

NISHAT CHUNIAN POWER LIMITED

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 20, 2026		November 25, 2024	

Analysts:

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

Shareholding (10% or More)

Nishat Mills Ltd – 24.13%

Other Information

Incorporated in 2007

Public Limited Company- Listed

Chairman of the Board: Mr. Ghazanfar Hussain Mirza

Chief Executive: Mr. Farrukh Ifzal

External Auditor: Riaz Ahmed & Company & Co. 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 Nishat Chunian Power Limited's operation of a fuel-based power plant under a long-term Power Purchase Agreement with the Central Power Purchasing Agency-Guarantee, providing contractual revenue visibility within a regulated framework. The ratings also incorporate the Company's association with the Nishat Group, experienced management, and established governance structure. Consideration is given to the plant's role as a peaking facility, resulting in variability in dispatch, and recent amendments to the PPA that revised tariff components and return mechanisms while retaining sovereign-backed arrangements. Financial risk is supported by the absence of long-term debt, strong liquidity indicators, and improved coverage metrics, partially offset by exposure to regulatory changes and system-wide demand dynamics.

Company Profile

Nishat Chunian Power Limited ('NCPL' or 'the Company') was incorporated in 2007 as a public limited company with the primary activity of operating a 200 MW residual fuel oil (RFO)-based power plant in District Kasur, Punjab. The Company has a 25-year and 75-days Power Purchase Agreement (PPA) with the Central Power Purchasing Agency-Guarantee (CPPA-G), which was originally structured on a take-or-pay basis and has subsequently been amended to a Hybrid Take-and-Pay framework, with net production levels of 195.722 MWh (megawatt per hour). The project achieved commercial operations in 2010. The facility comprises 11 generators, allowing it to be operated as a peaking power plant.

Management and Governance

Group Profile

Nishat Chunian Power Limited is associated with the Nishat Group, one of Pakistan's largest and most diversified business conglomerates. The Nishat Group has a strong presence across textiles, cement, banking, insurance, power generation, and hospitality, with operations spanning several decades.

Profile of CEO:

Mr. Farrukh Ifzal is the Chief Executive Officer of Nishat Chunian Power Limited. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan and has over 35 years of diversified experience in the field of accounts, finance, legal and general management. He has also served as the chairman of Nishat Chunian Limited. He is also serving on the Board of Pakgen Power Limited and Quaid-E-Azam Thermal Power (Pvt) Limited.

BOD's & COMMITTEE:

The Board of Directors is composed of seven members, including two independent directors and one female director. Two committees operate under the oversight of the Board: The Board Audit Committee and the Human Resource and Remuneration 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 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 hybrid 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:

During FY25, Nishat Chunian Power Limited executed an Amendment Agreement with the Government of Pakistan and the Power Purchaser to amend the Power Purchase Agreement and Implementation Agreement, pursuant to the recommendations of a Task Force constituted by the Prime Minister of Pakistan. The Amendment Agreement, approved by the Board on 04 December 2024 and effective from 01 November 2024, provides for the conversion of the existing tariff to a Hybrid Take-and-Pay model.

Key revisions include quarterly indexation of local fixed and variable O&M at the lower of 5% per annum or the average NCPI for the preceding twelve months, while for foreign O&M components, PKR/USD depreciation is allowed up to 70% of actual depreciation, with any PKR appreciation benefit passed on to the Power Purchaser on a 100% basis. The working capital component has been rebased with future indexation linked to KIBOR + 1%, the insurance component has been capped at 0.9% of allowed EPC cost, and the treatment of Return on Equity and Return on Equity During Construction has been revised under a Hybrid Take-and-Pay framework, whereby the company would be entitled to 35% of the ROE and ROEDC components as per previous take or pay tariff. In case the dispatch exceeds the threshold of 35% of the total contract capacity, the company would be entitled to the 65% ROE and ROEDC components which shall be calculated on the actual dispatched units above the 35% threshold.

The Company has agreed to share mutually agreed fuel and O&M savings with the Power Purchaser, waive delayed payment mark-up invoices and accrued mark-up relating to payments received up to 31 October 2024, while mark-up on delayed payments has been revised to three-month KIBOR + 1% going forward.

