

LIBERTY DAHARKI POWER LIMITED

Analysts:

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RATING DETAILS

RATINGS CATEGORY	Preliminary Sukuk Rating
SHORT-TERM SUKUK - 1	A1 (plim)
RATING ACTION	Preliminary
RATING DATE	October 20, 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/Methodologies-2026/Corporate-Rating-2026.pdf>

Instrument Rating

<https://docs.vis.com.pk/Methodologies-2026/IRM-2026.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The assigned ratings reflect Liberty Daharki Power Limited's ('LDPL' or 'the Company') 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. 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. The Company is primarily engaged in the operation, and maintenance of a combined cycle 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 ("TNBPD" 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 - 1 (STS-1)

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 2,000 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 and profit amount repayable in bullet form at maturity. The proposed profit rate comprises 6M KIBOR plus a spread of 125bps.

Business Risk

INDUSTRY

Pakistan's power sector entered 2025 with a materially over-contracted generation base, high-capacity payments and a large circular-debt stock. During 2025 and YTD2026, the policy framework shifted decisively toward capacity rationalization, IPP restructuring, lower reliance on imported fuels, competitive procurement and tighter fiscal discipline.

The reduction in circular-debt stock achieved during FY2024-25 and the restructuring of approximately PKR 1.225 trillion of legacy obligations represent meaningful progress. However, the subsequent PKR 364 billion increase in FY2025-26 circular debt demonstrates that structural weaknesses in distribution, collections and tariff administration continue to offset these gains.

The FY2026-27 Federal Budget is broadly consistent with the reform trajectory: power subsidies are budgeted at PKR 830 billion, an explicit PKR 252 billion is allocated for IPP payments, and the previous dedicated circular-debt containment allocation has been removed.

Accordingly, the sector's medium-term trajectory is viewed as gradually improving but still highly exposed to execution and policy risks. Structural cost reduction is likely to favor efficient and indigenous-fuel generation assets, while older thermal IPPs with high fixed costs, weak dispatch prospects or expensive fuel structures will remain under pressure. The ultimate improvement in sector credit quality will depend less on further tariff increases and more on whether Pakistan can achieve sustained reductions in distribution losses, improve collections, prevent new over-contracting and transition successfully toward a competitive electricity market.

Indicator	FY2024-25 / 2025	YTD2026 / FY2025-26
Installed generation capacity	46,605 MW*	49,651 MW**
Thermal share of capacity	55.7%*	49.2%**
Total generation	90,145 GWh*	92,835 GWh**
Thermal share of generation	46.3%*	46.9%**
Thermal plant utilization	42.5%	—
Power purchase cost	PKR 2.94tr	—
Circular debt stock	PKR 1.61tr	FY26 flow +PKR 364bn
FY2026-27 power subsidy	—	PKR 830bn
FY2026-27 IPP payment allocation	—	PKR 252bn
Competitive procurement	—	Initial 800 MW
* July–March FY2025.		

** As of March 2026, / July–March FY2026.		
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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 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

In CY25, actual energy dispatched declined by 31.8% to 661,441 MWh (CY24: 969,880 MWh). The contraction in generation was attributable to lower scheduling by the power purchaser, CPPA-G, reflecting prevailing system-wide demand conditions and gas supply constraints. According to management, peak grid demand was also affected by increased on-site solar generation by industrial and residential consumers, which reduced reliance on grid-supplied electricity during daytime hours. Consequently, plant availability moderated to 80.70% (CY24: 88.30%) and heat rate efficiency stood at 35.98% (CY24: 38.30%).

During 1HCY26, operational performance exhibited a notable recovery, with energy dispatched increasing by 70.0% to 557,303 MWh compared to 327,895 MWh in 1HCY25. The rebound in generation during the 1HCY26 reflects uninterrupted plant availability, coupled with improved dispatch orders from CPPA-G.

PROFITABILITY

The Company's revenue declined by 39.2% in CY25 primarily attributable to a 31.8% reduction in energy dispatched, along with a decline in capacity revenues following revisions in tariff terms. 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.

During 1HCY26, profitability witnessed a strong rebound due to increase in energy dispatch. Net revenue surged by 81.7% YoY to PKR 18,644.86m (1HCY25: PKR 10,260.92m). Enhanced fixed-cost absorption propelled gross profit to PKR 2,272.57m (1HCY25: PKR 401.61m), with gross margin recovering to 12.19% (1HCY25: 3.91%). Administrative expenses remained contained at PKR 414.04m (1HCY25: PKR 360.76m), while other income increased to PKR 163.38m (1HCY25: PKR 90.14m), largely supported by return on term deposits and cash placements. Although finance costs rose by 85.5% YoY to PKR 672.63m (1HCY25: PKR 362.61m) due to elevated short-term and long-term borrowings, the Company posted a profit after tax of PKR 1,240.64m in 1HCY26, reversing the net loss of PKR 268.71m incurred in 1HCY25. Consequently, net margin recovered to 6.65% (1HCY25: -2.62%), with annualized ROAA and ROAE improving to 5.71% and 11.65%, respectively.

Financial Risk

CAPITAL STRUCTURE

LDPL's debt profile witnessed a substantial upward shift, with total debt surging to PKR 14,959.50m as at Jun'26 (Dec'25: PKR 4,574m). This increase was primarily utilized to settle a sizable portion of overdue gas payables to SNGPL which declined from PKR 16,041.75m as of Dec'25 to PKR 7,285.99m as of Jun'26, as well as to finance increased trade receivables resulting from higher generation and ongoing advances/investments in group entities.

