

## ARTISTIC ENERGY (PVT.) LIMITED

### Analysts:

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### RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A+	A1	A+	A1
RATING OUTLOOK/ WATCH	Stable		Positive	
RATING ACTION	Maintained		Maintained	
RATING DATE	May 18, 2026		May 12, 2025	

### Shareholding (5% or More)

Artistic Milliners (Pvt.) Limited (AMPL) – 99.9%

### Other Information

Incorporated in 2014

Private Limited Company

Chief Executive: Mr. Muhammad Omer Ahmed

External Auditor: BDO Ebrahim & 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 AEPL's presence in the renewable energy sector, supported by a long-term Energy Purchase Agreement with the power purchaser, providing visibility to cash flows and mitigating counterparty risk through sovereign backing. The ratings incorporate the Company's established operational framework under a long-term O&M arrangement. The EPA framework includes protection through Non-Project Missed Volume provisions, supporting revenue stability in case of curtailment. Consideration is given to the revised tariff structure following the master agreement with the Government of Pakistan. The ratings also reflect improving capitalization, adequate liquidity, and moderated coverage metrics, with performance subject to variability in wind patterns and generation levels.

## Company 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 PKR 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, albeit debt servicing remaining protected, vis-à-vis the initial agreement with CPPA.

## Management and Governance

### SPONSOR PROFIL AND BOD:

AEPL is majority-owned by Artistic Milliners (Private) Limited, which has an established presence in the textile sector. The company is led by Chief Executive Mr. Muhammad Omer Ahmed, with executive oversight by Mr. Yaqoob Ahmed.

The Board of Directors comprises Mr. Muhammad Omer Ahmed, Mr. Muhammad Murtaza Ahmed, and Mr. Yaqoob Ahmed. The governance structure reflects significant family involvement, with members of the Ahmed family holding key management and board positions.

## 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 for renewable IPPs in Pakistan 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 risk is considered manageable given long-term O&M contract in place with experienced O&M operator:

General Electric (GE) is managing the O&M for AEPL. There are provisions in place for ensuring minimum 97% availability and 35% capacity factor of Wind Turbine Generators (WTGs). In case of availability remaining lower than the agreed level, GE is liable to pay liquidated damages. Moreover, sound track record and extensive experience of GE, in renewable energy sector provides comfort to managing operations risk.

## OPERATIONAL UPDATE:

Production and Capacity Utilization	FY24	FY25	1HFY26
Installed Capacity (KWH)	431,868,000	431,868,000	215,934,000
Production Capacity Factor of 35% (KWH)	151,153,800	151,153,800	75,576,900
Actual production	174,866,126	152,002,762	68,437,827
Capacity factor (Actual)	40.30%	35.10%	31.27%
Availability	98.91%	98.13%	99.05%

The Company reported a capacity factor of 35.10% in FY25 (FY24: 40.30%), remaining marginally above the 35% benchmark, albeit lower on a year-on-year basis. The decline is attributable to continued transmission constraints, resulting in load curtailment by the power purchaser, along with comparatively lower wind speeds during FY25. Accordingly, energy delivered decreased by 13% to 152,002,762 KWh (FY24: 174,866,126 KWh), reflecting the combined impact of reduced wind availability and load curtailment associated with lower demand. In 1HFY26, the capacity factor declined further to 31.27%, primarily due to lower wind speeds during the period. However, it is expected to align with the 35% benchmark by year-end, supported by historically higher wind patterns observed during the April to June period. Lower offtake by CPPA-G is compensated through a Non-Project Missed Volume (NPMV) mechanism in case the offtake picks up network is not available to evacuate power.

## PROFITABILITY:

The Company's revenue declined by approximately 19% in FY25, reflecting a combination of lower tariffs and reduced generation in FY25. The observed decline in tariff was attributable to a reduction in the interest component of commercial borrowings following a decline in KIBOR, along with relative stability in the PKR/USD exchange rate compared to the prior year, which limited further escalation in USD-indexed components.

Gross margin declined to 54.49% in FY25 (FY24: 63.72%), primarily due to a decline in tariff, particularly the reduction in indexed financing components, while operating costs remained broadly aligned with the tariff structure, resulting in margin compression. Net margin declined to 43.10% (FY24: 48.66%), in line with the moderation in overall profitability. In 1HFY26, gross margin declined further to 45.74%, reflecting lower generation during the period, which reduced revenue, while operating costs remained relatively stable, resulting in lower cost absorption and margin compression. Net margin declined to 39.70% in 1HFY26.

## Financial Risk

### CAPITAL STRUCTURE

The Company's capitalization profile improved in FY25, with gearing and leverage declining to 0.46x and 0.51x, respectively (FY24: 0.59x and 0.72x), primarily reflecting scheduled amortization of long-term borrowings under the consortium financing arrangement. The capital structure comprises equity and long-term project financing. During FY25, profit after tax of Rs. 1,526M was generated; however, the equity base recorded net accretion of Rs. 26M, as dividend distributions of Rs. 1,500M—equivalent to a payout ratio of 98.3%—were remitted to the holding company, Artistic Milliners (Private) Limited.

In 1HFY26, gearing and leverage declined further to 0.44x and 0.45x, respectively, reflecting continued loan amortization; however, total equity decreased to Rs. 6,784M (FY25: Rs. 7,104M) as dividend declarations of Rs. 900M exceeded profit after tax of Rs. 581M—a payout ratio of 154.9%—resulting in a drawdown of accumulated profits. Overall capitalization metrics are considered manageable.

