

Corporate Briefing

May 2021



Introduction

Operational & Financial Performance

Business and Key Projects Update

- **Business Update**
- **Generation**
- **Transmission**
- **Distribution**

Corporate Social Responsibility

Potential for Further Value Improvement

Key Challenges / Issues

Conclusion

On account of improved economic activity in FY 21 as compared to FY 20, first nine months of FY 2021 has shown improvements in performance and financial indicators

Introduction

- First nine months of FY 2021 has shown improvement and growth due to improved economic activity. Further, PKR 6 Billion cash release out of Tariff Differential Claims (TDC) receivable from the GoP has been received in 9M FY 21. Additionally, finance cost in 9M FY 21 reduced due to reduced borrowing rate. These coupled with operational improvements, has helped turn around KE back into profits in FY21.
- KE remains engaged with GoP and NEPRA for resolution of receivable and payable issues as well as for timely tariff adjustments
- In preparation of the upcoming summer:
 - Additional supply of 450 MW from the National Grid has been achieved through completion of cross-trip scheme and rehabilitation works at KDA-Jamshoro lines – will enable KE to withdraw upto 1100 MW from the National Grid during summer of 2021; and
 - BQPS III 900 MW plant is being pursued on fast-track basis with its first unit (450 MW) planned for Summer 2021

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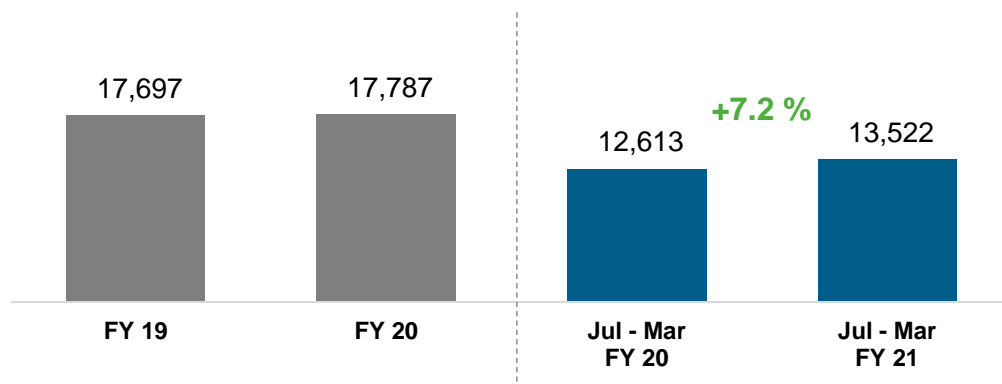
Operational Performance



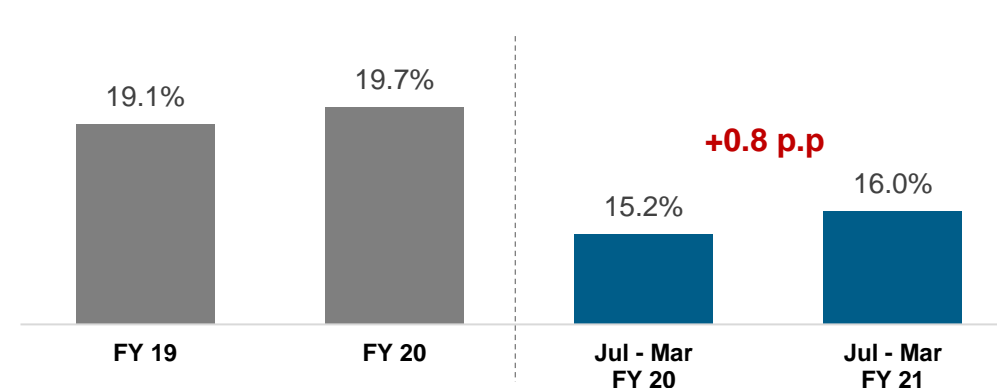
KE continued towards its growth trajectory, with improvements in all major operational areas. COVID scenario impacted our growth trajectory in FY 20, which is now showing improvement in FY 21

