



Minutes of 107th Annual General Meeting (AGM) of K-Electric Limited (KE)
held on Tuesday, 30 July 2019 at 10:30 a.m.
at Pearl Continental, Karachi.

Present

| | | |
|---------------------------|----|---|
| Ikram Ul-Majeed Sehgal | .. | Chairman |
| Syed Moonis Abdullah Alvi | .. | Chief Executive Officer |
| Khalid Rafi | .. | Independent Director |
| Waseem Mukhtar | .. | Director / GOP Proxy attended through telecon |
| Mubasher H. Sheikh | .. | Director |
| Adeeb Ahmad | .. | Director |
| Muhammad Rizwan Dalia | .. | Chief People Officer & Company Secretary |
| Muhammad Aamir Ghaziani | .. | Chief Financial Officer |
| Dale Sinkler | .. | Chief Generation & Transmission Officer |
| Eram Hasan | .. | Chief Strategy Officer |
| Amer Zia | .. | Chief Distribution Officer |
| Syed Fakhar Ahmed | .. | Chief Marketing & Communication Officer |
| Wahid Asghar | .. | Chief of Security |
| Asif Raza | .. | Chief Internal Auditor |
| Faizan Mahmood | .. | Chief of Information Technology |
| Abbas Hussain | .. | Deputy Chief Transmission Officer |
| Khalid Bashir Malik | .. | Deputy Chief Generation Officer |
| Ahsan Anis | .. | Head of Strategy & Commercial Planning |
| Hammad Khalid | .. | Director People Services |
| Jamil A. Bajwa | .. | Director Employee Relations |
| Rizwan Pesnani | .. | Head of Treasury and Corporate Finance |
| Muhammad Ali | .. | Director Financial Budgeting & Planning |
| Syed Irfan Ali Shah | .. | Head of Legal Affairs |
| Noor Afshan | .. | Deputy Director Communication |
| Muhammad Rafiq | .. | Advisor Corporate Affairs |
| Abdul Basit Ghouri | .. | General Manager Financial Reporting |
| Mohammad Atif | .. | General Manager Corporate Affairs & Payroll & Funds |

Shareholders

| | |
|------------------------|--------------------------|
| Muhammad Arif Bilvani | Folio # 5189 |
| Muhammad Farooq | Folio # 8327 |
| Malik Bakhtiar Aziz | Folio # 15197 |
| M. Siddiq Shujaat | CDC Account # 5348-2076 |
| Muhammad Hanif | CDC Account # 3038-7215 |
| Muhammad Zubair Ellahi | CDC Account # 12484-1891 |

Representatives of the Auditors

M/s. A.F. Ferguson & Co.

Waqas Aftab Sheikh
Osama Moon
Noman Abbas Shaikh
Junaid Mesia
Hayat Ahmed Paracha





M/s. BDO Ebrahim & Co.

Mustafa Lakani
Raheel Shahnawaz

Leave of absence to the directors who could not attend due to a reasonable cause.

| | | |
|---------------------------------|----|------------------------|
| Chaudhary Khaqan Saadullah Khan | .. | Director |
| Dr. Ahmed Mujtaba Memon | .. | Director (GOP Nominee) |
| Muhammad Zubair Motiwala | .. | Director (GOP Nominee) |
| Nayer Hussain | .. | Director |
| Shan A. Ashary | .. | Director |

(The complete list of shareholders who attended the AGM is available at the registered office of the Company)

As per schedule of the meeting, the Board members and the shareholders of the Company occupied their seats in meeting hall at 10:30 a.m.

The Chairman inquired the Company Secretary whether the quorum was complete. The Company Secretary stated that the quorum i.e. a minimum of ten (10) members with not less than 25% voting power, was present and proxies as detailed below had been deposited with the Company:

| <u>In favor of</u> | <u>By</u> | <u>No. of Shares</u> | <u>%age</u> |
|--------------------|-------------------|----------------------|-------------|
| 1. CEO, KE | KES Power | 18,335,542,678 | 66.40 |
| 2. Waseem Mukhtar | Govt. of Pakistan | 6,726,912,278 | 24.36 |
| | Grand Total | 25,062,454,956 | 90.76 |

As the quorum was complete, the Chairman announced to commence the meeting. The meeting commenced with recitation from the Holy Quran by Qari Muhammad Bilal Rumi. The Chairman welcomed the members at the 107TH AGM of the Company.

