

REPORT FOR
THE QUARTER ENDED
30 SEPTEMBER 2020

20
20



The Power
of Progress



COMPANY INFORMATION

AS AT NOVEMBER 27, 2020

Board of Directors (BOD)

Shan A. Ashary, Chairman
Syed Moonis Abdullah Alvi, Chief Executive Officer
Khalid Rafi
Adeeb Ahmad
Ch. Khaqan Saadullah Khan
Dr Ahmed Mujtaba Memon
Jamil Akbar
Mubasher H. Sheikh
Muhammad Abid Lakhani
Ruhail Muhammad
Syed Asad Ali Shah Jilani
Waseem Mukhtar

Board Audit Committee (BAC)

Khalid Rafi	Chairman
Ch. Khaqan Saadullah Khan	Member
Mubasher H. Sheikh	Member
Syed Asad Ali Shah Jilani	Member

Board Human Resource & Remuneration Committee (BHR&RC)

Khalid Rafi	Chairman
Ch. Khaqan Saadullah Khan	Member
Shan A. Ashary	Member
Syed Moonis Abdullah Alvi, CEO	Member

Board Finance Committee (BFC)

Ruhail Muhammad	Chairman
Ch. Khaqan Saadullah Khan	Member
Dr Ahmed Mujtaba Memon	Member
Shan A. Ashary	Member

Board Strategy & Project Committee (BS&PC)

Ch. Khaqan Saadullah Khan	Chairman
Adeeb Ahmad	Member
Jamil Akbar	Member
Shan A. Ashary	Member
Syed Moonis Abdullah Alvi, CEO	Member
Waseem Mukhtar	Member

Board Regulatory Affairs Committee (BRAC)

Shan A. Ashary	Chairman
Ch. Khaqan Saadullah Khan	Member
Syed Asad Ali Shah Jilani	Member
Syed Moonis Abdullah Alvi, CEO	Member

Chief Financial Officer

Muhammad Aamir Ghaziani

Chief People Officer & Company Secretary

Muhammad Rizwan Dalia

Chief Internal Auditor

Asif Raza

Legal Adviser

Messrs Abid S. Zuberi & Co.

External Auditors for FY20

Messrs A.F. Ferguson & Co.

Share Registrar

CDC Share Registrar Services Limited
CDC House, 99-B, Block "B", SMCHS, Main Shahrah-e-Faisal, Karachi. Office: 111-111-500

Bankers

Al Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Bank of Punjab
Bank of China Limited, Shanghai Branch
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Industrial & Commercial Bank of China Limited
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pak Brunei Investment Company Limited
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Standard Chartered Bank (UK)
Summit Bank Limited
The Bank of Khyber
United Bank Limited

Registered Office

KE House, 39-B, Sunset Boulevard, Phase-II,
Defence Housing Authority, Karachi, Pakistan

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K-Electric Limited

Directors' Review

On behalf of the Board of Directors, we are pleased to present the Company's Quarterly Report together with the unaudited Condensed Interim Financial Statements for the three months period ended September 30, 2020.

Key operational and financial results are summarised below:

	JUL-SEPT 2020	JUL-SEPT 2019
<u>OPERATIONAL</u>	(UNITS - GWh)	
Units generated (net of auxiliary)	3,278	3,169
Units purchased	2,452	2,172
Total units available for distribution (sent out)	5,730	5,341
Units billed	4,531	4,235
Transmission & Distribution Losses %	20.9%	20.7%
	(PKR - MILLIONS)	
<u>FINANCIAL</u>		
Revenue	85,550	89,961
Gross profit	13,868	12,914
Profit before finance cost	5,166	7,672
Profit before taxation	2,146	4,029
Taxation – net	(1,035)	(1,363)
Net Profit for the period	1,111	2,666
Earnings per share-BASIC/DILUTED (Rupees)	0.04	0.10
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	10,192	12,104

Financial Review

During the quarter under review, additional investment of PKR 7,973 million across the value chain coupled with economic activity revival post COVID-19 lockdown, resulted in growth in units sent out by 7.3% and units billed by 7% respectively. These operational improvements in turn resulted in a 7.4% increase in gross profit of the company from the comparable period.

The corresponding improvement, however, could not be witnessed in the net profit mainly due to increase in impairment provision against doubtful debts by PKR 1,305 million and exchange gain which was recorded in the same period last year. Main cause of increase in impairment provision against doubtful debts was lower recovery ratio primarily due to delays in recuperation from COVID-19.

Update on Significant Matters

Generation:

During the period under review, the Company continued to make strides on 900 MW RLNG project on fast track basis along with simultaneous investment in maintenance and rehabilitation of its existing plants. Semi-annual inspection of all Gas Turbines of Korangi Combined Cycle Power Plant (KCCPP), and 60k maintenance of 04 engines of Korangi Gas Turbine Power Station (KGTPS) were completed, alongside undertaking planned maintenance activities on other plants within the fleet.

Furthermore, for timely commissioning of planned 900 MW BQPS III RLNG project, Units 3 & 4 of BQPS-I plant were shut down for decommissioning in September and October 2020 respectively, in line with the planned timelines. Since the issuance of Notice to Proceed to Project Contractors for 900 MW RLNG Project in December 2019, despite challenges posed by COVID-19, construction work is progressing expeditiously, and Heads of Agreement has also been signed with PLL for 150 MMCFD RLNG supply, with construction on the pipeline expected to commence from December 2020. The Project is on track with first unit of 900 MW project expected to come online by summer 2021, which will significantly contribute towards managing the projected growth in power demand next summer.

Transmission:

With the projected growth in power demand and based on discussions with GoP for off-take of additional power from the National Grid, KE has initiated the process of setting up new grids / interconnections for off-take of upto 1,400 MW of additional baseload power from the National Grid, and the Company is in continuous engagement with NEPRA to expedite the approval process for required investment in MYT. In this regard, construction of 220kV Grid Station and its associated Transmission line at Dhabeji have started with expected completion by Q3 of FY 22, which in addition to off-take of additional power from the National Grid, will also cater to demand growth in the area. Further, scope of 500kV Grid station and associated Transmission line connecting to National Grid has been finalized with independent consultant, and it is expected that the tendering process will start by next month, with contract execution targeted by Q3 FY21.

Moreover, KE has planned to bring a substantial change in the rural areas of its service territory by upgrading its infrastructure to meet the increasing load profile, thereby also facilitating economic expansion activities in these areas. In this respect, KE has planned to build a new double 132 kV circuit from Hub-Chowki to Bela grid and to also enhance its grids in Vinder, Uthal & Bela from 66 kV to 132 kV level.

Distribution:

KE aims to steadily improve its distribution network through various projects aimed at loss reduction and network improvement. Aerial Bundle Cabling (ABC) roll-out was continued with over 200 Pole Mounted Transformers (PMT) converted to ABC during Q1 FY 2021 and the Company aims to convert all high loss PMTs to ABC by 2023, which combined with community engagement and upliftment initiatives would enable KE to continue with the loss reduction trajectory and exempt over 93% of its service area from load-shed.

To achieve a journey towards load-shed free Karachi, KE has launched its second phase of Project Sarbulandi, a transformational project which aims to uplift the less affluent and underdeveloped areas of Karachi. The same is aimed towards improving network health and its enhancement towards complete installation of ABC, mitigation of commercial losses and upliftment of areas through community engagement activities. Coupled with an effective governance mechanism to support the investment made, this will help in achieving loss reduction and improved recoveries in these chronic pockets.

Moreover, KE remains committed to invest and improve network health, reliability and safety, and in this regard, planned initiatives include capacity enhancement through addition of feeders and PMTs, network safety initiatives such as Public Accident Prevention Plan (PAPP) and a PKR 9.5 Billion Rain Emergency Rehabilitation Plan (RERP) to improve network resilience.

