

## ZEPHYR POWER LIMITED

### Analyst:

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	AA-	A1	A+	A1
RATING OUTLOOK/WATCH	Stable		Stable	
RATING ACTION	Upgrade		Reaffirmed	
RATING DATE	June 05, 2026		April 30, 2025	

Shareholding (5% or More)	Other Information
CDC Pakistan Power Projects Limited- 46.7%	Incorporated in 2005
Sadek Nissar Dossa- 13.1%	Public Unlisted Company
Kumayl Khaleeli- 8%	Chief Executive Officer: Kumayl Khaleeli
Danish Iqbal- 5.2%	External Auditors: A.F Ferguson and Co
Saad Iqbal- 5.2%	
Natasha Iqbal- 5.2%	
Jawaid Iqbal- 5.2%	

### 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 ratings upgrade reflect Zephyr Power Limited's ('ZPL' or the Company) sustained operational performance and financial risk profile of low to moderate level within the renewable energy sector. The ratings draw comfort from the long-term Energy Purchase Agreement with Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), supported by sovereign backing, ensuring stable revenue visibility and predictable cash flows.

Operational performance reflects improved capacity factors during FY25 and 1HFY26, supported by lower curtailment and consistently high plant availability, indicating stable operational efficiency.

The financial profile has strengthened, driven by declining leverage on account of scheduled debt repayments, underpinned by stable tariff-based cash flows under the long-term EPA. While profitability moderated in FY25 due to lower tariff levels, margins remained broadly stable in 1HFY26.

The sponsor profile continues to provide credit comfort, supported by experienced local sponsors and foreign participation from a Development Finance Institution. Liquidity remains adequate, supported by stable operating cash flows, sovereign-backed receivables, and minimal reliance on short-term borrowings. Debt coverage of the Company remains at comfortable levels.

## Company Profile

Zephyr Power Limited ('ZPL' or 'the Company') was incorporated as a private limited company in 2005 and converted into a public unlisted company in June 2021. The Company principally operates a 50MW Wind Independent Power Project (IPP), comprising 25 Wind Turbine Generators (WTGs), located at Gharo, Thatta, Sindh. The IPP interconnection is maintained and operated by the National Transmission Dispatch Company (NTDC). The Company entered into an Energy Purchase Agreement (EPA) with the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) on April 13, 2017. The EPA is based on the 2006 Renewable Energy Policy and the 2016 Upfront Tariff as awarded by the National Electric Power Regulatory Authority (NEPRA). The Company achieved its Commercial Operations Date (COD) on March 28, 2019, with the EPA having a tenure of twenty years from the date of COD.

## Management and Governance

The Company's largest shareholder is CDC Pakistan Power Projects Limited, holding a 46.7% stake. The entity is a Development Finance Institution wholly owned by the United Kingdom Government. The remaining shareholding is held by seasoned local investors.

The Board of Directors comprises seven members, with representation from each of the four shareholder groups. The Board includes two female directors. The Company has constituted three board-level committees, namely the Audit and Risk Committee, the Human Resources and Remuneration Committee, and the Environment and Social Governance Committee.

## 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 2024, 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 Baluchistan 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.

### LONG -TERM ENERGY PURCHASE AGREEMENT (EPA)

The EPA with CPPA-G is for a period of twenty years from the Commercial Operations Date (COD) of March 28, 2019. Revenue is measured in accordance with the mechanism stipulated under the EPA at tariff rates approved quarterly by NEPRA and is primarily recognized based on Net Delivered Energy and Non-Project Missed Volumes as per the EPA. Revenue from CPPA-G is invoiced on a monthly basis as per tariff structure, and any differences in amounts are re-submitted. In case of delayed payments, interest is recognized on an accrual basis at 3M KIBOR plus 2% per annum based on 365 days per year convention. Ratings also draw comfort from payments being secured under a guarantee issued by the Government of Pakistan (GOP).

### EXPERIENCED O&M CONTRACTOR

The Company has entered into a short-term warranty period (2 years) and, thereafter, a long-term period (8 years) O&M contracts with Siemens Gamesa Renewable Energy Technology (China) Co. Ltd (formerly Gamesa Wind (Tianjin) Co. Ltd.). The O&M contractor exhibits a track record of introducing wind power to new markets as per market has operated in Asia since the 1980s. The current Long-Term Operations and Maintenance (LT-O&M) Contract has a term of 8 years, which will expire by the end of Oct '29. As per the agreed terms, the O&M contractor has guaranteed maintenance of 98% plant availability over the term of the Contract.

