VIS
Credit Rating Company Limited

RATING REPORT

NATIONAL POWER PARKS MANAGEMENT COMPANY

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	January 22, 2026		December 06, 2024	

Analysts:
Fatima Asif
(fatima.asif@vis.com.pk)

Shareholding (5% or More)	Other Information
Government of Pakistan through Pakistan Development Fund Limited – 95.50%	Incorporated in 2015
	Private Limited Company- Public Sector
	Chairman of the Board: Mr. Syed Tanveer Ahmed Jafri
	Chief Executive: Mr. Muhammad Akram Kamal
	External Auditor: KMPG Taseer Hadi & 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

The assigned ratings reflect the Company's ownership, operation, and maintenance of two large combined-cycle gas-fired power plants operating under long-term contractual arrangements within Pakistan's regulated power generation network. The ratings are underpinned by strong sovereign ownership through the Government of Pakistan, established governance structures, and Board oversight. Business stability is supported by long-term Power Purchase Agreements and Gas Supply Agreements, providing defined contractual protections and cost pass-through features. Despite lower dispatch and adjustments during the period following renegotiation of the tariff in April 2025, operations remained within the contractual framework, while capitalization, coverage, and liquidity indicators remained supportive of the current ratings.

Company Profile

Established in 2015, NPPMCL owns, operates and maintains two combined-cycle gas-fired power plants, namely Haveli Bahadur Shah (HBS) power plant (1,230 MW) located in district Jhang and Balloki power plant (1,223 MW) located in district Kasur. Both power plants operate under the Power Generation Policy, 2015, which offers a guaranteed Rate of Return on equity, cost indexation and pass-through cost structure. Both plants achieved commercial operations in 2018. NPPMCL is owned by the Government of Pakistan (GoP) through Pakistan Development Fund Limited (PDFL), a NBFC incorporated in 2014.

Management and Governance

OWNERSHIP/SPONSOR

NPPMC is wholly owned by the Government of Pakistan through Pakistan Development Fund Limited (PDFL), reflecting strong sovereign sponsorship.

BOD's & COMMITTEE:

The Board of Directors comprises eight members, including five independent directors, one female director, and two non-executive directors. In line with its corporate governance framework, the Company has established Board-level committees. These include the Audit, Finance, Investigation, Financial Risk Management and Internal Control Committee; the HR, Legal and Other Miscellaneous Matters Committee; and the Technical, Procurement, Operational Risk Management and Other Operational Matters Committee, all operating at the Board of Directors level.

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 continues to exhibit low cyclicality. In FY25, total electricity generation remained broadly stable on a year-on-year basis, with changes primarily reflected in the generation mix rather than overall demand. Increased contribution from hydel and local coal generation offset declines in gas-based, nuclear, and solar output, indicating continued underlying demand support despite sector adjustments. In comparison, FY24 recorded a marginal decline in total electricity generation, mainly due to subdued industrial activity and increased reliance on self-generation through solar installations. Across both periods, seasonal consumption patterns, particularly elevated summer demand, remained largely intact, supporting 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 Grid Company's (NGC) 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 hybrid 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 included in contractual terms.

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.

During the year, the government advanced its reform agenda through the renegotiation and settlement of Power Purchase Agreements with several IPPs, resulting in revisions to tariff structures, return components, and payment mechanisms. While these revisions altered the contractual framework for affected IPPs, operations largely continued under sovereign-backed arrangements. Established IPPs retained near-term stability under revised contracts; however, the sector remained exposed to regulatory changes, payment delays from the power purchaser, and structural challenges associated with the circular debt framework, keeping the medium-term risk profile sensitive to reform implementation.

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 has entered into separate Power Purchase Agreements (PPAs) for each plant with CPPA-G, acting on behalf of ex-WAPDA Distribution Companies (the power purchaser), for the sale of its entire power generation. The PPAs were executed on October 29, 2016, for a tenure of 30 years.

