

LIBERTY DAHARKI POWER LIMITED

Analysts:

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RATING DETAILS

RATINGS CATEGORY	Preliminary Sukuk Rating
SHORT-TERM SUKUK	A1 (plim)
RATING ACTION	Preliminary
RATING DATE	May 14, 2026

Shareholding (5% or More)

TNB Power Daharki Limited – 100.0%

Other Information

Incorporated in 1995

Public Unlisted Company

Chief Executive: Mr. Emran Ahmed Khan

External Auditor: M/s. 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

The assigned ratings reflect LDPL's established operations under a long-term PPA framework with CPPA-G and continued extension of the agreement, providing visibility on electricity sales. The ratings incorporate the revised tariff structure, which has altered the composition of capacity payments and increased reliance on dispatch levels, along with the decline in energy dispatch and profitability. Consideration is also given to reliance on gas supply under interim arrangements with the GSA pending formalization, and exposure to counterparty risk. Financial risk is reflected by higher but manageable leverage and diversification into non-core investments; however, coverage metrics remain adequate.

The assigned rating to the Short-Term Sukuk (STS) reflects LDPL's established cash flow generation under the sovereign-backed power framework with CPPA-G. The Sukuk is being utilized to finance short-term working capital requirements, with the six-month bullet repayment structure aligned with the Company's liquidity profile. The rating also incorporates the unsecured nature of the instrument and exposure to sector-wide receivable delays arising from circular debt; however, adequate coverage metrics and continued operational cash flows provide support to repayment capacity.

Company Profile

Liberty Daharki Power Limited ('LDPL' or 'the Company') was established in Pakistan on August 21, 1995, as a public limited company. The Company's name was changed to Liberty Daharki Power Limited from TNB Liberty Power Limited on November 4, 2022. The registered office is located in Islamabad. LDPL is primarily engaged in the operation, and maintenance of a combined cycle power station. This power station, with an installed capacity of 235 MW, is developed in two phases in District Ghotki, Sindh. The electricity generated is sold to the Central Power Purchasing Agency Guarantee Limited (CPPA-G).

In CY23, LDPL acquired a 90.9% stake in Daewoo Pakistan Express Bus Service Limited (DPEBSL). The acquisition was financed through long-term advances receivable from DW Pakistan (Private) Limited ("DWPL"). Following this transaction, DPEBSL became a direct subsidiary of LDPL. However, the Company also has different companies as indirect subsidiaries.

OWNERSHIP/SPONSOR

LDPL is a wholly owned subsidiary of TNB Power Daharki Limited ("TNBPDL" or "the Holding Company"), which is incorporated in Mauritius. The ultimate holding company of LDPL is AsiaPak Investment Limited ("APIL"), incorporated in the British Virgin Islands.

Short-term Sukuk (STS)

LDPL intend to issue a Short-Term, Rated, Unsecured, Privately Placed Sukuk of up to PKR 4,000 million, inclusive of a green shoe option of PKR 1,000 million. The proceeds of the issue are intended to finance the Company's short-term working capital requirements. The Sukuk will carry a tenor of six months from the issue date, with the principal amount repayable in bullet form at maturity. Profit will be payable at maturity on the outstanding principal amount and shall be calculated on the basis of a 365-day year. The proposed profit rate comprises 6M KIBOR plus a spread of 125bps. In addition, the base rate shall remain subject to adjustment in the event of any upward revision in the SBP policy rate during the tenor of the instrument, as specified in the transaction documentation.

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 cyclicalities. 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 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.

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's Power Purchase Agreement (PPA) has been extended until May 22, 2028 following the execution of a new Memorandum of Understanding (MoU) dated October 31, 2024. The extension ensures the continued sale of electricity under the existing contractual framework, subject to the terms and conditions outlined in the MoU.

Under the revised terms of the Power Purchase Agreement (PPA), the Company's tariff structure has undergone a notable change, particularly in relation to the indexed component of the capacity payment (CPP). The indexed portion of the tariff has been reduced by 30%, while future indexation has been capped, with semi-annual adjustments limited to the lower of 2.47% or half of the NCPI variation. This replaces the previous mechanism which allowed broader pass-through of inflationary and macroeconomic factors, thereby constraining the growth potential of the Company's tariff over time.

Furthermore, the revised structure introduces a shift in the composition of capacity payments, whereby only 35% of the indexed tariff component is payable as fixed CPP. The remaining portion becomes contingent upon actual generation levels, with recoverability linked to output beyond a defined threshold of dependable capacity. This effectively reduces the proportion of guaranteed revenues and increases reliance on dispatch levels for full cost recovery.

