On 4 Aug 2021, at 11:02, Muhammad Asim <muhammad.asim@mcbah.com> wrote:

Dear Sir

We request approval to invest in the new issue from KE which is coinciding with maturity of an earlier issue.

The issue size is PKR 4.5bn for which we request approval for investment up to the allowed limit of 10% of Net Assets of Shariah Compliant funds. Profit Rate is 6 Months Kibor plus 30 bps. The coupon rate of the TFC on the current 6 months KIBOR would come somewhere near 7.90%, which is fairly attractive compare to yields offered on bank deposits.

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

The outlook for the power sector looks favorable in the short run owing to the expected liquidity injection by the government post IPP agreements. The government is expected to inject close to PKR 450 billion in two phases, 40% of which has been disbursed to power plants under the 1994 policy, and full disbursement to all power plants is expected to be made in six months. Although, K-Electric will not be a direct beneficiary to this flow of funds, however, it will improve the liquidity profile of upstream users, which could provide some leeway to K-electric in the future. Nevertheless, K-electric is expected to directly benefit after the government is allowed to raise tariff by PKR 2.89/unit (implemented in Sept-2020) under the heads of prior year adjustments (from July 2016 to March 2019). Although, Nepra approved a tariff hike of PKR 4.89/unit, however, the government allowed to pass PKR 2.89/unit. The government owes over PKR 200 billion to K-Electric under the head of prior year tariff adjustments. This is expected to provide additional cash flows to the tune of PKR 30-35 billion over a period of a year.

	2016	**2017**	**2018**	**2019**	**2020**	**2021F**	**2022F**
EBITDA	42,210	24,025	29,987	28,246	33,068	46,459	56,666
NI+Depriciation+Interest	49,066	25,732	28,579	36,637	29,750	42,660	51,217
WC Changes	(31,664)	10,254	(10,669)	(13,245)	12,651	2,406	12,721
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	35,066	53,938
Finance Cost	5,100	3,891	3,236	6,285	16,719	13,802	14,209
Debt Repayment - Long Term	3,002	2,927	8,834	6,585	7,675	11,544	13,849
Net Flow	34,109	19,168	(4,159)	523	8,008	9,721	25,879
Cash Flow Coverage	**0.91**	**3.81**	**0.66**	**1.04**	**1.33**	**1.38**	**1.92**
Interest Coverage	**1.45**	**6.68**	**2.44**	**2.13**	**1.94**	**2.54**	**3.80**
	2016	**2017**	**2018**	**2019**	**2020**	**2021F**	**2022F**

Debt to Asset	15%	12%	15%	22%	22%	24%	21%
LT Debt to Asset	8%	7%	7%	10%	12%	9%	8%
Debt to Equity	32%	25%	35%	60%	74%	85%	66%

Our current exposure (excluding a maturity which is due in few days) is given:

KEL Exposure in Shariah Compliant FI Funds		
Fund	**KEL Exposure (PKR)**	**% of NA**
Alhamra Islamic Money Market Fund	613,509,865	3.66%
Alhamra Islamic Income Fund	329,355,484	4.55%
Alhamra Daily Dividend Fund	147,740,992	10.15%
PIPF DSF	16,833,388	4.77%
PIPF MMSF	12,872,492	4.47%
Total	**1,120,312,221**	

A detailed credit review is also attached.

Regards
Muhammad Asim, CFA
CIO
MCB Arif Habib Savings & Investments Limited
0301-8250907