

## LAKESIDE ENERGY LIMITED

### Analysts:

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### RATING DETAILS

RATINGS CATEGORY	Initial Rating	
	Long-term	Short-term
ENTITY	A	A2
RATING OUTLOOK/ WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	February 20, 2026	

### Shareholding (5% or More)

Naveena Exports Limited - 75%

Mr. Saad Iqbal - 8.33%

Mr. Danish Iqbal - 8.34%

Ms. Natasha Iqbal - 8.33%

### Other Information

Incorporated in 2014

Public Unlisted Limited Company

Chief Executive: Mr. Asif Riaz

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

The assigned ratings reflect Lakeside Energy Limited's stable business profile as a wind-based independent power producer operating under a long-term Energy Purchase Agreement with CPPA-G, providing contractual revenue visibility under a NEPRA-determined cost-plus tariff framework. The ratings also incorporate the project's established operational track record, experienced sponsorship under the Naveena Group, and comprehensive contractual protections, including government payment guarantees and lender safeguards. Financial risk is supported by a defined capital structure, ongoing debt amortization, and the recent resolution of regulatory uncertainty following NEPRA's approval of the project's tariff true-up, improving cash flow visibility going forward.

## Company Profile

Lakeside Energy Limited (LEL or “the project”) is a 50MW wind power plant located in Deh Kohistan 7/3 and 7/4 Tapo Jungshahi, District Thatta, Sindh. The wind farm is spread over 345 acres of land obtained on lease from Government of Sindh for a period of 30 years starting in May 2017. The Company entered into an Energy Purchase Agreement (EPA) on November 11, 2019 with Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for a period of twenty-five years. Financial close was achieved on Nov 18, 2019 while the project started commercial operations on Apr 14, 2022.

The Company signed Implementation Agreement (IA) with Government of Pakistan (GoP), represented through Alternative Energy Development Board (AEDB) on 8th November, 2019. Generation license was granted in November, 2017 by National Electric Power Regulatory Authority (NEPRA). The project was completed with an outlay of USD 65.81 million (PKR. 11.002 billion), financed through debt to equity mix of 80:20, wherein local and foreign financing constituted equal proportion in debt mix. LEL was able to secure local borrowing through SBP concessionary refinancing scheme launched for development of wind power projects (WPPs).

## Management and Governance

The Company operates within the Naveena Group, a diversified Pakistani business conglomerate with operations across textile manufacturing, denim fabric production, yarn spinning, steel manufacturing, real estate development, and renewable energy, including Lakeside Energy. The Group was established in 1989 and has since expanded its operating footprint over the subsequent three decades through diversification into multiple industrial sectors within Pakistan.

The Board of Directors comprises four members, including one independent director. The Board operates one committee, namely, the Audit Committee. Governance framework remains adequate. External auditors are Yousuf Adil Chartered Accountants.

## Business Risk

### INDUSTRY

The business risk profile for Pakistan’s renewable energy sector is assessed as medium to low by VIS, reflecting stable regulatory support through long-term contracts and fixed tariffs, however, certain risks emanate from changing regulatory dynamics. As of early 2025, the country’s total installed power generation capacity stands at approximately 46,605 MW, with renewable energy sources, comprising wind, solar, and biomass, accounting for nearly 12.2% of the energy mix.

Growth momentum has been aided by the Alternative and Renewable Energy Policy 2019 and the Indicative Generation Capacity Expansion Plan (IGCEP 2047), which prioritize renewables through competitive bidding and grid modernization. Pakistan’s geographic and climatic conditions further support sector expansion, with wind potential of 50,000 MW in Sindh and Balochistan and an average solar irradiance of 5.3 kWh/m<sup>2</sup> per day. These fundamentals have attracted international investments and encouraged the development of large-scale wind corridors and solar parks.

Regulatory risk remains for renewable IPPs in Pakistan, with tariff revisions potentially emanating risks, however, it is mitigated as tariff structure is fixed under long-term Energy purchase agreements, insulating projects from any major revision that may impact debt servicing capabilities. The sector is also not exposed to recurring capital expenditure once projects are commissioned, with any BMR requirements included in O&M contracts and embedded within the tariff. Moreover, IPPs with EPAs executed with CPPA-G are largely protected from circular debt accumulation. While receivable collections may extend beyond agreed credit periods, such delays represent the mechanism through which circular debt arises at the sector level. For IPPs, counterparty risk remains mitigated by sovereign guarantee coverage, which ensures eventual settlement of dues.

