GHARO SOLAR LIMITED

ANALYST:
Musaddeq Ahmed Khan
(musaddeq@vis.com.pk)

RATING DETAILS				
RATINGS CATEGORY	**LATEST RATING**		**PREVIOUS RATING**	
	LONG-TERM	**SHORT-TERM**	**LONG-TERM**	**SHORT-TERM**
ENTITY	A+	A1	A+	A1
RATING OUTLOOK	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	October 30, 2026		October 27, 2025	

SHAREHOLDING 5% OR MORE	OTHER INFORMATION
Rana Nasim Ahmed – 55%	**Incorporated in** 2016
Windforce (Private) Ltd – 30%	Public Unlisted Company
Norsk Solar – 10%	**External Auditor:** M/s KPMG Taseer Hadi & Co. Chartered Accountants
Mohammad Khaqan Babar Cheema – 5%	**Chief Executive Officer:** Mr. Rana Uzair Nasim

APPLICABLE RATING CRITERIA

VIS Entity Rating Criteria Methodology – Corporates
https://docs.vis.com.pk/Methodologies-2026/Corporate-Rating-2026.pdf

APPLICABLE RATING SCALE

https://docs.vis.com.pk/docs/VISRatingScales.pdf

RATING RATIONALE

Gharo Solar Limited's ('GSL' or the 'Company') ratings reflect stable cash flows under its long-term Energy Purchase Agreement with K-Electric, supported by must-run status, tariff indexation, and an escrow-based collection mechanism. Operating performance remains satisfactory, with generation exceeding regulatory benchmarks. Financial risk has improved through scheduled debt repayments, equity accretion, lower finance costs, and stronger debt servicing capacity. Liquidity remains adequate. However, given the concentration on a single power purchaser, developments relating to K-Electric's tariff determination and related challenges will remain important going forward.

Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

COMPANY PROFILE

Incorporated in 2016 as a public unlisted company, Gharo Solar Limited ('GSL' or the 'Company') operates a 50 MW solar photovoltaic (PV) power plant located near Gharo, District Thatta, Sindh, dedicated to generating and supplying electricity to K-Electric. Developed with significant foreign investment, the plant commenced commercial operations in December 2019 and supplies power under a 25-year Energy Purchase Agreement (EPA) with K-Electric. The EPA includes a 'must-run' provision, exempting the project from merit order dispatch due to its renewable nature. The tariff follows a cost- plus structure, indexed to consumer price indices (CPIs), and ensures a fixed return on equity. The project is backed by local sponsors with considerable experience in the solar power sector, along with international partners with extensive expertise in operating renewable energy projects globally.

MANAGEMENT & GOVERNANCE

BOD & COMMITTEES

The Board of Directors comprises six members, including one female director, representing the entity's local and foreign shareholding structure. Mr. Rana Nasim Ahmed continues to serve as the Chairman of the Board, providing strategic oversight based on his background in power sector development and operations. Mr. Rana Uzair Nasim leads the management team as Chief Executive Officer, overseeing project operations and regulatory affairs.

At present, the governance framework operates without independent directors or formally constituted board committees. The existing composition and organizational structure, however, remain compliant with the statutory requirements applicable to public unlisted companies.

CHAIRMAN / SPONSOR PROFILE

Rana Nasim Ahmed, an experienced project developer in power and industrial sector, serves as the Chairman of the BOD. Besides his role as main sponsor, Mr. Ahmed provides strategic guidance to the management team based on his extensive, hands-on power sector experience across development, construction, and operations. In particular, he provided support on due diligence and acquisition of Project land, regulatory affairs and equipment procurement leveraging his contacts with the renowned suppliers. Mr. Ahmed is also the main sponsor of 18 MW Harappa Solar (Private) Limited.

CEO PROFILE

Rana Uzair Nasim has extensive power sector expertise across project design, tariff structuring, financing and negotiation of project documents. He is also the CEO of Harappa Solar (Pvt.) Limited and has led the project from inception through commissioning & operations. Mr. Uzair has previously worked as a management consultant in New York with Oliver Wyman and Dalberg Global Development Advisors.

