODOLOGY(IES):**
VIS Entity Rating Criteria Methodology – Industrial Corporates
(https://docs.vis.com.pk/docs/CorporateMethodology.pdf)

**Rating Scale:**
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

# PGP CONSORTIUM LIMITED

**Chief Executive: Mr. Fasih Ahmed**

## RATING DETAILS

| RATINGS CATEGORY | LATEST RATING | | PREVIOUS RATING | |
|---|---|---|---|---|
| | Long-term | Short-term | Long-term | Short-term |
| ENTITY | A | A2 | A | A2 |
| PREFERENCE SHARES | BBB+ | | BBB+ | |
| RATING OUTLOOK/ WATCH | Stable | | Stable | |
| RATING DATE | October 07, 2025 | | September 10, 2024 | |
| RATING ACTION | Reaffirmed | | Upgrade | |

## RATING RATIONALE

The assigned ratings reflect PGPC's strong business risk profile, underpinned by its status as one of only two LNG regassification terminals in the country positioning it as a strategic national asset. This highlights its critical role in Pakistan's energy infrastructure, particularly amidst declining domestic gas reserves and the resulting reliance on LNG imports. While demand softened in FY25 due to elevated tariffs, LNG consumption is projected to recover moderately in FY26.

Moreover, Company's business profile is supported by revenue visibility driven by long-term take-or-pay capacity contracts, which ensure stable cash flows irrespective of volumes handled. Currency risk remains limited given the dollar-denominated nature of both revenues and costs, while long-term agreements with Pakistan LNG Limited (PLL), BW FSRU II Pte Limited, BW Fleet Management AS and FOTCO, provide operational stability.

Meanwhile, the financial risk profile is characterized by stable topline growth, and a manageable capitalization structure (lease adjusted) which is expected to remain stable in absence of significant capex requirements. Liquidity and coverage remain adequate, with DSCR at comfortable level of 1.65x as of 9MFY25. Looking ahead, sustaining capital structure and coverages alongside improvement in liquidity indicators will remain important from ratings perspective.

# COMPANY PROFILE

PGP Consortium Limited ('PGPC' or 'The Company') is an unlisted public limited company. The Company is a wholly owned subsidiary of Pakistan Gasport Limited (PGPL) whose sponsors have vast experience of establishing and operating energy sector projects. PGPC has established the country's second and largest LNG Regassification terminal at Port, Qasim Karachi.

The Company was incorporated in Pakistan on September 1, 2015, as a Special Purpose Vehicle (SPV) for the execution of LNG terminal project. The project was awarded to Pakistan GasPort Limited (PGPL) – which fully owns PGPC - through an international competitive bidding process by Pakistan LNG Terminals Limited (PLTL), now merged with Pakistan LNG Limited (PLL). Under a 15-year Operation and Services Agreement (OSA) signed in July 2016, PLL guarantees the offtake and pays a capacity fee for 600 MMSCFD regassification capacity, regardless of the actual RLNG throughput volumes.

Registered office of the Company is situated at associated house 7-egerton road, Lahore. The LNG terminal is located at mazhar point, hafeez island, Port Qasim, Karachi.

# INDUSTRY PROFILE & BUSINESS RISK

Natural gas remains a key component of Pakistan's energy mix; however, local reserves have been on a steady decline. To meet the shortfall, Pakistan began importing LNG in 2015—primarily from Qatar—which is re-gasified through the country's two terminals, operated by PGPC and Engro Elengy, with a combined capacity of 1.38 bcf/day.

Recent hikes in gas tariffs, aligned with IMF recommendations, have dampened demand, leaving surplus gas in the system, as a result of which, government has deferred five LNG cargoes from Qatar, to be shipped in 2026. According to the Ministry of Energy, Pakistan's LNG consumption was 914 MMCFD for FY25 and imports of LNG have a declining trend. Hence, sector growth remains constrained by weak demand, elevated prices, and foreign exchange pressures.