Technology-related risks persist in the form of rising consumer-level adoption of distributed solar, driven by improvements in panel efficiency, which is gradually impacting demand growth for grid-based supply. However, competition risk for established renewable IPPs remains limited. Long-term contracts, must-run status, lower generation costs relative to conventional sources, and high entry barriers insulate incumbent projects from substitution or demand-side risks. Given their must-run status and current contribution of around 6% to total generation, any potential fall in grid demand is unlikely to materially impact offtake.

## OPERATIONAL PROFILE

The Energy Purchase Agreement (EPA) between Lakeside Energy Limited and Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), executed in November 2019, provides long-term contractual revenue certainty under a NEPRA-determined cost-plus tariff regime. The agreement remains effective from the Commercial Operations Date (COD) for the entire tariff control period, ensuring visibility of cash flows over the project life. CPPA-G is obligated to purchase all Net Delivered Energy generated by the project on a take-and-pay basis, subject to grid availability and dispatch instructions, while wind resource risk is borne by the Seller in line with NEPRA's wind power framework. The site-specific Wind Resource Assessment and Energy Yield Evaluation Study conducted by Lahmeyer International Germany indicates adequate wind availability historically, which is considered a source of comfort. The energy payments are made at the reference tariff determined by NEPRA, with the agreement explicitly providing that the reference tariff shall continue to apply until the project's true-up tariff is determined and approved by NEPRA, after which the finalized tariff becomes applicable. The reference tariff is subject to quarterly indexation for exchange rate movements, interest rate variations and CPI-linked O&M costs, enabling recovery of prudently incurred operating and financing expenses.

NEPRA has issued a decision on tariff adjustment at the Commercial Operations Date (COD) on January 05, 2026, thereby concluding the true-up process under the project's cost-plus tariff regime. The decision reflects alignment of the approved tariff with the project's actual financing structure, revised debt mix, repayment profile, interest rates and exchange rate levels prevailing at COD, as permitted under earlier tariff modification approvals. With the issuance of the COD adjustment, regulatory uncertainty surrounding the project's base tariff has been resolved, and future tariff movements are expected to remain limited to routine quarterly indexation, supporting improved visibility of cash flows.

The tariff structure comprises return on equity, debt servicing, local and foreign O&M, insurance and other pass-through components, supporting cost recovery. The EPA provides a defined billing and payment mechanism, including late payment surcharge at KIB OR plus 2% per annum, offering partial protection against payment delays, while dispute resolution provisions require continued payment of undisputed amounts. In addition, the agreement includes compensation for Non-Project Missed Volume (NPMV) arising from grid unavailability or dispatch constraints attributable to the purchaser or system operator, partially mitigating curtailment risk. The EPA further incorporates comprehensive force majeure and change-in-law provisions, allowing tariff adjustments where regulatory or legal changes materially impact project economics. Termination provisions include defined compensation mechanisms, supported by a Government of Pakistan payment guarantee under the Implementation Agreement and lender step-in rights, enhancing the bankability of the project and strengthening creditor protection.

Engineering, Procurement and Construction (EPC) contract was signed with Hydrochina International Engineering Company Limited (HIECL) as onshore construction contractor and Hangzhou Huachen Electrical Power Control Co. Limited (HHEPCCL) as offshore supplier. HIECL is a subsidiary of 'PowerChina', one of the biggest construction groups in the power sector with engagement in over 100 countries. HIECL was also the Operations & Management (O&M) contractor for the initial warranty period of 2 years after COD while the company has entered into 11 year long-term O&M contract with Orient Energy Systems (Private) Limited (OES) and Siemens Gamesa Renewable Energy (Private) Limited (SGRE). The company has adequate insurance coverages for cargo, operations, erection, liability, third party and terrorism.

Production and Capacity Utilization	FY24	FY25	1HFY26
Installed Capacity (KW)	50,000	50,000	50,000
Production Capacity Factor of 38.54% (KWH)	168,811,672	168,811,672	87,617,334
Actual production	160,408,200.3	140,480,382	71,975,953
Capacity factor (Actual)	36.44%	32.02%	32.53%
Availability (%)	99.22	99.07	98.33

The Company reported a capacity factor of 32.02% in FY25 (FY24: 36.44%), remaining below the benchmark level primarily due to load curtailment by the power purchaser. Energy delivered declined by approximately 12.42% to 140.48 GWh (FY24: 160.41 GWh), reflecting the combined impact of lower wind speeds during the year and higher levels of curtailment compared to the preceding period. In 1HFY26, the capacity factor improved to 32.53%, supported by seasonal wind patterns during the July-September period, resulting in improved generation performance.