Business Development:

In addition to 900 MW RLNG Project and discussions around additional supply of upto 1,400 MW from the National Grid, with the support of GoP / NTDC / CPPA, interim additional power of 450 MW has also been approved, which will be imported through the existing interconnection of KDA-Jamshoro by next summer, helping KE manage the demand-supply position next summer.

After adding 100 MW solar power from two IPPs (Gharo Solar & Oursun), the Company has initiated tendering process of 150 MW Solar Plants comprising of 50 MW each at Vinder, Uthal and Bela along with a new double circuit 132 kV transmission line, which will support the growth of commercial and industrial activities in these areas.

Further, as part of diversification strategy of KE, a wholly owned subsidiary named KE Venture Company (Pvt) Ltd (KEVCL) has been incorporated. KEVCL will be the holding company for the different initiatives taken by the Company in the energy sector in Pakistan. Initially, the scope of the projects of the subsidiary would be exploring investments in the Renewable Energy space.

Another wholly owned subsidiary, K-Solar, has been incorporated under KEVCL. K-Solar would be targeting the Distributed Generation business.

Other Significant Matters*Growing Receivables from Government Entities and Departments*

As of September 2020, KE's net receivables from various Federal and Provincial entities, stood at over PKR 80 billion on principal basis having a consequential impact on the Company's cashflow position, significantly hampering the ability of the Company to enhance the pace of investment in the Company's infrastructure. The Company remains in continuous engagement with relevant stakeholders and seeks a

fair and equitable resolution, with all settlements whether Federal or Provincial, tabled together under one umbrella.

MYT Mid-Term Review

KE, within the mid-term review filed under the MYT with NEPRA, among other requests, has taken up the issue of working capital due to continuous accumulation of government receivables and expects that necessary adjustments should be allowed in tariff; enabling continued investments, ultimately benefitting consumers in the form of safe, reliable and uninterrupted power supply. During the period under review, NEPRA held a public hearing on this matter on September 16 & 17, 2020. Subsequently, considering the significant changes to macro-economic factors due to COVID-19, revision in investment plan and other changes in underlying factors, the Company has updated its earlier request through its letter dated October 1, 2020 and NEPRA's decision is awaited for which the Company remains in continuous engaging with the regulator

Appeal pending with Appellate Tribunal on KE's MYT

Considering the reduction in tariff level along with change in tariff structure under the Determined MYT, having material implications, KE filed an appeal with the Appellate Tribunal which is pending. The formation of the Appellate Tribunal has been notified by the GoP, however, the same is yet to be made functional by the GoP, and in this regard the Honorable Supreme Court has also directed the GoP to make the Appellate Tribunal functional at the earliest, as also explained in Note 1.4 to the condensed interim financial Statements.

Board of Directors (BOD)

During review period, Riyadh S.A.A. Edrees resigned from the position of Chairman and Director and Shan A. Ashary was elected as Chairman of the Board of Directors of the Company effective from September 07, 2020.

Acknowledgements

The Board wishes to extend its gratitude to the shareholders and customers of the Company for their cooperation and support and extends its appreciation to the employees of the Company.



Syed Moonis Abdullah Alvi
Chief Executive Officer



Khalid Rafi
Director

Karachi, November 27, 2020

کے۔ الیکٹرک لمیٹڈ

ڈائریکٹرز کی جانب سے جائزہ

ہم، بورڈ آف ڈائریکٹرز کی جانب سے، مؤرخہ 30 ستمبر، 2020ء کو ختم ہونے والے تین ماہ کے عرصے کے لیے کے۔ الیکٹرک لمیٹڈ کے غیر آڈٹ شدہ مختصر اور عبوری مالی گوشوارے پیش کرنے پر خوشی محسوس کر رہے ہیں۔

اہم آپریشنل اور مالی نتائج مختصراً ذیل میں بیان کئے گئے ہیں:

جولائی- ستمبر 2019	جولائی- ستمبر 2020	
		آپریشنل
		پیداواری یونٹس کی تعداد (ضمنی یونٹس کے علاوہ)
3,169	3,278	خریدے گئے یونٹس کی تعداد
2,172	2,452	تقسیم کے لیے دستیاب یونٹس کی تعداد (بھیجے گئے)
5,341	5,730	بل کیے گئے یونٹس کی تعداد
4,235	4,531	ترسیل و تقسیم کے دوران ہونے والا نقصان (%)
20.7%	20.9%	
		مالی امور
		آمدنی
		مجموعی منافع
		منافع - قبل از مالی اخراجات
		منافع - قبل از ٹیکس
		ٹیکس - خالص
		خالص منافع برائے زیر جائزہ عرصہ
		فی حصص آمدنی - بیسک/ڈائلوٹڈ (Basic / Diluted)
		(روپے)
		انٹریسٹ، ٹیکس، ڈیپریسی ایشن اور امورٹائزیشن سے قابل
		آمدنی (EBITDA)
		مالی جائزہ

زیر جائزہ سہ ماہی کے دوران، COVID-19 (کووڈ-19) لاک ڈاون کے بعد اقتصادی سرگرمیوں کی بحالی کے ساتھ، پورے ویلیو چین میں، 7,973 ملین روپے کی اضافی سرمایہ کاری کی وجہ سے تقسیم شدہ یونٹس اور بل کیے گئے یونٹس کی تعداد میں بالترتیب 7.3 فیصد اور 7 فیصد اضافہ ہوا۔ اس آپریشنل بہتری کے نتیجے میں گزشتہ برس کے اسی عرصہ کے مقابلے میں کمپنی کے مجموعی منافع میں 7.4 فیصد اضافہ ہوا۔

تاہم، یہ بہتری خالص منافع میں نہ دیکھی جا سکی جس کی بنیادی وجہ 1,305 ملین روپے کے مشکوک قرضوں کے لیے خسارے کی فراہمی (impairment provision) اور مبادلہ نفع (exchange gain) میں اضافہ تھا، جو گزشتہ سال اسی عرصے میں ریکارڈ کیا گیا۔ مشکوک قرضوں کے لیے خسارے کی فراہمی میں اضافے کی بڑی وجہ کووڈ-19 کے پس منظر میں ریکوری کا کم تر تناسب تھا۔

اہم معاملات پر اپ ڈیٹ

جنریشن

زیر جائزہ عرصے کے دوران، کمپنی نے موجودہ پلانٹس کی مینٹی نینس اور بحالی پر سرمایہ کاری کے ساتھ RLNG سے چلنے والے 900MW کے پروجیکٹ پر بھی تیزی سے کام جاری رکھا۔ اسی عرصے کے دوران کورنگی کمبائنڈ سائیکل پاور پلانٹ کی تمام گیس ٹربائنز کا ششماہی معائنہ کیا گیا اور کورنگی گیس ٹربائن پاور اسٹیشن کے 04 انجنوں پر 60k کی مینٹی نینس کا کام انجام دیا گیا۔ اسی کے ساتھ فلیٹ میں موجود دیگر پلانٹس پر بھی منصوبے کے مطابق، مینٹی نینس کی سرگرمیاں انجام دی گئیں۔

