

Analysts:

Saeb Muhammad Jafri
(saeb.jafri@vis.com.pk)

K-ELECTRIC LIMITED

Chief Executive: Moonis Abdullah Alvi

RATING DETAILS

RATINGS CATEGORY	LATEST RATING	PREVIOUS RATING
	Short-term	Short-term
INSTRUMENT RATING	A1+	A1+ (Plim)
RATING ACTION	Final	Preliminary
RATING DATE	June 23, 2025	June 05, 2025

RATING RATIONALE

The ratings reflect K-Electric Limited'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 note NEPRA's approval of K-Electric's generation, transmission, distribution, and supply tariff petitions for the seven-year control period from FY 2024 to FY 2030, reflecting sustained regulatory momentum and progress in Pakistan's transforming power sector landscape. This decision marks a significant milestone for KE in realizing its Comprehensive Investment Plan 2030, which entails the Company's efforts to further reduce losses in its transmission and distribution network, drive growth in its customer base, and bolster the power utility's infrastructure to meet current demands and future needs. The complete approval of the Multi-Year Tariff (MYT) was issued by NEPRA on May 27, 2025, a critical step for the finalization of the financial statements post-June 2023. The management has indicated that it is preparing the financial statements for FY24.

Moreover, K-Electric Limited subject to NEPRA's final approval of the Investment Plan, would be in a position to implement its proposed USD 2.0 billion, Investment Plan FY 24-30 for sustainable supply of energy encompassing 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 necessary approvals from NEPRA respectively 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.

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.

The assigned ratings are dependent upon the management view of no material adverse outcome of the intended review petition by the Government for the MYTD.

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://backupsqvis.s3.us-west-2.amazonaws.com/Methodologies-2025/IRM-Apr-25.pdf>)

Rating Scale:

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

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 has issued an unsecured, rated, privately placed STS, of PKR 10.00 bln. The proceeds from the issue will be utilized to finance the working capital requirements of the Company. The STS was issued on June 12, 2025, redemption with profit and principal amount is scheduled for December 12, 2025. 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 a negative spread of 5 basis points (bps) per annum.
- Profit is payable at the time of the maturity of the Sukuk along with the principal payment.

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

Financial Summary		<i>Appendix I</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	Short Term	Rating Action
	23/06/2025	A1+	Final
	05/06/2025	A1+ (Plim)	Preliminary
Instrument Structure	STS 32: KEL has issued an unsecured, rated, privately placed STS, up to PKR 10.00 bln. The proceeds from the issue will be utilized to finance the working capital requirements of the Company. The STS was issued on June 12, 2025, redemption with profit and principal amount is scheduled for December 12, 2025. The tenor of the instrument is up to six (06) months from the date of drawdown. The proposed profit rate is 3M KIBOR with a negative spread of 5 basis points (bps) per annum. Profit is payable at the time of the maturity of the Sukuk along with the principal payment. The Issue Agent for this 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.		
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2025 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.		
Due Diligence Meetings Conducted	Name	Designation	Date
	N/A		