

**Analysts:**

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**ARTISTIC WIND POWER (PVT.) LIMITED**

Chief Executive: Ms. Momina Yaqoob

**RATING DETAILS**

| RATINGS CATEGORY      | LATEST RATING |            | PREVIOUS RATING |            |
|-----------------------|---------------|------------|-----------------|------------|
|                       | Long-term     | Short-term | Long-term       | Short-term |
| ENTITY                | A             | A2         | A               | A2         |
| RATING OUTLOOK/ WATCH | Stable        |            | Stable          |            |
| RATING ACTION         | Reaffirmed    |            | Reaffirmed      |            |
| RATING DATE           | May 13, 2025  |            | April 14, 2024  |            |

**APPLICABLE METHODOLOGY(IES):**

VIS Entity Rating Criteria  
Methodology – Industrial  
Corporates

**Rating Scale:**

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

**RATING RATIONALE**

The assigned ratings of A/A2 with a Stable Outlook reflect Artistic Wind Power (Private) Limited's maintained operational profile and adequate financial risk indicators within the context of Pakistan's medium-risk renewable energy sector. Ratings continue to draw comfort from the long-term take-or-pay Energy Purchase Agreement with CPPA-G, backed by a sovereign guarantee, ensuring revenue predictability. The Company benefits from the strong sponsor profile of Artistic Milliners (Private) Limited and mitigated operational risks under an extended O&M contract with an experienced contractor. Despite seasonal variability impacting interim generation levels, overall plant availability has remained consistently high. Profitability remained supported by tariff indexation and compensation provisions, while internal equity generation and scheduled debt repayments contributed to gradual strengthening of capitalization metrics. Liquidity continues to improve, aided by growing short-term investments and reduced receivables, leading to improvement in debt servicing ability of the company.

| Rs. Million        | FY23A     | FY24A    | 1H FY25M |
|--------------------|-----------|----------|----------|
| Net Sales          | 1,765.69  | 2,415.39 | 938.82   |
| PBT                | 281.49    | 692.32   | 168.39   |
| PAT                | 277.56    | 676.95   | 165.58   |
| Paid up Capital    | 1,974.70  | 1,974.70 | 1,974.70 |
| Equity (ex. Reval) | 2,514.66  | 3,191.61 | 3,357.19 |
| Total Debt         | 10,224.32 | 9,010.97 | 7,587.70 |
| Leverage (x)       | 4.46      | 3.11     | 2.52     |
| Gearing (x)        | 4.07      | 2.82     | 2.26     |
| FFO                | 692.41    | 1,191.92 | 1,415.97 |
| FFO/Total Debt (x) | 6.77%     | 13.23%   | 37.32%   |
| Net Margin (%)     | 15.72%    | 28.03%   | 17.64%   |

\*Annualized,  
if required

A - Actual  
Accounts  
M -  
Management  
Accounts

## CORPORATE PROFILE

Incorporated in 2015, ACT Wind Power (Private) Limited (AWPPL) operates a 50MW wind power project located in Jhimpir, District Thatta, Sindh. The project spans 462 acres of land allocated by the Government of Sindh. Total project cost was USD 66.2 million, funded through an 80:20 debt-to-equity structure, with the debt component equally sourced from local and foreign lenders. Financial close was achieved in November 2019, and commercial operations commenced on February 16, 2022.

AWPPL has a 25-year Energy Purchase Agreement (EPA) with the Central Power Purchasing Agency (CPPA) under a take-or-pay framework, with provisions for non-project missed volume payments. The offshore EPC contract was awarded to Power Construction Corporation of China Limited (PCCCL) for the supply of electrical and mechanical equipment, while the onshore EPC contract was executed with HydroChina International Engineering Company Limited (HIEC) for civil works, erection, testing, and commissioning.

## GOVERNANCE

Artistic Wind Power (Pvt.) Limited is wholly owned by Artistic Milliners (Private) Limited, as reflected in its shareholder structure. The company's Chief Executive is Ms. Momina Yaqoob, with directorial oversight provided by Mr. Yaqoob Ahmed, Mr. Muhammad Omer Ahmed, and Mr. Muhammad Murtaza Ahmed, who constitute the Board of Directors. The governance framework indicates family affiliations among the directors, all appointed on 26 October 2022. No changes to the board composition were reported during FY24.