مزید برآں، RLNG سے چلنے والے 900MW کے BQPS-III سے، منصوبے کے مطابق، بجلی کی بروقت کمشننگ اور BQPS-I کے یونٹ 3 اور 4 کو بالترتیب ستمبر اور اکتوبر، 2020ء میں بند کر دیا گیا ہے۔ دسمبر، 2019ء میں RLNG سے چلنے والے 900MW پروجیکٹ کے لیے کنٹریکٹرز کو کام انجام دینے کے لیے نوٹس کے اجراء کے بعد سے، کووڈ-19 سے پیدا ہونے والی دشواریوں کے باوجود تعمیراتی کام تیزی سے جاری ہے اور 150 MMCFD RLNG کی فراہمی کے لیے PLL کے ہیڈز آف ایگریمنٹ پر بھی دستخط کیے جا چکے ہیں اور توقع ہے کہ پائپ لائن کی تعمیر کا کام دسمبر، 2020ء تک شروع ہو جائے گا۔ پروجیکٹ پر تیزی سے کام جاری ہے اور توقع ہے کہ 900MW کا پہلا یونٹ 2021ء کے موسم گرما تک کام شروع کر دے گا جس سے آئندہ موسم گرم میں بجلی کی طلب میں متوقع اضافے سے نمٹنے میں نمایاں مدد ملے گی۔

ٹرانسمیشن

بجلی کی طلب میں متوقع اضافے اور نیشنل گرڈ سے اضافی بجلی کے حصول کی غرض سے حکومت پاکستان کے ساتھ مذاکرات کی بنیاد پر 1,400 MW اضافی بجلی کے حصول کی غرض سے نئے گرڈز/انٹر-کنکشن کے قیام اور کمپنی مسلسل نیپرا کے ساتھ رابطے میں ہے تاکہ ملٹی ایئر ٹیرف کے تحت مطلوبہ سرمایہ کاری کے لیے جلد از جلد منظوری حاصل کی جا سکے۔ اس سلسلے میں دھابجی کے مقام پر 220 kV کے گرڈ اسٹیشن اور متعلقہ ٹرانسمیشن لائن کی تعمیر کا کام شروع ہو چکا ہے اور توقع ہے کہ یہ پروجیکٹ مالی سال 2022ء کی تیسری سہ ماہی تک مکمل ہو جائے گا۔ علاوہ ازیں، 500 kV کے گرڈ اسٹیشن کے اسکوپ اور نیشنل گرڈ سے مربوط کرنے والی متعلقہ ٹرانسمیشن لائن کو انڈیپنڈنٹ کنسلٹنٹ کی مدد سے حتمی شکل دی جا چکی ہے اور توقع ہے کہ ٹینڈرنگ کا عمل آئندہ ماہ شروع ہو جائے گا جبکہ کنٹریکٹ پر عمل درآمد مالی سال 2021ء کی تیسری سہ ماہی سے شروع ہو گا۔

اس کے علاوہ، کے الیکٹرک نے بجلی کے بڑھتے ہوئے لوڈ کو پورا کرنے کے لیے اپنے انفراسٹرکچر کو اپ گریڈ کر کے دیہی علاقوں میں خاطر خواہ تبدیلی لانے کا منصوبہ بنایا ہے۔ اس طرح ان علاقوں کی معاشی سرگرمیوں میں اضافہ کرنے کے لیے سہولت فراہم کی جائے گی۔ اس سلسلے میں، کے الیکٹرک نے حب چوکی سے بیلہ گرڈ تک نیا ڈبل 132kV سرکٹ تعمیر کرنے کا منصوبہ بنایا ہے اور ساتھ ہی ویندر، اٹھل اور بیلہ میں اپنے گرڈز کی گنجائش کو 66kV سے بڑھا کر 132kV کیا جائے گا۔

ڈسٹری بیوشن

کے الیکٹرک ، مختلف پروجیکٹس کے ذریعے اپنے تقسیم کے نیٹ ورک کو بتدریج بہتر بنانا چاہتا ہے تاکہ نقصان میں کمی واقع ہو اور کارکردگی میں بہتری آئے۔ اس مقصد کے لیے ، ایرئیل بندلڈ کیبل (Aerial Bundle Cable) کی تنصیب کا سلسلہ جاری ہے اور مالی سال 2021ء کی پہلی سہ ماہی کے اختتام تک، 200 سے زائد پول ماؤنٹڈ ٹرانسفارمرز (PMTs) کو ABC پر منتقل کیا جا چکا ہے سنہ 2023ء کے اختتام تک، کمپنی تمام زیادہ نقصان والے پی ایم ٹیز کو ABC پر منتقل کرنے کا ارادہ رکھتی ہے جو کہ کمیونٹی کی شمولیت اور بہتری والے اقدامات کے ہمراہ کے الیکٹرک کو نقصان میں کمی کرنے اور اپنے سروس ایریا کے 93 فیصد علاقوں کو لوڈ شیڈنگ سے مستثنیٰ کرنے کے قابل بنائیں گے۔

کراچی کو لوڈ شیڈنگ سے مستثنیٰ بنانے کی غرض سے کے الیکٹرک نے اپنے پروجیکٹ 'سربلندی' کے دوسرے مرحلے کا آغاز کر دیا ہے جو ایک تبدیلی کا پروجیکٹ ہے اور جس کا مقصد کراچی کے کم مراعات یافتہ اور پسماندہ علاقوں کو بہتر بنانا ہے۔ اس پروجیکٹ کا ایک اور مقصد اے بی سی کی مکمل تنصیب کے ذریعے نیٹ ورک کو بہتر بنانا، تجارتی نقصانات کم کرنا اور کمیونٹی کی شمولیت کے ذریعے علاقوں میں بہتری لانا ہے۔ اب تک کی گئی سرمایہ کاری میں معاونت اور گورننس کے موثر میکانزم کی بدولت ، ان علاقوں میں نقصانات میں کمی لانے اور ریکوری بہتر بنانے میں مدد ملے گی۔

مزید برآں، کے الیکٹرک اپنے نیٹ ورک کی صحت، قابل بھروسہ ہونے اور تحفظ کی غرض سے سرمایہ کاری کرنے کے لیے پرعزم ہے اور ، اس سلسلے میں، جن اقدامات کی منصوبہ بندی کی گئی ہے ان میں فیڈرز اور پی ایم ٹیز میں اضافے پبلک ایکسیڈنٹ پریونشن پلان (PAPP) اور 9.5 ارب روپے کے رین ایمرجنسی ری بیلی ٹیشن پلان (RERP) جیسے اقدامات کے ذریعے نیٹ ورک کے تحفظ کے ذریعے گنجائش میں اضافہ کرنا اور نیٹ ورک کی مزاحمت کو بہتر بنانا ہے۔

کاروبار میں پیش رفت

کے الیکٹرک اپنے RLNG سے چلنے والے 900MW پروجیکٹ اور نیشنل گرڈ سے 1,400MW کی اضافی بجلی کے حصول کے بارے میں بات چیت کے علاوہ ، حکومت پاکستان/این ٹی ڈی سی/سی پی پی اے کی معاونت سے عارضی طور پر 450MW اضافی بجلی فراہمی کی منظوری دی جا چکی ہے۔ اس طرح، آئندہ موسم گرما تک، کے ڈی اے-جامشورو پر واقع موجودہ انٹر کنکشن کے ذریعے درآمد شروع ہو جائے گی، جس سے کے الیکٹرک کو اگلے موسم گرما کے دوران بجلی کی طلب و رسد کی پوزیشن کو سنبھالنے میں مدد ملے گی۔

دو انڈیپنڈنٹ پاور پروڈیوسرز (IPPs) کی جانب سے 100MW شمسی توانائی کے اضافے کے بعد، کمپنی نے مزید 150MW کے شمسی توانائی والے پلانٹ کے لیے ٹینڈر کا عمل شروع کر دیا ہے جن میں سے ہر ایک، 50MW کا پلانٹ ویندر، اٹھل اور بیلہ میں نصب کیا جائے گا جبکہ 132kV کی دوہری نئی ٹرانسمیشن لائن بھی بچھائی جائے گی جس سے ان علاقوں میں تجارتی اور صنعتی سرگرمیوں میں اضافہ ہوگا۔

