

RATING REPORT

K-Electric Limited

REPORT DATE:

April 11, 2025

RATING ANALYSTS:

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RATING DETAILS		
Rating Category	Latest Rating	Previous Rating
	Long-term/Short-term	Long-term/Short-term
Entity Rating	AA/A1+	AA/A1+
K-Electric Limited - Sukuk 5	AA+	AA+
K-Electric Limited - Sukuk 6	AA+	AA+
Rating Date	January 23, 2025	June 03, 2024
Rating Outlook/Rating Watch	Stable	Stable
Rating Action	Reaffirmed	Reaffirmed
K-Electric Limited STS 31	A1+ (Plim)	
Rating Date	April 11, 2025	
Rating Action	Preliminary	

COMPANY INFORMATION

Incorporated in 1913	External Auditors: M/s. A.F. Ferguson & Co. Chartered Accountants
Public Limited Company	Chief Executive Officer: Mr. Syed Moonis Abdullah Alvi
Key Shareholders (with stake 10% or more):	
KES Power Limited – 66.4%	
Government of Pakistan (GoP) represented by President of Pakistan – 24.4%	

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:

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

APPLICABLE METHODOLOGY

VIS Entity Rating Criteria: Corporates

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

VIS Rating The Issue

<https://docs.vis.com.pk/docs/Rating-the-Issue-Aug-2023.pdf>

K-Electric Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
<p><i>K-Electric Limited was incorporated as a limited liability Company in 1913. It is a vertically integrated power utility responsible for generation, transmission, distribution and supply of electricity in Karachi and its adjoining areas. KES Power is the major shareholder of the Company.</i></p>	<p>Corporate Profile:</p> <p>K-Electric Limited (“KEL” or “the Company”) was incorporated as a limited liability company in 1913, and its shares are quoted on the Pakistan Stock Exchange Limited (PSX). The registered office of KEL is in Karachi.</p> <p>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.</p> <p>The Group</p> <p>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.</p> <p>Structure of Short Term Sukuk (STS) – 31:</p> <p>KEL plans to raise an unsecured, rated, privately placed STS, up to PKR 7.0 bln inclusive of green shoe option of PKR 1.0 bln. The proceeds from the issue will be utilized to finance the working capital requirements of the Company. The structure is as follows:</p> <ul style="list-style-type: none"> • The tenor of the instrument is up to six (06) months from the date of drawdown. • The proposed profit rate is 3M KIBOR with an expected spread of up to 10 basis points (bps) per annum. • Profit is payable at the time of the maturity of the Sukuk along with the principal payment. <p>Rating Rationale:</p> <p>The ratings reflect KEL’s strategic position in powering Karachi - Pakistan's financial hub and remains committed to ensuring an uninterrupted power supply to the city. However, ratings also take note of the approval of the Generation Tariff, with delay in approvals of the individual tariffs filed for Transmission, Distribution and Supply for the period FY24 to FY30 by NEPRA. The complete approval of the MYT (Multi Year Tariff) depends on the approval of all individual tariffs and accordingly, the finalization of Financial Statements post FY23 is dependent on the same as also disclosed by KEL on PSX. As per management, KEL is actively engaged with NEPRA to expedite the regulatory proceedings for the approval of the tariff.</p> <p>Moreover, KE has advanced its renewable energy initiatives, securing competitive tariffs for its 100 MW Bela and 50 MW Winder projects. NEPRA has directed the lowest bidder to submit a tariff petition for these projects. Additionally, the bid evaluation report for the 220 MW hybrid solar-wind project has been submitted to NEPRA, and a hearing was conducted on February 4, 2025. KE has also completed the bidding process for the 270 MW Sindh Solar Energy Projects and submitted the auction evaluation report to NEPRA for approval. These developments reflect KE’s ongoing efforts to diversify its energy mix and reduce dependence on imported fuels, while also facilitating investor participation in the sector.</p> <p>According to the management, the Company’s cash flow position and debt profile have remained stable and are expected to be maintained in the future. Following the finalization of the MYT in alignment with KEL’s future investment plans, an increase in debt levels is anticipated. Moreover, management has indicated that all debt obligations are being met on schedule and will continue to be serviced in a timely manner.</p>

K-Electric Limited
Appendix I

Financial Summary			
Balance Sheet (PKR Millions)	FY21A	FY22A	FY23A
Property, plant and equipment	424,069.2	489,248.2	580,244.7
Intangible Assets	389.3	518.9	1,169.5
Long-term Investments	182.1	275.0	429.0
Stock-in-trade	1,910.3	2,698.2	4,202.6
Trade debts	104,714.4	136,843.0	104,282.9
Cash & Bank Balances	2,370.9	2,846.1	7,094.0
Other Assets	302,041.3	427,698.6	327,239.7
Total Assets	835,677.4	1,060,128.1	1,024,662.4
Creditors	297,612.9	379,069.4	284,939.8
Long-term Debt (incl. current portion)	77,276.7	175,552.2	216,953.3
Short-Term Borrowings	107,023.2	107,535.5	92,851.1
Total Debt	184,299.9	283,087.6	309,804.4
Other Liabilities	129,813.2	147,799.3	174,763.6
Total Liabilities	611,725.9	809,956.4	769,507.7
Paid up Capital	96,261.6	96,261.6	96,261.6
Revenue Reserve	69,748.1	82,187.7	55,452.1
Other Equity (excl. Revaluation Surplus)	2,009.2	2,009.2	2,009.2
Equity (excl. Revaluation Surplus)	168,018.9	180,458.4	153,722.8
Income Statement (PKR Millions)	FY21A	FY22A	FY23A
Net Sales	325,048.6	518,777.1	519,471.2
Gross Profit	59,194.6	68,535.9	52,812.0
Operating Profit	26,458.8	20,768.7	-7,802.4
Finance Costs	11,113.0	15,120.5	34,569.9
Profit Before Tax	15,345.9	5,648.3	-42,372.3
Profit After Tax	11,998.2	8,523.6	-30,896.6
Ratio Analysis	FY21A	FY22A	FY23A
Gross Margin (%)	18.2%	13.2%	10.2%
Operating Margin (%)	8.1%	4.0%	-1.5%
Net Margin (%)	3.7%	1.6%	-5.9%
Funds from Operation (FFO) (PKR Millions)	38,922.6	42,577.1	397.0
FFO to Total Debt* (%)	21.1%	15.0%	0.1%
FFO to Long Term Debt* (%)	50.4%	24.3%	0.2%
Gearing (x)	1.1x	1.6x	2.0x
Leverage (x)	3.6x	4.5x	5.0x
Debt Servicing Coverage Ratio* (x)	1.9x	1.6x	0.7x
Current Ratio (x)	0.8x	0.9x	0.8x
(Stock in trade + trade debts) / STD (x)	1.1x	1.4x	1.3x
Return on Average Assets* (%)	1.6%	0.9%	-3.0%
Return on Average Equity* (%)	7.5%	4.9%	-18.5%
Cash Conversion Cycle (days)	-238	-187	-172
<i>*Annualized, if required</i>			
A - Actual Accounts			
P - Projected 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: STS 31 (PKR 7.0 bln)				
	11-Apr-25		A1+		Preliminary
Instrument Structure	STS 31: KEL plans to raise an unsecured, rated, privately placed STS, up to PKR 7.0 bln inclusive of green shoe option of PKR 1.0 bln. The proceeds from the issue will be utilized to finance the working capital requirements of the Company. The tenor of the instrument is up to six (06) months from the date of drawdown. The proposed profit rate is expected up to be 3M KIBOR and 10 bps spread per annum.				
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
	N/A				