

## RATING REPORT

### Thal Power (Private) Limited

**REPORT DATE:**

December 12, 2024

**RATING ANALYSTS:**

Saeb Muhammad Jafri  
[saeb.jafri@vis.com.pk](mailto:saeb.jafri@vis.com.pk)  
 Muhammad Subhan  
[subhan@vis.com.pk](mailto:subhan@vis.com.pk)

#### RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AA	A1+	AA	A1+
Rating Date	December 12, 2024		December 22 <sup>nd</sup> , 2023	
Rating Outlook/Rating Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	

#### COMPANY INFORMATION

Incorporated in 2014	External Auditors: M/s. A.F. Ferguson & Co. Chartered Accountants
Private Limited Company	Chief Executive Officer: Mr. Shahid Saleem
Key Shareholders (with stake 10% or more):	
Thal Limited – 100%	

#### APPLICABLE RATING SCALE(S)

**VIS Issue/Issuer Rating Scale:**

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

#### APPLICABLE METHODOLOGY

**VIS Entity Rating Criteria: Corporates**

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

**Thal Power (Private) Limited**

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
<p><b>Thal Power (Pvt.) Limited</b> was incorporated in 2014, as a wholly owned subsidiary of Thal Limited (‘THAL’). The Company has been setup by THAL to invest in ThalNova Power Thar (Private) Limited (‘ThalNova’).</p> <p><b>CEO Profile: Mr. Shahid Saleem</b> has been associated with House of Habib (HoH) since 2003. He also serves as the Chief Finance Officer (‘CFO’) of Thal Limited. Prior to joining HoH, Mr. Saleem had more than two decades of experience with companies in textile, chemical, OMC and construction sectors. Mr. Saleem is a Certified Director from the Pakistan Institute of Corporate Governance, a Fellow Member of Pakistan Institute of Public Finance Accountants and a Fellow Member of the Institute of Cost and Management Accountants of Pakistan.</p>	<p><b><u>Corporate Profile:</u></b></p> <p>Thal Power (Private) Limited (‘TPL’ or ‘the Company’) was established on July 3, 2014, as a private limited company in Pakistan under the framework of the now-repealed Companies Ordinance, 1984. The Company operates as a wholly-owned subsidiary of Thal Limited (‘THAL’), which initiated TPL's formation to facilitate investment in ThalNova Power Thar (Private) Limited (ThalNova).</p> <p>TPL's primary mandate includes activities related to power generation and various forms of energy production, along with managing its portfolio of investments. The Company's operations are centralized at its registered office and business unit, located in Karachi.</p> <p><b><u>Group Profile:</u></b></p> <p>TPL is a subsidiary of Thal Limited, an established conglomerate based in Pakistan and engaged in diversified businesses. Thal’s operations are spread across different sectors comprising automobile, building materials, packaging and energy.</p> <p><b><u>Key Rating Drivers:</u></b></p> <p><b>Low to medium business risk profile of TPL</b></p> <p>The business risk profile of TPL is assessed as low to medium, primarily influenced by its reliance on predictable cash flows from ThalNova, moderated operational and financial risks, and the backing of its sponsor, THAL. However, TPL’s financial position is indirectly exposed to cash flow variability stemming from timing mismatches in ThalNova’s collections from the Central Power Purchasing Agency (CPPA-G), despite government-backed payment guarantees that reduce counterparty credit risk.</p> <p>TPL operates as a holding entity for its 26% stake in ThalNova, a 330 MW mine-mouth coal-fired power plant. ThalNova’s long-term Power Purchase Agreement (PPA) with CPPA-G provides revenue stability through capacity payments, independent of electricity off-take. This structure mitigates demand risk while a government guarantee against CPPA-G dues further enhances payment security. Operational risks of ThalNova are limited through an operations and maintenance (O&amp;M) agreement with China Machinery Engineering Corporation (CMEC), which has extensive experience managing similar power projects globally.</p> <p>ThalNova benefits from a regulated tariff structure, minimizing pricing risk.. Interest rate exposure is managed via tariff adjustments approved by the government, designed to factor in cost changes. Fuel supply risk is mitigated through a long-term agreement with Sindh Engro Coal Mining Company (‘SECMC’) for lignite sourced from a dedicated mine. The mine’s expansion to support higher production volumes and close proximity underpins a stable fuel supply critical to plant operations.</p> <p>ThalNova’s financial and operational performance directly affects TPL’s earnings. Since achieving commercial operations in February 2023, ThalNova has reported an availability factor of 91% and achieved operational metrics consistent with regulatory benchmarks. While TPL remains a passive equity holder without direct liabilities, its financial performance is contingent on ThalNova’s operational stability and cash flow consistency.</p> <p><b>Sponsor support provide comfort to the ratings of TPL</b></p>