The Company informed the members about the sad demise of a senior shareholder Mr. Chaudhry Mazhar Ali, last year. The members prayed to Almighty Allah to bless the departed soul in eternal peace.

Agenda Item # 1

Confirmation of Minutes of 106th AGM held on 19 September 2017

The Chairman stated that the Minutes of 106th AGM held on 19 September 2017 had been provided to the members and would have been read by them.

Malik Bakhtiar Aziz (15197) proposed, Muhammad Farooq (8327) seconded and the following resolution was passed:

RESOLVED THAT the Minutes of 106th AGM of the Company held on 19 September 2017 be and are hereby confirmed.

Agenda Item # 2

KE Annual (Audited) Financial Statements for the year ended 30 June 2017

The Chairman stated that the members would have gone through the Financial Statements of the Company for the year ended 30 June 2017 and invited the CEO and CFO to give a brief update on performance of the Company.

CEO stated that significant reduction in base tariff along with change in tariff structure negatively impacted profitability of the Company and consequently, net profit of the Company declined by 67.2% to PKR 10.4 billion from PKR 31.8 billion in FY16. CEO further stated that, despite uncertainty on MYT during the period, key operational indicators including sent-out growth, T&D loss and Recovery ratio improved and capital expenditure spending's remained on track. However, key financial indicators deteriorated due to unfavorable tariff which would be contested in Appellate Tribunal to safeguard legitimate interest of the Company.

CFO then presented to the Board key highlights of the financial statements under review and comparison with the actual for last year (FY16) as follows:

| | FY17 | FY16 | % incr /(dec) |
|--|---------|---------|---------------|
| Financial Indicators | | | |
| * EBITDA | 26.1 Bn | 43.0 Bn | (39.4%) |
| * Net Profit | 10.4 Bn | 31.8 Bn | (67.2%) |
| * Return on PPE | 4.4 % | 14.2 % | |
| * Return on Equity | 5.7 % | 18.6 % | |
| Operational Indicators | | | |
| * T&D losses | 21.7 % | 22.2 % | (0.5%) |
| * Recovery Ratio | 90.04 % | 87.64 % | 2.4% |
| * 130 new feeders added to the system | | | |
| * 3100 PMTs converted to Aerial Bundle Cables (ABCs) | | | |

Responding to various queries of Arif Bilvani, M. Zubair Ellahi, Siddiq Shujaat, Muhammad Hanif, Malik Bakhtiar and other members, CEO and other members of KE Management responded as follows:

- i) Shanghai Electric Power (SEP) public announcement to acquire up to 66.4% voting shares of K-Electric from KES Power Limited (KESP) was still valid subject to completion of certain conditions precedent and after obtaining requisite regulatory approvals.
- ii) Insofar as KE's own generation and power purchase was concerned, the Company had to follow NEPRA's guidelines which require economic dispatch order. Therefore, the Company had to first generate / purchase the cheapest electricity including purchase of power from IPPs / NTDC which was less expensive than furnace oil based power plants of the Company. In view of the foregoing, the key operational indicator is units sent out which have increased during the year.
- iii) Variation in fuel price was adjusted based on quarterly tariff adjustment mechanism. However, consumer tariff is notified by Ministry of Energy (MoE), GOP and the

difference between NEPRA determined tariff and MoE notified consumer tariff, is borne by GoP as Tariff Differential Claims (TDC).

