VIS
Credit Rating Company Limited

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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Industrial Corporates

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

Rs. Million	FY23A	FY24A	1HFY25M
Net Sales	3,045.11	4,376.38	1,598.32
PBT	1,015.38	2,141.18	752.34
PAT	1,004.84	2,129.53	751.64
Paid up Capital	1,412.27	1,412.27	1,412.27
Equity (ex. Reval)	5,998.20	7,077.73	7,329.36
Total Debt	4,734.76	4,204.15	3,990.57
Leverage (x)	0.90	0.72	0.55
Gearing (x)	0.79	0.59	0.54
FFO*	1,627.78	2,752.81	3435.56
FFO/Total Debt (x)	34.38%	65.48%	86.09%
Net Margin (%)	33.00%	48.66%	47.03%

**Annualized, if required*
A - Actual Accounts
M - Management Accounts

ARTISTIC ENERGY (PVT.) LIMITED

Chief Executive: Mr. Muhammad Omer Ahmed

RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A+	A1	A+	A1
RATING OUTLOOK/ WATCH	Positive		Stable	
RATING ACTION	Maintained		Reaffirmed	
RATING DATE	May 12, 2025		April 14, 2024	

RATING RATIONALE

The assigned ratings of A+/A1 with a Positive Outlook reflect the Company's improving operational performance and strengthening financial profile within the context of a medium-risk renewable energy sector. Ratings draw comfort from the 20-year energy purchase agreement with CPPA-G, backed by a sovereign guarantee, ensuring revenue stability. The sponsor profile remains a key strength, supported by ownership from Artistic Milliners and long-standing sector experience. Operational risk is contained through a long-term O&M agreement with General Electric, with availability consistently exceeding contractual thresholds. Profitability remains robust, aided by indexation-linked tariffs and cost controls. Capital structure has improved through sustained internal equity generation and scheduled debt repayments, while liquidity is supported by healthy cash flows, conservative leverage, and short-term investments.

CORPORATE PROFILE

Incorporated in 2014, Artistic Energy (Private) Limited ("AEPL" or "the Company") operates a 49.3MW (29 Wind Turbine Generators (WTGs) of 1.7 MW generation capacity each) wind power plant in Jhimpir, District Thatta, Sindh, which was setup at a total cost of Rs 11.7b. The Project was funded in a debt-to-equity ratio of 75:25. The Commercial Operations Date (CoD) was achieved on March 16, 2018. AEPL has a 20-year Energy Purchase Agreement (EPA) with Central Power Purchasing Agency (CPPA). The Engineering, Procurement and Construction (EPC) was jointly undertaken by Hydrochina International Engineering Co., Ltd. (HIEC) and Hydrochina Corporation. General Electric (GE) is managing the O&M for AEPL.

In February 2021, AEPL signed a master agreement with the Government of Pakistan (GoP), encompassing alterations in existing contractual arrangements, subsequent to which outstanding GoP dues were released by November 2021. The revised tariff featured a lower ROE, lower O&M component among other adjustments, vis-à-vis the initial agreement with CPPA.

GOVERNANCE

AEPL is majority-owned by the Artistic Milliners (Private) Limited, which has an interest in the textile sector. The company is led by Chief Executive Mr. Muhammad Omer Ahmed, with executive oversight by Mr. Yaqoob Ahmed, Mr. Muhammad Omer Ahmed, and Mr. Muhammad Murtaza Ahmed. The governance structure reflects significant family involvement, with the Ahmed family holding key roles. The Board of Directors comprises above mentioned three members. In FY24, the company reported no changes to the board composition.

INDUSTRY PROFILE & BUSINESS RISK

The business risk profile for Pakistan's renewable energy sector is assessed as medium, underpinned by growing demand, favorable policy support, and substantial resource potential, balanced against structural and operational challenges. The sector has exhibited notable growth, supported by the government's long-term strategy to diversify the energy mix and reduce reliance on imported fossil fuels. As of 2024, the country's total installed power generation capacity stands at approximately 42,000 MW, with renewable energy sources—comprising wind, solar, and biomass—accounting for nearly 6-9% of the energy mix. Ambitious national targets aim to increase this share to 30% by 2030.

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^2 per day. These fundamentals have attracted international investments and encouraged the development of large-scale wind corridors and solar parks.

