

NEELUM JHELM HYDROPOWER COMPANY (PVT.) LIMITED

Chief Executive: Mr. Muhammad Arfan

Analysts:

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APPLICABLE METHODOLOGY(IES):

VIS Entity Rating Criteria
Methodology – Industrial
Corporates

Rating Scale:

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

RATINGS CATEGORY	LATEST RATING	PREVIOUS RATING
	Long-term	Long-term
SUKUK	AAA	AAA
RATING OUTLOOK/ WATCH	Stable	Stable
RATING ACTION	Reaffirmed	Reaffirmed
RATING DATE	September 11, 2026	January 12, 2023

RATING RATIONALE

The rating assigned to the Sukuk issue takes into account unconditional and irrevocable first demand guarantee issued by the President of Islamic Republic of Pakistan (on behalf of the Government of the Islamic Republic of Pakistan) (GoP) covering issue amount of the Sukuk along with profit payments. Under the guarantee, GoP would immediately pay the entire called amount once the demand notice from the trustee is received. The ratings also factor in the strong financial backing of the parent entity, Water and Power Development Authority (WAPDA), through funding support.

Company profile

Neelum Jhelum Hydropower Company (Private) Limited (NJHPC) was incorporated on November 18, 2004. The company is a Special Purpose Vehicle (SPV) constituted as a subsidiary of WAPDA (Water and Power Development Authority) for the generation and sale of electricity via the development of Neelum Jhelum Hydropower Power project (NJHPP). Neelum Jhelym Hydroelectric project is located in Azad Jammu & Kashmir (A-JK), approximately 42 km south of Muzaffarabad. It diverts water from the Neelum River through an extensive underground tunnel system—comprising a 48 km headrace tunnel and a 3.5 km tailrace tunnel—to a powerhouse on the Jhelum River. Installed capacity is of 969 MW (4 Turbines of 242.25 MW each). The project started operations in 2018.

PROJECT UPDATE

The Project is currently offline due to major structural issues in its headrace tunnel. After a prolonged outage in 2022-23 and temporary restoration in 2024, the plant was again shut down in May 2024 following safety concerns and pressure fluctuations. Investigations have since revealed design and planning flaws, with an inquiry commission now examining the failures. Restoration is expected to take at least two years, leaving the project out of the national grid in the medium term.

Instrument

Despite the project being non-functional, instrument payment continues to be paid. The trustee has confirmed collection of up-to-date principal and interest payments in the DPA, including the last payment due at end-Jun'25.

Financial Summary

Balance Sheet (PKR Millions)	FY22A	FY23A	FY24A	6MFY25M
Property, plant and equipment	374,878.07	369,729.53	359,913.08	355,193.41
Trade debts	82,913.38	48,942.12	43,647.29	33,811.63
Short-term Investments	0.00	0.00	0.00	41,331.17
Cash & Bank Balances	16,546.07	22,560.40	35,949.37	6,423.72
Other Assets	1,084.97	960.48	1,590.91	3,423.84
Total Assets	475,422.49	442,192.53	441,100.65	440,183.77
Creditors	27,515.67	10,641.76	7,638.21	7,542.49
Long-term Debt (incl. current portion)	210,785.59	199,114.99	188,614.99	183,364.99
Short-Term Borrowings	10,000.00	9,000.00	9,000.00	9,000.00
Total Debt	220,785.59	208,114.99	197,614.99	192,364.99
Other Liabilities	120,773.91	151,372.67	170,834.74	177,548.12
Total Liabilities	369,075.17	370,129.42	376,087.94	377,455.60
Paid up Capital	41,663.43	41,663.46	41,663.46	41,663.46
Revenue Reserve	-9,922.70	-48,906.32	-55,956.73	-58,241.27
Other Equity (excl. Revaluation Surplus)	74,606.55	79,305.97	79,305.97	79,305.97
Sponsor Loan	0.00	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	106,347.28	72,063.11	65,012.70	62,728.16

Income Statement (PKR Millions)	FY22A	FY23A	FY24A	6MFY25M
Net Sales	43,618.58	7,253.43	29,860.17	7,889.34
Gross Profit	31,827.45	-8,573.16	15,155.12	1,850.97
Operating Profit	26,619.37	-14,976.73	15,959.80	7,687.53
Finance Costs	23,783.33	22,477.65	20,516.99	8,136.93
Profit Before Tax	2,836.04	-37,454.38	-4,557.19	-449.40
Profit After Tax	402.77	-38,983.62	-7,050.41	-2,284.54

Ratio Analysis	FY22A	FY23A	FY24A	6MFY25M
Gross Margin (%)	72.97%	-118.19%	50.75%	23.46%
Operating Margin (%)	61.03%	-206.48%	53.45%	97.44%
Net Margin (%)	0.92%	-537.45%	-23.61%	-28.96%
Funds from Operation (FFO) (PKR Millions)	19,818.87	-24,194.32	8,547.09	5,358.21
FFO to Total Debt* (%)	8.98%	-11.63%	4.33%	5.57%
FFO to Long Term Debt* (%)	9.40%	-12.15%	4.53%	5.84%
Gearing (x)	2.08	2.89	3.04	3.07
Leverage (x)	3.47	5.14	5.78	6.02
Debt Servicing Coverage Ratio* (x)	0.17	-0.03	0.11	0.05
Current Ratio (x)	0.30	0.21	0.22	0.23
(Stock in trade + trade debts) / STD (x)	8.29	5.44	4.85	3.76
Return on Average Assets* (%)	0.08%	-8.50%	-1.60%	-1.04%
Return on Average Equity* (%)	0.38%	-43.70%	-10.29%	-7.15%
Cash Conversion Cycle (days)	-202.21	2,877.55	339.02	666.50

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Neelum Jhelum Hydropower Company				
Sector	Power				
Type of Relationship	Solicited				
Purpose of Rating	Sukuk Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Rating Watch	Rating Action
	RATING TYPE: STS 2				
	Sept 11, 2025	AAA		Stable	Reaffirmed
	Aug 16, 2024	AAA		Stable	Note
	Aug 18, 2023	AAA		Stable	Note
	Jan 12, 2023	AAA		Stable	Reaffirmed
	Sept 13, 2022	AAA		Stable	Note
	Jan 12, 2022	AAA		Stable	Reaffirmed
	Dec 30, 2020	AAA		Stable	Reaffirmed
	Dec 24, 2019	AAA		Stable	Reaffirmed
	Jan 02, 2019	AAA		Stable	Reaffirmed
	Sept 13, 2017	AAA		Stable	Final
	April 12, 2016	AAA (plim)		Stable	Preliminary
Instrument Structure	Instrument			Details	
	Nature of Instrument			Long-term Sukuk (LTS)	
	Tenure of Instrument			10 years	
	Size of the Issue			100 billion rupees	
	Principle Redemption Schedule			Semi-annual	
	Interest Redemption Schedule			Semi-annual	
	Issue Date			21st April 2016	
	Grace Period			2 years	
	Redemption Date			21st April 2026	
	Nature of Secutiry (in case of secured instrument)			Secured	
	Name of Trustee			Pak Brunei Investment Company	
	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	N/A				