

K-ELECTRIC LIMITED

Analysts:

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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+
SUKUK-5	AA+	-	AA+	-
SUKUK -6	AA+	-	AA+	-
RATING OUTLOOK	Stable		Stable	
RATING DATE	May 11, 2026		January 23, 2025	

Shareholding (5% or More)	Other Information
KES Power Limited – 66.4%	Incorporated in 1913
Government of Pakistan – 24.4%	Public Limited Company
	Chief Executive: Mr. Syed Muhammad Taha
	External Auditor: M/s. A.F. Ferguson & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Instrument Rating
<https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf>

Rating Scale

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

Rating Rationale

KE is Pakistan's only vertically integrated power utility, serving generation, transmission, distribution, and supply functions in Karachi, with KES Power Limited holding 66.4% and the Government of Pakistan retaining a 24.4% stake and the remaining 9.2% pertains to public. The assigned ratings are supported by KEL market monopoly and strategic shareholding. While current financial statements remain unavailable, as per management, the existing cash flows continue to support debt servicing, however, long term financial projections and capitalization strength is closely linked to regulatory outcomes under the Multi-Year Tariff (MYT) framework. Board and management changes have been noted, along with negotiations with the regulator on account of tariff determination. The reaffirmation of the ratings is underpinned by management's expectation that the pending appeal regarding the Multi-Year Tariff (MYT) determination before the NEPRA Appellate Tribunal will be resolved largely in line with the Company's recommendations and issuance of financial statements thereof. As per the PSX notice issued by the Company, the relevant authority has advised KEL to transmit its annual financial statements for FY24 & FY25 latest by June 30, 2026.

Company Profile

K-Electric Limited ("KEL", "KE" or "the Company") was incorporated as a limited liability company on September 13, 1913, and its shares are quoted on the Pakistan Stock Exchange Limited (PSX). The registered office of KEL is situated in DHA, Karachi. KEL is the only vertically integrated power utility in Pakistan, managing all key areas – Generation, Transmission, Distribution and Supply – ensuring energy delivery to customers within its licensed areas. KES Power Limited ("the Holding Company of KEL"), incorporated in the Cayman Islands, holds 66.4% (2022: 66.4%) shares in KEL as of 2023.

GROUP PROFILE

The Group is comprised of KEL and its subsidiaries, KE Venture Company (Private) Limited (KEVCL) and K-Solar (Private) Limited (K-Solar). KEVCL operates as a private limited company, primarily serving as the investment arm of KEL. Its scope of activities includes, but is not limited to, businesses related to electricity, energy, and associated products or services. K-Solar, also a private company and a direct subsidiary of KEVCL, focuses on businesses related to electricity and renewable energy. Additionally, K-Solar is engaged in promoting the conservation and efficient use of electricity, aligning with the broader goals of sustainability and energy efficiency.

Sukuk- 5

KE issued a secured, rated, and listed Sukuk ("the Instrument") of PKR 25,000 million on 3rd August 2020. The Sukuk was offered through private placement to Pre-IPO investors and to the general public for subscription through the Pakistan Stock Exchange. The proceeds were used to repay a Bridge Facility availed by the Company to fund routine capital expenditure and operational requirements. It was a 7-year instrument with a grace period of 2 years maturing on 3rd August 2027. The profit rate is based on 3-month KIBOR plus 1.7% per annum, with a floor of 2% p.a. and a cap of 25% p.a. Profit is payable quarterly. Principal repayment is in twenty (20) equal quarterly installments after expiry of the grace period. Till date, Sukuk 5 has been paid down to PKR 6,250 million. The said instrument is secured through:

- First pari passu hypothecation charge over specified movable fixed assets of the Company, including plant, machinery, and equipment located at operational sites (Bin Qasim, Korangi, Korangi Gas Plant, and S.I.T.E.), as well as stores and spares up to 15% of their aggregate value.
- First pari passu hypothecation charge over receivables, accounts, and deposits, including customer collection accounts maintained with HBL.
- Maintenance of a designated collection account, including a Master Collection Account (MCA) and Payment Account, under lien of the Trustee along with right of set-off. Funds equivalent to one-third of the quarterly debt servicing requirement are to be retained within the MCA on a monthly basis, with remaining funds released to the Company in accordance with predefined instructions. Two days prior to each quarterly installment date, retained funds shall be transferred to the Payment Account for onward distribution to Sukuk holders.

Till date all installments have been paid duly.