- iv) Increase in consumers' services and administrative expenses was mainly attributable to increase in the provision for doubtful debts to PKR 18 billion in FY17 from PKR 15 billion in FY16 as fully described in note 36 to financial statements. Consumer category-wise (i.e. domestic, industrial, commercial & government entities) amount of trade debts, CFO referred to note 10 and 10.2 to financial statements. Note 10 shows gross trade debts approximately amounting to PKR 103 billion whereas after deducting the adjustments of PKR 52 billion as mentioned in note 10.2, the remaining amount of PKR 51 billion is receivable from public sector / government consumers. Whereas, the policy for provision for doubtful debts is based on historical trend and international accounting standards which is reviewed by audit committee and external auditors and finally approved by the Board. No provision is made against receivables from Public Sector Consumers as these are not considered doubtful.
- v) Payment of dividend only to minority shareholders subject to waiver by majority shareholders was proposed in FY 2012 which could not materialize as all the required waivers were not available, details were posted on PSX website.
- vi) With regard to 700 MW Coal IPP, DPKPG at Bin Qasim, the proposed transaction for acquisition of CDTO's 51% equity in DPKPG was under consideration. Alongside, financial close of the project and resolution of certain issues primarily the use of imported or local coal to fuel the plant and tariff notification for the project is being actively pursued with MoE, clarity on the future of the project is expected to be visible in a couple of months.
- vii) With regard to 900 MW BQPS-III project, technical and commercial score cards were complete, and efforts are being made to award EPC contract at the earliest. After commissioning of 900 MW BQPS-III project by the year 2021, less efficient BQPS-I plant would be used only to meet peak demand. Further, RLNG at distribution tariff is expensive than FO and therefore efforts are being made to purchase RLNG at transmission tariff which would be cheaper than FO.
- viii) New IPPs / CPPs include Ghara Solar 50MW (Nov 19), Lotte 11 MW (Oct 19) and NTDC additional 150 MW available since June 19 for a period of two years. With regard to generation plants, up to a capacity of 500 MW in collaboration with Western Electric Limited and 200 MW power plant at Baldia, the projects are still under discussion, however, Company's main focus was on its landmark 900 MW BQPS-III project.
- ix) TP-1000 project was 85% complete and the remaining work / projects would be completed / commissioned by 31 December 2019. TP-1000 project added approximately 1000 MVA to transmission capacity and reliability of transmission infrastructure and positively contributed to load management and as result the trippings in summer 2019 were much less than last year. 70% Karachi was now load shed free and interruption in power supply in industrial area is due to certain faults due to rain and cannot be termed as load shed.

- x) Updating on ABC roll out, during FY17 3100 PMTs were executed and more PMTs would be executed in subsequent years which would reduce T&D loss, improve recovery and distribution system efficiency.
- xi) Responding to a query about increase in professional charges, the increase was mainly attributable to legal and professional services acquired in connection with MYT petition and other important issues to defend legitimate interests of the Company.
- xii) With regard to withdrawal of OPIC finance facility, it was due to certain technical issues on the part of OPIC due to proposed majority equity stake in KE by SEP. Local syndicate finance facility of PKR 23.5 billion was arranged as a replacement to OPIC financing. On issue of KE SUKUK of up to PKR 25 billion, the effective rate of markup on foreign loan used to be higher than local loan as foreign loan has to be hedged which increases the cost of borrowing.
- xiii) Responding to an observation with regard to supply of electricity in encroached / unauthorized areas, such areas are developed and occupied without the consent /NOC of KE. Once these areas are occupied, they use electricity through illegal means, therefore, KE has to provide them electricity connections to recover its legitimate revenue.

Proposed by Malik Bakhtiar Aziz (15197), seconded by Muhammad Farooq (8327), the following resolution was passed:

RESOLVED THAT K-Electric's Annual Audited Financial Statements for the year ended 30 June 2017, along with the Chairman's Review & Directors' Report and Auditors' Report thereon be and are hereby approved and adopted.