In 2025, the PPAs were renegotiated under a settlement agreement signed on April 8, 2025, with the revised terms effective from January 01, 2025. The revised PPAs transitioned from a take-or-pay arrangement to a hybrid take-and-pay model. The Return on Equity (RoE) was re-determined at 13%, fixed at an exchange rate of PKR 168/USD, with no future indexation for exchange rate movements. Minimum RoE became payable only if the plant is available or dispatched at a minimum load of 35%. The quarterly indexation mechanism for local O&M costs was capped at the lower of 5% per annum or actual NCPI. Fuel and O&M cost savings realized from July 1, 2024, onward were to be shared with the power purchaser in a 60:40 ratio. The revised PPAs also included a reduction in the markup on delayed payments to 3-month KIBOR plus 1%, provisions for machinery maintenance reserves and performance-linked deductions, and amendments to the dispute resolution mechanism, shifting arbitration from the London Court of International Arbitration (LCIA) to local forums in Islamabad and Lahore.

Gas Supply Agreement:

GSAs for the HBS and Balloki plants were executed with Sui Northern Gas Pipelines Limited (SNGPL) on October 29, 2016, for a period of 15 years. These agreements were also revised in 2025 under the same settlement framework, effective April 8, 2025. The revised GSAs introduced a reduction in the minimum gas off-take requirement from 65% to 50% of maximum daily allocation and aligned the Annual Delivery Plan (ADP) accordingly. Security deposits for gas supply were revised to Rs. 15 billion per project. The markup on delayed payments was reduced to 3-month KIBOR plus 1%, and Saturdays were excluded from the definition of business days for payment purposes. Additionally, both parties agreed to withdraw ongoing legal proceedings, and future dispute resolution was shifted to local arbitration forums.

Operations & Maintenance (O&M) Contract:

The O&M contracts of HBS & Balloki are made for 12 years with SEPCO III and TNB, respectively. The contracts are based on a 92-95% plant availability & are subject to liquidated damages in case of dilution of availability.

OPERATIONAL UPDATE:

Balloki	FY23	FY24	FY25
Plant availability	95.60%	95.60%	76.80%
Total energy delivered (GWh)	6,864	6,685	5,480
Efficiency	61.70%	61.70%	61.70%
HBS			
Plant availability	77.40%	96.80%	81.20%
Total energy delivered (GWh)	6,520	7,931	6,516
Efficiency	62.20%	62.20%	62.20%

In FY25, energy dispatched declined by 18.0% to 5,480 GWh at the Balloki plant and by 17.8% to 6,516 GWh at the Haveli Bahadur Shah (HBS) plant. The decline was primarily attributable to lower scheduling by the power purchaser (CPPA-G), reflecting system-wide demand conditions. According to management, peak demand from the grid was impacted by increased on-site solar generation by industrial and residential consumers, which reduced dependence on grid-supplied electricity during daytime hours.

PROFITABILITY:

The Company's revenue declined by 18.4% in FY25 primarily due to lower dispatch and a reduction in fuel cost adjustments, reflecting lower RLNG prices and relative currency stability. The revised NEPRA-approved tariff structure, implemented in April 2025, was applicable in the second half of the year and therefore did not have a material impact on full-year revenue. Gross margins declined to 10.17% (FY24: 14.71%) primarily due to lower dispatch and the partial sharing of fuel and O&M savings with CPPA-G under the revised settlement framework.

The operating margins declined to -10.20% (FY24: 25.28%) mainly due to higher non-cash settlement-related adjustments, including the write-off of receivables and provisions recognized under the April 2025 settlement agreements with CPPA-G and SNGPL. Excluding the impact of these one-off adjustments, the Company would have reported an operating profit of PKR 81.7 billion for the year. The net margins accordingly declined to -13.78% (FY24: 18.74%).

Financial Risk

CAPITAL STRUCTURE

The Company's capital structure reflected an improvement in FY25, with gearing and leverage ratios reported at 0.11x and 0.43x, respectively (FY24: 0.23x and 0.49x). The change was primarily attributable to the scheduled repayment of long-term borrowings and a reduction in short-term borrowings, which declined in line with lower working capital requirements resulting from lower generation during the year. Total equity declined by 21% due to the net loss recorded during the year and payment of dividend amounting to PKR 26 billion.

DEBT COVERAGE & LIQUIDITY:

The Company's coverage metrics improved in FY25, with the debt service coverage ratio (DSCR) increasing to 3.82x (FY24: 2.71x). The improvement was primarily driven by reduction in the long-term borrowings as a result of scheduled amortization, along with a decline in finance costs following the downward adjustment in benchmark policy rates. This occurred despite a decrease in Funds from Operations due to lower profitability during the year.