## INDUSTRY PROFILE & BUSINESS RISK

The business risk profile for Pakistan's renewable energy sector is assessed as medium, underpinned by growing demand, favorable policy support, and substantial resource potential, balanced against structural and operational challenges. The sector has exhibited notable growth, supported by the government's long-term strategy to diversify the energy mix and reduce reliance on imported fossil fuels. As of 2024, the country's total installed power generation capacity stands at approximately 42,000 MW, with renewable energy sources—comprising wind, solar, and biomass—accounting for nearly 6-9% of the energy mix. Ambitious national targets aim to increase this share to 30% by 2030.

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 Baluchistan 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.

Despite these advantages, sector risks remain. Regulatory risk persists, as changes in tariff structures, licensing procedures, or grid access policies may affect the financial viability of projects. Technological risk is also considerable; rapid

innovation in renewable technologies can render existing assets obsolete, necessitating ongoing capital expenditure. The capital-intensive nature of the sector amplifies exposure to financing constraints and cost overruns. Furthermore, while renewable energy adoption benefits from growing industrial demand, it continues to compete with conventional energy sources, which remain influential due to pricing volatility and supply dynamics. Substitution risks and variable effectiveness of market entry barriers pose additional concerns.

Assigned ratings continue to draw comfort from strong sponsor profile. The Project is a wholly owned subsidiary of Artistic Milliners Private Ltd (AMPL). AMPL is a vertically integrated textile conglomerate having presence across textile and renewable energy sectors.

### **Wind Risk Exposure**

Power generation and resulting cash flows remain subject to seasonal patterns and potential variability in wind speeds. A site-specific Wind Resource Assessment and Energy Yield Evaluation Study confirmed historical wind availability, which is factored into the overall risk assessment.

### **Operational risk mitigated by long-term O&M contract**

Pursuant to the initial contractual terms, a 2 year Operations and Maintenance (O&M) contract was executed with HydroChina International Engineering Company Limited (HIEC). Upon completion of the warranty period, the contract was extended for an additional eleven years which would be expired in 2030. O&M costs encompass domestic services, administrative expenses, corporate and audit fees, as well as advisory charges. The contractor's experience in the renewable energy sector is considered a factor in mitigating operational risk. Annual benchmarks for plant availability and efficiency have been established at 95% and 38%, respectively.

### **Off-take Risk Coverage**

A 25-year Energy Purchase Agreement (EPA) has been executed with the Central Power Purchasing Agency (CPPA). Under the agreement, in the event of grid capacity constraints arising from Non-Project Events (NPEs), the project remains entitled to receive compensation from CPPA for Non-Project Missed Volumes (NPMV), representing loss of revenue. Relevant insurance arrangements have been secured to cover associated risks.

### **Regulatory Update on True-Up Petition and Interim Relief Application**

Artistic Wind Power (Private) Limited (AWPPL) commenced commercial operations on February 16, 2022. In accordance with the terms set out in the reference tariff determination, the company submitted a true-up petition to NEPRA on January 16, 2023, requesting a one-time adjustment based on actual project costs and financing structure. Subsequent to this, an interim relief application was filed with NEPRA on February 1, 2023. The relief sought pertained to indexation of tariff components during the period from COD through the quarter ending March 2023. The rationale for the application was based on revenue shortfalls under the reference tariff due to currency depreciation, inflationary pressures, and higher LIBOR, which impacted debt servicing and operational cash flows.

The financing arrangement assumed under the reference tariff included 100% SBP refinancing; however, only 50% of the debt was raised through SBP, while the remainder was financed via foreign loans at 3-month LIBOR plus 4.25%. Furthermore, invoices raised under the reference tariff have been reduced by the insurance component, which is pending NEPRA's approval based on actual costs.

The true-up petition reflected a claimed total project cost of USD 69.952 million, compared to USD 62.952 million assumed in the reference tariff. The cost variance had been attributed to contractor claims, statutory duties, and financing charges. As per the management, the final determination on the true-up petition remains pending, while interim relief continues to be extended on a quarterly basis.