### DEBT COVERAGE & LIQUIDITY:

The Company's coverage profile moderated in FY25, with the Debt Service Coverage Ratio (DSCR) declining to 1.77x (FY24: 2.02x), reflecting lower Funds from Operations (FFO) consequent to reduced profitability, primarily due to lower wind speeds during the year. Debt-servicing risk is partly mitigated by the availability of short-term working capital facilities amounting to PKR 750M, which may be utilized, as required.

In 1HFY26, DSCR declined further to 0.83x, primarily due to lower wind speeds compared to the corresponding period last year. However, DSCR is expected to improve to approximately 1.00x by end-FY26, supported by higher wind speeds typically observed during the latter

part of the year, particularly in April and June. The markup paid on short term borrowings to compensate for delayed payments is compensated.

The Company's liquidity profile remained adequate in FY25, with the current ratio improving to 2.20x (FY24: 2.07x). The increase was primarily attributable to a contraction in current liabilities following settlement of accrued payables, partially offset by an increase in the current portion of long-term financing. On the asset side, trade debts declined due to partial collections from CPPA-G, while short-term investments remained broadly stable. Operating cash flows remained sufficient to cover scheduled debt repayments and dividend distributions. Liquidity risk is primarily linked to the pace of collections from CPPA-G, which represents the major portion of receivables, and the continued upstreaming of profits to the holding company, thereby limiting the internally generated liquidity buffer available to absorb operational or collection-related stress. As per management, dividend payments to the parent are undertaken following requisite approvals from the lenders. In 1HFY26, the current ratio declined to 1.83x, driven by a contraction in current assets – reflecting declines in trade debts, short-term investments, and cash balances – while current liabilities remained broadly stable.

## Financial Summary

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	6MFY26M
Property, plant and equipment	9,152.37	8,577.67	7,949.34	7,640.58
Right-of-use Assets	0.00	0.00	2.94	0.00
Trade debts	2,015.00	2,650.81	1,825.81	1,363.32
Short-term Investments	4.55	445.46	475.48	358.55
Cash & Bank Balances	8.01	183.92	159.32	133.94
Other Assets	231.27	327.78	291.69	320.32
<b>Total Assets</b>	<b>11,411.20</b>	<b>12,185.64</b>	<b>10,704.58</b>	<b>9,816.71</b>
Creditors	132.68	642.50	0.00	0.00
Long-term Debt (incl. current portion)	4,734.76	4,204.15	3,267.46	2,975.01
Short-Term Borrowings	0.00	0.00	0.00	0.00
<b>Total Debt</b>	<b>4,734.76</b>	<b>4,204.15</b>	<b>3,267.46</b>	<b>2,975.01</b>
Other Liabilities	545.56	261.26	333.30	57.32
<b>Total Liabilities</b>	<b>5,413.00</b>	<b>5,107.91</b>	<b>3,600.76</b>	<b>3,032.33</b>
Paid up Capital	1,412.27	1,412.27	1,412.27	1,412.27
Revenue Reserve	4,585.93	5,665.46	4,181.66	3,862.22
Other Equity (excl. Revaluation Surplus)	0.00	0.00	1,509.90	1,509.90
Sponsor Loan	0.00	0.00	0.00	0.00
<b>Equity (excl. Revaluation Surplus)</b>	<b>5,998.20</b>	<b>7,077.73</b>	<b>7,103.83</b>	<b>6,784.39</b>

Income Statement (PKR Millions)	FY23A	FY24A	FY25A	6MFY26M
Net Sales	3,045.11	4,376.38	3,540.55	1,462.26
Gross Profit	1,632.82	2,788.50	1,929.33	668.77
Operating Profit	1,638.00	2,760.29	1,961.86	726.23
Finance Costs	622.62	619.21	422.01	142.52
Profit Before Tax	1,015.38	2,141.18	1,539.85	583.71
Profit After Tax	1,004.84	2,129.53	1,526.09	580.57

Ratio Analysis	FY23A	FY24A	FY25A	6MFY26M
Gross Margin (%)	53.62%	63.72%	54.49%	45.74%
Operating Margin (%)	53.79%	63.07%	55.41%	49.66%
Net Margin (%)	33.00%	48.66%	43.10%	39.70%
Funds from Operation (FFO) (PKR Millions)	1,627.78	2,752.81	2,141.16	583.71
FFO to Total Debt* (%)	34.38%	65.48%	65.53%	39.24%
FFO to Long Term Debt* (%)	34.38%	65.48%	65.53%	39.24%
Gearing (x)	0.79	0.59	0.46	0.44
Leverage (x)	0.90	0.72	0.51	0.45
Debt Servicing Coverage Ratio* (x)	1.54	2.02	1.77	0.83
Current Ratio (x)	1.92	2.07	2.20	1.83
(Stock in trade + trade debts) / STD (x)				
Return on Average Assets* (%)	8.34%	18.05%	13.33%	11.32%
Return on Average Equity* (%)	17.88%	32.57%	21.52%	16.72%
Cash Conversion Cycle (days)	230.14	105.48	157.98	199.01

\*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				
	5/18/2026	A+	A1	Stable	Reaffirmed
	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
	4/09/2019	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.				
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. Ali Iqbal		Sr. Finance Manager		4 <sup>th</sup> April 2026