اس کے علاوہ ، کے الیکٹرک نے ڈائورسیفیکیشن اسٹریٹیجی کے تحت، کے ای وینچر کمپنی (پرائیویٹ) لمیٹڈ (KEVCL) کے نام سے کل ملکیتی ذیلی ادارہ قائم کیا ہے۔ KEVCL، پاکستان میں کمپنی کی

جانب سے کیے جانے والے مختلف اقدامات کے لیے ہولڈنگ کمپنی کا کام کرے گا۔ ابتدائی طور پر، یہ ذیلی ادارہ قابل تجدید توانائی کے شعبے میں سرمایہ کاری کے مواقع تلاش کرے گا۔

کے ای وینچر کمپنی کے تحت، کے-سولر (K-Solar) کے نام سے ایک اور کل ملکیتی ذیلی ادارہ بھی قائم کیا گیا ہے، جو ڈسٹری بیوٹڈ جنریشن کے شعبے کو ٹارگٹ کرے گا۔

دیگر اہم معاملات

سرکاری محکموں اور اداروں کی جانب سے قابل وصول واجبات میں اضافہ

ماہ ستمبر، 2020ء تک، کے الیکٹرک کے مختلف وفاقی اور صوبائی اداروں سے خالص قابل وصول واجبات کی، اصل رقم 80 ارب روپے سے تجاوز کر چکی تھی جس کے منفی نتائج کمپنی کے کیش فلو پر مرتب ہوئے، جس کی وجہ سے کمپنی کے انفراسٹرکچر پر سرمایہ کاری کی رفتار بھی متاثر ہو رہی ہے۔ کمپنی مسلسل متعلقہ فریقین کے ساتھ رابطے میں ہے اور مسئلے کا ایک منصفانہ اور مساویانہ حل تلاش کر رہی ہے تاکہ وفاقی اور صوبائی اداروں کے واجبات کا تصفیہ ایک ہی مرتبہ ہو سکے۔

ملٹی اینر ٹیرف کا مڈٹرم ریویو

کے الیکٹرک نے نیپرا کے پاس ملٹی اینر ٹیرف کے تحت مڈٹرم ریویو جمع کرایا ہے اور دیگر معاملات کے ساتھ، سرکاری واجبات میں مسلسل اضافے کی وجہ سے ورکنگ کپٹل کے مسئلے کو بھی اجاگر کیا ہے۔ توقع ہے کہ ٹیرف میں ضروری ایڈجسٹمنٹس کی اجازت مل جائے گی جس سے کمپنی مسلسل سرمایہ کاری کے قابل ہو سکے گی اور اس کا حتمی نتیجہ، صارفین کو محفوظ، قابل بھروسہ اور بلا تعطل بجلی کی فراہمی کے ذریعے ملنے والے فائدے کی صورت میں ہو گا۔ زیر جائزہ عرصے کے دوران، اس سلسلے میں، نیپرا نے مورخہ 16 اور 17 ستمبر، 2020ء کو عوامی سماعت منعقد کی۔ کووڈ-19 کی وجہ سے بڑے اقتصادی عوامل میں نمایاں تبدیلیوں کے پیش نظر، سرمایہ کاری منصوبے میں تبدیلی اور دیگر عوامل میں تبدیلی کے باعث، کمپنی نے، اپنے خط مؤرخہ یکم اکتوبر، 2020ء کے ذریعے اپنی، پہلے جمع کرائی گئی، درخواست میں تبدیلی کی ہے اور اس بارے میں نیپرا کے فیصلے کا انتظار ہے جس کے لیے کمپنی مسلسل ریگولیٹر کے ساتھ رابطے میں ہے۔

کے الیکٹرک کے ملٹی اینر ٹیرف پر ایپلیٹ ٹریبونل کے پاس زیر سماعت اپیل

طے شدہ ملٹی اینر ٹیرف کے تحت ٹیرف اسٹرکچر میں تبدیلی کے ساتھ ٹیرف کی سطح میں کمی کے پیش نظر، جس کے غیر معمولی منفی اثرات مرتب ہوئے ہیں، کے الیکٹرک نے ایپلیٹ ٹریبونل کے پاس ایک اپیل دائر کی ہے، جس پر فیصلہ تاخیر کا شکار ہے۔ حکومت پاکستان نے ایپلیٹ ٹریبونل کی تشکیل کے لیے نوٹیفکیشن جاری کر دیا ہے، تاہم، اس پر ابھی تک حکومت پاکستان کی جانب سے عمل نہیں کیا گیا ہے جبکہ معزز سپریم کورٹ نے بھی حکومت پاکستان کو ہدایت کی ہے کہ وہ ایپلیٹ ٹریبونل کو جلد از جلد فعال کرے جیسا کہ مختصر عبوری مالی گوشوراؤں کے نوٹ نمبر 1.4 میں واضح کیا گیا ہے۔


بورڈ آف ڈائریکٹرز

زیر جائزہ عرصے میں، ریاض ایس اے اے ادریس نے چیئرمین اور ڈائریکٹر کی حیثیت سے استعفیٰ دے دیا اور اُن کی جگہ شان اے اشعری کو مورخہ 07 ستمبر، 2020ء کو کے الیکٹرک لمیٹڈ کے بورڈ آف ڈائریکٹرز کا چیئرمین منتخب کیا گیا۔

اظہار تشکر

بورڈ، کمپنی کے حصص یافتگان اور صارفین کا اُن کے تعاون اور حمایت پر شکریہ ادا کرتا ہے اور کمپنی کے ملازمین کی کاوشوں کو سراہتا ہے۔


خالد فریج
ڈائریکٹر


سید مونس عبداللہ علوی
چیف ایگزیکٹو آفیسر

کراچی، 27 نومبر، 2020ء

K-ELECTRIC LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

		(Un-Audited)	(Audited)
		September 30, 2020	June 30, 2020
	Note	------(Rupees in '000)-----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	363,982,722	360,980,861
Intangible assets		265,678	312,822
Investment property		3,032,617	3,047,856
Long-term loans		15,946	16,529
Long-term deposits		11,258	11,258
		<u>367,308,221</u>	<u>364,369,326</u>
Current assets			
Stores, spares parts and loose tools		15,124,758	12,966,222
Trade debts	5	105,321,621	99,831,863
Loans and advances		1,629,138	1,806,416
Deposits and short-term prepayments		2,698,780	3,595,164
Other receivables	6	228,569,266	212,042,354
Taxation - net	7	100,805	1,080,823
Derivative financial assets		4,507,338	4,632,953
Cash and bank balances		2,107,047	3,088,813
		<u>360,058,753</u>	<u>339,044,608</u>
TOTAL ASSETS		<u><u>727,366,974</u></u>	<u><u>703,413,934</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital		<u>125,000,000</u>	<u>125,000,000</u>
Issued, subscribed and paid up capital		96,261,551	96,261,551
Reserves			
Share premium and other reserves		2,009,172	2,009,172
Surplus on revaluation of property, plant and equipment		57,881,871	59,232,336
Capital reserves		59,891,043	61,241,508
Revenue reserves		5,372,356	5,372,356
Unappropriated profit		50,244,461	47,782,956
		<u>115,507,860</u>	<u>114,396,820</u>
TOTAL EQUITY		<u>211,769,411</u>	<u>210,658,371</u>
LIABILITIES			
Non-current liabilities			
Long-term diminishing musharaka	8	27,994,845	27,920,786
Long-term financing		42,497,277	43,476,225
Lease Liabilities		94,248	97,226
Long-term deposits		11,906,143	11,718,860
Employee retirement benefits		5,064,555	5,262,039
Deferred revenue		24,522,732	24,814,138
		<u>112,079,800</u>	<u>113,289,274</u>
Current liabilities			
Current maturity of long-term diminishing musharaka		4,400,000	4,400,000
Current maturity of long-term financing		8,844,099	7,120,676
Current maturity of lease liabilities		24,327	23,474
Trade and other payables	9	285,053,041	267,630,980
Unclaimed dividend		645	645
Accrued mark-up		8,191,295	8,314,338
Short-term borrowings	10	76,733,603	72,544,367
Short-term deposits		20,263,253	19,424,309
Provision		7,500	7,500
		<u>403,517,763</u>	<u>379,466,289</u>
TOTAL LIABILITIES		<u>515,597,563</u>	<u>492,755,563</u>
TOTAL EQUITY AND LIABILITIES		<u><u>727,366,974</u></u>	<u><u>703,413,934</u></u>
Contingencies and Commitments	11		

The annexed notes 1 to 18 form an integral part of these financial statements.



