

LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PVT) LIMITED (LSMIML)

Analyst:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	February 02, 2026		January 14, 2025	

Shareholding (10% or More)

Frontier Works Organization – 27.5% (Class 'A' Shares)
National Highway Authority – 72.5% (Class 'B' Shares)

Other Information

Incorporated in 2016

Private Limited Company

Chairman: Mr. Abdul Sami

Chief Executive: Mr. Jamal Maroof

External Auditor: RSM Avasi Hyder Liaquat Nauman 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 strategic importance of the Lahore Sialkot Motorway Infrastructure Management (Private) Limited ('LSMIML' or the 'Company') under a public-private partnership (PPP) framework and the presence of strong government-backed sponsors. The project has achieved operational stability, with the motorway fully functional and maintenance responsibilities transitioned to the Company, supporting consistency in service delivery. Toll revenues have shown a gradual improving trend, aided by contractual toll escalations and expectations of enhanced connectivity from planned network extensions. However, the ratings take into account the weak standalone financial performance, continued operating losses, and stressed debt coverage, stemming from traffic levels remaining below initial feasibility assumptions and a high finance cost burden. Liquidity indicators remain tight, and the capital structure reflects erosion in equity due to continued losses, resulting in elevated leverage. The ratings are contingent on continued sponsor and government backing and the timely servicing of debt, with external support if required.

Company Profile

Lahore Sialkot Motorway Infrastructure Management (Private) Limited ('LSMIML' or the 'Company') is a Special Project Company (SPC) with its registered office in Rawalpindi, Punjab. The Company has entered into a 25-year concession agreement with the National Highway Authority (NHA) for the construction, operation, and maintenance of the Lahore-Sialkot Motorway (M-11) under a Public-Private Partnership (PPP) framework on a Build-Operate-Transfer (BOT) basis, in collaboration with the Frontier Works Organization (FWO). Under the concession arrangement, LSMIML, as the concessionaire, is responsible for toll collection as well as the overall management and maintenance of the motorway. The motorway became operational in March 2020 and serves as a key transport corridor between Lahore and Sialkot/Sambrial. The responsibility for operations and maintenance (O&M), which was initially handled by FWO, was transferred to LSMIML in September 2021, marking the Company's transition to full operational control of the project.

Sponsor Profile

LSMIML benefits from strong government-backed sponsorship through Frontier Works Organization (FWO), a state-owned engineering and construction organization operating under the administrative oversight of the Government of Pakistan, with a long-standing track record in executing strategic infrastructure projects, including highways and motorways, and extensive experience in PPP/BOT frameworks.

Management and Governance

LSMIML is governed by a four-member Board of Directors, comprising Abdul Sami as Chairman, Jamal Maroof as Chief Executive Officer, Agha Waqar Javed as Director, and Masood Akhtar as Independent Director. No changes were observed in the Board of Directors or key executive personnel during the review period, indicating stability in management.

Going Concern

The Company continued to report losses in FY25, with accumulated deficits and a working capital shortfall indicating material uncertainty around the going concern assumption on a standalone basis. However, continued parental financial support, timely settlement of third-party obligations, and expectations of improved toll revenues support management's view that the Company will continue as a going concern.

Auditor

RSM Avais Hyder Liaquat Nauman Chartered Accountants has issued an unqualified and unmodified audit opinion, confirming that the Company's financial statements comply with applicable accounting standards and present a true and fair view of its financial position as at June 2025. However, the auditors have highlighted a material uncertainty related to going concern under the Emphasis of Matter, while the audit opinion remains unmodified.

Business Risk

INDUSTRY

Despite being a government-backed PPP project, toll road developments in Pakistan carry inherent business risks, particularly during the construction phase. While public-sector involvement provides policy support and contractual protections, projects remain exposed to execution risk, traffic demand uncertainty, tariff sensitivity, and reliance on timely government actions. These risks are more pronounced for urban, greenfield corridors where land acquisition, utility shifting, weather disruptions, and stakeholder coordination can materially affect timelines and costs.

