RATING REPORT

K-Electric Limited

REPORT DATE:
April 28, 2021

RATING ANALYSTS:
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RATING DETAILS				
Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
K-Electric Limited - Sukuk 5 (Rs. 25b)	AA+ (Reaffirmed)		AA+ (Reaffirmed)	
Rating Date (Sukuk)	*April 28, 2021*		*April 16, 2020*	
Entity Rating	AA/A-1+ (Reaffirmed)		AA/A-1+ (Reaffirmed)	
Rating Date (Entity)	*April 28, 2021*		*April 16, 2020*	

COMPANY INFORMATION	
Incorporated in 1913	**External auditors:** M/s. A.F. Ferguson & Co, Chartered Accountants
Public Limited Company	**Chairman:** Shan A. Ashary **Chief Executive Officer:** Syed Moonis Abdullah Alvi
Key Shareholders (with stake 5% or more):	
KES Power Limited – 66.40%	
Government of Pakistan – 24.36%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria : *Industrial Corporates – April 2019*

https://s3-us-west-2.amazonaws.com/backupsqlvis/docs/Corporate-Methodology-201904.pdf

Rating The Issue (July 2020)

https://s3-us-west-2.amazonaws.com/backupsqlvis/docs/Notchingtheissue202007.pdf

K-Electric Limited

OVERVIEW OF THE INSTITUTION

K-Electric Limited (KE) was incorporated as a limited liability Company in 1913. It is a vertically integrated power utility responsible for generation, transmission and distribution of electricity in Karachi and its adjoining areas. KES Power is the major shareholder of the Company.

Profile of Chairman

Mr Ashary has been a Non-Executive Director of the Company since its privatisation in November 2005. He is a senior executive with over forty years of proven success in managing international investments, operations of a large diversified group, finance, treasury, public accounting, and strategic and corporate planning. He currently serves on the boards of several companies in the US and the Middle East. He is a Fellow member of the Institute of Chartered Accountants of England and Wales. Other engagements: Investment Adviser, Al-Jomaih Holding Co. (Saudi Arabia).

Profile of CEO

Mr. Moonis Alvi was appointed CEO of K-Electric in June 2018. Mr. Alvi has more than 28 years of diversified experience in the finance industry, with a focus towards driving operational efficiencies, financial planning and

RATING RATIONALE

Shareholding

K-Electric Limited (KE) is a vertically integrated power utility responsible for generation, transmission and distribution of electricity in Karachi and its adjoining areas including Dhabeji and Gharo in Sindh and Hub, Uthal, Vindar and Bela in Balochistan. KES Power is the major shareholder of the Company. KES Power is a consortium of Al-Jomaih Group of KSA, NIG of Kuwait and IGCF, a private equity fund formerly managed by Abraaj comprised of several Middle East institutional investors. Shanghai Electric Power (SEP) intends to acquire up to 66.4% stake in KEL. The transaction is subject to receipt of requisite regulatory and other approvals including National Security Clearance (NSC) Certificate from the GoP.

Business Update

Own Generation & Other Arrangements

- **Own Generation:** KE operates 5 generation plants with an installed power generation capacity of 2,267 MW as at June 30, 2020 (Average gross dependable Capacity for FY20: 1,963MW). All gas engines/gas turbine plants in KE are now in Combined Cycle Operation and around 40% of the installed capacity has been added in the last 11 years. Given completion of several rehabilitation projects at the Company's existing power plants, average fleet efficiency increased from, 37.1% in FY19 to 38.0% in FY20. Fleet efficiency of the generation portfolio is expected to remain at similar levels till new plants come online, which should result in significant improvement in overall fleet efficiency of the generation portfolio and it is expected that with the addition of KE's 900 MW BQPS III plant, the average fleet efficiency will increase to around 48% by FY 22.