Operational Performance

Sent-out (GWh)



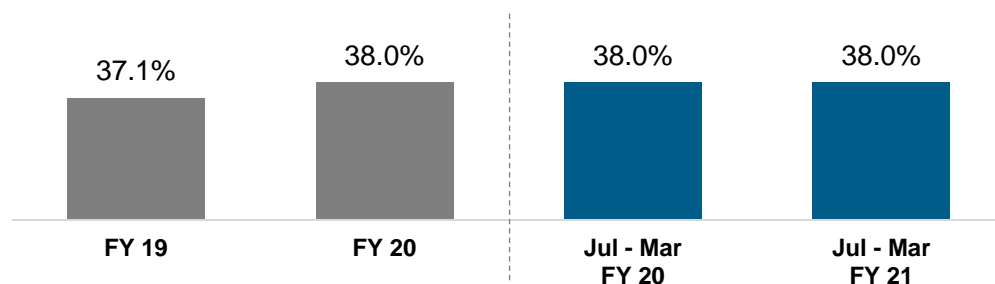
T&D (%)



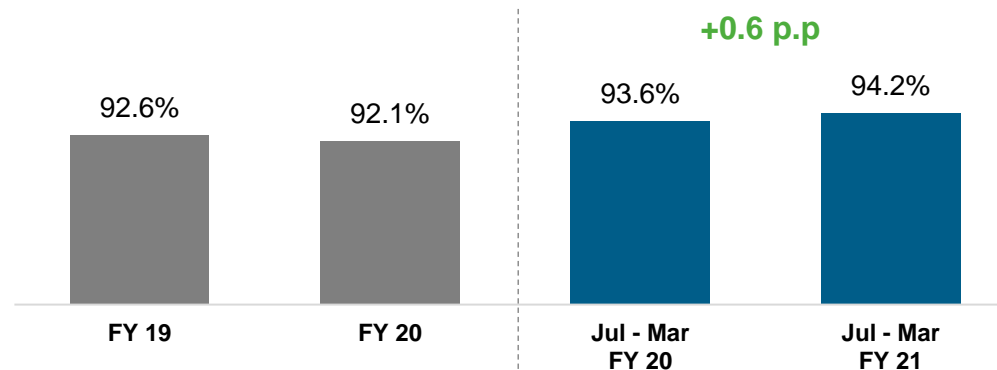
Deterioration was mainly due to seasonal impact (sent out increased significantly in last fortnight of march which will be billed in April). T&D is expected to improve in Q4 FY21.

Generation Efficiency (%)

Generation Efficiency will further improve with the addition of BQPS III 900 MW RLNG Plant



Recovery Ratio (%)



Improvements after Impact of COVID-19

First nine months of FY 21 has shown improvement in majority of the key areas, which is expected to continue in remaining FY 21 on the back of improved macroeconomic environment

Improvements in key operational indicators

Sent-out Growth

(GWh)

Variance over comparative period LY	
9M FY 20	+2.3%
3M FY 20	-3.5%
Full Year FY 20	+0.5%
9M FY 21	+7.2%

- **FY 20: Significant decline in units sent-out in last quarter**, which is peak demand season, was witnessed due to limited operations / closure of industrial and commercial activities during lockdown period
- **9M FY 21: Nine months of FY 21 has shown a healthy growth** in units sent-out on the back of improved economic activity

T&D Loss

(%)

Variance over comparative period LY	
9M FY 20	-2.1 pp
3M FY 20	+7.4 pp
Full Year FY 20	+0.6 pp
9M FY 21	+0.8 pp

- **FY 20: Significant drop in consumption of low loss consumers** while corresponding increase in consumption of high loss / very high loss consumers due to load-shed exemption & inability to carry-out theft detection activities, resulted in increased T&D losses
- **9M FY 21: T&D loss deteriorated in 9M FY 21** due to seasonal impact (sent out increased significantly in last fortnight of march which will be billed in April). T&D is expected to improve in Q4 FY21.