OPERATIONAL UPDATE

Particulars	FY22	FY23	FY24	FY25
No. of Vehicles	6,626,296	7,203,563	7,891,557	7,785,378
Toll Revenue (PKR)	1,028,950,080	959,410,505	1,077,569,140	1,363,581,810
Average Toll / Vehicle (PKR)	155.3	133.2	136.54	175.15

LSMIML commenced operations of the Lahore-Sialkot Motorway on March 18, 2020, with substantial completion achieved in August 2020. As reported previously, full project completion has remained pending due to the non-completion of the Sambrial Interchange, primarily arising

from delays in land acquisition by the National Highway Authority (NHA). To ensure uninterrupted operations, interim arrangements were implemented through rented land and temporary tolling structures, with the associated costs borne by the EPC contractor, Frontier Works Organization (FWO). During FY25, the operational profile of the motorway remained largely stable, with the project now approximately 97% complete, and the Sambrial Interchange continuing to be the sole outstanding component due to unresolved land handover issues on NHA's side. Management indicated that the pending interchange has not materially affected commuter convenience or traffic flow. All construction-related works, including fixtures, fittings, and ancillary infrastructure, have been completed by FWO in accordance with its EPC obligations. The motorway continues to operate through seven entry and exit points, with cash tolling managed by the Company, while M-Tag toll transactions are recorded through a video tolling system operated by NHA.

Traffic volumes registered a marginal decline in FY25; however, toll revenue increased during the period. Total traffic volume aggregated to approximately 7.8 million vehicles (FY24: 7.9 million), while toll revenue rose to around PKR 1.36 billion (FY24: PKR 1.08 billion). Traffic volumes remained relatively stable throughout the year, with seasonal upticks observed during Oct–Dec 2024 and Apr–Jun 2025. Average daily toll collections ranged from PKR 3.1 million to PKR 4.8 million; however, toll realization continued to remain below feasibility assumptions, achieving around 27%–37% of forecast levels. Approximately 95% of total traffic comprised private vehicles, while commercial and heavy traffic remained limited. M-Tag proportion stood at around 75%, with the remaining 25% collected through cash lanes. Toll rates continued to rise by 8% each year as per the contract.

From a strategic perspective, NHA is advancing extensions to the motorway network, which are expected to significantly improve the project's traffic outlook. Phase II, extending from Sambrial to Kharian, has been allotted and is planned to be converted from two lanes to three lanes, with expected completion by January 2028 following alignment changes and higher funding requirements. Phase III, extending to Rawalpindi, is currently at the bidding stage.

PROFITABILITY

The Company's revenue base is largely concentrated in toll collections, which accounted for approximately 92% of total revenue in FY25. Toll income increased to PKR 1.36bn (FY24: PKR 1.08bn), driven by annual toll escalation. This stream represents the primary source of cash generation. Ancillary revenues remain limited, with service area income improving to PKR 106.0m (FY24: PKR 72.4m) and advertisement revenue remaining largely stable at PKR 19.5m (FY24: PKR 20.0m).

Despite improvement in revenue, profitability metrics remained under pressure, with gross margins still negative, though improving slightly. Therefore, the company remained in losses despite comparatively lower finance costs. Further losses continued to erode the equity base. The company is projected report losses until the toll realization will reach a minimum threshold to cover fixed costs.

Financial Risk

CAPITAL STRUCTURE

The government-funded nature of the project provides a structural support to the Company. However, the Company's capital structure remained under pressure in FY25, reflecting continued erosion in equity despite broadly stable debt levels. Total long-term borrowings stood at PKR 14.2bn as of FY25 (FY24: PKR 14.4bn), indicating limited deleveraging during the period. In contrast, equity declined further to PKR 4.7bn (FY24: PKR 8.0bn), mainly due to accumulated losses, while paid-up capital remained unchanged. Gearing increased to 3.0x by end-FY25 (FY24: 1.79x), while leverage increased to 4.96x (FY24: 2.72x).

