THAL POWER (PRIVATE) 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+	AA	A1+
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	December 23, 2025		December 12, 2024	

Shareholding (5% or More)	Other Information
Thal Limited – 100%	Incorporated in 2014
	Private Limited Company
	Chief Executive: Mr. Shahid Saleem
	External Auditor: M/s. A.F. Ferguson & 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 rating reflects Thal Power (Private) Limited's ('TPL' or the 'Company') strong credit profile, underpinned by its role as a holding company of Thal Limited and its exclusive exposure to ThalNova Power Thar (Pvt.) Ltd. The Company benefits from sustainable income stream derived from a long-term power purchase agreement (PPA), ensuring visibility of cash flows despite sectoral challenges. Its risk profile remains low, supported by the absence of operational complexity, minimal overheads, and a fully equity-funded capital structure with no reliance on external borrowings. Financial strength is reinforced by consistent cash inflows, strong liquidity, and conservative financial structure.

Company Profile

Thal Power (Private) Limited ('TPL' or the 'Company') was incorporated on July 3, 2014, as a wholly owned subsidiary of Thal Limited, part of the House of Habib group. Established as a dedicated SPV, TPL was created to channel Thal Limited's investment into ThalNova Power Thar (Private) Limited, a 330MW mine-mouth lignite power project. The Company has no direct operations or revenue streams, and its financial performance is entirely dependent on profit participation and dividend flows from ThalNova. Operating from Karachi, TPL maintains an unleveraged, low-risk balance sheet with minimal overheads, supported by the strong governance framework, financial capacity, and longstanding track record of its parent, Thal Limited.

Group Profile

Thal Power (Private) Limited is a wholly owned subsidiary of Thal Limited, a leading industrial entity within the House of Habib (HoH) group. Thal Limited operates a diversified business portfolio spanning automotive parts, building materials, engineering products, packaging, and energy investments, and has a longstanding presence in Pakistan's industrial sector. The Group is recognized for its strong governance practices, conservative financial management, and stable cash flow base, which collectively enhance its capacity to support subsidiary entities. As part of HoH's broader energy investment strategy, Thal Limited sponsors strategic stakes in large-scale power projects, including ThalNova Power Thar (Private) Limited, providing financial strength and operational oversight to TPL.

Management and Governance

AUDIT OPINION

A. F. Ferguson & Co., the audit firm, is included on the SBP panel of auditors and holds a satisfactory ICAP QCR rating, issued an unmodified opinion on the financial statements of Thal Power (Private) Limited for the year ended June 30, 2025, confirming that the financial statements present a true and fair view in accordance with the Companies Act, 2017 and applicable IFRS. The audit report carries no qualifications, emphasis-of-matter paragraphs, or adverse observations, and the auditors affirmed compliance with International Standards on Auditing, noting that all requisite information was obtained. They also reported no inconsistencies in the directors' report or other accompanying information. Management's responsibilities for preparation, internal controls, and going-concern assessment were reiterated, while the auditors outlined their role in assessing material misstatements and accounting policies. No concerns were noted regarding going-concern, internal controls or material misstatements.

Business Risk

INDUSTRY

The business risk profile of Pakistan's non-renewable power generation sector is assessed as medium to low. This reflects the essential nature of electricity consumption, which remains relatively inelastic across residential, commercial, and industrial segments. Demand is supported by population growth and urbanization. Independent power producers (IPPs) benefit from long-term power purchase agreements (PPAs), which provide predictable cash flows and reduce exposure to market volatility. Entry barriers remain high due to the capital-intensive nature of generation assets, established incumbents, and centralized planning. However, the overall risk profile incorporates recent regulatory developments and shifts in the energy landscape that may impact future business dynamics.

Electricity demand in Pakistan exhibits low cyclicality. In FY24, total electricity generation declined marginally by 1.9% to 127,167 GWh, primarily due to subdued industrial activity and increased reliance on self-generation through solar installations. This decline is not considered structural, as underlying demand remains supported by demographic trends. The stability in usage patterns across seasons, particularly the high summer load, further contributes to the sector's relatively low exposure to economic cycles.

Competitive pressures in the sector are limited. The market is dominated by incumbent IPPs and public generation companies operating within a single-buyer framework. The capital requirements, regulatory clearances, and long-term PPA structures act as barriers to entry. Capacity additions are guided by the National Transmission and Dispatch Company's (NTDC) Indicative Generation Capacity Expansion Plan, which further restricts unplanned competition. However, a gradual shift towards renewables and distributed energy sources, such as rooftop solar and captive power, may pose moderate substitution risk over the long term.

While renewable generation is expanding, large thermal IPPs continue to play a central role in base-load and peak power supply. The sector's exposure to substitution risk is expected to remain moderate in the near term. Nonetheless, rising electricity tariffs have led some consumers to reduce reliance on the grid, potentially affecting incremental demand growth.

