On 29 Mar 2021, at 15:49, Saqib Saleem <saqib.saleem@mcbah.com> wrote:

Dear Sir,

Please find answers below in green.

Saqib

From: Ahmed Jahangir [mailto:ajelahi@nishatmills.com]
Sent: Monday, March 29, 2021 3:22 PM
To: Saqib Saleem <saqib.saleem@mcbah.com>; Nasim Beg <nasimbeg@arifhabib.com.pk>
Cc: Muhammad Asim <muhammad.asim@mcbah.com>; Saad Ahmed <saad.ahmed@mcbah.com>
Subject: Re: Request for Investment Approval in K Electric - CP

I think we have been discussing and approving both commercial and Islamic short-term fund this company raises regularly.

K electric has only been raising debt through shariah-compliant instruments and MCBAH funds have only invested in their Short term Shariah Compalinat Commercial Papers.

My main question is, has the company reduced total debt compared to last year.

Debt has increased since end of 2020. However, the recent increases in tariff is expected to allow the company to recover the receivables and control debt levels.

	2020	**2QFY21**	**Change**
Trade Debts	99,831	91,707	(8,124)
Other Receivables	212,042	239,462	27,419
Total Receivables	**311,873**	**331,168**	**19,295**
Trade Payables	267,631	285,455	17,824
Total Payables	**267,631**	**285,455**	**17,824**
Short Term Borrowings	72,544	78,638	6,093
LT Debt	83,038	85,770	2,732
Total Debt	**155,582**	**164,407**	**8,825**

Why rates today are at 55 bps from a year ago of 115 bps (I think that was on a shariah instrument)
The main reason is greater demand mainly due to both, a significant increase in Shariah Compliant Money Market fund sizes and lack of shariah-compliant Money Market instruments.

Regards
Ahmed Jahangir

From: Saqib Saleem <saqib.saleem@mcbah.com>
Date: Monday, March 29, 2021 at 10:59 AM
To: "Ahmed Jahangir (ajelahi@nishatmills.com)" <ajelahi@nishatmills.com>, Nasim Beg <nasimbeg@arifhabib.com.pk>
Cc: Muhammad Asim <muhammad.asim@mcbah.com>, Saad Ahmed <saad.ahmed@mcbah.com>
Subject: Request for Investment Approval in K Electric - CP

Dear Sir

Request approval for investment in 6 months Commercial Paper (CP) from K-Electric for Open-Ended Funds. The issue will be in two tranches of PKR 3.5bn and PKR 4.0bn respectively for which we request approval for investment up to the allowed limit of 10% of Net Assets of fund **(total exposure of KE)**. Rate is 6 Months Kibor plus 55 bps. The coupon rate of the TFC on the current 6 months KIBOR would come somewhere near 8.33%, 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 25% of the requested amount.

Credit Committee had earlier approved investment in K- Electric Commercial paper up to 10% of Net Assets of the fund which fund management department will ensure to comply.

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:

	2016	**2017**	**2018**	**2019**	**2020**	**2021F**	**2022F**
EBITDA	34,097	42,210	24,025	29,987	28,246	33,068	44,364
NI+Depriciation+Interest	49,066	25,732	28,579	36,637	29,750	40,585	49,591
Working Capital change	(31,664)	10,254	(10,669)	(13,245)	12,651	4,129	1,420
Maintenance Capex	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	7,402	**25,986**	**7,911**	**13,392**	**32,401**	**34,714**	**41,011**
Finance Cost	5,100	3,891	3,236	6,285	16,719	11,787	10,494
Long Term Debt Repayment	3,002	2,927	8,834	6,585	7,675	11,544	13,849
Financing Cost	**25,996**	**35,392**	**11,955**	**17,117**	**3,853**	**9,737**	**20,021**
Cash Flow Coverage	**0.91**	**3.81**	**0.66**	**1.04**	**1.33**	**1.49**	**1.68**

Interest Coverage	**1.45**	**6.68**	**2.44**	**2.13**	**1.94**	**2.95**	**3.91**

	2016	**2017**	**2018**	**2019**	**2020**	**2021F**	**2022F**
Debt to Asset	15%	12%	15%	22%	22%	21%	18%
LT Debt to Asset	8%	7%	7%	10%	12%	11%	9%
Debt to Equity	32%	25%	35%	60%	74%	62%	48%

The funds currently are carrying the following exposure on K Electric:

Existing KEL Exposure in Shariah Compliant FI Funds		
Fund	**KEL Exposure (PKR)**	**% of NA**
Alhamra Islamic Money Market Fund	1,012,286,977	7.73%
Alhamra Islamic Income Fund	46,000,000	0.71%
Alhamra Daily Dividend Fund	0	0.00%
PIPF DSF	30,000,000	9.53%
PIPF MMSF	24,156,000	8.97%
Total	**1,112,442,977**	

A detailed credit review is also attached.

Regards,

Saqib