Syed Moonis Abdullah Alvi
Chief Executive Officer



Khalid Rafi
Director



Muhammad Aamir Ghaziani
Chief Financial Officer

K-ELECTRIC LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Note	Three Months Period Ended	
		September 30, 2020	September 30, 2019
------(Rupees in '000)-----			
REVENUE			
Sale of energy – net		68,401,199	62,621,625
Tariff adjustment	12	17,148,508	27,339,443
		<u>85,549,707</u>	<u>89,961,068</u>
COST OF SALES			
Purchase of electricity	13	(27,582,204)	(26,870,302)
Consumption of fuel and oil	14	(37,456,175)	(44,319,479)
Expenses incurred in generation, transmission and distribution		(6,643,191)	(5,857,178)
		<u>(71,681,570)</u>	<u>(77,046,959)</u>
GROSS PROFIT		<u>13,868,137</u>	<u>12,914,109</u>
Consumers services and administrative expenses		(5,931,219)	(5,531,953)
Impairment loss against trade debts		(3,922,093)	(2,616,660)
Other operating expenses		(338,434)	(142,933)
Other income		1,490,107	3,048,985
		<u>(8,701,639)</u>	<u>(5,242,561)</u>
PROFIT BEFORE FINANCE COST		<u>5,166,498</u>	<u>7,671,548</u>
Finance cost		(3,020,580)	(3,642,834)
PROFIT BEFORE TAXATION		<u>2,145,918</u>	<u>4,028,714</u>
Taxation		(1,034,878)	(1,362,611)
NET PROFIT FOR THE PERIOD		<u><u>1,111,040</u></u>	<u><u>2,666,103</u></u>
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)		<u><u>10,191,529</u></u>	<u><u>12,103,555</u></u>
(Rupees)			
EARNING PER SHARE - BASIC AND DILUTED		<u><u>0.04</u></u>	<u><u>0.10</u></u>

The annexed notes 1 to 18 form an integral part of these financial statements.



Syed Moonis Abdullah Alvi
Chief Executive Officer



Khalid Rafi
Director



Muhammad Aamir Ghaziani
Chief Financial Officer

K-ELECTRIC LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Three Months Period Ended	
	September 30, 2020	September 30, 2019
	------(Rupees in '000)-----	
Net profit for the period	1,111,040	2,666,103
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Changes in fair value of cash flow hedges	108,599	(664,972)
Adjustment for amounts transferred to profit or loss	(108,599)	664,972
	-	-
Impairment recognised against revaluation surplus	-	(1,409,098)
Less: Taxation thereon	-	408,638
	-	(1,000,460)
	-	(1,000,460)
Total comprehensive income for the period	1,111,040	1,665,643

The annexed notes 1 to 18 form an integral part of these financial statements.



Syed Moonis Abdullah Alvi
Chief Executive Officer



Khalid Rafi
Director



Muhammad Aamir Ghaziani
Chief Financial Officer

K-ELECTRIC LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Issued, subscribed and paid-up capital			Reserves						Total	
	Ordinary shares	Transaction costs	Total share capital	Capital			Total	Revenue			
				Share premium	Others	Surplus on revaluation of Property, plant and equipment		General reserves	Unappropriated profit		Total
----- (Rupees in '000) -----											
Balance as at July 1, 2019	96,653,179	(391,628)	96,261,551	1,500,000	509,172	65,880,437	67,889,609	5,372,356	44,965,946	50,338,302	214,489,462
Total comprehensive income for the three months period ended September 30, 2019											
Profit for the period	-	-	-	-	-	-	-	-	2,666,103	2,666,103	2,666,103
Other comprehensive loss	-	-	-	-	-	(1,000,460)	(1,000,460)	-	-	-	(1,000,460)
	-	-	-	-	-	(1,000,460)	(1,000,460)	-	2,666,103	2,666,103	1,665,643
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	(1,563,134)	(1,563,134)	-	1,563,134	1,563,134	-
Balance as at September 30, 2019	<u>96,653,179</u>	<u>(391,628)</u>	96,261,551	<u>1,500,000</u>	<u>509,172</u>	<u>63,316,843</u>	65,326,015	<u>5,372,356</u>	<u>49,195,183</u>	54,567,539	216,155,105
Balance as at July 1, 2020	96,653,179	(391,628)	96,261,551	1,500,000	509,172	59,232,336	61,241,508	5,372,356	47,782,956	53,155,312	210,658,371
Total comprehensive income for the three months period ended September 30, 2020											
Profit for the period	-	-	-	-	-	-	-	-	1,111,040	1,111,040	1,111,040
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	1,111,040	1,111,040	1,111,040
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	(1,350,465)	(1,350,465)	-	1,350,465	1,350,465	-
Balance as at September 30, 2020	<u>96,653,179</u>	<u>(391,628)</u>	96,261,551	<u>1,500,000</u>	<u>509,172</u>	<u>57,881,871</u>	59,891,043	<u>5,372,356</u>	<u>50,244,461</u>	55,616,817	211,769,411

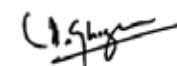
The annexed notes 1 to 18 form an integral part of these financial statements.