Recovery Ratio

(%)

Variance over comparative period LY	
9M FY 20	+1.4 pp
3M FY 20	-5.3 pp
Full Year FY 20	-0.5 pp
9M FY 21	+0.6 pp

- **FY 20: To comply with Government directives, relief was provided to consumers.** Further, recovery drives were also halted due to the outbreak of COVID-19 and lockdown situation in the country, resulting in reduced recoveries
- **9M FY 21: Recovery drives are picking up pace & recoveries have started to show improvement in 9M FY 21**

Financial Performance

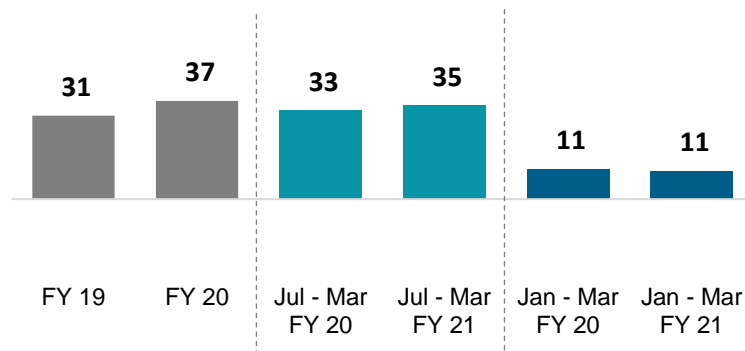


COVID-19 outbreak resulted in decreased financial performance in FY 20, however, subsequently with the recovery in the economic condition in the country, first nine months of FY 21 has shown significant improvement in key financials

Financial Highlights

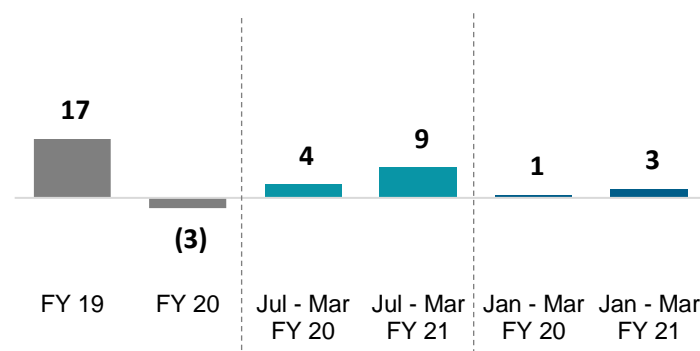
EBITDA

PKR Billion



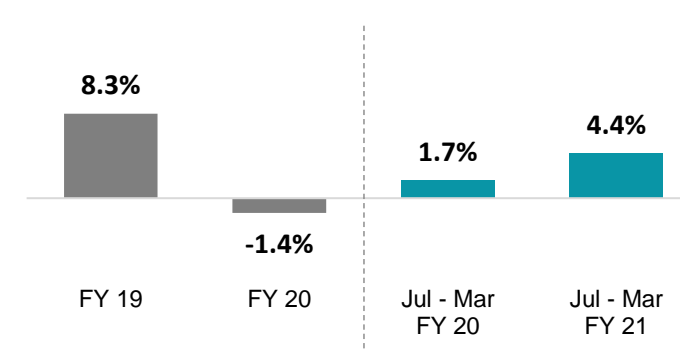
Net Profit / (Loss)

PKR Billion



Return on Invested Equity

%



Improved operational performance resulting in improved financials

- First nine months of FY 21 has shown improvement in key financials against the comparative period last year mainly due to increase in units sent out by 7.2% and net increase of units billed by 6.2%