## PROFITABILITY:

The Company's revenue declined by approximately 19% in FY25, mainly due to lower realized tariffs and reduced energy generation during the year. The decline in tariffs was driven by exchange-rate stabilization and a reduction in both international and domestic benchmark interest

rates, which lowered tariff components linked to financing costs. Although O&M costs increased due to inflation, these increases were not sufficient to offset the reduction in FX- and interest-related tariff components, resulting in a lower average tariff compared to FY24. In addition, the Company remained exposed to dispatch curtailments by the power purchaser, leading to energy dispatch levels below available capacity. While curtailed volumes are compensated through the Non-Project Missed Volume (NPMV) mechanism, such compensation does not fully reflect potential generation during periods of higher wind availability.

As a result, gross margin declined to 49.95% in FY25 (FY24: 58.61%), reflecting the combined impact of lower tariffs and reduced electricity sales. Net margin also moderated to 13.05% (FY24: 24.73%), in line with the overall decline in profitability. In 1HFY26, margins improved, with gross margin rising to 63.37%, supported by higher generation due to improved capacity factor during the seasonal peak wind period. Net margin increased to 38.69% in 1HFY26, primarily due to lower finance costs, alongside improved operating performance.

## Financial Risk

### CAPITAL STRUCTURE

The Company's capitalization metrics have demonstrated a gradual strengthening over recent periods, reflected in a sustained decline in gearing and leverage to 2.76x and 2.98x, respectively (FY24: 3.31x and 3.63x). The improvement has been driven primarily by scheduled amortization of long-term borrowings and equity accretion through retained earnings, indicating a progressively improving capital structure over the operating life of the project. The capital structure comprises of equity and long-term debt, including both foreign and local financing facilities. The foreign long-term financing was obtained from a consortium of lenders under a Common Term Agreement, with pricing linked to 3-month LIBOR transitioning to SOFR plus a fixed margin, and repayments commenced through quarterly instalments starting from September 2022. In addition, the Company availed local long-term financing from two conventional banks under the State Bank of Pakistan's refinance scheme for renewable energy, carrying a concessionary mark-up and repayable over a similar quarterly amortization profile.

The Company also carries a subordinated loan from sponsors, which stood at PKR 373.298 million in 1HFY26 (FY24: PKR 673.3 million). The subordinated loan represents an interest-free facility extended under the Sponsor Support Agreement (SSA) and is unsecured, with no defined repayment schedule or equity conversion feature. Under the terms of the SSA, repayment of the subordinated loan was linked to the approval of the Company's one-time tariff true-up application by NEPRA, which was subsequently approved on January 05, 2026. Prior to the approval of the true-up tariff, and after obtaining consent from its lenders, the Company repaid PKR 265 million to its sponsors during FY25 and repaid PKR 35 million during the 1<sup>st</sup> Quarter of 2026. In 1HFY26, capitalization strengthened further, with gearing and leverage improving to 2.14x and 2.39x, respectively.

### DEBT COVERAGE & LIQUIDITY:

The Company's coverage profile weakened in FY25, with the debt service coverage ratio (DSCR) declining to 0.91x (FY24: 1.62x), reflecting lower funds from operations (FFO) following a decline in profitability attributable to lower wind speeds during the year and higher load curtailments. The Debt-servicing risk is mitigated through the availability of standby letters of credit (SBLC) amounting to PKR 346.65 million and USD 1.32 million. In 1HFY26, the DSCR improved to 1.46x, supported by higher FFO, reflecting improved profitability resulting from higher energy generation and reduced curtailments.

Liquidity improved in 1HFY26, with the current ratio increasing to 1.02x, supported by higher cash balances reflecting improved operating performance. Liquidity metrics in the preceding period were impacted by the utilization of internally generated cash for sponsor loan settlement. The maintenance of an adequate liquidity profile will remain an important consideration for the assigned ratings.