Management and Governance

The governance framework of K-Electric remained functional and effective, despite a prolonged period of shareholders dispute that impacted board composition. However, more recently, there have been positive developments, including the withdrawal of a shareholder-related legal case involving KE and KES Power Limited. This, together with re-composition of the Board as a result of recently conducted election of directors, has reduced complexities in sponsor alignment and has projected clarity in governance profile.

As mentioned above, election of directors of the Company was conducted recently at an Extraordinary General Meeting held on 02 April 2026. As a result of this exercise, a new Board is now in place, with realigned representation of key stakeholders. The new Board consists of 14 directors comprising of 3 GOP nominees, 1 independent, 9 directors representing KES Power Limited, the holding company of KE, and the CEO. On April 15, 2026 Syed Taha joined as permanent Chief Executive Officer and a deemed director of the Company.

The resignation of Syed Moonis Abdullah Alvi and the appointment of Syed Taha as the CEO marks a smooth transition at top management level. Taha has previously served as CEO of Pakistan State Oil and also as KE's Chief Distribution Officer in the past, with experience across the energy sector, including international exposure and operational roles.

#	Name	Category
1	Syed Muhammad Taha	Chief Executive Officer
2	Adeeb Ahmad	Elected Director

3	Faisal Ahmed Siddiqui	Elected Director
4	Fahad Sultan Ahmed	Elected Director - Independent
5	Muhammad Kamran Kamal	Elected Director
6	Mujahid Pervaz	Elected Director
7	Mubasher H. Sheikh	Elected Director
8	Mustafa Nasir Farooki	Elected Director
9	Sameer Chishty	Elected Director
10	Shaheryar Chishty	Elected Director
11	Shan A. Ashary	Elected Director
12	GoP Nominee 1	Secretary Ministry of Energy
13	GoP Nominee 2	Secretary Ministry of Finance
14	GoP Nominee 3	Ali Raza Bhutta

A.F. Ferguson & Co., Chartered Accountants, are the external auditors of the Company. The firm is included in the Quality Control Review (QCR) list of the Institute of Chartered Accountants of Pakistan and is categorized as an 'A' category auditor on the State Bank of Pakistan list of auditors. The auditors issued an unqualified opinion on the Company's financial statements for the year ended 2024.

Business Risk

The tariff framework of K-Electric underwent a significant transition during 2025, primarily due to developments related to its Multi-Year Tariff (MYT) for the control period FY24–FY30. The MYT serves as the core regulatory mechanism through which tariffs for generation, transmission, and distribution network and supply segments are determined by the regulator, National Electric Power Regulatory Authority (NEPRA). During 2025, NEPRA issued determinations on an average tariff of approximately PKR 39.97 per kWh in May 2025, which was subsequently revised downward to around PKR 32.37 per kWh following adjustments and reconsiderations. The downward revision has significant implications from a financial and credit perspective. A lower allowed tariff directly affects K-Electric's projected revenues and return profile, particularly in a capital-intensive utility model where cost recovery is closely linked to regulatory allowances.

In response, K-Electric has formally challenged certain aspects of the MYT determination, citing concerns over the sustainability of returns, recovery of past prudent costs, and alignment with operational realities. The matter remains under appeal, with the court directing a reconsideration over the three-month period. Importantly, this unresolved tariff determination has also had implications on financial reporting. Due to the lack of clarity on the final applicable tariff and associated revenue recognition, K-Electric has faced constraints in finalizing and issuing its financial statements. The last issued financial statements were as of June 30, 2023.

PROFITABILITY

Under the original tariff, based on management discussions and projections shared by the Company, profitability is expected to continue, EBITDA generation should remain adequate, providing a more comfortable buffer to cover operational and financing costs. However, revised tariff structure significantly constrains profitability, adversely affecting the business's overall viability. The revised tariff remains under contestation, Company's management, expects a positive resolution.

Financial Risk

CAPITAL STRUCTURE

The Company's capital structure remains exposed to tariff determinations. In the event that a sustainable tariff is not approved, as initially proposed planned capital expenditure will be constrained, thereby reducing the immediate need for additional debt. However, lower tariffs are expected to compress profitability, potentially leading to equity erosion and placing the overall capitalization profile under pressure. As a result, the Company may face periods of negative equity, highlighting the vulnerability of financial stability to regulatory outcomes.

DEBT COVERAGE & LIQUIDITY

According to the management, the Company's cash collections have remained stable. As represented, existing Master Collection Account (MCA) structures, currently used for servicing long-term debt, will continue to ensure timely debt servicing moving forward alongside

collections received against electricity sold. As per projected financials based on original tariff, debt service coverage remains comfortable at >1.2x, however is notably impacted based on revised tariff structure.

