VIS
Credit Rating Company Limited

RATING REPORT

K-ELECTRIC LIMITED

Analysts:

Fatima Asif
fatima.asif@vis.com.pk

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

K-Electric Limited ('KEL') 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- 6

KE issued a rated, secured, privately placed and PSX-listed Sukuk of up to PKR 6,700 million. The Sukuk had a tenor of seven years inclusive of a grace period of up to two years from the issue date of November 23, 2022. The instrument carried a profit rate of 3-month KIBOR plus 170 bps, payable quarterly in arrears. Principal repayment commenced from the ninth quarter after the first profit payment date through twenty equal quarterly installments, continuing till maturity. The proceeds of the issue were utilized for the Company's funding requirements. Till date all installments have been paid timely and the sukuk has been paid down to PKR 5,025 million.

The Sukuk was secured through a first charge over hypothecated properties in favour of the Investment Agent for the benefit of Sukuk holders with a 25% margin over the outstanding issue amount. The security package also included a first pari passu hypothecation charge over collections, accounts and deposits, along with lien and right of set-off over balances maintained in the Master Repayment Account ("MRA") and Sukuk Payment Account. Furthermore, the structure incorporated a collection mechanism whereby consumer bill proceeds were routed through designated accounts, with funds equivalent to one-third of the quarterly installment requirement retained in the MRA on a monthly basis. One day prior to each quarterly installment date, retained amounts were transferred to the Sukuk Payment Account for onward payment to Sukuk holders.

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 6 (PKR 6.7 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-Dec-22	AA+	N/A	Stable	Final
29-Apr-22	AA+	N/A	Stable	Preliminary

Instrument Structure

Instrument Name:	Details
Nature of Instrument	Sukuk 6
Tenure of Instrument	7 years
Size of the Issue	PKR 6,700 million
Principal Redemption Schedule	Quarterly
Interest Redemption Schedule	Quarterly
Issue Date	November 23, 2022
Grace Period	2 years
Redemption Date	November 23, 2029
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.
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. Muhammad Aamir Ghaziani	Chief Financial Officer (CFO)	February 10, 2026
Mr. Danyaal Jamal	Treasury Head	