In addition, the Power Purchaser has agreed to pay Rs. 6,673.160 million as full and final settlement of all past payables and claims within 90 days of Cabinet approval. The amount as agreed has been received by the Company. The Amendment Agreement also requires recognition of annual estimated O&M costs for overhauls through the establishment of an overhaul reserve, replaces the LCIA arbitration clause with arbitration under local laws with Islamabad as the venue, and provides for withdrawal of all claims by the Government of Pakistan under the Arbitration Submission Agreement. Management has assessed the accounting implications of the amended PPA, including impairment considerations under IAS 36, and no impairment impact has been recognized in the financial statements.

Operations & Maintenance (O&M) Contract:

NCPL has an experienced in-house O&M team, which has demonstrated track record of compliance with both availability and operational efficiency since the expiration of agreement with O&M contractor in 2015. Given that an in-house team is undertaking O&M, there is no recourse to liquidated damages in case plant's performance falls below parameters stipulated in PPA. Comfort is drawn from the experience of senior management members of the in-house O&M team and track record of compliance with both availability efficiency since the expiration of the O&M agreement with Wartsila Pakistan (Pvt.) Limited in January, 2015.

OPERATIONAL UPDATE:

Capacity and Availability Factors	FY23	FY24	FY25	1QFY26
Capacity (Mwh)*	1,714,525	1,719,222	1,719,222	429,806
Energy Dispatched (Mwh)	386,127	240,447	57,209	17,857
Load dispatch factor	22.52%	13.99%	3.34%	4.13%
Availability Factor	91.40%	93.77%	99.74%	99.57%

In FY25, energy dispatched declined by 76% to 57,209 MWh, primarily due to lower scheduling by the power purchaser (CPPA-G), reflecting subdued system-wide demand conditions. As an RFO-based peaking plant, the Company remains lower in the merit order and is dispatched mainly during periods of system stress; however, management indicated that increased penetration of on-site solar generation by consumers curtailed overall grid demand, including during peak hours, thereby limiting the need for peaking capacity. During 1QFY26, the Company dispatched 17,857 MWH (1QFY25: 8,054 MWH) to Power Purchaser with an improved capacity factor of the plant of 4.13%.

PROFITABILITY:

The Company's revenue declined by 63.4% in FY25 to PKR 5,566 million (FY24: PKR 15,215 million) primarily due to lower dispatch amid subdued generation demand, coupled with a reduction in capacity tariff components following the implementation of the amended PPA effective November 2024. The amended PPA also resulted in a reduction in the delayed payment rate, lowering mark-up income and further weighing on revenues for the year as compared to SPLY. However, gross margins improved to 38.74% (FY24: 32.13%) owing to a sharper decline in variable costs—particularly fuel and other dispatch-linked expenses—relative to the contraction in revenue. In 1QFY26, gross margins declined to 31.89% (1QFY25: 66.56%) due to higher dispatch-driven costs and lower per-unit tariffs despite higher energy generation.

Net margins declined to -60.65% in FY25 (FY24: 32.29%), primarily due to one-off non-cash adjustments, including the write-off of delayed payment mark-up and the sharing of prior years' earnings relating to fuel and O&M with CPPA-G, pursuant to the amended PPA. Excluding the impact of these one-off adjustments, the Company would have reported a net profit for the year. Net margins turned positive in 1QFY26, improving to 40.40%, reflecting the absence of such adjustments and a further decline in finance costs.

Financial Risk

CAPITAL STRUCTURE

The Company's capitalization profile remained conservative in FY25, reflecting the absence of long-term debt following the complete repayment of loans obtained for plant construction. Capital structure indicators showed mixed movement during the year, with gearing increasing to 0.03x (FY24: Nil), driven by a rise in short-term borrowings to PKR 749 million (FY24: PKR 123 million) to meet working capital requirements. In contrast, leverage declined to 0.05x (FY24: 0.10x), supported by a reduction in total liabilities to PKR 1,105 million (FY24:

PKR 2,812 million), primarily attributable to a significant decline in trade payables. During 1QFY26, gearing and leverage increased to 0.04x and 0.06x, respectively, following a further increase in short-term borrowings.

DEBT COVERAGE & LIQUIDITY:

Coverage metrics improved in FY25, with the debt service coverage ratio increasing to 153.74x (FY24: 23.78x). This improvement was driven by a decline in finance costs following a downward adjustment in benchmark policy rates, notwithstanding a reduction in Funds from Operations amid lower profitability during the year. In 1QFY26, the DSCR further improved to 341.05x due to continued reduction in finance costs.