Despite these advantages, sector risks remain. Regulatory risk persists, as changes in tariff structures, licensing procedures, or grid access policies may affect the financial viability of projects. Technological risk is also considerable; rapid innovation in renewable technologies can render existing assets obsolete, necessitating ongoing capital expenditure. The capital-intensive nature of the sector amplifies exposure to financing constraints and cost overruns. Furthermore, while renewable energy adoption benefits from growing industrial demand, it continues to compete with conventional energy sources, which remain influential due to pricing volatility and supply dynamics. Substitution risks and variable effectiveness of market entry barriers pose additional concerns.

Assigned ratings continue to draw comfort from strong sponsor profile. The Project is a wholly owned subsidiary of Artistic Milliners Private Ltd (AMPL). AMPL is a vertically integrated textile conglomerate having presence across textile and renewable energy sectors.

Wind Risk Exposure

Power generation and resulting cash flows remain subject to seasonal patterns and potential fluctuations in wind speed. Historical wind availability has been verified through the generation record and a site-specific Wind Resource Assessment and Energy Yield Evaluation Study conducted by Lahmeyer International Germany.

Operational Profile

The operations and maintenance of AEPL are being handled by General Electric (GE) under a long-term contract that requires a minimum availability of 97% and a 35% capacity factor for Wind Turbine Generators (WTGs), with provisions for liquidated damages if availability falls below the specified threshold. The operational risk is mitigated through GE's ongoing engagement and its track record in managing renewable energy assets. The wind farm has completed over 10 years of operations, with plant availability consistently maintained above the 97% mark during the rating review period. While the average annual capacity factor remained ~40% in FY24, it declined to approximately 30% during the ongoing FY25, attributed to low wind speeds and load curtailments from the power purchaser.. In the event of grid-related capacity issues classified as Non-Project Events (NPEs), AEPL is contractually entitled to compensation from CPPA under the Non-Project Missed Volume (NPMV) mechanism, which offsets the impact of unpurchased energy. Moreover, comfort is drawn from the presence of adequate insurance coverage for events categorized under "force majeure".

	FY22	FY23	FY24	9MFY25
Availability	**97.59%**	**98.65%**	**99.13%**	**98.88%**
Capacity Factor (Actual)	**44.70%**	**33.49%**	**40.42%**	**30.26%**
Output (kWh)	**193,033,713**	**144,720,801**	**175,381,142**	**98,582,172**

FINANCIAL RISK

Assigned ratings also consider the financial risk profile of the Company. Profitability indicators reflected an upward trend in FY24, supported by tariff indexation mechanisms linked to inflation, exchange rates, and interest rates, along with compensation provisions embedded in the energy purchase agreement. Gross margins remained within historical parameters, though partially impacted by the low wind speed and operating cost dynamics. Capitalization metrics strengthened on the back of internal capital generation and scheduled long-term debt repayments, while the absence of short-term borrowings and a decline in receivables from a sovereign-backed counterparty contributed to a conservative capital structure. Liquidity remained supported by profit retention and limited capital outflows, as reflected in higher short-term investments. Debt servicing capacity improved in line with growth in funds from operations and integrated repayment arrangements, although lower offtake during 1HFY25 moderated the coverage ratio, which remained adequate.

Profitability Profile

AEPL's revenue increased by 43.72% to Rs. 4.37 billion in FY24 (FY23: Rs. 3.04 billion), resulting in a gross margin of 63.72% (FY23: 53.6%). The increase in revenue was attributable to generation above the benchmark capacity factor of 35%, which contributed to the ROE component; however, this gain is shared equally with the power purchaser in accordance with the agreed mechanism.

During 1HFY25, revenue amounted to approximately Rs. 1.6 billion, reflecting a 28.56% decline compared to the SPLY, primarily due to lower wind resource availability and load curtailments affecting volumetric offtakes. As a result, gross margin declined to 50.21%. Nevertheless, the net margin for the period remained at 62.05% (FY24: 63.07%) as the impact of other income increase of 45.58%, driven by the investments of the retained earnings was partly offset by the topline contraction despite the declined finance cost to Rs. 239.49 million in line with the lower policy rate environment.

Capital Structure

The Capitalization profile of the company displayed a downward trend, with leverage and gearing ratio recorded at 0.72x and 0.59x in FY24 (FY23: 0.90x; FY22: 0.79x), which further declined to 0.55x and 0.54x in 1HFY25. This trend was supported by the equity enhancement through profit retention despite regular payouts as well as timely servicing of their long-term debt. The company's capitalization profile mainly contains long term debt from a consortium of commercial banks under the State Bank of Pakistan's Islamic financing scheme for renewable energy, with a markup rate of 4.5%. The Company has no short-term financing in place as working capital needs are met through internal cashflows.