Reduction in Finance Cost on the back of decrease average borrowing rate

- Finance cost in first nine months of FY 21 decreased by **PKR 4.4 Bn** against comparative period last year mainly due to decrease in average borrowing rate by 5% (YTD CY: 9%, YTD LY: 14%), resulting in improved profitability in the first nine months of FY 21

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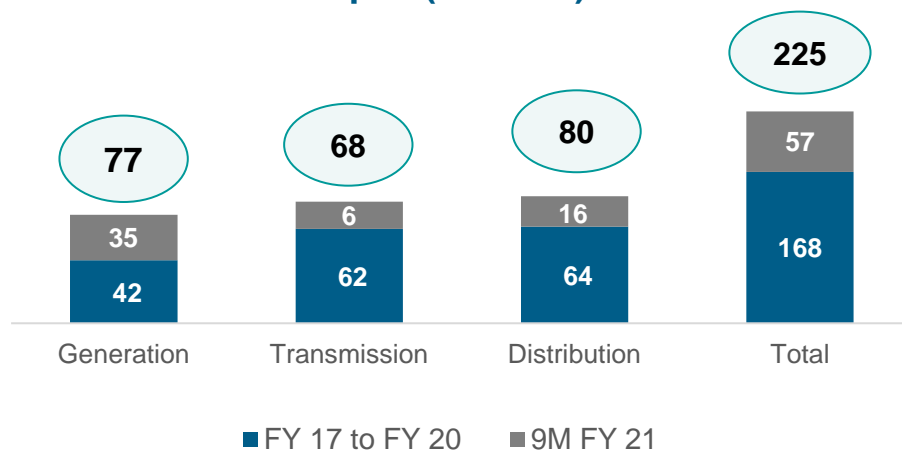
Conclusion

Business Update

Over the last four years, various initiatives were undertaken across the energy value chain to enhance capacity, improve reliability of the network along with targeted loss reduction

Business Update & Operational Improvements

Capex (PKR Bn)



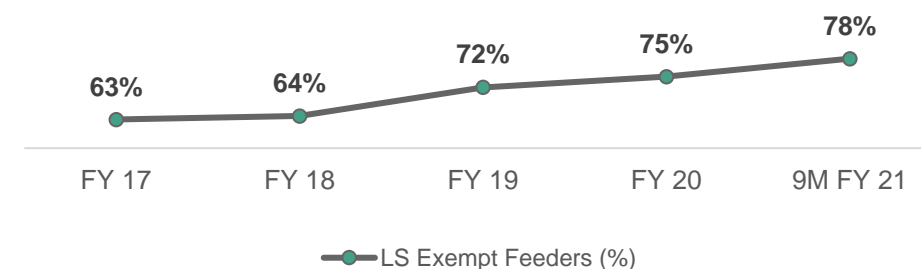
Operational Improvements

	FY 17 to FY 20	Jul – Mar FY 21	Jan – Mar FY 21
Power Trafos added	30	5	3
Transmission MVAs added	1,253	184	105
Distribution MVAs added	1,614	115+	35+
Feeders added	366	20+	5+
New Connection (MW) added	1,136	230+	30+
PMTs converted to ABC	10,000+	1,100+	300+

KE's Network

1,911 No. of Feeders	6,536 Transmission MVAs	8,033 Distribution MVAs
71 No. of Grids	29,686 No. of PMTs	172 No. of Power Trafos

Reduction in Load Shed



Additional 450 MW through Existing Interconnections

Cross-trip scheme has been implemented, tested and commissioned & 220kV KDA-Jamshoro circuits have been energized after completion of rehabilitation works

Completion of Project to get Additional 450 MW through Existing Interconnections



Technical Feasibility Study for Cross-Trip

100% completed



Procurement & Rehabilitation Works

100% completed



Installation of Optical Ground wire

100% completed

MARKETS

KE allowed to take additional 450MW power from NTDC

KARACHI: In order to ease the power woes of Karachi and to mitigate the supply-demand gap ahead of sizzling summer, the federal government on Thursday allowed K-Electric to draw an additional 450MWs of electricity from the National Transmission and Dispatch Company (NTDC).

