VIS
Credit Rating Company Limited

RATING REPORT

K NOVA (PVT) LIMITED (FORMERLY K-SOLAR PVT LTD.)

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A+	A1	A+	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	September 20, 2026		September 10, 2025	

Shareholding (5% or More)	Other Information
KE Ventures – 99.99%	Incorporated in 2020
	Private Limited Company
	Chief Executive: Fahd Khawaja
	External Auditor: BDO Ebrahim & Co. Chartered Accountants

Applicable Rating Methodology

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

Rating Scale

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

Rating Rationale

The reaffirmation of ratings reflects the Company's improving profitability trajectory, evidenced by strengthening of its gross and operating margins, supported by diversification of revenue base and sustained procurement efficiencies, though the net margin moderated due to higher finance costs associated with additional borrowing undertaken for the business expansion. The ratings also consider the continued narrowing of the Company's negative Funds from Operations, indicating a gradual normalization of internal cash generation as its rental /O&M portfolio matures.

Going forward, revenue visibility remains supported by a project pipeline of 38 MW, of which 20 MW is at an advanced stage of execution, providing near-term revenue support through EPC contracts. The ratings further incorporate the Company's strategic pivot toward a more diversified renewable energy offering, following its rebranding as K-Nova. Through this platform, the Company intends to expand into Battery Energy Storage Systems (BESS) and wind energy solutions, positioning itself to capitalize on emerging growth opportunities as the regulatory landscape evolves. The assigned ratings continue to derive significant support from K Nova's status as a wholly owned subsidiary of the K-Electric Limited (KEL), benefiting from, shared governance oversight, and alignment with KEL's broader strategic diversification objectives that reflect their belief that the future of Pakistan demands innovative energy, power and related solutions across multiple platforms and ecosystems.

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Company Profile

K Nova (Private) Limited ("K Nova" or "the Company") was incorporated on September 18, 2020 as a wholly owned subsidiary of KE Ventures Company (Private) Limited (KEVCL), which is in turn wholly owned by K-Electric Limited (KEL), forming part of KEL's diversification strategy into Pakistan's renewable energy sector. The Company is engaged in distribution and generation, providing solar, wind and battery-based renewable energy solutions to commercial and industrial clients, and operates through Rental Agreements and an Engineering, Procurement, and Construction model, supplemented by value-added services such as operation and maintenance. K Nova is registered with the Pakistan Engineering Council and the Private Power & Infrastructure Boards. The Company's registered office is in Karachi

Management and Governance

Shareholders/Owners/Sponsors

K Nova (Private) Limited ("K Nova" or "the Company") is a part of the K-Electric Limited (KEL) group, which is the only vertically integrated power utility in Pakistan, managing generation, transmission, distribution, and supply of electricity within its licensed areas. The majority shares (66.40%) of KEL are owned by KES Power, a consortium of investors including Al-Jomaih Power Limited of Saudi Arabia, National Industries Group (Holding), Kuwait, and the Infrastructure and Growth Capital Fund (IGCF), while the Government of Pakistan holds a 24.36% stake, with the remainder held as free float on the Pakistan Stock Exchange. The Group is comprised of KEL and its subsidiaries, KE Ventures Company (Private) Limited (KEVCL) and K Nova, with the latter operating in the distributed generation space, providing solar and wind-based renewable energy solutions to commercial and industrial clients.

K Nova is a wholly owned subsidiary of KEVCL, which holds 99.99% of the Company's shareholding, with the remaining nominal stake held by directors in compliance with statutory requirements for a private limited company. KEVCL, in turn, is wholly owned by KEL, the ultimate parent of the group.

Corporate Governance

K Nova's governance structure reflects its status as a wholly owned subsidiary of K-Electric, with full board representation from the parent entity, as its three-member Board of Directors—Muhammad Aamir Ghaziani (Chairman), Adeeb Ahmad, and Nauman Ahmad—comprises of senior K-Electric executives, ensuring close strategic alignment between the subsidiary and its ultimate holding company and enabling effective oversight in areas such as financial integration, operational risk, and compliance with K-Electric's broader corporate objectives.

The Company's external auditor for FY26 was BDO Ebrahim & Co. Chartered Accountants, which is rated "A" by the SBP and is rated "Satisfactory" in the QCR list of Auditors. The auditor has given unqualified opinion in financial statements of FY26.

Management, Internal Controls & IT

The Company is led by a seasoned senior management team, headed by Chief Executive Officer Hashim Raza, who has over 25 years of experience in general management, M&A, corporate development and strategic partnership across energy, utilities and industrial sectors. He is supported by Chief Operating Officer Fahad Ali Daudpota, who possesses over 20 years of experience in the solar and power sector, with a strong track record in project development and technical sales and Chief Financial Officer Asif Ahmed who brings over 20 years' experience across energy and infrastructure, specializing in financial strategy, project financing and governance. Together, they provide K Nova with robust operational, strategic, and financial leadership, well aligned with the company's growth ambitions.