Short-term borrowings increased to PKR 12,000.00m as at Jun'26 (Dec'25: PKR 4,352m). Furthermore, long-term debt and lease liabilities rose to PKR 2,959.50m as at Jun'26 (Dec'25: PKR 222m). As a result of the substantial debt mobilization, gearing rose to 0.68x as at Jun'26 (Dec'25: 0.21x). Conversely, leverage exhibited only a modest increase to 1.07x as at Jun'26 (CY25: 1.00x), as the surge in interest-bearing debt largely represented a substitution of non-interest-bearing trade creditors. Overall, gearing and leverage remained within manageable levels.

DEBT COVERAGE & LIQUIDITY

The Company's coverage metrics moderated as of Jun'26, with the debt service coverage ratio (DSCR) decreasing to 2.55x (Dec'25: 19.78x), reflecting lower funds from operations alongside higher finance cost.

The current ratio increased to 0.78x (Dec'25: 0.66x), primarily driven by an increase in trade receivable and cash and bank balances.

NON-CORE INVESTMENT

As of Jun'26, non-core long-term investments increased further by 4.6% to PKR 28,101m (Dec'25: PKR 26,861), reflecting continued capital deployment DW Pakistan (Private) Limited. As at Jun'26, long-term investments accounted for 61.95% of total assets and 128.32% of total equity. While these investments diversify the group's revenue streams across transport, mining, media, electrical manufacturing, and industrial sectors, the sizable capital allocation exceeding the Company's standalone equity base. Along with off-balance-sheet corporate guarantees extended on behalf of DPEBSL, ties up substantial liquidity and increases LDPL's exposure to the operational and financial risk profiles of its subsidiaries and associates.

FINANCIAL SUMMARY				(PKR Million)	
BALANCE SHEET	CY23A	CY24A	CY25A	1HCY25M	1HCY26M
Property, Plant, & Equipment	5,060	3,334	1,988	2,913	892
Long-Term Investments	7,770	20,994	26,861	22,959	28,101
Stock-in-Trade	1,194	1,242	1,287	1,305	1,297
Advances, deposits, prepayments, and other receivables	8,539	5,094	4,683	5,309	5,510
Trade Debts	12,815	7,810	4,839	3,876	6,179
Short-Term Investments	1,868	1,000	2,200	-	-
Cash & Bank Balances	338	1,312	849	3,000	2,955
Other Asset	3,446	244	648	2,188	423
Total Assets	41,029	41,031	43,356	41,550	45,358
Trade Payables	19,257	18,348	16,956	16,865	8,386
Long-Term Debt & Lease Liabilities (Inc. CP)	2,069	72	222	50	2,959
Short-Term Debt	807	2,036	4,352	4,225	12,000
Total Debt	2,875	2,109	4,574	4,275	14,959
Other Liabilities	581	8	120	112	112
Total Liabilities	22,714	20,464	21,650	21,252	23,457
Paid Up Capital	3,528	3,528	3,528	3,528	3,528
Total Equity	18,315	20,567	21,706	20,298	21,900
INCOME STATEMENT	CY23A	CY24A	CY25A	1HCY25M	1HCY26M
Net Sales	28,216	33,577	20,419	10,261	18,645
Gross Profit	3,050	4,334	2,103	402	2,273
Operating Profit	2,612	1,941	1,466	41	1,859
Finance Cost	(517)	105	173	363	673
Profit Before Tax	3,585	1,840	1,292	(232)	1,349
Profit After Tax	2,926	2,193	1,161	(269)	1,241
RATIO ANALYSIS	CY23A	CY24A	CY25A	1HCY25M	1HCY26M
Gross Margin (%)	10.8%	12.9%	10.3%	3.9%	12.2%
Operating Margin (%)	9.3%	5.8%	7.2%	0.4%	10.0%
Net Margin (%)	10.4%	6.5%	5.7%	-2.6%	6.7%
Trade debts/Sales *	45.4%	23.3%	23.7%	18.9%	16.6%
FFO	3,091	4,910	3,107	1,239	1,313
FFO to Total Debt (x) *	1.08	2.33	0.68	0.58	0.18
FFO to Long Term Debt (x) *	1.49	67.87	14.00	49.49	0.89
Debt Servicing Coverage Ratio (x) *	29.85	52.57	19.78	3.98	2.55
Current Ratio (x)	1.20	0.81	0.66	0.64	0.78
Stock + Trade Debts/STD	17.37	4.45	1.41	1.23	0.62
Gearing (x)	0.16	0.10	0.21	0.21	0.68
Leverage (x)	1.24	0.99	1.00	1.05	1.07
ROAA (%) *	N/A	5.3%	2.8%	-1.3%	5.7%
ROAE (%) *	N/A	11.3%	5.5%	-2.6%	11.6%
Net Operating Cycle *	174	100	112	93	75
*Annualized, if required					
A - Audited Accounts					
M - Management Accounts					
P - Projected Accounts					

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	Liberty Daharki Power Limited		
Sector	Power Non Renewable Generation		
Type of Relationship	Solicited		
Purpose of Rating	Short Term Sukuk		
Rating History	Rating Type: Short Term Sukuk		
	Rating Date	Short Term	Rating Action
	October 20, 2026	A1 (plim)	Preliminary
Instrument Structure	Instrument Name	Short Term Sukuk - 1	
	Nature of Instrument	STS	
	Tenure of Instrument	6 Months	
	Size of the Issue	PKR 4,000mn (Inclusive PKR 2,000mn 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 + 125bps	
	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.		
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Due Diligence Meetings Conducted	Name	Designation	Date
	Mr. Babar Zaman	GM Corporate Finance	October 16, 2026