Syed Moonis Abdullah Alvi
Chief Executive Officer



Khalid Rafi
Director



Muhammad Aamir Ghaziani
Chief Financial Officer

K-ELECTRIC LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Three Months Period Ended	
	September 30, 2020	September 30, 2019
Cash Flows From Operating Activities	------(Rupees in '000)-----	
Profit before taxation	2,145,918	4,028,714
Adjustments for non-cash charges and other items:		
Depreciation and amortization	5,025,031	4,432,007
Provision for employee retirement benefits	255,564	278,983
Provision for slow moving and obsolete stores, spare parts and loose tools - net	55,766	1,995
Provision for debts considered doubtful	4,205,320	2,699,803
Loss / (Gain) on sale of property, plant and equipment	4,183	(1,615)
(Gain) / Loss on derivative financial assets	(108,599)	664,972
Finance cost	3,020,580	3,642,834
Amortization of deferred revenue	(524,785)	(485,026)
Return on bank deposits	(44,793)	(101,435)
Operating profit before working capital changes	<u>14,034,185</u>	<u>15,161,232</u>
Working capital changes:		
(Increase) / Decrease in current assets		
Stores, spare parts and loose tools	(2,214,302)	(736,998)
Trade debts	(9,695,078)	(10,371,465)
Loans and advances	177,278	73,817
Deposits and short term prepayments	896,384	219,801
Other receivables	(16,526,912)	(28,662,282)
	<u>(27,362,630)</u>	<u>(39,477,127)</u>
Increase in current liabilities		
Trade and other payables	17,422,061	21,409,561
Short-term deposits	838,944	1,188,269
	<u>18,261,005</u>	<u>22,597,830</u>
Cash generated from / (used in) operations	<u>4,932,560</u>	<u>(1,718,065)</u>
Employee retirement benefits paid	(453,048)	(153,093)
Income tax paid	(54,860)	(76,499)
Receipts in deferred revenue	233,379	586,649
Finance cost paid	(3,139,466)	(3,129,291)
Interest received on bank deposits	44,793	101,435
Long-term loans - net	583	889
Long-term deposits - net	-	1
	<u>(3,368,619)</u>	<u>(2,669,909)</u>
Net cash generated from / (used in) operating activities	<u>1,563,941</u>	<u>(4,387,974)</u>
Cash Flows From Investing Activities		
Capital expenditure incurred	(7,973,357)	(7,279,532)
Proceeds from disposal of property, plant and equipment	4,665	57,832
Net cash used in investing activities	<u>(7,968,692)</u>	<u>(7,221,700)</u>
Cash Flows From Financing Activities		
Long-term diminishing musharaka	74,059	(1,084,402)
Long-term financing - net	978,689	(1,915,848)
Lease Liability - net	(6,282)	(3,519)
Short-term borrowings - net	2,216,302	16,957,215
Security deposit from consumers	187,283	276,555
Net cash generated from financing activities	<u>3,450,051</u>	<u>14,230,001</u>
Net (decrease) / increase in cash and cash equivalents	<u>(2,954,700)</u>	<u>2,620,327</u>
Cash and cash equivalents at beginning of the period	(25,835,525)	(25,487,006)
Cash and cash equivalent at end of the period	<u>15 (28,790,225)</u>	<u>(22,866,679)</u>


The annexed notes 1 to 18 form an integral part of these financial statements.



Syed Moonis Abdullah Alvi
Chief Executive Officer



Khalid Rafi
Director



Muhammad Aamir Ghaziani
Chief Financial Officer

K-ELECTRIC LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

1. THE COMPANY AND ITS OPERATIONS

- 1.1 K-Electric Limited "the Company" was incorporated as a limited liability company on September 13, 1913 under the repealed Indian Companies Act, 1882 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The registered office of the Company is situated at KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi.
- 1.2 The Company is principally engaged in the generation, transmission and distribution of electric energy to industrial and other consumers under the Electricity Act, 1910 and the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 to its licensed areas. KES Power Limited (the Holding Company) incorporated in Cayman Island, holds 66.40 percent (June 2020: 66.40 percent) shares in the Company.
- 1.3 As notified on the Pakistan Stock Exchange on October 28 2016, Shanghai Electric Power Company Limited (SEP) has entered into a Sale and Purchase Agreement (SPA) with KES Power Limited (the Holding Company) to acquire up to 66.40 percent of the shares in the Company. The completion of the transaction contemplated by SPA is subject to receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein.

SEP notified its initial Public Announcement of Intention (PAI) for the above equity acquisition on October 3, 2016. Subsequently, in order to comply with the statutory requirements under the Securities Act, 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017, SEP notified fresh PAIs on June 29, 2017, March 29, 2018, December 25, 2018, September 30, 2019 and June 29, 2020 incorporating amended / additional requirements pursuant to the Securities Act, 2015 and the aforementioned regulations.

- 1.4 The Company, being a regulated entity, is governed through Multi Year Tariff (MYT) regime. Accordingly, National Electric Power Regulatory Authority (NEPRA) determines tariff for the Company for the tariff control period from time to time. The MYT which was determined in 2009 was for a seven-year period expired on June 30, 2016. On March 31, 2016, the Company filed a tariff petition with NEPRA for continuation of the MYT for a further 10 year period starting from July 1, 2016 along with certain modifications in the tariff. NEPRA vide its determination dated March 20, 2017, determined the MYT for the period commencing from July 1, 2016 till June 30, 2023 (MYT 2017-23). Considering that some of the assumptions in the MYT 2017-23 determined by NEPRA were not reflective of ground realities and would be detrimental to the long term investment plan and operations, the Company, in order to protect long term interest of the business filed a review motion with NEPRA on April 20, 2017.

NEPRA issued its decision on the Company's review motion and largely maintained its earlier decision. The Ministry of Energy (Power Division), Government of Pakistan (the GoP) on request of the Company filed a 'Reconsideration request' with NEPRA dated October 26, 2017 under Section 31 (4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act, 1997) to consider afresh its earlier determination to ensure that consumer interest in terms of continuous and efficient service delivery is maintained. NEPRA, vide its decision dated July 5, 2018 (MYT decision) in the matter of 'Reconsideration request' filed by the GoP, determined the revised MYT. The Company after considering that the MYT decision does not consider actual equity invested into the Company, applies notional capital structure based on the assumption of 70:30 debt to equity ratio and is a drastic departure from the previous structure without providing the Company an appropriate transition period, approached the Appellate Tribunal for the relief under Section 12G of the Act, 1997 [as amended]. The formation of Appellate Tribunal has been notified by the GoP, however, the same is yet to be made functional by the GoP, and in this regard the Hon'ble Supreme Court in HRC No. 20883/2018 vide order dated October 13, 2020 has directed the Federation of Pakistan to notify the Chairman and members of the Appellate Tribunal within two (02) weeks and submit a report, accordingly. The Company also approached the Sindh High Court (SHC) against the aforementioned MYT decision and filed a suit in which a stay order was granted on July 26, 2018. The Company, on April 3, 2019, withdrew the suit filed with SHC against MYT decision, as the Company decided to pursue its legitimate concerns / issues with Appellate Tribunal, however, reserves its right to again approach the SHC if required. The Ministry of Energy (Power Division) has notified the MYT decision through SRO 576 (I) /2019 dated May 22, 2019.

The Company's revenue for the three months period ended September 30, 2020 has been based on the aforementioned revised MYT decision.

- 1.5 The Company filed Mid Term Review petition with NEPRA on March 11, 2020, as per the mechanism included in the MYT decision dated July 5, 2018, for reassessment of impact of USD indexation on allowed Return on Equity due to variation in actual exchange rates against the projected exchange rates assumed in tariff, impact of changes in the investment plan and working capital requirements of the Company along-with adjustment on account of variation in KIBOR and LIBOR assumed in tariff projections as compared to actual rates and variation in sent-out growth assumed within tariff projections versus actual growth. Accordingly, through the petition, the Company had requested for increase in the base tariff of Rs. 1.64/kWh effective July 1, 2016. During the period, NEPRA held a public hearing on this matter on September 16 & 17, 2020. Further, considering the significant changes to macro-economic factors due to COVID-19, revision in investment plan and other changes in underlying factors, the Company has updated its earlier request through its letter dated October 1, 2020 and has requested for an increase of Rs. 1.21/kWh in the base tariff effective July 1, 2016. As the increase in tariff is currently subject to determination by NEPRA which is awaited, therefore, based on prudence, the related financial impacts have not been accounted for in these condensed interim financial statements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for international financial reporting comprise of:

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2020. These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by the listing regulations of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.

2.3 These condensed interim financial statements are presented in Pakistan Rupee which is also the Company's functional currency.

2.4 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments and interpretations to accounting and reporting standards that became effective during the period

The following standards, amendments and interpretations to accounting and reporting standards became effective for the first time and are relevant to the Company

IFRS 3 Definition of a Business

IAS 1 / IAS 8 Definition of Material

The adoption of the above standards, amendments and interpretations to accounting standards did not have any material effect on these condensed interim financial statements

b) Standards, amendments and interpretations to accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan are relevant to the Company and would be effective from the dates mentioned below against the respective standards, amendments or interpretation:

Standards, amendments or interpretation	Effective date (annual periods beginning on or after)
IAS 1 Classification of Liabilities as Current and Non-current	January 1, 2022
IAS 37 Amendments to Onerous Contracts	January 1, 2022

2.5 Accounting estimates, judgement and financial risk management

The preparation of these condensed interim financial statements, in conformity with the approved accounting and reporting standards for interim financial reporting requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates.

