

## PUNJAB THERMAL POWER (PRIVATE) LIMITED

**Analysts:**

Musaddeq Ahmed  
(musaddeq@vis.com.pk)

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

**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		Reaffirmed	
RATING DATE	December 3, 2025		October 02, 2024	

**Shareholding (5% or More)**

Government of Punjab – 100%

**Other Information**

Incorporated in 2017

Private Limited Company

Chief Executive: Mr. Salman Zakaria

External Auditor: Yousuf Adil 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**

Punjab Thermal Power (Private) Limited ('PTPL' or 'the Company') maintains a strong credit profile supported by full provincial ownership, established operational infrastructure, and the stability provided by its long-term contractual power off take arrangements. The Company also benefits from a cost-plus tariff structure that ensures recovery of fixed costs and protects cash flows from volatility in demand and fuel prices. Despite a period of reduced plant availability following an operational incident, overall business risk remains contained due to the location of the plant in the load center where it facilitates the stability of the national grid. Profitability remained resilient, aided by insurance recovery that offset the moderation in margins caused by lower dispatch. Financial risk has eased as scheduled debt repayments and improved working-capital management strengthened coverage and liquidity indicators, while reduced finance costs supported bottom-line performance. Although delays in payments from the power purchaser and evolving regulatory reforms present ongoing challenges, sovereign backing of contractual obligations, established payment mechanisms, and a track record of support mitigate the associated risks.

## Company Profile

Punjab Thermal Power (Private) Limited ('PTPL' or 'the Company') was incorporated on June 08, 2017, as a private limited company by the Government of Punjab (GoPB) through the Energy Department. It operates as a wholly owned entity of the GoPB and was established with the primary objective of setting up, operating, and managing a 1263.2 megawatt (MW) (Net: 1,242.7 MW) Re-gasified Liquefied Natural Gas (RLNG) combined cycle thermal power plant at Haveli Bahadur Shah, near Trimmu barrage, Jhang, Punjab formed under Power Policy, 2015. The Company functions as an Independent Power Producer (IPP). It was initially approved with Return on Equity (ROE) of 15% (Indexation with USD) and was later on reduced to 12% (Indexation with USD).

## Management and Governance

### OWNERSHIP/SPONSOR

PTPL is wholly owned by the Government of Punjab, reflecting strong provincial sponsorship. Strategic oversight is exercised through the Energy Department, with governance aligned to public-sector policy and compliance frameworks.

### BOD's & COMMITTEE:

The Board of Directors is composed of nine members, including the Secretary of Energy (GoPb), Chairman P&D Board (GoPb) and Finance Secretary (GoPb). Three committees operate under the oversight of the Board: The Finance & Audit Committee, Human Resource and Remuneration committee and procurement committee.

## 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 cyclicalities. 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 pose 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 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.

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 project received approval from the Cabinet Committee on Energy (CCoE) of the Federal Government on June 6, 2017. As a part of this approval, the CCoE relaxed the ban on new imported fuel-based power projects, specifically for this venture. Subsequently, the NEPRA granted PTPL a power generation license in February 2018. In June 2020, PTPL signed a PPA with the Central Power Purchasing Agency Guarantee Limited (CPPA-G) for a duration of 30 years, incorporating a 'take or pay' provision. Moreover, in August 2020, the CCoE approved a reduction in capacity charges for Government-owned projects and revised the ROE to 12% with dollar-based indexation.

#### **Gas Supply Agreement:**

In August 2020, the Company finalized a Gas Supply Arrangement (GSA) for a 15-year period with Sui Northern Gas Pipeline Limited (SNGPL) of 185 mmcf/d, starting from the Commercial Operations Date (COD). Prior to the expiry of the term, the seller shall enter into necessary arrangements to ensure the term is extended for another 15 years. PTPL will have the first right to refuse any new imported gas the seller intends to include in its network, and the agreement will, subject to any necessary approvals from the GoPb, be accordingly extended.

As per the GSA between the Company and SNGPL, it is mandated for the Company to provide a Gas Supply Deposit (GSD) equivalent to the price of 30 days' worth of RLNG. To comply with this requirement, the Company had initially arranged a Standby Letter of Credit (SBLC) at the time of financial close. However, due to unfavorable movements in exchange rates and an increase in RLNG prices, the previously arranged SBLC has proven to be insufficient. As a result, the Gas supplier demanded a differential SBLC to align with the stipulations of the GSA.