Plant	Installed Capacity (MW)	GDC (MW)
BQPS 1	1,260	1,018
BQPS II	560	526
KPC	247	227
KGT	100	96
SGT	100	96
	2,267	**1,963**

To ensure optimum service levels and in view of the projected increase in power demand in KE's service area, the Company has continued investing in maintenance and rehabilitation of its existing plants along with planned medium to long-term projects to expand its energy mix. Key ongoing and future projects for enhancing power generation include the following:

KE Own: BQPS-III RLNG fired power plant (900 MW) - KE has planned addition of a 900 MW RLNG power plant, first unit is targeted to come online by summer of 2021, with project completion by the end of 2021. KE's 900MW plant will operate at efficiency levels of around 60% and therefore, in addition to managing the demand-supply gap, will enable KE to phase away from old and inefficient units.

KE is pursuing the 900 MW project in an expedient manner, and Licensee Proposed Modification (LPM) has also been approved by NEPRA in December 2020 and Heads of Agreement (HoA) for supply of 150 MMCFD RLNG for the project has been signed between KE and PLL.

- **IPPs:** During the last 3 years, four new IPPs were added to the Company's system comprising FFBL Power Company Limited's 52 MW coal power plant, Sindh Nooriabad (I and II) 101 MW gas power plants, Oursun and Gharo Solar's each 50 MW solar power plants.

Further, KE has planned additions of 350 MW renewable projects by 2023 / 2024 which will help further diversify its fuel mix. This includes 150 MW of solar projects in Vinder, Uthal and Bela region which is under RFP stages, with further plans to pursue 100 MW of solar in Gharo region and 100 MW of wind in Dhabeji area.

capital restructuring. Mr. Alvi joined K-Electric in 2008 and has served as K-Electric's Chief Financial Officer and other key positions and has played an integral role in the transformation of K-Electric. He is a Fellow member of the Institute of Chartered Accountants of Pakistan.

- **National Grid:** To manage the projected growth in power demand, in addition to the arrangements of 800 MW of power from the National Grid, KE is pursuing off-take of additional power of upto 1,400 MW from the National Grid by 2023. In this regard, rehabilitation works on the existing KDA-Jamshoro line have been completed, taking the total equipment capacity to draw upto 1,100 MW power from the existing interconnections.

  Moreover, for off-take of additional power from the National Grid, the Company has initiated grid and interconnection works for 220kV Dhabeji Grid expected to energize by Q3 of FY 22 and 500kV KKI Grid, expected to achieve commercial operations in 2023. The additional off-take from National Grid along with KE's planned 900 MW BQPS III plant will play a critical role in enabling KE to take Karachi in to a power surplus scenario.

Covid-19 Impact

- In FY20, the outbreak of the Covid-19 posed operational challenges to KE, which included the change in consumer mix as a result of load-shed exemption in high loss areas and a resultant uptick in Transmission & Distribution (T&D) losses. In addition, the trend of upward trajectory in units sent out was impacted, having a consequential impact on the Company's operational and financial performance. However, during first half of FY 2021, Company showed strong operational and financial performance with ease down in lock down situation in the Country and improved economic activity.
  - **Consumer Mix & Transmission & Distribution (T&D) Losses:** Significant drop in consumption in industrial and commercial consumer segments owing to Covid-19 lockdown, load-shed exemption in high loss areas and inability to carry-out theft detection activities, adversely impacted the sales mix of the Company and led to an overall increase in T&D losses to 19.7% for FY20 (FY19: 19.1%), however same has improved to 14.9% for H1 FY-21 subsequent to uplifting of the COVID-19 lockdown, driven mainly by the industrial segment which saw a growth of 10% in H1 FY21.
  - **Units Billed:** The Covid-19 lockdown also impacted the growth in units billed, which dropped by 12.8% in Q4'FY20 vis-à-vis SPLY. Nevertheless, on the back of growth in the preceding quarters, the aggregate units billed for FY20 were lower by 0.3% (FY19: +3.3%). In contrast, units billed posted strong growth in H1'FY21 of 5.5%. Going forward, this growth trend is expected to continue on the back of a positive macroeconomic outlook along with recuperation of operational improvements lost due to COVID-19.