Gas Supply Agreement:

LDPL relies on indigenous natural gas sourced from the Qadirpur gas field, supplied through Sui Northern Gas Pipelines Limited, with an in-house gas treatment facility supporting operations. The original Gas Supply Agreement (GSA) expired in 2015; however, gas allocation has continued under government-approved interim arrangements (up to approximately 45 MMCFD), while execution of a supplementary GSA remains pending. During CY25, the Company concluded an expert mediation proceeding with SNGPL in its favor, resulting in recognition of an award of Rs. 1,071m.

Gas availability has continued under interim arrangements; however, the absence of a finalized GSA and the pending formalization of contractual terms indicate ongoing exposure to counterparty and supply-related risks. In this context, management has indicated that the Company is in the process of exploring alternative gas supply arrangements, including consideration of sourcing gas from the Sara gas field operated by Oil and Gas Development Company Limited.

Operations & Maintenance (O&M) Contract:

Under the O&M agreement dated July 18, 2022, with Ansaldo Energia, the contractor is responsible for providing technical supervision services for key plant components, including the gas turbine, steam turbine, and associated generators, on an exclusive basis. The contractor is obligated to perform all works with due skill, care, and diligence in accordance with industry best practices, deploy qualified personnel (including experienced expatriate staff), utilize appropriate materials and equipment, and ensure compliance with applicable laws and standards. Additionally, the contractor may subcontract limited portions of the work with prior approval, while retaining full responsibility for the performance and actions of any subcontractors.

OPERATIONAL UPDATE:

	CY23	CY24	CY25
Average annual load dispatch (MWh)	705,187	969,879	665,759
Energy dispatched (MWh)	705,187	969,879	665,759
Availability	67.51%	88.30%	80.70%
Heat rate efficiency	33.78%	38.30%	35.98%
Capacity utilization	61.36%	64.08%	61.68%

In CY25, energy dispatched declined by 13.4% to 665,759 MWh (CY24: 969,879 MWh), primarily due to lower scheduling by the power purchaser, Central Power Purchasing Agency (CPPA-G), reflecting prevailing system-wide demand conditions. According to management, peak grid demand was affected by increased on-site solar generation by industrial and residential consumers, which reduced reliance on grid-supplied electricity during daytime hours.

PROFITABILITY:

The Company's revenue declined by 39.2% in CY25 primarily attributable to a 31.8% reduction in energy dispatched to 661,441 MWh (CY24: 969,880 MWh), along with a decline in capacity revenues following revisions in tariff terms. The revised framework incorporates a reduction in the indexed tariff component, limits future indexation to the lower of 2.47% per annum or half of the prevailing NCPI variation, and restructures the capacity purchase price such that only 35% of the indexed component remains fixed, with the balance contingent on dispatch levels exceeding 35% of dependable capacity.

Gross margin declined to 10.32% (CY24: 12.91%), reflecting lower dispatch levels and reduced absorption of fixed costs. Operating profitability declined in line with the contraction in revenues. Net margin declined to 5.95% (CY24: 6.53%), in line with the overall reduction in operating profitability.

Financial Risk

CAPITAL STRUCTURE

The Company's capital structure reflected mixed trends in CY25, with gearing increasing to 0.21x (CY24: 0.10x), indicating higher reliance on borrowings, primarily due to increased utilization of short-term financing facilities and additional long-term debt raised during the year for BMR activities. However, leverage declined to 0.99x (CY24: 1.00x), as the increase in equity on account of profit retention expanded the overall capital base. While borrowings increased during the year, the impact on leverage was offset by growth in equity, resulting in a marginal decline in leverage. Overall, gearing and leverage remained within manageable levels.

DEBT COVERAGE & LIQUIDITY:

The Company's coverage metrics improved in CY25, with the debt service coverage ratio (DSCR) increasing to 5.88x (CY24: 4.57x), reflecting higher funds from operations alongside lower debt servicing requirements, particularly in the absence of current maturities during the year. The current ratio declined to 0.66x (CY24: 1.15x), primarily driven by an increase in short-term borrowings and sustained levels of trade and other payables, alongside a reduction in trade receivables, resulting in higher current liabilities and a net current liability position.

Non-core Investment

LDPL expanded its investment portfolio during CY25 through additional equity participation in associated and joint venture entities. Long-term investments increased to PKR 26.86bn (CY24: PKR 20.99bn), primarily reflecting higher shareholding in DW Pakistan (Private) Limited following conversion of advances into equity, along with new investments undertaken during the year. During the year, the Company converted advances due from DW Pakistan into equity shares, increasing its shareholding to 70.28% (CY24: 59.10%), resulting in enhanced control and consolidation of downstream investments, including indirect holdings in operating subsidiaries.