Financial Summary

Balance Sheet (PKR Millions)	FY21A	FY22A	FY23A
Property, plant and equipment	424,069.23	391,060.47	441,247.67
Intangible Assets	389.27	518.89	1,169.49
Long-term Investments	182.10	275.00	429.00
Stock-in-trade	1,910.28	17,060.59	18,691.10
Trade debts	104,714.38	136,843.03	104,282.93
Cash & Bank Balances	2,370.89	2,846.13	7,094.03
Other Assets	302,041.27	413,336.23	308,886.35
Total Assets	835,677.42	961,940.34	881,800.57
Creditors	297,612.85	379,069.42	284,939.83
Long-term Debt (incl. current portion)	77,276.68	175,552.19	216,953.25
Short-Term Borrowings	107,023.20	107,535.45	92,851.10
Total Debt	184,299.88	283,087.64	309,804.35
Other Liabilities	129,813.18	147,799.31	174,763.55
Total Liabilities	611,725.91	809,956.37	769,507.73
Paid up Capital	96,261.55	96,261.55	96,261.55
Revenue Reserve	69,748.13	53,713.26	14,022.14
Other Equity (excl. Revaluation Surplus)	2,009.17	2,009.17	2,009.17
Equity (excl. Revaluation Surplus)	168,018.85	151,983.98	112,292.86

Income Statement (PKR Millions)	FY21A	FY22A	FY23A
Net Sales	325,048.55	518,777.11	519,471.22
Gross Profit	59,194.59	68,535.91	58,794.35
Operating Profit	26,458.84	20,768.72	-1,640.57
Finance Costs	11,112.99	15,120.46	34,569.93
Profit/Loss Before Tax	15,345.85	5,648.26	-36,210.50
Profit/Loss After Tax	11,998.19	8,523.58	-39,389.73

Ratio Analysis	FY21A	FY22A	FY23A
Gross Margin (%)	18.21%	13.21%	11.32%
Operating Margin (%)	8.14%	4.00%	-0.32%
Net Margin (%)	3.69%	1.64%	-7.58%
Funds from Operation (FFO) (PKR Millions)	40,654.29	42,975.12	396.97
FFO to Total Debt* (%)	22.06%	15.18%	0.13%
FFO to Long Term Debt* (%)	52.61%	24.48%	0.18%
Gearing (x)	1.10	1.86	2.76
Leverage (x)	3.64	5.33	6.85
Debt Servicing Coverage Ratio* (x)	1.98	1.63	0.69
Current Ratio (x)	0.81	0.92	0.80
(Stock in trade + trade debts) / STD (x)	1.13	1.43	1.32
Return on Average Assets* (%)	1.56%	0.95%	-4.27%
Return on Average Equity* (%)	7.51%	5.33%	-29.81%
Cash Conversion Cycle (days)	-237.54	-181.62	-164.18

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES

Appendix II

Name of Rated Entity	K-Electric Limited				
Sector	Power				
Type of Relationship	Solicited				
Purpose of Rating	Instrument Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Rating Watch	Rating Action
	RATING TYPE: SUKUK 5 (PKR 25 bln)				
	11-May-26	AA+	N/A	Stable	Reaffirmed
	23-Jan-25	AA+	N/A	Stable	Reaffirmed
	14-Apr-23	AA+	N/A	Stable	Reaffirmed
	29-Apr-22	AA+	N/A	Stable	Reaffirmed
	28-Apr-21	AA+	N/A	Stable	Reaffirmed
	16-Apr-20	AA+	N/A	Stable	Reaffirmed
	13-Feb-20	AA+	N/A	Stable	Final
14-Oct-19	AA+	N/A	Stable	Preliminary	
Instrument Structure	Instrument Name:			Details	
	Nature of Instrument			Sukuk 5	
	Tenure of Instrument			7 years	
	Size of the Issue			PKR 25,000 million	
	Principal Redemption Schedule			Quarterly	
	Interest Redemption Schedule			Quarterly	
	Issue Date			3 rd August 2020	
	Grace Period			2 years	
	Redemption Date			3 rd August 2027	
	Nature of security (in case of secured instrument)			Secured	
	Name of Trustee			Pak Brunei Investment Company	
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. Muhammad Aamir Ghaziani		Chief Financial Officer (CFO)	February 10, 2026	
	Mr. Danyaal Jamal		Treasury Head		