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# Annual General Meeting

July 30, 2019

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# Key Financial Highlights



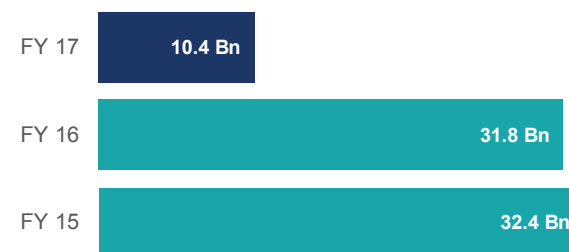
## Key Highlights

- Significant reduction in base tariff level along with change in tariff structure impacted company's profitability
- RoE declined from 18.6% to 5.7% which is well below the returns earned by IPPs (26% to 39%). The Company continues to pursue its right to review of MYT in the Appellate Tribunal
- Continued investments across the value chain resulted in net increase of PKR 14,253 Million in Property, Plant & Equipment (PPE) during FY 17

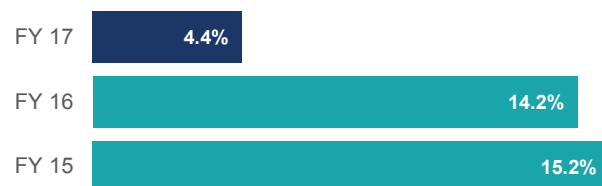
## EBITDA (↓ 39.4%)



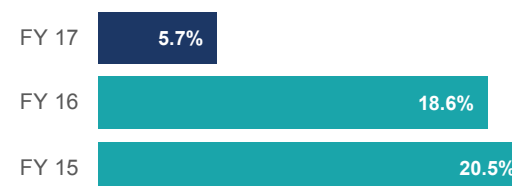
## Net Profit (↓ 67.2%)



## Return on PPE<sup>1</sup> 4.4%



## Return on Equity<sup>2</sup> 5.7%



1. Property, Plant & Equipment

2. Equity includes surplus and excludes accumulated losses

# Business Review



## Operations

### Generation and Transmission

- Fleet efficiency rose to 37% in FY 2017 (vs 30% in FY 2009).
- Addition of FPCL (May 2017), SNPC (January 2018) and Oursun (November 2018) with a capacity of 52 MW, 101 MW and 50 MW, respectively.
- TP-1000 worth USD 450 million is on track - Expected completion in 2nd Quarter of FY 2020.

### Distribution

- T&D Losses stood at 21.7% in FY 17 vs 22.2% in FY 16.
- Recovery Ratio at 90.04% in FY 17 vs 87.64% in FY 16.
- 130 new feeders were added to the system.
- 3,100 PMTs converted to Aerial Bundle Cables (ABCs).
- Nine IBC on wheels vehicles were introduced to better facilitate consumers.

### Business Development

- KE has initiated groundwork for a 900MW, RLNG based generation plant.
- 700 MW: The Company is planning a 700 MW coal fired power plant for which an upfront tariff and the generation license is issued by NEPRA. COD is expected in 4<sup>th</sup> quarter of FY 2022.
- Gharo Solar: A 50 MW solar IPP is under construction and expected to be commissioned by the end of 2<sup>nd</sup> Quarter of FY 2020.

# Business Review

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## MYT Update

- NEPRA issued its decision on the Reconsideration Request filed by the Ministry of Energy (Power Division) on July 5, 2018, which was notified on May 22, 2019.
  - NEPRA Determined MYT ignores actual equity invested and applies certain notional assumptions including 70:30 debt to equity ratio, therefore, KE sought legal recourse in the matter through Appeal with the Appellate Tribunal – filed with Ministry of Energy (Power Division) in lieu of the Appellate Tribunal.
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## Acquisition by SEP

- SEP filed Intention to Acquire KE on 3rd October 2016. Fresh intention to offer issued on 29th June 2017, 29th March 2018 and 25th December 2018 in view of expiry of initial filing due to pending approvals.
  - National Security Clearance is in process/awaited.
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## Major Challenges