For FY26, the total natural gas demand is expected to remain range bound at 3,500-4,000 MMCFD, with LNG comprising ~1000 MMCFD. As per S&P Global, some growth is expected in LNG demand driven by lower interest rates, a stable currency and growth in foreign exchange reserves.

Against this backdrop, PGPC's business risk profile remains supported by guaranteed capacity payments under long-term take-or-pay contracts, which ensures stable cash flows and earnings visibility irrespective of throughput levels. The terminal's status as a strategic national asset further highlights its critical role in Pakistan's energy landscape, particularly amid declining domestic supply and the continued need for LNG import. Additionally, PGPC's exposure to currency risk is mitigated as both revenues and costs are dollar-denominated, while long-term agreements with PLL, BW FSRU II Pte Limited, BW Fleet Management AS and Fauji Oil Terminal and Distribution Company Limited (FOTCO) provide operational stability and security.

**ONGOING MAJOR LITIGATIONS**

1. On October 28, 2023, PGPC referred disputes on Third Party Access, royalty reimbursement, and payment of USD 2.2m for pre-CSD services to the London Court of International Arbitration (LCIA) after the parties' representatives failed to reach an amicable resolution. PGPC maintains that royalty on LNG imports is PLL's obligation under the OSA and seeks reimbursement. It has further submitted that PLL's actions delayed utilization of excess terminal capacity, which PGPC claims as its contractual right under Clause 9.4 of the OSA, resulting in estimated prospective loss of profit in the range of USD 0.6-1.46m per month. All pleadings have been filed before the LCIA Tribunal; hearings on evidence were conducted in April followed by closing submissions in May 2025 and closing hearings in June 2025. Management anticipates a favorable outcome.
2. On April 26, 2023, LCIA awarded PLL USD 7.2m plus interest (KIBOR+1%) as liquidated damages (LDs) for delay in commissioning of the LNG terminal. PLL filed an enforcement petition in the Islamabad High Court (IHC), while PGPC contested enforcement on public policy grounds, arguing that no actual loss was incurred. Pending final outcome, both parties agreed—endorsed by IHC on June 27, 2023—that PLL would deduct USD 0.8m monthly from bills on a without-prejudice basis. As of September 2024, total amount of LDs and interest thereon of USD 12.85m has been adjusted by PLL. Proceedings on PLL's enforcement petition remain ongoing.

# FINANCIAL RISK

### Capital Structure

The Company's capitalization profile reflects the capital-intensive nature of terminal operations. While gearing and leverage improved over the past year, they remain elevated due to sizable lease liabilities recognized under IFRS 16 and the buildup of PKR 5.85b in royalty payable as of 9MFY25, linked to ongoing arbitration over royalty reimbursement. During the period, gearing pressures were further influenced by an additional disbursement of PKR 1.9b, out of a total bank facility of PKR 3b approved primarily to settle EPC-related payables to Xinjiang Petroleum Engineering Company Limited (XPE) and other liabilities. An agreement has been reached with XPE, covering USD 10.36m in foreign obligations and PKR 680.44m in local payments. Of this, USD 6.66m (PKR 1.87b) remains outstanding as of June 30, 2025, to be repaid in eleven equal monthly installments starting July 2025, while the local component will be cleared over four monthly installments beginning July 2026.

Reported gearing and leverage improved to 3.52x and 5.32x in FY24 (FY23: 5.16x and 7.13x) and remained broadly stable at 3.40x and 5.32x by 9MFY25. On a lease-adjusted basis, however, gearing and leverage were significantly lower at 0.14x and 2.05x as of 9MFY25 (FY24: 0.03x and 1.81x; FY23: 0.09x and 2.07x), reflecting a stronger underlying capital structure. With no significant CAPEX planned in the near term, capitalization metrics are expected to remain steady.

**Profitability**

In FY24, revenue grew 14% YoY to PKR 21.3bn, reflecting a moderate 19% CAGR over FY21–FY24. The topline remains steady, backed by long term capacity payments contract with PLL. Gross margin eased to 28% (FY23: 30%), while PBT margin improved sharply to 25% (FY23: 9%) on account of exchange gains, and lower finance costs. Net margin consequently stood at 15%.