Agenda Item # 3 Election of Directors

Chairman informed the members that as the number of persons who have offered themselves for election is equal to the number of directors fixed under section 159(1) of the Companies Act, 2017, all the thirteen (13) candidates are deemed to be elected as directors of the Company. He requested one of the members to propose their election / appointment and another to second. Malik Bakhtiar Aziz (15197) proposed, seconded by Siddiq Shujaat (5348-2076) and the following resolution was unanimously passed:

RESOLVED THAT the following persons be and are, hereby, elected / appointed as directors of the Company for a three (3) year term effective from 30 July 2019 u/s 159(5) and 165 of the Companies Act 2017:

KES Power nominees

1. Adeeb Ahmad
2. Chaudhary Khaqan Saadullah Khan
3. Ikram Ul-Majeed Sehgal
4. Mubasher H. Sheikh
5. Nayyer Hussain
6. Riyadh S. A. A. Edrees
7. Ruhail Mohammed



8. Shan A. Ashary
9. Syed Moonis Abdullah Alvi

Independent Director

10. Khalid Rafi

GOP nominees

11. Dr. Ahmed Mujtaba Memon
12. Muhammad Abid Lakhani
13. Waseem Mukhtar

The Company Secretary further informed the members that structure of KE Board of Directors was specified in the privatization agreement signed between GOP and KESP in November 2005. He further informed that the Company had filed an application with SECP seeking relaxation from CCG regulation requiring appointment of Independent Directors.

The shareholders endorsed the Company's viewpoint and passed the following resolution, proposed by Malik Bakhtiar Aziz (15197), seconded by Muhammad Farooq (8327):

RESOLVED THAT Company's application to SECP seeking relaxations from CCG regulations to allow constitution of Board of Directors of K-Electric as is in accordance with the privatization agreement signed between GOP and KESP in November 2005, be and is hereby endorsed.

Agenda Item # 4

Appointment of Auditors

The Company Secretary stated that previous auditors M/s. KPMG Taseer Hadi & Company, Chartered Accountants resigned in December 2018 and the Board appointed M/s. A.F. Ferguson & Co., and M/s. BDO Ebrahim & Co., as statutory auditors of the Company on casual vacancy at audit fee of PKR 5 million each.

M/s. A.F. Ferguson & Co., and M/s. BDO Ebrahim & Co., have retired and have offered themselves for reappointment. Pursuant to provisions of CCG, the Board Audit Committee (BAC) has recommended reappointment of M/s. A.F. Ferguson & Co., and M/s. BDO Ebrahim & Co., as Auditors of the Company for FY 2018 at audit fee of PKR 5 million each (equivalent to last year). The Board has endorsed the BAC's recommendations.

Proposed by Malik Bakhtiar Aziz (15197), seconded by Muhammad Farooq (8327), the following resolution was passed:

RESOLVED THAT M/s. A.F. Ferguson & Co., and M/s. BDO Ebrahim & Co., be and are hereby reappointed as joint statutory auditors of the Company for FY 2018, on a total remuneration of PKR 5 million each plus out of pocket expenses, inclusive of annual audit, half yearly review and professional services in compliance with the Code of Corporate Governance.



Agenda Item # 5

Special Business / Resolutions

The Company Secretary briefed the members that in order to be aligned with the provisions of the Companies Act 2017 and to remove the articles added pursuant to the requirement of “Companies (E-voting) Regulations 2016” since repealed and replaced with the “Companies (Postal Ballot) Regulations 2018, the Memorandum & Articles of Association of the Company needs to be amended.

The members, in view of the above, approved the amendment and passed the following special resolutions, proposed by Malik Bakhtiar Aziz (15197) and seconded by Siddiq Shujaat (5348-2076):

RESOLVED THAT the words “Companies Ordinance 1984” wherever appearing in the Memorandum & Articles of Association of the Company be and are hereby replaced and substituted with the words “Companies Act 2017”.

RESOLVED FURTHER THAT the Articles 47-A and Article 50-A, previously added to comply with the requirements of now repealed “Companies (E-voting) Regulations 2016” be and are hereby deleted and removed.

RESOLVED FURTHER THAT the Chief Executive Officer and/or the Company Secretary, be and are jointly or severally authorized to take such other steps, execute such other documents and make necessary corporate and other actions and statutory filings as may be necessary / expedient for the purpose of giving effect to the above resolutions and all other matters incidental or ancillary thereto.

The meeting ended with a vote of thanks to chair.

IKRAM UL-MAJEED SEHGAL

Chairman