

YUNUS ENERGY LIMITED

ANALYST:

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RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM
ENTITY	AA-	A1	A+	A1
RATING OUTLOOK	Stable		Stable	
RATING ACTION	Upgraded		Reaffirmed	
RATING DATE	May 25, 2026		May 19, 2025	

SHAREHOLDING 5% OR MORE

Lucky Energy Prive Limited - 20%
Yunus Textile Mills Limited - 19.99%
Gadoon Textile Mills Limited - 19.99%
Lucky Textile Mills Limited - 19.99%
Lucky Cement Limited - 19.99%

OTHER INFORMATION

Incorporated in 2011
Public Limited Company (Unlisted)
Chief Executive Officer: Mr. Abdul SattarJumani
Chairman of the BOD: Muhammad Sohail Tabba
External Auditor: Yusuf Adil & Co. Chartered Accountants

APPLICABLE RATING CRITERIA

VIS Entity Rating Criteria Methodology Corporates Ratings
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

APPLICABLE RATING SCALE

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

RATING RATIONALE

The assigned ratings of Yunus Energy Limited ('YEL' or the 'Company') reflect its long-term Energy Purchase Agreement (EPA) with CPPA-G, supported by a sovereign guarantee, which ensures revenue visibility. The sponsor profile remains strong comprising experienced local shareholders and operational risks are mitigated through a long-term O&M contract with an experienced syndicate. Profitability has been sustained through indexed tariff adjustments, while internal equity generation and scheduled debt repayments have supported a conservative capital structure. Liquidity remains adequate, with coverage metrics aligned with operational output.

COMPANY PROFILE

Yunus Energy Limited ("YEL" or "the Company"), was incorporated in 2011, operates a 50MW wind power plant comprising 20 Wind Turbine Generators (WTGs) of 2.5MW generation capacity each, located in the Jhimpir-Hyderabad corridor, Sindh. The project was developed at a total cost of USD 123.47 million and was financed through a debt-to-equity ratio of 75:25. The Commercial Operations Date (CoD) was achieved in September 2016. YEL has a 20-year Energy Purchase Agreement (EPA) with Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), dated March 26, 2014.

SPONSOR PROFILE

The Company operates as part of the Yunus Brother Group ("YBG" or "the Group"), a prominent conglomerate with a strong financial profile and a diversified presence across multiple sectors. YBG's business interests span across various sectors including Cement, Textiles, Power Generation, Chemicals, Automobiles, Pharmaceuticals, Healthcare, Real Estate, Entertainment, Food & Commodities, among others.

MANAGEMENT & GOVERNANCE

BOARD OF DIRECTORS

The Company's shareholding is equally distributed among five entities within the Yunus Brothers Group (YBG), with a minor portion held by individuals. YEL's board of directors comprises representatives from its shareholder companies with Chief Executive Mr. Abdul Sattar Jumani. The governance structure reflects significant YBG group involvement, with the Tabba family holding key roles.

AUDIT OPINION

Yusuf Adil & 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.

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, 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/m² 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 determined under a benchmarked and indexed 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 delay payment 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.

OPERATIONS

Production and Capacity Utilization	FY24	FY25	1HFY26
Installed Capacity (KWH)	438,000,000	438,000,000	220,800,000
Benchmark Production Capacity Factor of 31% (KWH)	135,780,000	135,780,000	68,448,000
Actual production	127,383,806	98,528,814	52,457,544
Capacity factor (Actual)	29.08%	22.50%	23.76%
Availability	99.03%	99.16%	99.23%

The Company reported an actual capacity factor of 22.50% (FY24: 29.08%) in FY25, significantly lower than the 31% benchmark. Furthermore, energy delivered in FY25 stood at 98.53 GWh (FY24: 127.38 GWh). This decline is a result of lower wind speeds in the

Jhimpir wind corridor, with the YEL reporting average wind speed of 6.44 m/s (FY24: 6.74 m/s). Furthermore, continued transmission constraints resulted in load curtailment by the power purchaser, as Non-Project Missed Volume ('NPMV') stood at 13.67GWh (FY24: 44.08GWh).

For 1HFY26 actual production stands at 52.46 GWh reporting a capacity factor of 23.76%. Management projects total energy delivery for FY26 to capacity factor of ~27%. This increase is based on expectations of the upcoming high wind season and the no load curtailment by the CPPA-G.

OPERATIONS & MAINTENANCE CONTRACT

YEL has a long-term contract with Nordex Pakistan Private Limited and Descon Engineering Limited. The benchmark availability as per O&M contract is 95% and YEL has maintained it since the COD in September 2016. The current agreement is set to expire in March 2027. The renewal of the agreement is presently under discussion and is expected to be finalized by the end of the current calendar year.

ESG IMPACT

YEL continued its commitment towards ESG and community development through various initiatives focused on social welfare and environmental sustainability. These activities included provision of solar panels and electrical appliances to households in nearby villages, support for education through schools and provision of uniforms, books, and stationery, and hiring of residents as guards, teachers, and supporting staff to promote local employment. In addition, the Company facilitated provision of water tankers and ration supplies for nearby communities and conducted plantation drives to encourage environmental conservation and sustainability.

PROFITABILITY:

The Company's revenue declined by approximately 31% in FY25 to PKR 3,721mn (FY24: PKR 5,413mn), reflecting lower tariffs and reduced generation during the year. The tariff decline was primarily driven by a reduction in the interest component of commercial borrowings following a decrease in KIBOR, alongside a relatively stable PKR/USD exchange rate that limited further escalation of USD-indexed components. Gross margin decreased to 69% in FY25 (FY24: 79%), while net profit after tax fell to PKR 1,840mn (FY24: PKR 3,172mn), with net margin at 49% (FY24: 59%).