Government Receivables

Delays in release of payments and long outstanding receivables from government entities have significantly impacted the working capital position of the Company. Net receivables from government entities stood at Rs. 87.4b as of Jun'20 (Jun'19: 71.3b; Jun'18: Rs. 26.2b).

During FY 2020, Rs. 25b out of the pending TDC receivables were released to KE and subsequent to the year-end, a further Rs. 6b with respect to relief provided to Small & Medium Enterprises (SMEs) during Covid-19 as per the directives issued by the GoP was released. This release of Rs. 31b out of GoP receivables helped the Company in managing the working capital requirements.

However, KE still has net receivables from various government entities, which stood at Rs. 77b as of Dec'20, and the Company remains in continuous engagement for release of outstanding dues from government department and its entities. It may be noted that the Company expects settlement of part of outstanding receivables on net basis against its payables, which partly mitigate the risk. Further, with off-take of additional supply from the National Grid, KE expects that going forward payables to government entities will be higher than receivables which will take KE into a net payable position.

Multi-Year Tariff (MYT)

KE, within the MYT mid-term review filed with NEPRA, has requested to allow impact of PKR depreciation against USD on allowed return on equity, impact of revision in investment plan and working capital requirements along-with adjustments for other factors beyond the Company's control such as growth in units sent-out and T&D losses. While KE is committed to planned investments, execution of these investments is subject to approval from NEPRA, as KE operates under a "cost-plus" tariff regime. Hence, the Company expects that necessary adjustments shall be allowed in the tariff, enabling the Company to make the required investments across the power value chain.

KE's MYT includes a mechanism for monthly and quarterly tariff adjustments. In this regard, decision on monthly FCA for the period July 2019 to May 2020 and quarterly tariff variations for the period April 2019 to March 2020 has been issued by NEPRA on March 9 and 10, 2021 respectively. However, KE's requests for quarterly tariff variations for the period April 2020 to December 2020 are pending NEPRA's determination. Within the quarterly tariff variations filed by KE, costs in lieu of recovery loss (in relation to bad debts and allowed under KE's MYT) is also claimed as per the mechanism provided by NEPRA, as more fully explained in Note 34.2 to the Audited Financial Statements for FY 2020. NEPRA's approval for cost claimed in lieu of recovery loss for FY 2017 to FY 2020 is awaited, for which the Company remains in continuous engagement with NEPRA and expects that the same shall be allowed in tariff.

Creation of Associate Companies

- As part of diversification strategy of KE, a wholly owned subsidiary named KE Venture Company (Pvt) Ltd (KEVCL) has been incorporated. KEVCL will be the holding Company for the different initiatives taken by the Company in the energy sector in Pakistan. Initially, the scope of the projects of the subsidiary would be exploring investments in the renewable energy space.
- Another wholly owned subsidiary, K-Solar, has been incorporated under KEVCL. K-Solar would be specializing in distributed generation. Further, projects of 150 MW solar IPPs at Vinder, Uthal and Bela are going to be developed as joint ventures under KEVCL.

Key Rating Drivers

Strategic importance of KE as a vertically integrated power utility is a key rating consideration

- The assigned ratings predicate the strategic importance of KE as a vertically integrated power utility having exclusive rights to distribute electricity in the largest metropolitan city of Pakistan. The Company's monopoly status and protection from direct competition is a key rating consideration.
- However, the Company's exclusive distribution license is valid till Jul'23. Even though under GoP's power policies, there is expected deregulation of the distribution sector, groundwork towards an effective shift to open markets is still in the nascent stages.

Growing demand of electricity and increasing tariff should result in healthy revenue growth

- Business risk profile draws support from growing demand for electricity. Units sold have increased at a CAGR of 3.0% over the last 5 years. Further, in a move to increase grid utilization, the GoP as a policy matter has decided not to allow fresh gas connections and disconnect supplies for captive power plants which is expected to further supplement growth in power demand and resultantly units billed. This, along with increase in consumer-end tariff is expected to result in healthy growth in revenue over the rating horizon.