### OPERATING PERFORMANCE

	FY23	FY24	FY25	1HFY26
Average Capacity Factor (Actual) (%)	26.26%	28.18%	31.52%	42.35%
Plant Capacity (MW)	50	50	50	50
Output produced (MWH)	115,268	121,766	123,889	60,452

During FY25, the Company's average capacity factor improved to 31.52% (FY24: 28.18%), primarily driven by lower load curtailments by CPPA-G vis-à-vis the preceding year. However, the capacity factor remained below the 35% benchmark stipulated under the EPA. During 1HFY26, the average capacity factor further increased to 42.35%, reflecting higher energy offtake by CPPA-G. Going forward, despite a decline in average wind speeds over the period, the prevailing load management pattern is expected to continue supporting dispatch levels. Meanwhile, plant availability improved to 98.73% during 1HFY26 (FY25: 98.04%; FY24: 98.52%), indicating operational stability and sustained efficiency vis-à-vis the preceding period.

### PROFITABILITY

During FY25, the Company's topline depicted a contraction of ~24%, declining to PKR 5.08b (FY24: PKR 6.7b), primarily attributable to lower average quarterly tariffs. The decline in tariffs was mainly driven by downward revisions in KIBOR/LIBOR rates, along with a slightly lower return on equity component. Moreover, the Company's reported revenue included PKR 0.41b (FY24: PKR 1.9b) pertaining to Non-Project Missed Volumes, which declined amid lower load curtailment under dispatch instructions issued by CPPA-G.

Consequently, gross margins declined to 65.98% during FY25 (FY24: 74.94%), as the impact of lower average quarterly tariffs outweighed the relatively stable operating cost base. Similarly, net margins were also reported lower at 44.56% (FY24: 51.20%).

During 1HFY26, the Company reported revenue of PKR 2.54b, broadly in line with the trend observed during FY25. Accordingly, gross margins remained relatively stable at 66.67% (FY25: 65.98%). However, net margins improved to 50.54%, primarily supported by lower finance costs following long-term debt repayments.

## Financial Risk

### CAPITAL STRUCTURE

The Company's capital structure reflects its renewable-based business model, which is largely project-financed with limited ongoing working capital requirements, resulting in minimal reliance on short-term borrowings, with receivables primarily due from CPPA-G and carrying reduced counterparty risk due to sovereign backing. The Company's long-term debt has continued to decline on account of scheduled repayments. Meanwhile, equity has further strengthened to PKR 10.7b as at Dec'25 (Jun'25: PKR 10.4b; Jun'24: PKR 9.7b), supported by internal cash generation and dividend distribution of PKR 1.5b. As a result, gearing and leverage ratios improved to 0.58x and 0.67x as at Dec'25 (Jun'25: 0.69x and 0.75x; Jun'24: 0.91x and 1.00x). Going forward, the capital structure is expected to remain stable, with continued deleveraging supported by scheduled debt repayments.

### DEBT COVERAGE & LIQUIDITY

The Company's liquidity profile remained stable, as reflected by a current ratio of 2.65x as at Dec'25 (Jun'25: 2.65x; Jun'24: 3.04x). The liquidity position is supported by steady operational cash flows under the Company's project-financed business model and limited reliance on short-term borrowings. Furthermore, the counterparty profile remains strong, as receivables are primarily due from CPPA-G and benefit from sovereign-backed exposure, supporting overall cash flow predictability.

While the Company's Debt Service Coverage Ratio (DSCR) declined to 1.38x as at end-Jun'25 (Jun'24: 1.79x) due to lower Funds from Operations (FFO) amid reduced profitability, it subsequently improved to 1.61x as at Dec'25, driven by higher operational profitability and lower finance costs. Overall, the DSCR remains at a comfortable level. Going forward, maintenance of adequate liquidity and debt coverage metrics will remain important from a ratings perspective.

REGULATORY DISCLOSURES					APPENDIX I
Name of Rated Entity	Zephyr Power Limited				
Sector	Power Renewable Energy				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook/Watch</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	06/05/2026	AA-	A1	Stable	Upgrade
	04/30/2025	A+	A1	Stable	Reaffirmed
	04/18/2024	A+	A1	Stable	Reaffirmed
	02/02/2023	A+	A1	Stable	Upgrade
	12/31/2021	A	A2	Stable	Reaffirmed
	11/26/2020	A	A2	Stable	Upgrade
	08/26/2019	A-	A2	Stable	Reaffirmed
08/16/2017	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.				
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Due Diligence Meetings Conducted	<b>Name</b>		<b>Designation</b>		<b>Date</b>
	Mr. Kumayl Khaleeli		Chief Executive Officer/Director		May 07, 2026
	Mr. Azeem Iqbal		Operations Manager		May 07, 2026