Karachi to get additional 450MW from national grid in summer

NTDC has completed up-gradation of 220kV double circuit transmission line from Jamshoro to KDA-33, says power minister

With the successful implementation of cross-trip scheme & rehabilitation of 220kV KDA-Jamshoro circuits, equipment capacity to draw power has been enhanced to 1,400 MW and has enabled KE to draw upto 1,100 MW from the National Grid

Summer Plan



During the current year, KE has pursued its planned and ongoing project in preparation of the projected demand during upcoming summer of 2021

Summer Plan 2021

- In preparation of the upcoming summer, key projects and activates were carried out to manage the projected demand-supply gap during the summers of 2021
 - Additional supply of 450 MW from the National Grid has been achieved through the completion of rehabilitation works at KDA-Jamshoro lines and the network ability has been enhanced to upto 1100 MW
 - BQPS III is being pursued on fast-track basis with its first unit (450 MW) to come online during summer 2021
 - Network enhancements through the additions of Power Trafos, Grids and PMTs
- Consequently, we do not foresee load-shed beyond policy-based load-shed regime.

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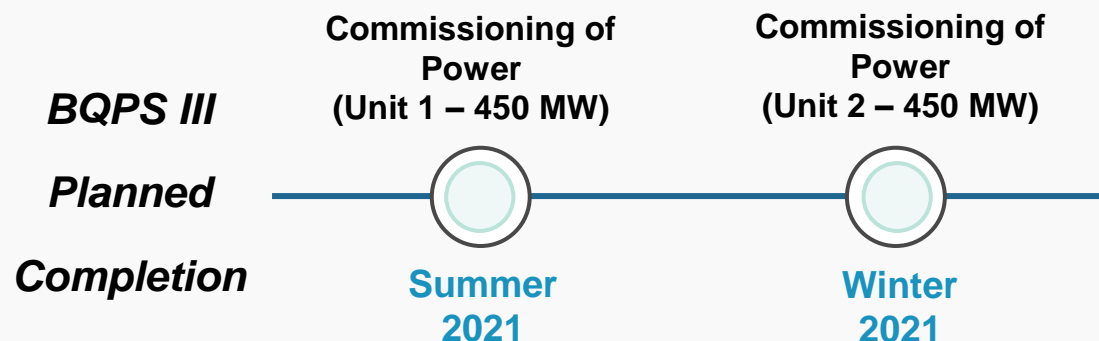
900 MW BQPS III Project and Renewables Energy Landscape

KE is pursuing its 900 MW RLNG project on fast-track basis with Unit 1 to be energized in summer 2021. Further, with the objective of diversifying its fuel & power mix, KE plans to off-take power from various renewable projects having installed capacity of 350 MW