Continuous overall improvement across various operational performance metrics

Continuous overall improvement across various operational metrics has been noted, barring the one-off impact of Covid-19. Key metrics like reduction in transmission & distribution losses and aggregate technical and commercial losses and improvement in recovery ratio is a key rating determinant.

KPIs	FY17	FY18	FY19	FY20	H1 FY-21
T&D Loss	21.7%	20.4%	19.1%	19.7%	14.9%
Recovery Ratio	90.1%	91.0%	92.6%	92.1%	91.6%

Aggregate Technical and Commercial Loss (%)	29.5%	27.5%	25.1%	26.0%	22.0%
Fleet Efficiency	36.7%	37.4%	37.1%	38.0%	37.8%

Generation: To cater to the projected growth in power demand, KE management is pursuing a strategy of enhancing supply through addition of own 900 MW BQPS III RLNG plant, off-take of additional supply of upto 1,400 MW from National Grid as well as addition of 350 MW of renewable projects. With these planned additions, KE is set to move into a power surplus scenario along with significant improvement in overall fleet efficiency levels on the back of 900 MW BQPS III RLNG plant.

Transmission: The Company's ongoing over $450million transmission enhancement plan (TP-1000) is on course for completion with over 94% of project completed. Over 980 MVAs of transmission capacity has been added to the network. Under this project, in addition to 6 grid stations, the Company has also installed 28 power transformers and replaced existing 6 Power transformers to curb overloading. Resultantly, fault response on power transformers and transmission lines has declined significantly. Going forward, KE plans to continue and further accelerate investments in transmission infrastructure upgrade through capacity enhancement as well as to set up new grids and interconnection points for increased reliability and off-take of additional power from the National Grid subject to required approvals.

Distribution: Over the last few years, KE has been working on initiatives focused on capacity enhancement through addition of new feeders and Pole Mounted Transformers (PMTs) to meet the growth in power demand, loss reduction through Aerial Bundled Cables (ABC), and improved network reliability through System Improvement Projects. In addition, to ensure provision of safe and reliable supply of power, the Company has undertaken extensive safety initiatives including complete revalidation of its distribution network.

Further the Company has launched Project Sarbulandi; a transformational project that aims to uplift underdeveloped areas of Karachi. Initiatives under Project Sarbulandi focus on improving network health, minimizing commercial losses through ABC conversion, increasing recoveries and upliftment of areas through community engagement activities.

With these initiatives, the Company expects to bring significant improvements in key operational metrics in the distribution segment including reduction in T&D losses to meet the NEPRA benchmark by the end of the tariff control period.

Recovery Ratio from Consumers: Cash flows of the Company are dependent on KE's recovery ratio. Various recovery initiatives undertaken by the Company have resulted in improved collection from residential consumers and public sector entities along with adjustment of Electricity Duty against KWSB receivables. Recovery of old but recently verified dues from KWSB will enhance recovery ratio.

Financial Risk Profile

After experiencing a one-off drop in FY20, revenues & profitability indicators have depicted improvement in H1'FY21. Going forward, strong revenue growth is envisaged on the back of positive economic growth differential, while profitability indicators will improve in tandem with reduction in T&D losses.

The one-off drop in units billed, experienced in FY20, mainly resulted from the Covid-19 impact, as also discussed above.

	FY19	FY20	H1'FY20	H1'FY21
Units Billed (Units in GWh)	14,318	14,277	7,910	8,344
Units Billed Growth	3.3%	-0.3%	5.2%	5.5%
Revenue (in PKR' Billions)	289.1	288.8	158.4	153.4
Gross Profit	50.7	43.9	24.2	29.9
Gross Margin (in PKR' Billions)	17.5%	15.2%	15.3%	19.5%
T&D Losses	19.1%	19.7%	15.5%	14.9%

KE's management projects the revenues to grow at a CAGR of 7.09% during the 5-year period (FY21-FY25). Growth in the short to medium term horizon is expected to be strong on account of positive economic growth differential. KE's sizeable revenue base is a key rating consideration. Improvement in gross margin will mainly emanate from continued reduction in T&D losses. While long outstanding receivables from GoP do represent an increase in credit risk, which could weigh on the future profitability in terms of higher impairment charge; however, within the domestic context, GoP's credit profile is considered highest credit quality and as such related impairment has not been taken into consideration. As per management, net receivables from GoP will trend down, as result of increase in payables to GoP mainly in lieu of additional planned power purchase.