AUDIT OPINION

KPMG Taseer Hadi & Co. Chartered Accountants, categorized as 'Category A' on SBP's Panel of Auditors and with satisfactory QCR rating from ICAP, has provided an unqualified opinion of the financials as of Jun'25.

BUSINESS RISK

INDUSTRY

The business risk profile for Pakistan's renewable energy sector is assessed as medium to low by VIS. This assessment reflects the regulatory framework characterized by long-term contracts and fixed tariffs, balanced against evolving regulatory dynamics. As of the close of FY26, the country's total installed power generation capacity expanded to approximately 49,651 MW. The capacity addition during the period was largely driven by the continued adoption of distributed solar net-metering, which reached over 7,300 MW.

The sector's trajectory remains guided by the Alternative and Renewable Energy Policy 2019 and the Indicative Generation Capacity Expansion Plan (IGCEP), which emphasize competitive bidding and integration of renewables. Pakistan's geographic parameters provide a supportive environment for this expansion, given the established wind corridors in Sindh and Balochistan and average solar irradiance levels.

Regulatory risk is an active consideration for renewable IPPs. The Economic Coordination Committee's approval in March 2026 to revise EPAs for multiple wind and solar power projects reflects the government's ongoing initiative to renegotiate tariffs across the IPP sector. Additionally, the regulatory landscape has incorporated the transition of foreign debt servicing benchmarks from LIBOR to the Secured Overnight Financing Rate (SOFR), resulting in corresponding quarterly tariff indexation adjustments by NEPRA. While the cost-plus tariff structures under long-term EPAs have historically provided insulation, these renegotiation exercises indicate that regulatory exposure for incumbent IPPs is more pronounced than previously assessed.

Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Capital expenditure requirements post-commissioning remain contained, as regular operations and maintenance (O&M) costs are embedded within the tariff structures. For projects with EPAs executed with CPPA-G, counterparty risk is mitigated by sovereign guarantee coverage, ensuring eventual settlement of dues despite broader circular debt challenges in the power sector. Delays in receivable collections represent the primary transmission mechanism of circular debt to the IPP level.

Technology and substitution risks are present, primarily stemming from the consumer-level deployment of distributed solar installations. Improvements in panel efficiency and rising grid electricity tariffs have catalyzed this shift, leading to a moderation in demand growth for grid-based supply. For established renewable IPPs, however, competition risk remains contained. The combination of long-term offtake agreements, must-run dispatch status, and high entry barriers insulates incumbent projects from immediate demand-side pressures. Given the must-run classification, fluctuations in overall grid demand are unlikely to alter the dispatch of electricity generated by these operational renewable facilities.

ENERGY PURCHASE AGREEMENT

The Company supplies its entire power generation to K-Electric (KE) under a 25-year Energy Purchase Agreement (EPA) executed in September 2018, effective from the Commercial Operations Date (COD). The offtake framework incorporates structural protections; if KE is unable to dispatch the delivered energy, the occurrence is classified as a Non-Project Event (NPE). In such instances, GSL is compensated for the associated revenue shortfall through the Non-Project Missed Volume (NPMV) mechanism. Furthermore, should the facility become un-operational due to conditions defined as non-project events in the EPA, KE remains liable to reimburse the Company based on anticipated generation units, which are assessed by an independent valuator. Exposure to these risks is inherently contained by the project's 'must-run' classification in the economic dispatch merit order.

Monthly revenue invoicing to KE is facilitated through an escrow arrangement maintained with MCB Bank. The agreement stipulates a 30-day credit period for invoice settlement, ensuring that funds are deposited directly into GSL's revenue account before KE can utilize its account balances for alternative transactions. Any overdue receivables are subject to a prorated markup of KIBOR plus 2%. The escrow mechanism continues to function as intended, with the Company realizing timely settlements against its billings.

OPERATIONS & MAINTENANCE (O&M)

The Company's operations and maintenance (O&M) activities are managed by OMS (Pvt.) Ltd., which has established experience in the domestic power sector and provides services to several power generation and industrial entities including other group companies.