### Operational Profile

Plant availability has consistently remained above the 95% threshold since the COD, with levels exceeding 99% annually. While the capacity factor improved to 39.71% in FY24 (FY23: 32.77%) supported by improved dispatch conditions, a notable decline was observed in 9MFY25 to 25.54%, reflecting seasonal variation in wind patterns due to el nino effect leading to an energy output declined to 85.5 million kWh in 9MFY25 however company is expecting to close the year around 34% capacity factor which would only affect its ROE component as the other components of the tariff are secured over 30% capacity factor.

|                          | FY22*  | FY23        | FY24        | 9MFY25     |
|--------------------------|--------|-------------|-------------|------------|
| Availability             | 99.98% | 99.10%      | 99.94%      | 99.97%     |
| Capacity Factor (Actual) | 48.72% | 32.77%      | 39.71%      | 25.54%     |
| Output (kWh)             | 83,201 | 143,728,953 | 177,261,416 | 85,500,951 |

*\*Based on operations between Feb-June'22*

## FINANCIAL RISK

Assigned ratings also consider the Company's financial risk profile, with profitability supported by higher offtakes in FY24 and tariff indexation mechanisms tied to inflation, exchange rates, and interest rates. Gross and net margins improved despite higher operating and finance costs, aided by compensation provisions under the energy purchase agreement. Capitalization strengthened through internal equity generation and scheduled debt repayments, while a reduction in receivables from the sovereign-backed power purchaser and limited working capital needs supported a conservative capital structure. Liquidity remained constrained, though reflected improvement by higher short-term investments, and debt servicing capacity improved with enhanced funds from operations.

### Profitability Profile

The company's topline increased by ~37% in FY24 due to higher offtakes. This also impacted gross margin as the company's capacity factor was 39.71% which is over 35% benchmark capacity factor directly contributing to its ROE leading to increased profitability. However, in 1HFY25, the capacity factor slipped below the

benchmark of 35% based on seasonal variation in wind patterns resulting in the gross margin decline to 48%. Going forward, management expects profitability metrics to be supported by an increase in capacity factor to ~34% by the year as well as the approval of the company's petition for true-up tariff adjustments.

### Capital Structure

The Capitalization profile of the company displayed a downward trend, with leverage and gearing ratio recorded at 3.11x and 2.82x in FY24 (FY23: 4.46x; 4.07x), which further declined to 2.52x and 2.26x in 1HFY25. This trend was supported by the equity enhancement through profit retention as well as timely servicing of their long-term debt. The company's capitalization profile mainly contains long term debt from a consortium of commercial banks under the State Bank of Pakistan's Islamic financing scheme for renewable energy. The Company has no short-term financing in place as working capital needs are met through internal cashflows.

### Liquidity and Coverage

An improvement in debt service coverage ratio to 1.22x in FY24 (FY23: 1.15x) was recorded, primarily driven by higher production levels and adjustments in the non-debt components of the tariff, including the US CPI indexation. It is further improved in the subsequent period of 1HFY25 despite lower production due to NPMV payments on ~11.98 Mn Kwh leading to an improvement in DSCR to 1.37x.

Liquidity remains constraint, underpinned by the Company's debt disbursement. This is reflected in a current ratio of 0.88x in 1HFY25 (FY24: 0.89x; FY23: 0.79x). The improvement in liquidity is attributed to profit retention, with no capital expenditure obligations or significant utilization of funds on the non-current asset side. Going forward, liquidity profile is expected to improve based on consistent growth of short-term investments in the absence of dividend disbursements.