During the preparation of these condensed interim financial statements, there have been no changes in the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty from those that were applied to the annual audited financial statements of the Company for the year ended June 30, 2020.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended June 30, 2020.

3. ACCOUNTING POLICIES

3.1 The accounting policies and method of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the Company's annual audited financial statements for the year ended June 30, 2020.

3.2 The Company follows the practice to conduct actuarial valuation annually at the year end. Hence, the impact of remeasurement of post-employment benefit plans has not been incorporated in these condensed interim financial statements.

3.3 Taxes on income, in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

- 3.4 The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2020, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements of the Company for the three months period ended September 30, 2019.

	Note	(Un-Audited)	(Audited)
		September 30, 2020	June 30, 2020
----- (Rupees in '000) -----			
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	281,183,632	285,014,103
Capital work-in-progress		82,688,757	75,849,191
Right of use assets		110,333	117,567
		<u>363,982,722</u>	<u>360,980,861</u>

- 4.1 Additions and disposals of operating fixed assets during the period are as follows:

	(Un-Audited) Additions (at cost)		(Un-Audited) Disposals (at net book value)	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
----- (Rupees in '000) -----				
Plant and machinery	55,083	467,965	6,418	-
Transmission and distribution network	1,070,880	1,182,390	1,912	53,846
Others	7,799	405,625	518	2,371
	<u>1,133,762</u>	<u>2,055,980</u>	<u>8,848</u>	<u>56,217</u>

- 4.2 The above disposals represent assets costing Rs. 54.247 million (September 30, 2019: Rs. 299.851 million) which were disposed off for Rs. 4.665 million (September 30, 2019: Rs. 57.832 million)

	Note	(Un-Audited)	(Audited)
		September 30, 2020	June 30, 2020
----- (Rupees in '000) -----			
5. TRADE DEBTS			
Considered good			
Secured – against deposits from consumers		5,148,553	5,616,216
Unsecured		100,173,068	94,215,647
	5.1	<u>105,321,621</u>	<u>99,831,863</u>
Considered doubtful		<u>104,214,803</u>	<u>101,500,529</u>
Provision for impairment against debts considered doubtful	5.2	<u>(104,214,803)</u>	<u>(101,500,529)</u>
		<u>105,321,621</u>	<u>99,831,863</u>

- 5.1 These balances do not include any Late Payment Surcharge (LPS) on receivables from public sector consumers as fully explained in note 11.1, on the principal that due to the circular debt situation, the LPS should only be received by the Company from its public sector consumers, if any surcharge is levied on the Company on account of delayed payments of its public sector liabilities.

As at September 30, 2020, receivable from government and autonomous bodies amounting to Rs. 52,961 million (June 2020: Rs. 49,177 million) includes unrecognized LPS of Rs.8,483 million (June 2020: Rs.8,202 million); which includes receivable from Karachi Water and Sewerage Board (KW&SB) amounting to Rs.34,445 million including LPS of Rs 4,340 million (June 2020: Rs. 32,537 million including LPS of Rs. 4,200 million) and receivable from City District Government Karachi (CDGK) amounting to Rs. 11,503 million including LPS of Rs. 1,793 million (June 2020: Rs. 10,748 million including LPS of Rs. 1,696 million).

Upto September 30, 2020, adjustment orders have been received from the Government of Sindh (GoS) whereby the Company's liability amounting to Rs. 12,434 (June 30, 2019: Rs. 12,434 million) on account of electricity duty has been adjusted against the KW&SB dues.

	Note	(Un-Audited) September 30, 2020	(Audited) June 30, 2020
----- (Rupees in '000) -----			
5.2	Provision for impairment against debts considered doubtful		
	Opening balance	101,500,529	96,978,188
	Provision recognized during the period / year	4,205,320	13,964,046
		<u>105,705,849</u>	<u>110,942,234</u>
	Write-off against provision during the period / year	5.3 (1,491,046)	(9,441,705)
		<u>104,214,803</u>	<u>101,500,529</u>

5.3 This includes write-off of Rs.642 million (June 30, 2020: Rs. 7,492 million) to be claimed as tariff adjustment in accordance with the criteria prescribed by NEPRA as explained in note 12.2.

6. OTHER RECEIVABLES

Considered good

Sales tax - net		7,802,760	9,272,130
Due from the Government of Pakistan (GoP) and Government of Balochistan (GoB) - net			
- Tariff adjustment		220,451,600	202,455,318
- Interest receivable from GoP on demand finance liabilities		237,173	237,173
		<u>220,688,773</u>	<u>202,692,491</u>
Others		77,733	77,733
		<u>228,569,266</u>	<u>212,042,354</u>

7. TAXATION - NET

There is no significant change in the status of the tax related contingencies as disclosed in notes 42.1 and 42.2 of the annual financial statements of Company for the year ended June 30, 2020.

	Note	(Un-Audited) September 30, 2020	(Audited) June 30, 2020
----- (Rupees in '000) -----			
8.	LONG-TERM DIMINISHING MUSHARAKA		
	KE Sukuk of Rs. 22,000 million	7,656,693	8,745,935
	KE Sukuk of up to Rs. 25,000 million	8.1 24,738,152	23,574,851
		<u>32,394,845</u>	<u>32,320,786</u>
	Less:		
	Current maturity shown under current liabilities	(4,400,000)	(4,400,000)
		<u>27,994,845</u>	<u>27,920,786</u>

8.1 During the year ended June 30, 2020, the Company received inflows from pre-IPO Sukuk investors aggregating to Rs. 23,708 million, while the remaining portion of the Sukuk issue amounting to Rs. 1,292 million was received from IPO investors during the 3 months period ended Sep 30, 2020. The above transactions were recorded net off transaction costs. All the proceeds from the issue of Sukuk have been utilized to fund routine operational and capital expenditure requirements of the Company and to settle bridge term finance facility amounting to Rs. 20,000 million availed from Habib Bank Limited. The Sukuk carries profit at the rate of 3 months KIBOR + 1.7% with tenor of seven years from the issue date. The Company, in this respect, entered into a diminishing musharaka agreement with the investment agent, Pak Brunei Investment Company Limited (trustee on behalf of the Sukuk holders) as a co-owner of the musharaka assets. Under this arrangement the Company sold the beneficial ownership of the musharaka assets i.e. fixed assets located at Grid Stations (excluding any immovable properties), to the investment agent (for the benefit of Sukuk holders) although legal title remains with the Company. The overall arrangement has been accounted for in these financial statements on the basis of substance of the transaction.