The liquidity profile remained sound, although the current ratio moderated to 2.38x (FY24: 2.47x), primarily as a result of a reduction in trade debts to PKR 108.9 billion (FY24: PKR. 319.8 billion). The impact was partially offset by an increase in cash and bank balances to PKR 99.4 billion (FY24: PKR 7.5 billion) and a decrease in short-term borrowings to PKR 6.9 billion (FY24: PKR 45.2 billion).

Financial Summary

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	FY25A
Property, plant and equipment	136,714.94	139,587.38	133,230.13	128,294.90
Stock-in-trade	5,589.15	9,286.81	9,401.89	9,400.44
Trade debts	234,560.15	263,729.45	319,847.49	108,883.95
Cash & Bank Balances	2,550.30	2,461.09	7,542.48	99,345.57
Other Assets	35,941.95	38,844.44	45,060.35	45,573.12
Total Assets	415,356.49	453,909.17	515,082.34	391,497.98
Creditors	91,055.27	50,269.91	41,439.88	28,854.22
Long-term Debt (incl. current portion)	46,208.55	46,994.62	34,455.30	22,361.15
Short-Term Borrowings	41,381.95	45,253.37	45,227.31	6,971.14
Total Debt	87,590.50	92,247.99	79,682.61	29,332.29
Other Liabilities	12,429.99	42,183.25	47,957.23	59,878.66
Total Liabilities	191,075.76	184,701.15	169,079.72	118,065.17
Paid up Capital	116,500.00	55,500.00	55,500.00	55,500.00
Revenue Reserve	107,780.72	152,708.03	229,502.63	156,932.80
Share Deposit	0.00	61,000.00	61,000.00	61,000.00
Equity (excl. Revaluation Surplus)	224,280.72	269,208.03	346,002.63	273,432.80

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	FY25A
Net Sales	297,176.59	354,634.30	409,985.60	334,351.28
Gross Profit	28,215.69	42,354.99	60,324.48	33,998.31
Operating Profit	44,978.17	71,301.89	103,642.48	-34,091.20
Finance Costs	11,628.93	26,062.85	26,491.84	11,288.59
Profit Before Tax	33,349.24	45,239.04	77,150.64	-45,379.79
Profit After Tax	33,326.65	44,930.54	76,814.82	-46,069.19

Ratio Analysis	FY22A	FY23A	FY24A	FY25A
Gross Margin (%)	9.49%	11.94%	14.71%	10.17%
Operating Margin (%)	15.14%	20.11%	25.28%	-10.20%
Net Margin (%)	11.21%	12.67%	18.74%	-13.78%
Funds from Operation (FFO) (PKR Millions)	29,585.58	60,225.36	85,793.64	55,040.82
FFO to Total Debt* (%)	33.78%	65.29%	107.67%	187.65%
FFO to Long Term Debt* (%)	64.03%	128.15%	249.00%	246.14%
Gearing (x)	0.39	0.34	0.23	0.11
Leverage (x)	0.85	0.69	0.49	0.43
Debt Servicing Coverage Ratio* (x)	1.47	1.70	2.71	3.82
Current Ratio (x)	1.65	1.89	2.47	2.38
(Stock in trade + trade debts) / STD (x)	5.84	6.07	7.32	17.23
Return on Average Assets* (%)	9.07%	10.34%	15.85%	-10.16%
Return on Average Equity* (%)	16.05%	18.21%	24.97%	-14.87%
Cash Conversion Cycle (days)	149.42	182.53	221.66	202.73

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	National Power Parks Management Company (Private) 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 Action
RATING TYPE: ENTITY				
22-Jan-2024	AA+	A1+	Stable	Reaffirmed
06-Dec-2024	AA+	A1+	Stable	Maintained
28-Dec-2023	AA+	A1+	Rating Watch Developing	Reaffirmed
30-Dec-2022	AA+	A1+	Rating Watch Developing	Reaffirmed
24-Dec-2021	AA+	A1+	Rating Watch Developing	Reaffirmed
30-Dec-2020	AA+	A1+	Rating Watch Developing	Reaffirmed
31-Dec-2019	AA+	A1+	Rating Watch Developing	Maintained
31-Dec-2018	AA+	A1+	Stable	Reaffirmed
24-Dec-2017	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.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Kamran Jamshed	General Manager Finance	13th January 2026
Mr. Tariq Mahmood	Manager Budget & Accounts	