During FY26, the plant experienced temporary generation disruptions due to inverter failures and tracker system faults, which were subsequently resolved through equipment replacement and restoration of normal operations. The Company has also enhanced its spare parts inventory to support operational continuity. The replacement costs were largely covered by insurance, which reimbursed approximately PKR 60 million, limiting the Company's net cost to around PKR 15 million. Routine O&M expenses remain supported by quarterly tariff indexations linked to relevant inflation indices for local and foreign cost components.

Despite the temporary disruptions, the plant maintained generation above the NEPRA benchmark throughout the review period. Actual energy delivered stood at 98.79 million kWh in FY26, compared with 99.69 million kWh in FY25, while the capacity factor moderated to 22.55% from 22.76%, remaining above the benchmark of 22.21%. The performance ratio also declined marginally to 79.21% from 79.36%. Following the resolution of technical issues, operational stability was restored, with generation performance remaining above the regulatory benchmark.

	FY24	FY25	FY26
Installed Capacity (kWh)	97,280,000	97,280,000	97,280,000
Annual Benchmark Capacity (kWh)	97,280,000	97,280,000	97,280,000
Benchmark Capacity Factor (%)	22.21%	22.21%	22.21%
Actual Energy Delivered (kWh)	99,422,809	99,689,000	98,788,210
Actual Capacity Factor (%)	22.70%	22.76%	22.55%
Performance Ratio (%)	80.61%	79.36%	79.21%

PROFITABILITY

The Company's revenue is fundamentally tied to the quantum of electricity dispatched and the applicable tariff, which incorporates quarterly indexations for inflation and exchange rate movements. During FY25, net sales declined slightly to PKR 1,715.0 million (FY24: PKR 1,769.2 million). Despite a marginal increase in energy delivered during the year, the reduction in top-line was primarily attributable to the transition of the foreign debt servicing component in the tariff from the 3-month LIBOR to the comparatively lower Secured Overnight Financing Rate (SOFR), alongside exchange rate variations. In FY26, revenue recovered to PKR 1,742.8 million. This growth was supported by scheduled tariff indexations, which offset the volume constraint experienced earlier in the year due to technical interruptions. Furthermore, revenue in FY26 included a minor contribution of PKR 1.7 million from the sale of carbon credits, facilitated by a newly appointed consultant operating under a standard commission structure.

Gross margins have exhibited a gradual moderation, recorded at 68.2% in FY25 and 66.8% in FY26, compared to 69.0% in FY24. The contraction in FY26 reflects the absorption of the out-of-pocket costs related to the replacement of inverter equipment, which amounted to approximately PKR 15.0 million after accounting for insurance coverage. Overall gross margins, however, remain anchored by the cost

Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

pass-through mechanisms embedded in the long-term tariff structure, which provide coverage for routine operational and maintenance expenses.

Net margins were recorded at 34.1% in FY25 before improving to 36.2% in FY26. The moderation in FY25 was influenced by a reduction in other income to PKR 126.8 million (FY24: PKR 202.8 million), as returns on surplus funds placed in money market instruments normalized. In FY26, despite a further decline in other income to PKR 47.2 million, net profitability expanded to PKR 630.5 million (FY25: PKR 585.6 million). This bottom-line growth was primarily driven by a corresponding reduction in finance costs, which fell to PKR 436.7 million (FY25: PKR 524.6 million) in line with the scheduled amortization of long-term debt and the easing of benchmark interest rates during the period.

FINANCIAL RISK

CAPITAL STRUCTURE

The capitalization profile of the Company has demonstrated consistent improvement over the review period. Gearing and leverage indicators trended downwards to 2.03x and 2.10x as of Jun'25 (Jun'24: 2.23x and 2.32x, respectively). This trajectory continued through FY26, with gearing and leverage recorded at 1.52x and 1.59x. The moderation in these metrics is a function of the scheduled amortization of long-term project financing alongside steady equity accumulation. Total debt, which primarily comprises the syndicated term finance facilities from foreign and local lenders, reduced to approximately PKR 4.5 billion as of Jun'26 (Jun'25: PKR 5.3 billion; FY24: PKR 5.7 billion). The capital structure relies solely on this long-term debt and equity, with no short-term borrowings utilized during the period.