- Supply - Demand gap widening with increase in demand and new connections. Further, delays in MYT finalization have resulted in consequential delays in KE's planned investments including key strategic generation projects (i.e. 900 MW BQPS III and 700 MW Coal IPP).
  - Circular debt – outstanding receivables from various Federal and Provincial government entities.
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Thank You

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# Backup Pages

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# Profit & Loss Account – FY 17 & FY 16



PKR Million	FY 17	FY 16 (Restated)	Increase / (Decrease)	
<b>Revenue</b>	<b>183,855</b>	<b>188,607</b>	<b>(4,752)</b>	<b>▼ (2.5%)</b>
Power Purchases	(61,665)	(54,309)	7,356	13.5%
Cost of Fuel	(61,467)	(57,266)	4,200	7.3%
<b>Cost of Fuel &amp; Power Purchases</b>	<b>(123,132)</b>	<b>(111,576)</b>	<b>11,556</b>	<b>▲ 10.4%</b>
<b>Contribution Margin</b>	<b>60,723</b>	<b>77,031</b>	<b>(16,308)</b>	<b>▼ (21.2%)</b>
▶ O&M	(24,627)	(22,396)	(2,231)	▲ 10.0%
Provision against doubtful debts	(18,141)	(15,211)	(2,930)	▲ 19.3%
▶ Other Income – Net	8,144	3,611	4,533	▲ 125.5%
<b>Total Expenses (Net of Income)</b>	<b>(34,624)</b>	<b>(33,996)</b>	<b>(628)</b>	<b>▲ 1.8%</b>
<b>EBITDA</b>	<b>26,100</b>	<b>43,035</b>	<b>(16,935)</b>	<b>▼ (39.4%)</b>
Depreciation Expense	(13,497)	(12,984)	513	4.0%
<b>EBIT</b>	<b>12,603</b>	<b>30,051</b>	<b>(17,448)</b>	<b>▼ (58.1%)</b>
▶ Finance Cost	(3,891)	(5,100)	1,209	▼ (23.7%)
<b>Profit Before Taxes</b>	<b>8,712</b>	<b>24,951</b>	<b>(16,239)</b>	<b>▼ (65.1%)</b>
Taxation – (Net)	1,708	6,856	(5,148)	(75.1%)
<b>Net Income</b>	<b>10,419</b>	<b>31,807</b>	<b>(21,388)</b>	<b>▼ (67.2%)</b>

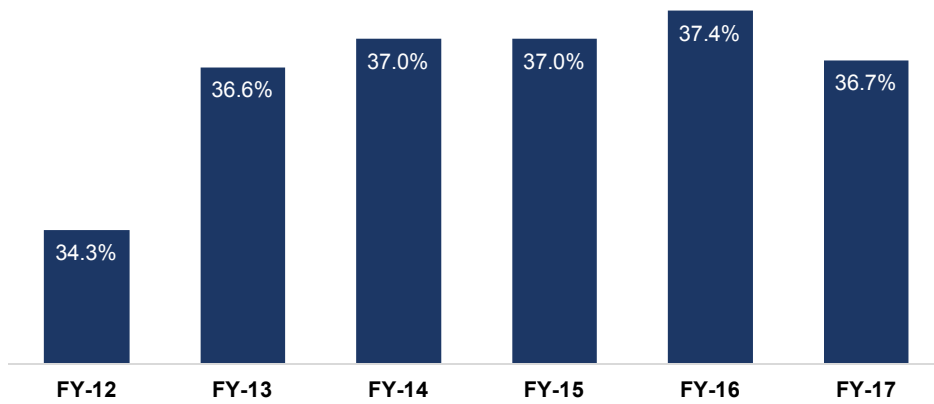
## Reasons for Major Variations

- Decrease due to reduction in base tariff along with change in tariff structure, despite 0.5% points improvement in T&D losses  
  
FY 17 revenue includes actual write-off claims of PKR 6.2 Billion and no provision in respect of claw-back is recognized (c. PKR 9 Billion recognized in FY 16)
- Provision for Doubtful Debts for PSC consumers increased by PKR 3.4 Billion (related to PSC reconciliation process adjustments)
- Due to non-applicability of WWF, no charge recognized in FY 17 (FY 2016: c. PKR 536 Million) while reduced overall profitability resulted in decline in charge of WPPF by c. PKR 882 Million  
  