## Financial Summary

| Balance Sheet (PKR Millions)             | FY23A     | FY24A     | 6MFY25M   |
|--|-----------|-----------|-----------|
| Property, plant and equipment            | 12,515.17 | 11,902.51 | 11,744.13 |
| Right-of-use Assets                      | 30.86     | 0.00      | 0.00      |
| Trade debts                              | 906.29    | 716.98    | 430.58    |
| Short-term Investments                   | 135.67    | 328.38    | 554.02    |
| Cash & Bank Balances                     | 62.66     | 80.09     | 130.44    |
| Other Assets                             | 67.88     | 94.76     | 30.24     |
| Total Assets                             | 13,718.53 | 13,122.72 | 12,889.41 |
| Creditors                                | 132.57    | 0.00      | 0.00      |
| Long-term Debt (incl. current portion)   | 9,795.32  | 9,010.97  | 8,660.07  |
| Short-Term Borrowings                    | 429.00    | 0.00      | 0.00      |
| Total Debt                               | 10,224.32 | 9,010.97  | 8,660.07  |
| Other Liabilities                        | 846.97    | 920.16    | 872.15    |
| Total Liabilities                        | 11,203.86 | 9,931.13  | 9,532.22  |
| Paid up Capital                          | 1,974.70  | 1,974.70  | 1,974.70  |
| Revenue Reserve                          | 539.96    | 1,216.91  | 1,382.49  |
| Other Equity (excl. Revaluation Surplus) | 0.00      | 0.00      | 0.00      |
| Sponsor Loan                             | 0.00      | 0.00      | 0.00      |
| Equity (excl. Revaluation Surplus)       | 2,514.66  | 3,191.61  | 3,357.19  |

| Income Statement (PKR Millions) | FY23A    | FY24A    | 6MFY25M |
|---------------------------------|----------|----------|---------|
| Net Sales                       | 1,765.69 | 2,415.39 | 938.82  |
| Gross Profit                    | 1,047.12 | 1,535.53 | 453.76  |
| Operating Profit                | 1,075.13 | 1,577.99 | 553.93  |
| Finance Costs                   | 793.64   | 885.67   | 385.54  |
| Profit Before Tax               | 281.49   | 692.32   | 168.39  |
| Profit After Tax                | 277.56   | 676.95   | 165.58  |

| Ratio Analysis                            | FY23A   | FY24A    | 6MFY25M |
|---|---------|----------|---------|
| Gross Margin (%)                          | 59.30%  | 63.57%   | 48.33%  |
| Operating Margin (%)                      | 60.89%  | 65.33%   | 59.00%  |
| Net Margin (%)                            | 15.72%  | 28.03%   | 17.64%  |
| Funds from Operation (FFO) (PKR Millions) | 692.41  | 1,191.92 | 644.89  |
| FFO to Total Debt* (%)                    | 6.77%   | 13.23%   | 14.89%  |
| FFO to Long Term Debt* (%)                | 7.07%   | 13.23%   | 14.89%  |
| Gearing (x)                               | 4.07    | 2.82     | 2.58    |
| Leverage (x)                              | 4.46    | 3.11     | 2.84    |
| Debt Servicing Coverage Ratio* (x)        | 1.15    | 1.22     | 1.35    |
| Current Ratio (x)                         | 0.79    | 0.89     | 0.87    |
| (Stock in trade + trade debts) / STD (x)  | 2.11    |          |         |
| Return on Average Assets* (%)             | 2.08%   | 5.04%    | 2.55%   |
| Return on Average Equity* (%)             | 11.68%  | 23.73%   | 10.11%  |
| Cash Conversion Cycle (days)              | -191.38 | 95.15    | 111.54  |

\*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

| REGULATORY DISCLOSURES          |   |                     |                     |                | Appendix II    |
|---------------------------------|---|---------------------|---------------------|----------------|----------------|
| Name of Rated Entity            | Artistic Wind Power (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   |                     |                     |                |                |
|                                 | 5/13/2025   | A                   | A2                  | Stable         | Reaffirmed     |
|                                 | 5/14/2024   | A                   | A2                  | Stable         | Reaffirmed     |
|                                 | 04/18/2023  | A                   | A2                  | Stable         | Reaffirmed     |
|                                 | 04/08/2022  | A                   | A2                  | Stable         | Upgrade        |
|                                 | 03/16/2021  | A-                  | A2                  | Stable         | Reaffirmed     |
|                                 | 03/16/2020  | 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.  |                     |                     |                |                |
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| Due Diligence Meeting Conducted | Name  |                     | Designation         |                | Date           |
|                                 | Mr. Ehtisham Akhtar   |                     | Executive Director  |                | April 29, 2025 |
|                                 | Mr. Ali Iqbal   |                     | Sr. Finance Manager |                |                |