Business Risk

INDUSTRY

The renewable energy sector in Pakistan carries a medium-risk profile — rising demand and evolving technology offset by intensifying competition and regulatory unpredictability, yielding moderate but sustainable growth. Per NEPRA, installed solar capacity reached ~3.30 GW by mid-2024 (2.50 GW via net-metering), rising to over 3.60 GW by early 2025 (Pakistan Economic Survey 2024-25); rooftop solar alone has grown nearly 37-fold in six years to ~7,000 MW by June 2026. The Revised IGCEP 2025-35 projects total solar to exceed 7 GW by 2029, a target current growth may reach early. Drivers include a ~75% rupee depreciation, ~140% tariff hikes, and a ~60% drop in panel prices (FY2021–FY2025), pushing cumulative imports above 50 GW.

The Commercial & Industrial (C&I) segment is the key growth engine, with industrial/commercial tariffs at ~PKR 35 -45/kWh (2025) making solar attractive — cutting energy costs 50–70% over system life. The sector's biggest recent shift is the net metering overhaul: the one-to-one credit mechanism (an estimated Rs. 101 billion costs to the power sector in FY2024) has been replaced by a net-billing framework under the Prosumer Regulations 2026, effective February 8, 2026, paying new consumers a lower Rs. 11/unit export rate on shortened five-year

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contracts, while existing users keep prior terms. Fiscal policy adds further flux in the form of the FY25 -26 budget's proposed 18% GST on imported panels was cut to 10% after pushback, but a return to 18% plus higher battery/inverter duties is under revie w for FY26-27, prompting the Pakistan Solar Association's "Stop the Sun Tax" campaign, partly offset by new local-manufacturing duty exemptions.

Two models dominate C&I solar; CAPEX (client-owned, favored by larger balance sheets for full control and savings) and OPEX/PPA-ERA (third-party owned, client pays per-unit or fixed rental below grid rates), with OPEX gaining share as reduced export incentives favor on-site consumption and storage. Key players include Reon Energy, Shams Power, Burj Capital, Orient Energy Systems, and K Nova. Risks center on import dependence (FX exposure), ongoing regulatory uncertainty, and quality inconsistency among smaller providers but structural demand for energy independence, cost efficiency, and ESG alignment keeps the medium-term outlook positive

OPERATIONAL UPDATE:

K Nova's completed installed capacity increased from 24.90 MW in FY25 to 28 MW in FY26, reflecting an addition of 3.20 MW and annual growth of approximately 13%. Furthermore, an additional 2 MW remains under execution, bringing the total capacity portfolio to 30.00 MW as of Q1FY27. This extends the company's growth trajectory from 18.80 MW in FY24, although the pace of expansion has moderate d compared to the significant capacity increase recorded between FY23 and FY24.The capacity additions during FY25 -FY26 indicate a more measured and sustainable expansion phase, while the ongoing projects under execution demonstrate that K Nova continues to actively scale its generation base rather than reaching a plateau. As these projects are completed and commissioned, they are expected to contribute to recurring revenue generation, further strengthening the company's revenue base and cash flow profile over the medium term

Looking ahead, the Company's growth outlook is underpinned by a project pipeline of 38MW, of which 20MW (solar) is at an advanced stage of execution, providing reasonable near-term revenue visibility on the EPC side. This is expected to be complemented by the planned addition of wind and BESS projects from FY26 onward, in line with the Company's strategic pivot under the “K-Nova” brand towards a more diversified renewable energy offering

A further catalyst lies in the regulatory space, with NEPRA's move to permit battery storage on the grid positioning the Company to capture an expected 50% share of this emerging segment — a development that, if realized, would represent a meaningful new revenue avenue and validate the rationale behind the Company's ongoing BESS-related capex. Collectively, these developments suggest continued topline diversification and margin support over the medium term, though the associated financing needs will warrant close monitoring of leverage and coverage metrics as the capacity build-out progresses

Solar Power Projects Installed (MW)						
	FY22	FY23	FY24	FY25	FY26	Q1FY27
Completed	3,525	5,654	18,779	24,859	28,029	28,029
Under-Execution						2000
Total	3,525	5,654	18,779	24,859	28,029	**30,029**

PROFITABILITY:

The Company's gross revenue recorded 26% year-on-year growth in FY26, reflecting continued business expansion and strengthening operational performance. Revenue diversification also progressed through FY25 and into FY26, building on the strategic shift initiated in FY25 with the introduction of finance income from rental contracts, pertaining to the income generated by equipment rental agreements with costumers, alongside the Company's core EPC and O&M operations, which had been its sole sources of revenue through FY24.The revenue mix evolved further in FY26, with EPC and O&M activities contributing 60% of gross income (FY25: 70.80%), while rental income increased its share to 40% (FY25: 29.20%), demonstrating stronger growth relative to the traditional project-based business. This shift highlights the increasing significance of the Company's recurring and annuity-based income streams, providing greater earnings stability and reducing reliance on one-off EPC project revenues.