Further, gain on disposal of fixed assets and income from service connection charges increased by c. PKR 1 Billion and c. PKR 742 Million respectively
- Reduction in financial charges mainly due to lower average borrowing rates (FY 17: 6.16%; FY 16: 6.37%) along with lower utilization of credit lines. Further, repayment of syndicate long-term facility c. PKR 2.2 Billion and KE AZM Sukuk c. PKR 3.75 Billion resulted in reduced mark-up
- Deferred Tax Asset amounting to PKR 504 Million reversed during the year to cap it to the extent of Deferred Tax Liability (FY 16: Deferred Tax Asset of PKR 6.2 Billion recognized)

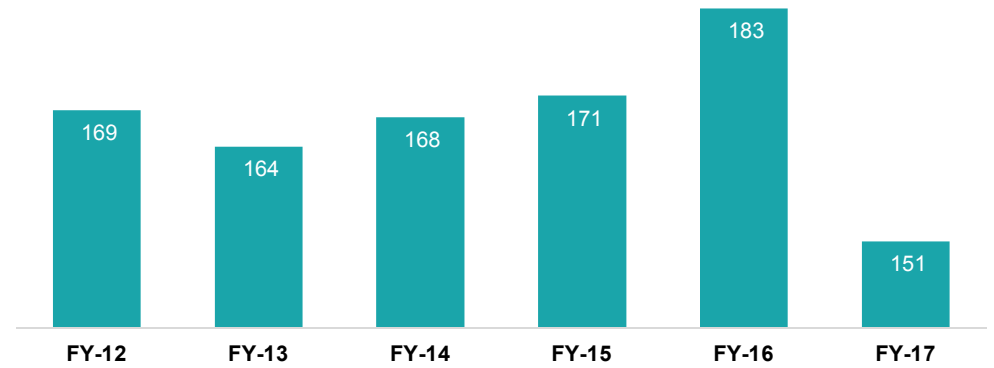
# GAS supply and Efficiency



Efficiency %



Gas supply (MMCFD)





# Receivables & Payables – Government Entities / Departments



## Receivables from Government Entities / Departments (PKR Bn)

### Federal Government

Tariff Differential Claims <sup>1</sup>	125.7
KWSB “Strategic Customer”	31.3
Interest on FIP Loan	0.2
Other Federal Departments, Bodies	4.5

**Total Receivables – Federal Government 161.7**

### Provincial Governments

Government of Sindh (GoS) Departments / Entities	18.4
Agriculture Subsidy (GoB)	2.6

**Total Receivables – Provincial Government 21.0**

**Total Receivables 182.7**

## Payables to Government Entities / Departments (PKR Bn)

NTDC / CPPA – G	84.9
SSGC <sup>2</sup>	13.7
Other Federal / Provincial Dues	6.1

**Total Payables 104.7**

**PKR 78  
Billion**

**Net Receivables  
from Government  
Entities /  
Departments**

- Continuous engagements with relevant departments and entities being done for expedient release of outstanding dues – important to ease up the working capital position and to enable KE execute planned investments in a timely manner
- KE is in discussions for signing of a Power Supply Agreement with KWSB with a GoS guarantee around KWSB receivables – however, dues prior to expiry of the Implementation Agreement (April, 2016) are still outstanding and GoS is of the view that these are receivable from GoP

1. Includes pending tariff variations

2. Payable balance includes c. PKR 4.67 Billion refundable on account of GIDC

# Receivables & Payables – Government Entities / Departments (FY-17)



Receivables from Government Entities / Departments (PKR Bn)		—	Payables to Government Entities / Departments (PKR Bn)		=	<b>PKR 14.713 Billion</b>  <b>Net Receivables from Government Entities / Departments</b>
Tariff Differential Claims <sup>1</sup>	29.810		NTDC / CPPA – G	42.601		
KWSB “Strategic Customer”	33.173		SSGC <sup>2</sup>	18.409		
CDGK	12.740		<b>Total Payables</b>	<b>61.010</b>		
<b>Total Receivables</b>	<b>75.723</b>					

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