For 9MFY25, revenue stood at PKR 15.3bn, with gross margin further inching down to 26% due to lower average exchange rate and slightly higher operating expenses. Operating margin normalized to 17% due to lower other income, bringing net margin to 10%.

**Debt Coverage & Liquidity**

During 9MFY25, the Company's current ratio stabilized at 1.0x while, Funds from Operations (FFO) remained healthy at PKR 2.25b in 9MFY25 (FY24: PKR 2.65b; FY23: PKR 2.73b). Coverage metrics were sustained at satisfactory levels, with FFO-to-long-term debt and FFO-to-total debt (excluding leases) at 1.45x and 1.35x, respectively, though these moderated from FY24 (6.43x and 2.55x) due to the addition of PKR 1.9b in debt during the period.

Debt service coverage ratios (DSCR) remained comfortable at 2.04x in FY24 and 1.65x in 9MFY25 (FY23: 1.22x). Liquidity was further supported by cash balances of PKR 2.9b at end-9MFY25 (FY24: PKR 2.5b). Sustained improvement in liquidity metrics remains important for the credit profile

| REGULATORY DISCLOSURES | | | | | | Appendix II |
|---|---|---|---|---|---|---|
| Name of Rated Entity | PGP Consortium Limited | | | | | |
| Sector | Oil & Gas | | | | | |
| Type of Relationship | Solicited | | | | | |
| Purpose of Rating | Entity Ratings | | | | | |
| Rating History | Rating Date | Medium to Long Term | Short Term | Outlook / Rating Watch | Rating Action | |
| | RATING TYPE: ENTITY | | | | | |
| | 07/10/2025 | A | A2 | Stable | Reaffirmed | |
| | 10/09/2024 | A | A2 | Stable | Upgrade | |
| | 04/07/2023 | A- | A2 | Positive | Maintained | |
| | 28/11/2022 | A- | A2 | Rating Watch - Developing | Reaffirmed | |
| | 25/11/2021 | A- | A2 | Rating Watch - Developing | Reaffirmed | |
| | 27/11/2020 | A- | A2 | Rating Watch - Developing | Reaffirmed | |
| | 17/09/2019 | A- | A2 | Rating Watch - Developing | Maintained | |
| | 04/16/2018 | A- | A2 | Positive | Maintained | |
| | 10/07/2016 | A- | A2 | Stable | Initial | |
| | RATING TYPE: PREFERENCE SHARE | | | | | |
| | 07/10/2025 | BBB+ | - | Stable | Reaffirmed | |
| | 10/09/2024 | BBB+ | - | Stable | Upgrade | |
| | 04/07/2023 | BBB | - | Positive | Maintained | |
| | 28/11/2022 | BBB | - | Rating Watch Developing | Reaffirmed | |
| | 25/11/2021 | BBB | - | Rating Watch Developing | Reaffirmed | |
| | 27/11/2020 | BBB | - | Rating Watch Developing | Reaffirmed | |
| | 17/09/2019 | BBB | - | Rating Watch Developing | Maintained | |
| | 04/16/2018 | BBB | - | Positive | Final | |
| | 10/07/2016 | BBB | - | Stable | Preliminary | |
| | RATING TYPE: SUKUK 1 | | | | | |
| | **10/09/2024** | AA- (plim) | - | Stable | Preliminary | |
| 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. | | | | | |
| About the Preference Shares | PGPC issued perpetual, non-voting, privately placed, unlisted, callable, puttable, cumulative and floating rate preference shares amounting to Rs. 2b. Preference shares offer dividend at 6-months KIBOR plus 5.5% per annum. | | | | | |
| 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** | **S.No.** | **Name** | **Designation** | **Date** |
| | **1.** | **Mr. Muhammad Kashif** | **CFO** | **18-Sept, 2025** |
| | 2. | **Mr. Mohsin Butt** | **Manager Finance & Compliance** | |
| | 3. | **Mr. Yaseen** | **Manager Accounts** | |