Given sizable increase in Government receivables, working capital requirement spiked in FY20, which affected KE's bottom-line and cash flow coverage indicators. These have improved in the ongoing year, albeit sizable government receivables continue to restrict the bottom-line

	FY19	FY20	H1'FY21
Debt	**129.5**	**155.6**	**164.4**
- Long Term	57.6	83.0	85.8
- Short Term	71.9	72.5	78.6
Operating Margin	**5.2%**	**5.9%**	**9.3%**
PBT Margin	**3.1%**	**0.1%**	**5.7%**
Funds From Operation (FFO)	**42.2**	**27.2**	**26.7**
FFO to Debt	**32.6%**	**17.5%**	**NA**
FFO to Long Term Debt	**73.3%**	**32.7%**	**NA**
DSCR	**3.2x**	**1.7x**	**2.2x***
Trade Debts to Short Term Borrowings	**1.4x**	**1.4x**	**1.2x**
*** Annualized**			

- Despite a drop in gross margin recorded in FY20, operating margin for the year was higher, mainly on account of lower impairment loss on trade debts (FY20: Rs. 13.2b; RY19: Rs. 17.9b).
- KE's net working capital requirement has continued to swell on account of the significant quantum of Government receivables, which amounted to Rs. 87.4b as of Jun'20.
- The resultant increase in quantum of debt and higher benchmark rates prevailing during FY20, translated in a 166% increase in finance cost, which dented the PBT margin of the Company.
- Resultantly, cash flow coverage indicators came under stress in FY20. The improvement in cash flow coverage indicators in H1'FY21 has been noted, albeit these are still considered to be on the lower side. Going forward, given expected increase in consumer tariff, generation fleet efficiency and additional power purchase from GoP, cash flows are likely to improve during the rating horizon.
- Short term borrowings of the Company remaining adequately covered by trade debts.

Leverage indicators have increased, as a result of increase in debt and low profitability in FY20.

	Jun'19	Jun'20	Dec'20
Gearing	**0.87x**	**1.03x**	**1.02x**
Leverage (excluding revaluation surplus)	**2.6x**	**3.3x**	**3.2x**

- Capitalization indicators of the Company have continued to swell, indicating higher debt utilization. As of Dec'20, the Company's total capital structure financed by debt stood at 51% vis-à-vis 47% as of Jun'19.
- Going forward, debt levels and leverage indicators are projected to increase over the rating horizon as additional debt is being undertaken mainly to fund planned investments. Gearing levels are likely to peak at around ~1.4 (x) by end-FY21 but are then projected to decline to 1.2(x) by end-FY24.

Sukuk Ratings incorporate the Master Collection Account (MCA) mechanism in place

- KE is routing collections from specific bank collection account(s) into the MCA. The collection agent appointed is retaining (on monthly basis) the required amount of funds (one-third of the quarterly installment) for payment on due date.
- The routing arrangement includes undertaking from KE to cover any shortfall in the debt servicing amount. Sizeable and growing cash flows (increased at a CAGR of around 8% over the last 5 years) that are being routed through MCA is a key rating strength and provides strong coverage for debt payments being undertaken through the MCA.