DEBT COVERAGE & LIQUIDITY

Debt coverage metrics remain weak, reflecting limited cash flow generation and a high debt service burden. Funds from operations, while showing some improvement, remain insufficient to provide adequate coverage of debt obligations. Consequently, the DSCR remained low at 0.21x in FY25 (FY24: 0.16x), indicating continued reliance on external support for timely debt servicing. Similarly, FFO to total debt turned positive in FY25.

Cash and bank balances stood at PKR 96.6m as of FY25 (FY24: PKR 90.5m), providing limited liquidity buffers. The current ratio remained subdued at 0.63x (FY24: 0.65x), reflecting restricted working capital management. Overall, liquidity and debt coverage remain under pressure, with improvement dependent on enhanced operating cash flows, continued traffic growth, and ongoing government support.

Financial Summary				Appendix I
Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	FY25A
Property, plant and equipment	32,270.69	29,878.20	28,149.33	26,452.30
Concession Work in Progress	-	-	-	-
Mobilization Advance	1,244.14	1,244.14	1,244.14	1,244.14
Advances and Other Receivables	247.2	247.87	288.8	298.74
Advance Tax	11.52	2.25	-	-
Cash and Bank Balances	44.61	32.85	90.54	96.56
Total Assets	33,818.14	31,405.31	29,772.80	28,091.74
Long Term Loan (including current maturity)	15,753.98	14,210.59	14,363.26	14,158.07
Subordinated loans	-	-	-	-
Trade and Other Payables	1,628.39	1,808.57	1,918.54	1,080.56
Total/Tier-1 Equity	16,000.04	11,984.72	8,013.06	4,714.23
Paid-up Capital	24,827.42	24,827.42	24,827.42	24,827.42
Income Statement (PKR Millions)	FY22A	FY23A	FY24A	FY25A
Net Sales	1,031.25	977.48	1,169.98	1,489.13
Gross Profit	-1,756.65	-2,101.22	-1,286.74	-1,110.07
Operating Profit	19.22	26.59	24.59	13.93
Finance Costs	1,231.84	1,880.86	2,639.83	2,091.39
Profit Before Tax	-3,028.71	-4,003.10	-3,957.03	-3,298.73
Profit After Tax	-3,038.76	-4,003.10	-3,957.03	-3,298.84
Ratio Analysis	FY22A	FY23A	FY24A	FY25A
Gross Margin (%)	-170.30	-215.00	-110.00	-74.54
Net Margin (%)	-294.70	-409.50	-338.20	-221.50
Current Ratio (x)	0.62	0.34	0.65	0.63
FFO to Total Debt (x)	NM	NM	NM	0.93
FFO to Long Term Debt (%)	NM	NM	0.93%	0.93%
Leverage (x)	1.06	1.62	2.72	4.96
Gearing (x)	0.96	1.19	1.79	3
DSCR (x)	0.28	0.12	0.16	0.21
ROAA (x)	NM	NM	NM	NM
ROAE (x)	NM	NM	NM	NM

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

NM - Not Meaningful

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Lahore Sialkot Motorway Infrastructure Management (Pvt) Limited				
Sector	Toll Roads				
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				
	02/02/2026	A-	A2	Stable	Reaffirmed
	14/01/2025	A-	A2	Stable	Reaffirmed
	27/12/2023	A-	A2	Stable	Reaffirmed
	14/11/2022	A-	A2	Stable	Reaffirmed
	07/10/2021	A-	A2	Stable	Reaffirmed
	19/08/2020	A-	A2	Stable	Reaffirmed
	11/03/2019	A-	A2	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. Muhammad Imran Umer	Chief Financial Officer (CFO)	19 ^h January 2026		