New investments include equity participation in Sino Sindh Resources (Private) Limited, an entity engaged in open-pit coal mining in Tharparkar, Sindh, and participation in a joint venture with Capital Iron Industries (Private) Limited for the development of a steel plant. These investments represent diversification beyond the Company's core power generation operations into resource and industrial sectors diversifying the business risk of the company.

Financial Summary

Balance Sheet (PKR Millions)	CY22A	CY23A	CY24A	CY25M
Property, plant and equipment	4,916.81	14,614.61	3,333.98	1,988.20
Right-of-use Assets	46.01	1,558.45	72.45	275.69
Intangible Assets	0.00	1.22	0.00	0.00
Long-term Investments	4,878.02	2,758.75	20,994.28	26,861.28
Stock-in-trade	668.20	125.46	1,242.13	1,295.30
Trade debts	15,646.70	18,285.83	7,810.12	4,838.92
Short-term Investments	0.00	1,867.54	0.00	0.00
Cash & Bank Balances	1,064.76	1,540.85	2,311.92	3,048.66
Other Assets	14,814.01	14,466.54	5,265.85	4,994.11
Total Assets	42,034.51	55,219.25	41,030.73	43,302.16
Creditors	17,893.93	18,546.35	18,056.08	16,041.75
Long-term Debt (incl. current portion)	4,294.30	5,478.00	72.34	221.98
Short-Term Borrowings	2,429.37	806.68	2,036.18	4,352.02
Total Debt	6,723.67	6,284.68	2,108.52	4,574.00
Other Liabilities	1,111.63	6,397.72	299.12	927.38
Total Liabilities	25,729.23	31,228.75	20,463.72	21,543.13
Paid up Capital	3,528.00	3,528.00	3,528.00	3,528.00
Revenue Reserve	12,777.30	19,820.66	17,038.00	18,231.02
Other Equity (excl. Revaluation Surplus)	0.00	641.84	0.00	0.00
Equity (excl. Revaluation Surplus)	16,305.30	23,990.50	20,566.00	21,759.02

Income Statement (PKR Millions)	CY22A	CY23A	CY24A	CY25M
Net Sales	24,915.49	54,109.25	33,577.34	20,418.23
Gross Profit	2,769.54	9,070.08	4,333.67	2,106.67
Operating Profit	3,960.15	10,006.75	1,945.54	1,941.46
Finance Costs	2,389.57	2,122.60	649.83	625.75
Profit Before Tax	1,570.58	7,884.15	1,839.99	1,315.71
Profit After Tax	1,109.32	6,737.99	2,192.95	1,214.63

Ratio Analysis	CY22A	CY23A	CY24A	CY25M
Gross Margin (%)	11.12%	16.76%	12.91%	10.32%
Operating Margin (%)	15.89%	18.49%	5.79%	9.51%
Net Margin (%)	4.45%	12.45%	6.53%	5.95%
Funds from Operation (FFO) (PKR Millions)	2,575.25	7,810.01	2,606.90	3,171.92
FFO to Total Debt* (%)	38.30%	124.27%	123.64%	69.35%
FFO to Long Term Debt* (%)	59.97%	142.57%	3603.68%	1428.92%
Gearing (x)	0.41	0.26	0.10	0.21
Leverage (x)	1.58	1.30	1.00	0.99
Debt Servicing Coverage Ratio* (x)	0.92	2.53	4.57	5.88
Current Ratio (x)	1.15	1.26	0.81	0.66
(Stock in trade + trade debts) / STD (x)	7.21	25.10	4.45	1.41
Return on Average Assets* (%)	2.98%	13.86%	4.56%	2.88%
Return on Average Equity* (%)	7.02%	33.44%	9.84%	5.74%
Cash Conversion Cycle (days)	76.00	-29.99	-78.05	-201.48

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES Appendix II

Name of Rated Entity	Liberty Daharki Power Limited		
Sector	Power		
Type of Relationship	Solicited		
Purpose of Rating	Short Term Sukuk		
Rating History	Rating Type: Short Term Sukuk		
	Rating Date	Short Term	Rating Action
	May 14, 2026	A1 (plim)	Preliminary
Instrument Structure	Instrument Name	Short Term Sukuk	
	Nature of Instrument	STS	
	Tenure of Instrument	6 Months	
	Size of the Issue	PKR 4,000mn (Inclusive PKR 1,000mn green shoe)	
	Principle Redemption Schedule	Bullet	
	Interest Redemption Schedule	Bullet	
	Issue Date	N/A	
	Grace Period	N/A	
	Redemption Date	N/A	
	Profit Rate	6M KIBOR + 125	
	Nature of Security	Unsecured	
	Rating	A1	
Name of Trustee	Pak Oman Investment Company Limited		
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. Babar Zaman	GM Corporate Finance	10 th April 2026