K-Electric Limited — Appendix I

FINANCIAL SUMMARY *(amounts in PKR billions)*						
BALANCE SHEET	**Jun'16**	**Jun'17**	**Jun'18**	**Jun'19**	**Jun'20**	**H1'FY21**
Fixed Assets	223.6	237.9	277.7	326.9	364.4	380.5
Investment Property	-	-	-	-	3.0	3.0
Stores, spares and loose tools	7.9	9.4	11.5	12.1	13.0	15.4
Trade Debts	101.0	103.4	115.4	99.9	99.8	91.7
Cash & Bank Balances	2.2	2.1	1.1	2.7	3.1	1.2
Total Assets	377.8	395.9	473.7	598.9	703.4	737.5
Trade and Other Payables	106.3	117.1	140.5	190.8	267.6	285.5
Long Term Debt ***(*incl. current maturity)***	32.0	29.0	31.5	57.6	83.0	85.8
Short Term Debt	23.9	20.4	41.3	71.9	72.5	78.6
Total Debt	55.9	49.4	72.8	129.5	155.6	164.4
Paid Up Capital	96.3	96.3	96.3	96.3	96.3	96.3
Total Equity ***(*excluding surplus)***	121.3	136.7	153.2	148.6	151.4	160.8
Total Equity ***(*including surplus)***	171.3	184.3	207.3	214.5	210.7	217.5
INCOME STATEMENT	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**H1'FY21**
Revenue	188.6	183.9	217.1	289.1	288.8	153.4
Gross Profit	57.2	39.5	45.3	50.7	43.9	29.9
Operating Profit	30.1	12.3	17.0	15.2	17.1	14.2
Profit/Loss Before Tax	25.0	8.7	13.7	8.9	0.4	8.7
Profit/Loss After Tax	31.8	10.4	12.3	17.3	(3.0)	6.9
RATIO ANALYSIS	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**H1'FY21**
Gross Margin (%)	30.3%	21.5%	20.9%	17.5%	15.2%	19.5%
FFO	52.6	39.0	44.0	42.2	27.2	26.7
CFO	41.1	27.8	19.3	(16.9)	22.6	14.5
FFO to Total Debt (%)	95.0%	78.9%	60.5%	32.6%	17.5%	NA
FFO to Long Term Debt (%)	164.3%	134.6%	139.9%	73.3%	32.7%	NA
CFO to Total Debt (%)	74.2%	56.3%	26.6%	-13.0%	14.6%	NA
Debt Servicing Coverage Ratio (x)	6.8	7.0	4.1	3.2	1.7	2.2*
Gearing (x) (excluding revaluation surplus)	0.46	0.36	0.48	0.87	1.03	1.02*
Current Ratio (x)	1.06	1.00	0.95	0.92	0.89	0.88
*** Annualized**						

ISSUE/ISSUER RATING SCALE & DEFINITIONS Appendix II

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURE	Appendix III
Name of Rated Entity	K-Electric Limited
Sector	Power
Type of Relationship	Solicited
Purpose of Rating	Entity and Sukuk Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING TYPE: ENTITY		
28-Apr-2021	AA	A-1+	Stable	Reaffirmed
16-Apr-2020	AA	A-1+	Stable	Reaffirmed
14-Oct-2019	AA	A-1+	Stable	Upgrade
25-Feb-2019	AA	A-1	Rating Watch -Developing	Reaffirmed
03-Mar-2018	AA	A-1	Rating Watch -Developing	Maintained
30-Dec-2015	AA	A-1	Stable	Reaffirmed
1-Dec-2014	AA	A-1	Stable	Upgrade
2-Jan-2014	A+	A-2	Positive	Reaffirmed
25-Nov-2013	A+	A-2	Positive	Initial

Rating Date	Medium to Long Term	Rating Outlook	Rating Action
	RATING TYPE: SUKUK-5 (Rs. 25b)		
28-Apr-2021	AA+	Stable	Reaffirmed
16-Apr-2020	AA+	Stable	Reaffirmed
13-Feb-2020	AA+	Stable	Final
14-Oct-2019	AA+	Stable	Preliminary

Instrument Structure	**K ELECTRIC LIMITED -Sukuk 5:** KE issued Diminishing Musharakah Sukuk certificates amounting to Rs. 25b to finance routine operational and capital expenses requirements of the Company. Tenor of the instrument is seven years (inclusive of a grace period of two years).
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. Rizwan Pesnani	Head of Treasury & Corporate Finance	April 9, 2021