The sector operates within a highly regulated environment under the oversight of the National Electric Power Regulatory Authority (NEPRA). Historically, the cost-plus tariff model has ensured cost recovery for IPPs, including debt servicing and return on equity, while government backed guarantees have provided comfort regarding payment obligations. However, recent policy shifts aimed at reducing capacity payments and addressing circular debt have introduced an element of regulatory uncertainty. In late 2024, PPAs for five IPPs were terminated by mutual agreement, with lump-sum settlements replacing future capacity payments. Negotiations to convert additional PPAs from take-or-pay to take and-pay terms have also concluded reducing ROE components as well as benchmarking the dollar rates, nevertheless, debt servicing components are unlikely to be affected. These developments, while intended to improve fiscal sustainability, highlight the potential for regulatory actions to alter the financial framework underpinning IPPs.

The transition toward a Competitive Trading Bilateral Contract Market (CTBCM) is expected to introduce more market-based mechanisms. While implementation is likely to be gradual, the shift may increase volume and price risks for generators. For now, most IPPs continue to operate under the existing PPA regime with sovereign backing, which remains a cornerstone of their business stability.

Capital intensity is a defining feature of the sector. IPPs rely heavily on long-term financing structures supported by PPAs. These contracts typically include take-or-pay provisions and a dedicated debt servicing component, which secures cash flows for loan repayment. The presence of sovereign guarantees on PPA obligations provides further assurance to creditors. These features collectively insulate IPPs from demand fluctuations and fuel price volatility mostly as capacity payments are fixed and any fluctuation in profits are due to increased payments including ROE in line with increased dispatches, if included in contractual terms.

Despite this insulation, sectoral liquidity stress resulting from circular debt has led to persistent delays in payments. While IPPs are contractually entitled to delayed payment interest and the government has maintained support mechanisms to avoid payment defaults, the situation underscores the risk posed by weak fiscal capacity. The effectiveness of the PPA framework remains contingent on timely enforcement and institutional reliability.

In FY24, subdued offtake and elevated electricity prices constrained sector performance, limiting the ability of power plants to operate at optimal levels. While gradual economic recovery in FY25 is expected to support a partial rebound in industrial demand, the government's ongoing reform agenda introduces operational and financial uncertainties. Key reforms include the transition towards competitive market structures, revisions in tariff mechanisms, and potential changes in fuel supply frameworks. For established IPPs, continuation under existing contractual arrangements provides near-term stability; however, exposure to evolving regulatory directives, delayed payments from the power purchaser, and rising energy costs pose risks. The sector's medium-term outlook and risk profile will largely remain sensitive to the pace and effectiveness of reform implementation, as well as the resolution of structural issues within the circular debt framework.

Going forward, the sector's risk profile will depend on the pace and scope of reforms. A well-managed transition to a competitive market, coupled with resolution of circular debt and continuity in sovereign payment support, could sustain the current risk profile. Conversely, a shift toward merchant exposure without adequate risk mitigation could raise business risk. As of FY25, risk remains contained within the medium to low band, supported by existing contractual protections and the essential nature of the sector.

Financial Risk

CAPITAL STRUCTURE

TPL maintains strong capital structure, fully financed through equity with no long-term or short-term borrowings outstanding. Equity increased to PKR 11.79bn by end-FY25 (FY24: PKR 9.27bn), driven by retained earnings, as the Company's income flows directly into revenue reserves with minimal operating expenditure. The rising value of long-term investments, which reached PKR 12.76bn, reflects the Company's accumulated share of profit from ThalNova. With no leverage or financing exposure, TPL's capital structure remains robust.

Financial Summary — Appendix I

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A
Property, plant and equipment	0.01	0.01	0.01
Long-term Investments	7,235.73	9,800.85	12,762.77
Cash & Bank Balances	20.97	23.17	23.83
Other Assets	1.60	1.51	2.06
Total Assets	**7,258.31**	**9,825.54**	**12,788.67**
Other Liabilities	183.72	557.04	1,001.44
Total Liabilities	**183.72**	**557.04**	**1,001.44**
Paid up Capital	6.12	6.18	6.18
Revenue Reserve	1,050.61	3,184.52	5,703.25
Other Equity	6,017.85	6,077.79	6,077.79
Total Equity	7,074.58	9,268.49	11,787.22

Income Statement (PKR Millions)	FY23A	FY24A	FY25A
Share of Profit from joint Venture	1,249.87	2505.53	2961.91
Operating Profit	1,248.68	2,511.01	2,963.63
Finance Costs	5.58	0.48	0.16
Profit Before Tax	1,243.10	2,510.53	2,963.47
Profit After Tax	1,056.14	2,133.91	2,518.73

Ratio Analysis	FY23A	FY24A	FY25A
Funds from Operation (FFO) (PKR Millions)	1,239.69	2,505.49	2,962.76
Current Ratio (x)	7.23	47.89	45.71
Return on Average Assets* (%)	17.89%	24.98%	22.28%
Return on Average Equity* (%)	18.18%	26.11%	23.92%

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Thal Power (Private) 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				
12/23/2025	AA	A1+	Stable	Reaffirmed
12/12/2024	AA	A1+	Stable	Reaffirmed
12/22/2023	AA	A1+	Stable	Reaffirmed
12/30/2022	AA	A1+	Stable	Reaffirmed
01/17/2021	AA	A1+	Stable	Reaffirmed
12/29/2020	AA	A1+	Stable	Reaffirmed
12/12/2019	AA	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 Meetings Conducted

Name	Designation	Date
Mr. Shahid Saleem	Chief Executive Officer (CEO)	04th December 2025