## Financial Summary

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	FY25A	6MFY26M
Property, plant and equipment	11,671.29	13,198.30	12,471.50	12,058.63	11,718.86
Right-of-use Assets	18.63	17.85	17.08	16.30	15.91
Trade debts	447.55	1,428.98	724.48	689.59	748.77
Short-term Investments	0.00	0.00	0.00	0.00	191.10
Cash & Bank Balances	834.64	239.07	473.43	3.01	13.48
Other Assets	260.08	115.93	152.92	146.78	144.45
<b>Total Assets</b>	<b>13,232.19</b>	<b>15,000.13</b>	<b>13,839.41</b>	<b>12,914.31</b>	<b>12,832.57</b>
Creditors	887.90	662.81	124.89	158.19	162.75
Long-term Debt (incl. current portion)	9,258.00	10,715.96	9,872.43	8,955.47	8,111.86
Short-Term Borrowings	0.00	250.00	0.00	0.00	0.00
<b>Total Debt</b>	<b>9,258.00</b>	<b>10,965.96</b>	<b>9,872.43</b>	<b>8,955.47</b>	<b>8,111.86</b>
Other Liabilities	909.54	992.58	855.20	552.35	768.84
<b>Total Liabilities</b>	<b>11,055.44</b>	<b>12,621.35</b>	<b>10,852.52</b>	<b>9,666.01</b>	<b>9,043.45</b>
Paid up Capital	1.00	1.00	1.00	1.00	1.00
Revenue Reserve	140.10	342.11	950.22	1,211.63	1,752.45
Other Equity (excl. Revaluation Surplus)	2,035.67	2,035.67	2,035.67	2,035.67	2,035.67
Sponsor Loan	0.00	0.00	0.00	0.00	0.00
<b>Equity (excl. Revaluation Surplus)</b>	<b>2,176.77</b>	<b>2,378.78</b>	<b>2,986.89</b>	<b>3,248.30</b>	<b>3,789.12</b>

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	FY25A	6MFY26M
Net Sales	485.65	1,985.13	2,459.27	2,002.90	1,397.96
Gross Profit	313.57	1,096.50	1,441.32	1,000.38	885.86
Operating Profit	235.23	959.45	1,492.93	1,012.09	879.57
Finance Costs	114.08	742.17	874.44	741.77	337.24
Profit Before Tax	121.15	217.28	618.49	270.32	542.33
Profit After Tax	120.35	202.01	608.10	261.41	540.82

Ratio Analysis	FY22A	FY23A	FY24A	FY25A	6MFY26M
Gross Margin (%)	64.57%	55.24%	58.61%	49.95%	63.37%
Operating Margin (%)	48.44%	48.33%	60.71%	50.53%	62.92%
Net Margin (%)	24.78%	10.18%	24.73%	13.05%	38.69%
Funds from Operation (FFO) (PKR Millions)	-7.26	892.73	1,230.44	574.09	804.23
FFO to Total Debt* (%)	-0.08%	8.14%	12.46%	6.41%	19.83%
FFO to Long Term Debt* (%)	-0.08%	8.33%	12.46%	6.41%	19.83%
Gearing (x)	4.25	4.61	3.31	2.76	2.14
Leverage (x)	5.08	5.31	3.63	2.98	2.39
Debt Servicing Coverage Ratio* (x)	0.52	0.96	1.12	0.90	1.46
Current Ratio (x)	0.85	0.80	0.97	0.66	1.02
(Stock in trade + trade debts) / STD (x)		6.07			
Return on Average Assets* (%)	1.10%	1.43%	4.22%	1.95%	8.40%
Return on Average Equity* (%)	6.15%	8.87%	22.67%	8.38%	30.74%
Cash Conversion Cycle (days)	-2,316.01	-145.96	18.59	77.31	36.70

\*Annualized, if required

A - Actual Accounts

M - Management Accounts

## REGULATORY DISCLOSURES

## Appendix II

<b>Name of Rated Entity</b>	Lakeside Energy Limited				
<b>Sector</b>	Power				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Ratings				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	20/02/2026	A	A2	Stable	Initial
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	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.				
<b>Probability of Default</b>	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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<b>Due Diligence Meetings Conducted</b>	<b>Name</b>		<b>Designation</b>		<b>Date</b>
	Mr. Faisal Sahar		CFO		23 <sup>rd</sup> January 2026
	Ms. Suman Kamora		Manager Finance		