		(Un-Audited) September 30, 2020	(Audited) June 30, 2020
	Note	----- (Rupees in '000) -----	
9. Trade and other payables			
Power purchases		181,921,497	166,541,185
Fuel and gas		23,918,946	23,125,229
Others		26,517,075	27,958,146
		<u>232,357,518</u>	<u>217,624,560</u>
Accrued expenses		4,407,999	3,929,817
Advances / Credit balances of consumers		7,654,224	6,120,531
Other liabilities including claw-back		40,633,300	39,956,072
		<u>285,053,041</u>	<u>267,630,980</u>
10. SHORT-TERM BORROWINGS			
From banking companies			
Bills payable		20,542,391	23,113,810
Short term running finances		30,897,272	28,924,338
Bridge term finance facility - 1		-	3,400,000
Bridge term finance facility - 2	10.1	6,883,620	-
		<u>58,323,283</u>	<u>55,438,148</u>
From others			
KES Power Limited - Holding Company - unsecured		15,713	17,598
Islamic Commercial Papers		18,394,607	17,088,621
		<u>76,733,603</u>	<u>72,544,367</u>

10.1 This represents drawdown under bridge term finance facility of Rs. 20 billion entered into on July 29, 2020 with a syndicate of local commercial banks for partially funding BQPS-III combined cycle power plant and associated transmission projects of the Company. The facility carries mark-up at 3-month KIBOR + 2% per annum, payable in quarterly instalments. The settlement of the facility is planned through the proceeds of long-term financing. The facility is secured by way of first pari-passu hypothecation charge over specific fixed assets, specific collections and lien over certain accounts.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

There has been no significant change in the status of contingencies as disclosed in notes 32.1.1 to 32.1.7 of the annual financial statement of the Company for the year ended June 30, 2020; except for the following:

11.1.1 During the period, the Supreme Court of Pakistan vide its decision dated August 13, 2020, has dismissed all the petitions and related appeals in the matter of GIDC and declared GIDC Act 2015 to be valid, being within the legislative competence of the parliament, based on the fact that every industrial and commercial entity using natural gas for its business activity must have claimed the burden of the Cess as their business expense, being part of the cost of their goods sold or services rendered, and got it adjusted against their business profits. Further, the companies responsible under the GIDC Act 2015, to collect the cess were directed to recover all arrears of GIDC due but not recovered upto July 31, 2020, in 24 equal monthly installments starting from August 1, 2020 without the component of late payment surcharge. The Company obtained stay from Sindh High Court in Suit no. 1420 of 2020 against the above decision of the Supreme Court of Pakistan restraining SSGC and GOP from taking any coercive action for non-payment of installments of GIDC arrears, on the grounds amongst others that the Company falls within the category of gas consumers who have neither accrued the GIDC in their books nor passed onto their consumers through addition in the cost of electricity. Therefore, the Supreme Court's judgement does not apply to the Company. Further, a review petition has also been filed by the Company before the Supreme Court of Pakistan on similar grounds.

Subsequent to the period end, the Supreme court of Pakistan vide its decision in the month of November 2020, dismissed all the review petitions filed against its decision dated August 13, 2020 thereby increasing the number of installments from 24 to 48. However, the stay granted by High Court of Sindh still holds the field.

The Company's legal counsel is of the opinion that the Company has raised substantive grounds for reviewing its Suit No. 1420 of 2020 filed before SHC and that the suit has fairly reasonable prospects of success. Accordingly, no liability in respect of GIDC has been recognised in these financial statements. However, if the eventual outcome of this the suit filed before SHC results in any amount payable by the Company on account of GIDC, it will be ultimately recovered through the MYT as a pass-through item.

11.2 Claims not acknowledged as debts

11.2.1 Claims not acknowledged as debts as disclosed in notes 32.2 to the annual financial statements of the Company for the year ended June 30, 2020 remain substantially unchanged except for the following claims:

	<u>(Un-Audited)</u> <u>September 30,</u> <u>2020</u>	<u>(Audited)</u> <u>June 30,</u> <u>2020</u>
	----- (Rupees in '000) -----	
Outstanding dues of property tax, water charges, custom duty, ground rent and occupancy value	9,178,200	9,652,190

11.3 Commitments

11.3.1	Guarantees from banks	6,033,047	6,023,583
11.3.2	Transmission projects	5,833,087	1,504,765
11.3.3	Transmission Project (TP-1000)	5,426,889	6,458,225
11.3.4	BQPS III 900 MW combined cycle power plant & associated transmission project	36,202,270	53,967,541
11.3.5	Outstanding letters of credit	18,880,845	4,346,271
11.3.6	Dividend on preference shares	1,119,453	1,119,453

The Company has not recorded any dividend on redeemable preference shares in view of certain restrictions on dividend placed under loan covenants by certain local and foreign lenders.

11.3.7 Commitments for rentals under Ijarah facilities obtained from Islamic banks in respects of vehicles are as follows:

	Note	<u>(Un-Audited)</u> <u>September 30,</u> <u>2020</u>	<u>(Audited)</u> <u>June 30,</u> <u>2020</u>
		----- (Rupees in '000) -----	
- not later than one year		395,677	339,081
- later than one year and not later than five years		1,582,708	1,356,324

		<u>(Un-Audited)</u>	
		<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>
		----- (Rupees in '000) -----	
12.	TARIFF ADJUSTMENT	17,148,508	27,339,443

12.1 This represents tariff differential subsidy claim for variation in fuel prices, cost of power purchases, operation and maintenance cost, being adjustments required as per NEPRA's MYT decision and those resulting in adjustment of tariff due from Government.

12.2 Includes Rs. 642 million comprising dues of 2,035 customers (2019: Rs 766 million comprising dues of 8,817 consumers) recognized during the three months period ended September 30, 2020 against actual write-off of bad debts, as allowed by NEPRA under the MYT decision dated July 5, 2018 for the period from July 1, 2016 to June 30, 2023.

		(Un-Audited)	
		September 30, 2020	September 30, 2019
		----- (Rupees in '000) -----	
13.	PURCHASE OF ELECTRICITY		
	Central Power Purchasing Agency (Guarantee) Limited (CPPA) / NTDC	16,085,616	13,886,462
	Independent Power Producers (IPPs)	10,696,254	12,811,699
	Karachi Nuclear Power Plant (KANUPP)	800,334	172,141
		<u>27,582,204</u>	<u>26,870,302</u>
14.	CONSUMPTION OF FUEL AND OIL		
	Natural gas	20,516,111	20,091,148
	Furnace and other fuel / oil	16,940,064	24,228,331
		<u>37,456,175</u>	<u>44,319,479</u>
15.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	2,107,047	4,147,959
	Short-term running finances	(30,897,272)	(27,014,638)
		<u>(28,790,225)</u>	<u>(22,866,679)</u>

16. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, state-controlled entities, staff retirement benefit plans and the Company's directors and key management personnel. Details of significant transactions with related parties other than those disclosed elsewhere in these condensed interim financial statements are as follows:

		(Un-Audited)	
		September 30, 2020	September 30, 2019
		----- (Rupees in '000) -----	
16.1	Central Power Purchasing Agency (Guarantee) Limited (CPPA) / NTDC	Power purchases	<u>16,085,616</u>
			<u>13,886,462</u>
16.2	Pakistan State Oil Company Limited (PSO)	Purchase of furnace oil & other lubricants	<u>18,179,636</u>
			<u>22,890,928</u>
16.3	Sui Southern Gas Company Limited (SSGC)	Purchase of gas	<u>20,516,111</u>
			<u>20,091,148</u>
16.4	BYCO Petroleum Pakistan Limited	Purchase of furnace oil & other lubricants	<u>209,754</u>
			<u>962,428</u>
16.5	Provident fund	Contribution to provident fund	<u>275,784</u>
			<u>238,300</u>
16.6	Key management personnel	Managerial remuneration	<u>115,349</u>
		Other allowances and benefits	<u>31,400</u>
			<u>33,982</u>

17. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on November 27, 2020 by the Board of Directors of the Company.

18. GENERAL

18.1 All figures have been rounded off to the nearest thousand of Pakistan Rupees, unless otherwise stated



Syed Moonis Abdullah Alvi
Chief Executive Officer



Khalid Rafi
Director



Muhammad Aamir Ghaziani
Chief Financial Officer



K-Electric



KElectricPk



@KElectricPk



KElectricPk



KElectricPk



www.ke.com.pk



KE Live

KE House, 39-B, Sunset Boulevard,
Phase II [Ext], DHA, Karachi, Pakistan. UAN: [+92 21] 111- 537- 211