VIS
Credit Rating Company Limited

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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Corporate Rating
(https://docs.vis.com.pk/docs/CorporateMethodology.pdf)
VIS Instrument Rating Criteria – Instrument Rating
(https://backupsqlvis.s3.us-west-2.amazonaws.com/Methodologies-2025/IRM-Apr-25.pdf)
Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

K-ELECTRIC LIMITED

Chief Executive: Moonis Abdullah Alvi

RATING DETAILS

RATINGS CATEGORY	LATEST RATING
	Short-term
INSTRUMENT RATING	A1+ (plim)
RATING ACTION	Preliminary
RATING DATE	June 05, 2025

RATING RATIONALE

The ratings reflect K-Electric's strategic position in powering Karachi—Pakistan's financial hub—and its commitment to ensuring uninterrupted power supply to the city. However, the ratings also take note of NEPRA's approval of KEL's supply tariff petition, as per its decision dated May 27, 2025, for the seven-year control period (FY24-30), originally submitted in December 2023. This latest approval follows NEPRA's prior decisions on KEL's generation tariff (Oct 2024) and the transmission and distribution tariff (May 24, 2025), reflecting sustained regulatory momentum and progress in Pakistan's transforming power sector landscape. The complete approval of the Multi-Year Tariff (MYT) was issued by NEPRA on May 27, 2025, which was critical for the finalization of the Financial Statements post June 2023. The company is already in the process of preparing and circulating the financial statements.

Moreover, KEL is now positioned to implement its proposed USD 2.0 billion Investment Plan FT 24-30 and ensure access to affordable, reliable and sustainable energy for all. However, this is subject to NEPRA's final approval of the Investment Plan. The same is aimed for 30% growth in customers, 20% increase in KE's share of renewables and another 30% reduction in power outages. KEL has advanced its renewable energy initiatives, securing competitive tariff bids for its 100 MW Bela and 50 MW Winder projects, along with a 220 MW hybrid solar-wind project. The company has also completed the bidding process for 270 MW Sindh Solar Energy Projects and submitted the Auction Evaluation Report to NEPRA for its 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.

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 by NEPRA, in alignment with KEL's future investment plans, an increase in debt levels is anticipated commensurate with increase in demand. Moreover, management has indicated that all debt obligations are being met on schedule and will continue to be serviced in a timely manner.

COMPANY PROFILE

K-Electric ('KEL' or 'the Company') is a public listed company incorporated in Pakistan in 1913 as KESC. Privatized in 2005, KE is the only vertically integrated power utility in Pakistan supplying electricity to Karachi and its adjoining areas. The majority shares (66.4%) of the Company 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). The Government of Pakistan is also a shareholder (24.36%) in the Company while the remaining are listed as free float shares.

Structure of Short Term Sukuk (STS) – 32:

KEL plans to issue an unsecured, rated, privately placed STS, up to PKR 10.0 bln inclusive of green shoe option of PKR 2.0 bln. The proceeds from the issue will be utilized to finance the working capital requirements of the Company. The structure is as follows:

- 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.
- Musharakah (Shirkat ul Aqd)

The Issue Agent for this issue is Habib Bank Limited ("HBL")

Financial Summary *Appendix I*

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

**Annualized, if required*
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 32 (PKR 10.0 bln)				
06/05/2025		A1+ (plim)		Preliminary

Instrument Structure	STS 32: KEL plans to raise an unsecured, rated, privately placed STS, up to PKR 10.0 bln inclusive of green shoe option of PKR 2.0 bln. The proceeds from the issue will be utilized to finance the working capital requirements of the Company. The STS employs a Musharakah structure, relying on Shirkat-ul-Aqd. 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 with an expected spread of up to 10 bps per annum. The Issue Agent for the issue is Habib Bank Limited (HBL).
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		