Profitability at both the gross and operating levels strengthened significantly between FY25 and FY26, extending the recovery trend that began in FY24. Gross margin improved to 44.94% in FY26 (FY25: 38.12%), reflecting continued procurement efficiencies, improved project execution, and a more favorable revenue mix. Meanwhile, operating margin rebounded to 9.74% in FY26 from a near-breakeven 0.17% in FY25 (FY24: 7.56%), indicating a meaningful improvement in underlying operating performance and cost absorption on rather than a one-off effect. Other income significantly supported profitability, particularly in FY25, with an amount of PKR 132.50 million, exceeding the reported operating profit of PKR 0.80 million by more than 160 times and accounting for most of the Company's profit before interest and taxes (PBIT) during the

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year. In FY26, other income moderated to PKR 81.00 million; however, this decline was offset by a strong recovery in operating profitability, with operating profit increasing to PKR 55.30 million. This shift underscores the improvement in the Company's core earnings profile, with a larger proportion of profitability being generated from operating activities rather than non-core income sources.

At the net profit level, however, this improvement was offset by a sharp rise in finance costs, from PKR 79.40mln in FY25 to PKR 105.70mln in FY26, driving net margin down to 5.33% in FY26 (FY25: 10.90%) despite the stronger operating performance. The higher finance cost is associated with additional funding secured for business expansion.

A further catalyst lies in the regulatory space, with NEPRA's move to permit battery storage on the grid positioning the Company to capture an expected 50% share of this emerging segment — a development that, if realized, would represent a meaningful new revenue avenue and validate the rationale behind the Company's ongoing BESS-related capex. Collectively, these developments suggest continued topline diversification and margin support over the medium term, though the associated financing needs will warrant close monitoring of leverage and coverage metrics as the capacity build-out progresses.

Financial Risk

CAPITAL STRUCTURE:

The Company's capital structure remained adequately supported by a growing equity base, although reliance on external financing increased modestly during FY26. Gearing rose to 0.73x as of end-FY26 (FY25: 0.64x; FY24: 0.57x), while leverage increased to 0.83x (FY25: 0.80x), reflecting a gradual uptick in debt funding to support business growth. Notwithstanding this increase, leverage remained below the FY24 level of 0.87x, indicating an overall balanced financial risk profile. The Company's equity position strengthened considerably, with share capital increasing to PKR 1,288.1 million (FY24: PKR 888.1 million) following the capital injection undertaken in FY25. Furthermore, accumulated losses transitioned into earnings of PKR 46.6 million in FY26 (FY25: PKR 16.4 million), driven by the sustained improvement in profitability. Consequently, the Company's capital structure remains adequate, supported by ongoing equity accretion through profit retention and a strengthened shareholder base.

DEBT COVERAGE & LIQUIDITY:

Liquidity continued to improve in FY26, with the current ratio increasing to 5.24x from 4.75x in FY25, extending the positive trend observed since FY24. This improvement was supported by sponsor financing and effective working capital management. While funds from operations (FFO) remained negative, the deficit narrowed marginally to PKR 55.60 million in FY26 from PKR 59.20 million in FY25, reflecting the timing mismatch between finance cost outflows and cash inflows from PPA/EPC projects that remain under implementation.

The Company's debt service coverage ratio (DSCR) remained relatively stable at 0.23x in FY26 (FY25: 0.25x), indicating a pressurized debt-servicing capacity. However, the metric remains below 1.00x, suggesting that coverage levels have yet to fully normalize. Interest coverage moderated to 1.30x (FY25: 1.66x), reflecting rising finance costs against an earnings base that is still in the process of maturing. Meanwhile, the cash conversion cycle shortened to 18 days in FY26 from 52 days in FY25, indicating an improved cash management. However, given the recent build-up of its recurring earnings streams, coverage metrics are expected to strengthen over time as the Company's rental and O&M portfolio matures and cash inflows become more closely aligned with its debt repayment obligations

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REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	K Nova (Pvt.) Limited
Sector	Renewable Energy Solutions
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				
Oct 20, 2026	A+	A1	Stable	Reaffirmed
Sept 10, 2025	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
Hashim Raza	Chief Executive Officer	17th August 2026
Syed Ali Imran Jafri	Manager Treasury & Insurance	17th August 2026

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