The equity base expanded to PKR 3.0 billion as at Jun'26 (Jun'25: PKR 2.6 billion; Jun'24: PKR 2.6 billion). This growth was supported by internal capital generation through retained profits. The Company maintains a practice of periodic dividend distributions, declaring PKR 539.3 million in FY25 and PKR 301.5 million in FY26. Despite these outflows, the scale of retained earnings has remained sufficient to facilitate continuous equity growth.

DEBT COVERAGE & LIQUIDITY

The coverage profile of the Company indicates steady debt servicing capability. In FY26, the DSCR improved, supported by an increase in Funds from Operations (FFO) to PKR 957.5 million (FY25: PKR 838.0 million) and a concurrent reduction in finance costs due to the scheduled amortization of principal and an easing of benchmark interest rates. Correspondingly, FFO-to-Total Debt improved to 21.2% by the end of FY26 (FY25: 15.6%; FY24: 14.4%). Furthermore, to satisfy lender requirements, the Company maintains a Debt Service Reserve Account (DSRA) equivalent to three quarters of debt servicing, providing a dedicated buffer for prospective obligations.

Liquidity metrics remain adequate, underpinned by consistent cash inflows from K-Electric routed through the established escrow mechanism. The current ratio stood at 1.30x as of Jun'25 and was maintained at 1.29x as at Jun'26, indicating sufficient coverage of short-term liabilities by current assets. Liquid assets, comprising cash and bank balances alongside short-term investments in mutual funds, aggregated to PKR 444.1 million at end Jun'26 (Jun'25: PKR 577.8 million).

Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Financial Summary (PKR Mn)			
BALANCE SHEET	**FY23 (R)**	**FY24 (R)**	**FY25 (A)**
Property, plant and equipment	7,679.2	7,202.4	6,952.0
Stock-in-Trade	404.3	474.5	371.5
Trade Debts	183.7	206.7	164.6
Cash & Bank Balances	184.8	191.1	219.8
Other Assets	522.9	528.9	388.4
Total Assets	**8,975.0**	**8,603.6**	**8,096.4**
Trade Payables	603.6	621.3	660.1
Long Term Loans	5,858.0	5,124.5	4,567.4
Short Term Borrowing	24.9	-	-
Total Liabilities	**6,705.2**	**6,012.5**	**5,457.5**
Paid Up Capital	1,703.6	1,703.6	1,703.6
Total Equity	**2,269.8**	**2,591.1**	**2,638.9**
INCOME STATEMENT	**FY23 (R)**	**FY24 (R)**	**FY25 (A)**
Net Sales	1,487.8	1,769.2	1,715.0
Gross Profit	1,037.5	1,221.1	1,169.5
Profit Before Tax	530.6	691.4	618.8
Profit After Tax	506.7	652.3	585.6
RATIO ANALYSIS	**FY23 (R)**	**FY24 (R)**	**FY25 (A)**
Gross Margin	69.7%	69.0%	68.2%
Net Margin	34.1%	36.9%	34.1%
Funds from Operations (FFO)	697.42	832.71	837.96
FFO to Total Debt	10.7%	14.4%	15.9%
Gearing	2.87	2.23	2.00
Leverage	2.95	2.32	2.07
Current Ratio	1.54	1.60	1.30
Return on Average Assets	5.6%	7.4%	7.0%
Return on Average Equity	22.3%	26.8%	22.4%

R – Restated
A – Actual
M - Management

Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Gharo Solar Limited
Sector	Renewable 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				
30/Oct/2026	A+	A1	Stable	Reaffirmed
27/Oct/2025	A+	A1	Stable	Reaffirmed
26/Sep/2024	A+	A1	Stable	Upgrade
12/Sep/2023	A	A1	Stable	Reaffirmed
06/Sep/2022	A	A1	Stable	Reaffirmed
27/Oct/2021	A	A1	Stable	Upgrade
11/Aug/2020	A-	A2	Stable	Reaffirmed
03/May/2019	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.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Asad Hayat	DM Finance	05 October 2026
Ms. Ayesha Subhan	Financial Analyst	

Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.