The liquidity profile remained strong, with the current ratio improving to 14.25x in FY25 (FY24: 8.14x). The improvement was supported by the receipt of trade receivables during the year, which contributed to a material increase in short-term investments, along with a reduction in current liabilities. Current liabilities declined to PKR 1,105 million (FY24: PKR 2,812 million), primarily due to a reduction in trade and other payables to PKR 307 million (FY24: PKR 2,654 million), which more than offset an increase in short-term borrowings to PKR 750 million (FY24: PKR 123 million). Post renegotiation of PPA leading to settlement of claims of payables/receivables the company is carrying Rs 10.5 bln of Short-Term Investments as on end of 3MFY26 after a strategic investment of Rs 2 bln in NexGen, an Electric Vehicle (EV) manufacturer of an associate.

Financial Summary

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	3MFY26M
Property, plant and equipment	8,836.64	9,120.12	8,586.84	8,427.59
Long-term Investments	0.00	0.00	0.00	2,000.00
Stock-in-trade	808.92	2,298.21	917.66	918.57
Trade debts	13,747.74	13,170.21	1,464.17	1,359.18
Short-term Investments	361.77	2,883.98	11,806.60	10,539.74
Cash & Bank Balances	1,406.36	1,716.25	125.67	37.35
Other Assets	2,625.79	2,797.91	1,431.33	1,968.82
Total Assets	27,787.22	31,986.68	24,332.27	25,251.25
Creditors	1,075.19	1,322.20	215.94	413.48
Long-term Debt (incl. current portion)	0.00	0.00	0.00	0.00
Short-Term Borrowings	975.10	123.28	749.75	998.26
Total Debt	975.10	123.28	749.75	998.26
Other Liabilities	1,474.87	1,366.84	139.55	60.33
Total Liabilities	3,525.16	2,812.32	1,105.24	1,472.07
Paid up Capital	3,673.47	3,673.47	3,673.47	3,673.47
Revenue Reserve	20,588.59	25,500.90	14,044.09	14,596.23
Other Equity (excl. Revaluation Surplus)	0.00	0.00	5,509.47	5,509.47
Equity (excl. Revaluation Surplus)	24,262.06	29,174.37	23,227.03	23,779.17

Income Statement (PKR Millions)	FY23A	FY24A	FY25A	3MFY26M
Net Sales	18,220.81	15,215.09	5,566.15	1,366.57
Gross Profit	5,057.96	4,888.04	2,156.52	435.74
Operating Profit	4,825.48	5,147.92	2,586.94	622.32
Finance Costs	868.31	227.66	14.68	1.55
Profit Before Tax	3,957.17	4,920.26	-3,141.04	620.77
Profit After Tax	3,956.57	4,912.31	-3,375.93	552.15

Ratio Analysis	FY23A	FY24A	FY25A	3MFY26M
Gross Margin (%)	27.76%	32.13%	38.74%	31.89%
Operating Margin (%)	26.48%	33.83%	46.48%	45.54%
Net Margin (%)	21.71%	32.29%	-60.65%	40.40%
Funds from Operation (FFO) (PKR Millions)	4,765.81	5,013.38	2,240.96	527.39
FFO to Total Debt* (%)	488.75%	4066.66%	298.89%	211.32%
FFO to Long Term Debt* (%)				
Gearing (x)	0.04	0.00	0.03	0.04
Leverage (x)	0.15	0.10	0.05	0.06
Debt Servicing Coverage Ratio* (x)	6.52	23.78	153.74	341.05
Current Ratio (x)	5.19	8.13	14.25	10.07
(Stock in trade + trade debts) / STD (x)	15.57	132.36	4.32	3.14
Return on Average Assets* (%)	12.39%	16.44%	-11.99%	8.91%
Return on Average Equity* (%)	16.40%	18.39%	-12.88%	9.40%
Cash Conversion Cycle (days)	301.47	335.41	569.62	153.41

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Nishat Chunian Power 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				
	20-Feb-26	A+	A2	Stable	Reaffirmed
	25/11/2024	A+	A2	Stable	Reaffirmed
	27/09/2023	A+	A2	Stable	Reaffirmed
16/02/2022	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. Salman Asim	Deputy General Manager Accounts & Finance		28 th Jan 2026	