

On 23 Feb 2021, at 18:19, Muhammad Asim <muhammad.asim@mcbah.com> wrote:

Dear Sir

Request approval for investment in 6months Commercial Paper (CP) from K-Electric for Sharia Compliant Funds. The issue will be in two tranches of PKR 4.5bn and PKR 3.5bn respectively for which we request approval for investment up to PKR 1.6 bn. Rate is 6 Months Kibor plus 60 bps. The coupon rate of the TFC on the current 6 months KIBOR would come somewhere near 8.16%, which is fairly attractive compare to yields of other debt instruments of similar nature.

KEL has been a regular issuer and is highly oversubscribed. In the previous issue, while we had received approval from the committee but due to heavy oversubscription, we could only get 38% of the requested amount while in the issue before that we could not get any allocation as it is issued on first come first served basis.

Two major improvements that can improve the company's cash flows are the planned increase in electricity tariffs and partial payment to IPPs in lieu of MOUs with the government. Working Capital continues to remain a challenge but analysis suggests the company would be able to generate sufficient cash flows to manage commitments. Additionally, low debt levels provide the entity enough room to cover cash shortfalls through borrowings. Credit profiling suggests short-term credit lending to K-Electric Limited. Key ratios are given below:

	2015	2016	2017	2018	2019	2020	2021F
EBITDA	34,097	42,210	24,025	29,987	28,246	33,068	41,677
Working Capital change	2,509	-31,664	10,254	-10,669	-13,245	12,651	4,477
Finance Cost	9,760	5,100	3,891	3,236	6,285	16,719	12,086
Debt Repayment	9,928	3,002	2,927	8,834	6,585	7,675	11,544
Debt Servicing	19,688	8,101	6,818	12,070	12,869	24,393	23,630
Cash Flow Coverage	2.5	2.1	5.3	1.5	1.8	1.3	1.4
Interest Coverage	5.1	3.4	9.2	5.5	3.7	1.9	2.7

	2015	2016	2017	2018	2019F	2020F	
Debt to Asset	18%	15%	12%	15%	22%	22%	22%
LT Debt to Asset	8%	8%	7%	7%	10%	12%	10%
Debt to Equity	53%	32%	25%	35%	60%	74%	65%

A detailed credit review is attached.

Regards

Muhammad Asim, CFA

CIO

MCB ArifHabib Savings Investments Limited

0301-825-0907