Ratings derive comfort from the sponsor support extended to the Company. Given rating considers the strength of Thal Limited positively. The diversified portfolio of Thal Limited also enhances its ability to provide support and resources to its sponsored companies.

**Stable capital structure, unleveraged balance sheet, low liquidity risk, and continuous profitability support provide support to the assigned ratings**

TPL maintains a stable capital structure characterized by an unleveraged balance sheet with gearing consistently at 0.0x and a low leverage ratio of 0.1x. Equity growth has been driven by retained earnings, reflecting an increase in total equity by 31.0% in FY24. The Company's net profitability remains dependent on the share of profit from its investment in ThalNova, though reporting operating losses due to the absence of revenue recognition under the applicable reporting standards.

**Thal Power (Pvt.) Limited**
**Appendix I**

<b>Financial Summary</b>			
<b>Balance Sheet (PKR Millions)</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24A</b>
Long-term Investments	4,106.43	7,235.73	9,800.85
Cash & Bank Balances	26.39	20.97	23.17
Other Assets	412.70	0.85	0.76
<b>Total Assets</b>	<b>4,546.28</b>	<b>7,258.31</b>	<b>9,825.54</b>
Other Liabilities	1.71	183.72	557.04
<b>Total Liabilities</b>	<b>1.71</b>	<b>183.72</b>	<b>557.04</b>
Paid up Capital	4.65	6.12	6.18
Revenue Reserve	-5.52	1,050.61	3,184.52
Equity (excl. Revaluation Surplus)	4,544.58	7,074.58	9,268.49
<b>Income Statement (PKR Millions)</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24A</b>
Share of Profit From Joint Venture	7.28	1,249.87	2,512.19
Operating Profit	2.87	1,248.68	2,511.01
Finance Costs	8.72	5.58	0.48
Profit Before Tax	-5.85	1,243.10	2,510.53
Profit After Tax	-4.63	1,056.14	2,133.91
<b>Ratio Analysis</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24A</b>
Funds from Operation (FFO) (PKR Millions)	-13.01	1,239.69	2,505.49
Leverage (x)	0.00	0.0	0.1
Debt Servicing Coverage Ratio* (x)	-0.49	223.17	5,220.77
Current Ratio (x)	253.12	7.23	47.86
Return on Average Assets* (%)	-0.14%	17.89%	24.98%
Return on Average Equity* (%)	-0.14%	18.18%	26.11%
Cash Conversion Cycle (days)	0.00	0.00	0.00
<i>*Annualized, if required</i>			
A - Actual Accounts			
P - Projected Accounts			
M - Management Accounts			

REGULATORY DISCLOSURES				Appendix II	
<b>Name of Rated Entity</b>	Thal Power (Pvt.) Limited				
<b>Sector</b>	Power				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Ratings				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	12-Dec-24	AA	A1+	Stable	Reaffirmed
	22-Dec-23	AA	A1+	Stable	Reaffirmed
	30-Dec-22	AA	A1+	Stable	Reaffirmed
	17-Jan-21	AA	A1+	Stable	Reaffirmed
	29-Dec-20	AA	A1+	Stable	Reaffirmed
	12-Dec-19	AA	A1+	Stable	Initial
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	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.				
<b>Probability of Default</b>	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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<b>Due Diligence Meetings Conducted</b>	<b>Name</b>	<b>Designation</b>	<b>Date</b>		
	Mr. Shahid Saleem	Chief Executive Officer	26-Nov-24		
	Mr. Ali Godil	Manager Finance			