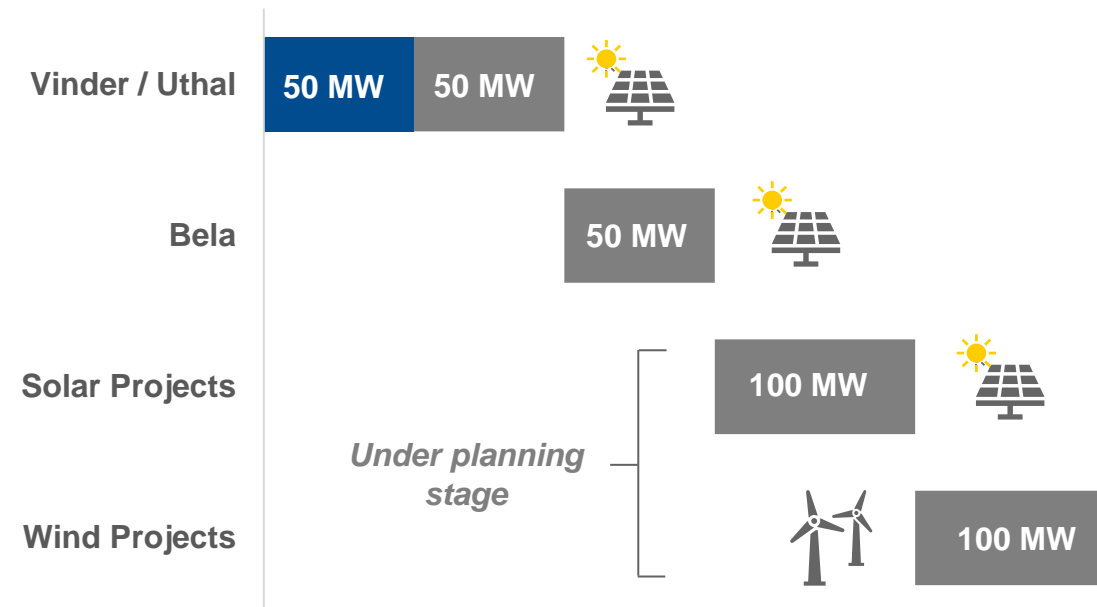
Status Update

Update on Financial Close – BQPS III (USD 650 Million Project)

- Required financial commitments have been **secured from both local and foreign lenders**
- Foreign loans to be backed by Export Credit Agency (ECA) insurance cover:
 - Euler Hermes has already approved for providing cover for German component
 - For Chinese component, Sinasure Board has accorded their approval. Final approval will now be issued by the State council and relevant ministries of China (**Expected to conclude in Q3 of CY 2021**)



Renewables Projects – 350 MW to be added by 2023



150MW HUVB (50MW each in Vinder, Uthal & Bela), **100MW Solar Projects** (2 x 50MW in Ghara) & **100MW Wind** (2 x 50MW in Dhabeji)

The company has taken initiatives to diversify to new revenue streams in different businesses

Diversifying into Distributed Generation & Electric Vehicles Market

K-Solar: KE's Distributed Generation Company

- Distributed Generation Company has been incorporated and will be **starting operations within FY 21**
- KE shareholders & Board of Directors have **approved equity investment** worth **PKR 275 Million** and extended **PKR 100 Million** worth corporate guarantee lines for K-Solar
- KE has invested an amount of PKR 32 Million on account of advance against subscription to second right issue

K-Solar would be **partnering** with:

- Financing Partners
- Technology Companies

The company to focus on:

- Karachi territory in early years to leverage on KE's strengths
- Industrial customers as primary segment of customers

Electric Vehicles (EV) Market

- KE has an optimistic view on the Electric Vehicles (EV) market and sees it as a **great opportunity** to serve customers of Karachi in the segment of mobility
- Being a vertically integrated utility, the company sees it has an important role to facilitate the birth and growth of the EV market in country
- In January 2021, **KE and Shell Pakistan entered a MOU to jointly deploy EV chargers at 3 Shell fuel stations**

KE is also open to collaborate with other partners in the market

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Targeted investments in the Transmission Network towards capacity enhancement and improved grid reliability

Planned Projects for FY 21 to FY 23

Planned Projects

○ TP – 1000 Project

- Project is over 97% completed
- Remaining works to be completed within 2021

○ Off-take of Additional Power from National Grid

- Off-take additional power of upto 1,400 MW from National Grid
 - 220kV Dhabeji Grid
 - 500kV KKI Grid

○ Initiatives under TP-2 Project / PID

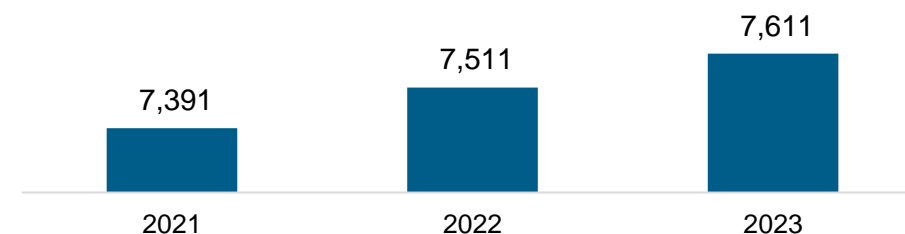
- Grid enhancement works and addition of Transmission line bays
- Rehabilitation of existing transmission circuits