Liquidity and Coverage

An improvement in debt service coverage ratio (DSCR) to 2.02x (FY23: 1.54x) was recorded, primarily driven by higher production levels and adjustments in the non-debt components of the tariff, including the US CPI indexation. In the subsequent period, lower production resulted in reduced funds from operations (FFO), leading to a DSCR of 1.52x; however, the ratio still remains at healthy levels.

Liquidity remains sound, underpinned by the Company's operational model and the inherently liquid profile of its business. This is reflected in a current ratio of 2.85x (FY24: 2.07x; FY23: 1.92x). The improvement in liquidity is attributed to profit retention, with no capital expenditure obligations or significant utilization of funds on the non-current asset side. Dividend distributions, which are common in the renewable energy sector, continue to be the primary outflow impacting liquidity.

Financial Summary

Balance Sheet (PKR Millions)	FY23A	FY24A	6MFY25M
Property, plant and equipment	9,152.37	8,577.67	8,262.71
Trade debts	2,015.00	2,650.81	1,473.92
Short-term Investments	4.55	445.46	522.14
Cash & Bank Balances	8.01	183.92	210.27
Other Assets	231.27	327.78	876.87
Total Assets	11,411.20	12,185.64	11,345.91
Creditors	132.68	642.50	0.00
Long-term Debt (incl. current portion)	4,734.76	4,204.15	3,990.57
Short-Term Borrowings	0.00	0.00	0.00
Total Debt	4,734.76	4,204.15	3,990.57
Other Liabilities	545.56	261.26	25.97
Total Liabilities	5,413.00	5,107.91	4,016.54
Paid up Capital	1,412.27	1,412.27	1,412.27
Revenue Reserve	4,585.93	5,665.46	5,917.09
Other Equity (excl. Revaluation Surplus)	0.00	0.00	0.00
Sponsor Loan	0.00	0.00	0.00
Equity (excl. Revaluation Surplus)	5,998.20	7,077.73	7,329.36
Income Statement (PKR Millions)	**FY23A**	**FY24A**	**6MFY25M**
Net Sales	3,045.11	4,376.38	1,598.32
Gross Profit	1,632.82	2,788.50	802.49
Operating Profit	1,638.00	2,760.29	991.83
Finance Costs	622.62	619.21	239.49
Profit Before Tax	1,015.38	2,141.18	752.34
Profit After Tax	1,004.84	2,129.53	751.64

Ratio Analysis	FY23A	FY24A	6MFY25M
Gross Margin (%)	53.62%	63.72%	50.21%
Operating Margin (%)	53.79%	63.07%	62.05%
Net Margin (%)	33.00%	48.66%	47.03%
Funds from Operation (FFO) (PKR Millions)	1,627.78	2,752.81	1,717.78
FFO to Total Debt* (%)	34.38%	65.48%	86.09%
FFO to Long Term Debt* (%)	34.38%	65.48%	86.09%
Gearing (x)	0.79	0.59	0.54
Leverage (x)	0.90	0.72	0.55
Debt Servicing Coverage Ratio* (x)	1.54	2.02	1.52
Current Ratio (x)	1.92	2.07	2.85
(Stock in trade + trade debts) / STD (x)			
Return on Average Assets* (%)	8.34%	18.05%	12.78%
Return on Average Equity* (%)	17.88%	32.57%	20.87%
Cash Conversion Cycle (days)	230.14	105.48	161.82

Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Artistic Energy (Pvt) 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				
5/12/2025	**A+**	**A1**	**Positive**	**Maintained**
5/14/2024	A+	A1	Stable	Reaffirmed
4/18/2023	A+	A1	Stable	Reaffirmed
3/29/2022	A+	A1	Stable	Reaffirmed
3/16/2021	A+	A1	Stable	Upgrade
3/16/2020	A	A1	Stable	Reaffirmed
4/9/2019	A	A1	Stable	Reaffirmed
6/26/2018	A	A1	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 Meeting Conducted

Name	Designation	Date
Mr. Ehtisham Akhtar	Executive Director	April 29, 2025
Mr. Ali Iqbal	Sr. Finance Manager	