#### **Operations & Maintenance (O&M) Contract:**

PTPL has hired the services of Harbin Electric International Company Limited (HEICL) as an O&M operator for Combined Cycle Operations on April 29, 2021, for the period of 12 years. The Company's commitment with respect to the O&M agreement with HEICL stands at approximately US\$ 155.5m (without indexation), based on the normal operational regime for the entire term of the agreement, i.e., twelve years. Actual payments shall be made in terms of the agreements.

**Long Term Service Agreement (LTSA):**

Through an international competitive bidding process, Siemens Pakistan Engineering Company Limited (Siemens) was declared the successful bidder for LTSA, and the Company entered into the LTSA with Siemens in December 2017. The Company's commitment with respect to the LTSA with Siemens is US\$ 156.8m (without indexation), based on the normal operational regime for the entire term of the agreement, i.e., twelve years, while actual payments shall be made in terms of the agreement.

**OPERATIONAL UPDATE:**

Productions:	FY 2023-24	FY 2024-25
Average annual load dispatch	29%	16%
GWH of energy dispatched	3,164	1,757
Availability	80%	48%

The energy dispatched declined by 44% to 1,757 GWh due to reduced plant availability following a fire incident that resulted in temporary shutdown—subsequently covered through insurance compensation proceeds— and lower scheduling by the power purchaser (CPPA-G) in line with system demand conditions.

**PROFITABILITY:**

The Company's revenue declined by 44% due to lower dispatch and a reduction in tariff. The decrease in tariff in FY25 was primarily linked to lower OGRA-notified RLNG prices and relative exchange-rate stability, which resulted in a decline in the Fuel Cost Component (FCC) to approximately Rs. 20–22/kWh (FY24: Rs. 23–24/kWh). The fixed capacity charge remained unchanged under the existing 2017 cost-plus tariff structure, and is subject only to routine indexations. Gross margins decreased to 17.64% (FY24: 23.76%) as the decline in dispatch-led EPP and lower capacity revenue exceeded the corresponding reduction in fuel costs. In addition, O&M, insurance, and depreciation expenses remained largely fixed, limiting the extent of cost flexibility.

The operating margin increased to 42.52% (FY24: 29.32%) mainly due to higher other income arising from an insurance compensation of PKR. 18 billion recorded during the year. This non-recurring inflow supported operating profitability despite the lower gross margin. Net margins improved to 17.07% (FY24: 7.96%) on account lower finance costs following a reduction in policy rates.

**Financial Risk****CAPITAL STRUCTURE**

The Company's capital structure exhibited improvement in FY25, with gearing and leverage reported at 0.76x and 0.95x, respectively (FY24: 1.20x and 1.52x). This change primarily stemmed from the scheduled repayment of long-term borrowings and incremental equity generated through profit retention. The capital base largely consists of equity and long-term debt, while the level of short-term financing decreased due to lower working capital requirements amid reduced generation during the year.

**DEBT COVERAGE & LIQUIDITY:**

The Company's coverage metrics improved in FY25, with DSCR increasing to 1.30x (FY24: 0.76x). The improvement primarily reflects a lower current maturity of long-term financing due to scheduled amortization, along with a decline in finance costs following the reduction in benchmark policy rates.

The liquidity profile also improved, with the current ratio increasing to 2.42x (FY24: 1.64x), primarily due to a reduction in current liabilities driven by the repayment of short-term borrowings and accrued markup, rather than an increase in liquidity balances. Despite a lower cash position, the Company's working-capital profile strengthened, as collections from CPPA-G, recognition of insurance recoverable, and lower short-term debt improved coverage of near-term obligations and reduced refinancing pressure.

## REGULATORY DISCLOSURES

## Appendix II

Name of Rated Entity	Punjab Thermal Power (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				
	03/12/2025	AA	A1	Stable	Reaffirmed
	02-10-2024	AA	A1	Stable	Reaffirmed
	19-09-2023	AA	A1	Stable	Upgrade
	09-06-2022	AA-	A1	Stable	Reaffirmed
	01-07-2021	AA-	A1	Stable	Reaffirmed
	10-06-2020	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. Malik Mohsen		CFO		14 Nov2025
	Mr. Usman Aziz		Deputy CFO		