In 1HFY26, net sales remained stable at PKR 1,892mn. Gross margin remained stable at 69%, supported by continued alignment between operating costs and the tariff structure, while net profit after tax stood at PKR 1,029mn, resulting in a net margin of 54%. The improvement in net margin was driven by a significant reduction in finance costs, reflecting lower outstanding debt and declining interest rates. Going forward, the tariff is scheduled to decrease further to the range of ~PKR 24 per kWh as the debt servicing components of the tariff will be phased out as the Company fully pays off its long-term debt.

FINANCIAL RISK

CAPITAL STRUCTURE

The Company's capitalization profile improved in FY25, with gearing and leverage declining to 0.17x and 0.21x, respectively (FY24: 0.22x and 0.28x), primarily reflecting scheduled amortization of long-term borrowings under the consortium financing arrangement. Total debt reduced to PKR 1,718mn from PKR 2,487mn in FY24.

In 1HFY26, gearing and leverage declined further to 0.05x and 0.10x, respectively, with total debt falling to PKR 584mn. Equity increased to PKR 10,790mn (FY25: PKR 10,067mn). Overall capitalization metrics are considered strong.

LIQUIDITY & COVERAGE

The Company's coverage profile moderated in FY25, with the Debt Service Coverage Ratio (DSCR) declining to 1.59x (FY24: 2.22x), reflecting lower Funds from Operations (FFO) of PKR 2,276mn (FY24: PKR 3,653mn) consequent to reduced profitability.

In 1HFY26, DSCR improved significantly to 3.48x, driven by the reduction in finance costs alongside FFO of PKR 1,238mn. Debt-servicing risk remains manageable given the continuing amortization of long-term debt.

The Company's liquidity profile remained sound in FY25, with the current ratio at 2.25x (FY24: 3.68x). The decline was primarily attributable to a reduction in current assets, particularly trade debts (down to PKR 2,992mn from PKR 4,104mn) and short-term investments (down to PKR 501mn from PKR 1,303mn), as well as lower cash balances of PKR 271mn (FY24: PKR 342mn). Current liabilities increased slightly, partly due to short-term borrowings of PKR 435mn. Operating cash flows remained sufficient to cover scheduled debt repayments. Liquidity risk is primarily linked to the pace of collections from CPPA-G, which represents the major portion of receivables. In 1HFY26, the current ratio improved to 4.61x, driven by a significant reduction in current liabilities (with short-term borrowings declining to nil and creditors at PKR 274mn) while current assets, though lower than prior year, remained relatively stable. Cash balances stood at PKR 217mn, with trade debts of PKR 2,893mn.

Financial Summary (PKR Mn)				
Balance Sheet	FY23A	FY24A	FY25A	6MFY26M
Property, plant and equipment	8,395	8,041	7,641	7,438
Right-of-use Assets	11	10	9	9
Long-term Investments	-	50	50	50
Trade debts	3,806	4,104	2,992	2,893
Short-term Investments	-	1,303	501	349
Cash & Bank Balances	1,298	342	271	217
Other Assets	574	601	766	956
Total Assets	14,085	14,450	12,230	11,912
Creditors	-	-	200	274
Long-term Debt (incl. current portion)	4,384	2,487	1,283	584
Short-Term Borrowings	-	-	435	-
Total Debt	4,384	2,487	1,718	584
Other Liabilities	704	697	245	265
Total Liabilities	5,088	3,184	2,163	1,122
Paid up Capital	3,058	3,058	3,058	3,058
Revenue Reserve	5,939	8,208	7,009	7,732
Equity (excl. Revaluation Surplus)	8,997	11,266	10,067	10,790
Income Statement	FY23A	FY24A	FY25A	6MFY26M
Net Sales	4,084	5,413	3,721	1,892
Gross Profit	3,057	4,278	2,556	1,296
Operating Profit	3,095	4,084	2,311	1,132
Finance Costs	1,037	871	428	99
Profit Before Tax	2,057	3,213	1,884	1,033
Profit After Tax	2,031	3,172	1,840	1,029
Ratio Analysis	FY23A	FY24A	FY25A	6MFY26M
Gross Margin (%)	75%	79%	69%	69%
Operating Margin (%)	76%	75%	62%	60%
Net Margin (%)	50%	59%	49%	54%
Funds from Operation (FFO) (PKR Millions)	2,430	3,653	2,276	1,238
FFO to Total Debt* (%)	55%	147%	132%	424%
FFO to Long Term Debt* (%)	55%	147%	177%	424%
Gearing (x)	0.49	0.22	0.17	0.05
Leverage (x)	0.57	0.28	0.21	0.10
Debt Servicing Coverage Ratio* (x)	1.74	2.22	1.59	3.48
Current Ratio (x)	3.70	3.68	2.25	4.61
(Stock in trade + trade debts) / STD (x)	-	-	6.88	-
Return on Average Assets* (%)	14%	22%	14%	17%
Return on Average Equity* (%)	24%	31%	17%	20%
Cash Conversion Cycle (days)	280	195	247	211

REGULATORY DISCLOSURES Appendix II

Name of Rated Entity	Yunus Energy Limited				
Sector	Power Renewable Energy				
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				
	25-05-2026	AA-	A1	Stable	Upgraded
	19-05-2025	A+	A1	Stable	Reaffirmed
	07-03-2024	A+	A1	Stable	Reaffirmed
	04-04-2023	A+	A1	Stable	Reaffirmed
	04-01-2022	A+	A1	Stable	Reaffirmed
	03-01-2021	A+	A1	Stable	Reaffirmed
	18-03-2020	A+	A1	Stable	Reaffirmed
11-04-2019	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. Bilal Muhammad Iqbal	Financial Controller		15 th May 2026	
	Ms. Hajra Shabbir	Senior Executive Finance			