○ HUVB Grids & Lines

- Rehabilitation of existing transmission lines from Hub-Chowki to Bela
- Enhancement of grids including upgradation from 66 kV to 132 kV level

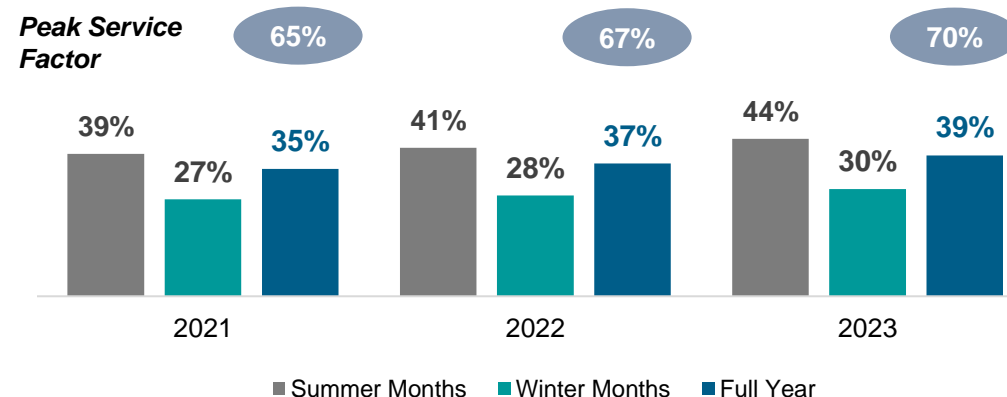
Planned initiatives will enable KE to move to N-1 contingency by 2023 along with optimum capacity utilization

Transmission Capacity (MVAs)¹



Capacity Utilization

Summer Months: March to October
Winter Months: November to February



Additional Supply of 1,400 MW from National Grid

Discussion on Finalization of contractual arrangements and Construction of Interconnection works for off-take of additional 1,400 MW from National Grid is in advanced stages

Additional Supply from National Grid through 220kV Dhabeji Grid & 500kV KKI Grid

**1,400
MW**

**Additional Supply
from National
Grid through**

**220kV
Dhabeji Grid
&
500kV
KKI Grid**

Update on 220kV Dhabeji Grid

- Load flow study & short circuit study completed; stability run study in process
- Tender notice for Grid and Transmission line issued
- Contract has been finally awarded
- Expected Timeline: March 2022

Update on 500kV KKI Grid

- Load flow study & short circuit study completed; stability run study in process
- Tender notice for Grid and Transmission line issued
- Bid submission process has been completed – Contract awarding process is currently ongoing and expected timeline is May 2023

- CCoE gave its principal approval for off-take of additional power supply from the national grid in June 2020
- Discussions on finalization of contractual modalities with CPPA and NTDC are in advanced stages
- Required grids and interconnection works are being pursued on expeditious basis
- Additional offtake of power supply from the National Grid to start from summer 2021 and complete offtake of 1400 MW is expected from summer 2023

KE remains in continuous discussions with relevant stakeholders including GoP to ensure the additional supply from the National Grid in order to keep up with the growing power demand

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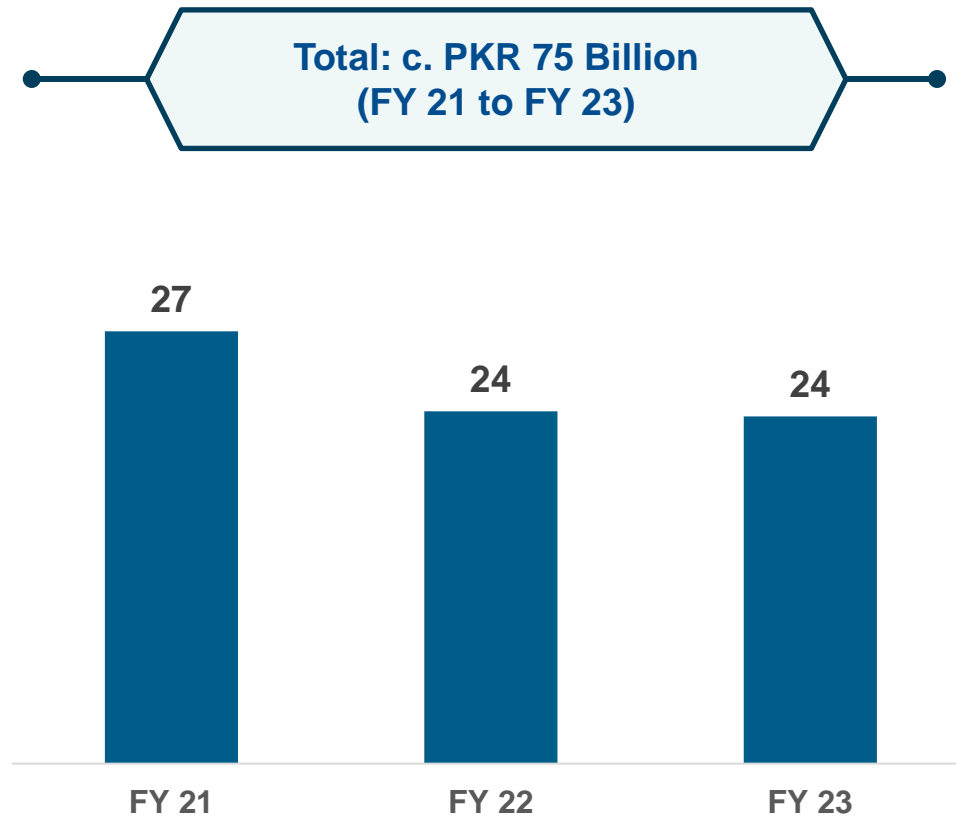
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Distribution

Continued and targeted investments planned across the distribution segment to achieve increased sent-out growth, reduced T&D losses and improved recovery levels from all consumer segments

Planned Capex & Initiatives



Loss Reduction

- Targeted ABC roll out – all PMTs to be converted to ABC
- No mains scheme, FMRs, MNCVs

Growth

- Over 1,000 MW of new connections
- Addition of around 200 feeders and 3,500 PMTs

Maintenance

- Shift towards proactive CM & PM approach
- Asset Based Maintenance
- Prevent failure and control downtime
- Reliable system and enhanced Quality

Safety & Protection

- Earthing and Grounding
- Installation / Replacement of Protection Equipment
- Replacement of bare conductor with covered conductor
- Electrification of hazardous areas
- Multilayer protection

Technology

- Real time monitoring from feeder to PMT level
- Further segmentation of LS at PMT level
- Technical loss calculation via CYMDIST/AMR
- SAIFI / SAIDI Automation

Project Sarbulandi & Loss Reduction



KE is focused on continuous improvements – representing focus and commitment towards the city and its people to provide uninterrupted electricity by implementation of loss reduction initiatives

Key Achievements & Planned Initiatives

Project Sarbulandi

Project focused towards network upgradation and complete installation of ABCs – elimination of commercial losses and ensuring safe supply of electricity

Flagship Initiative – Part of KE's c. PKR 24 Bn loss reduction investment for FY 17 to FY 23

**Covering 12 Areas
Impacting 10 Million Lives**

**Average Load-shed Reduction:
4 Hours**

Success Stories

*covering areas of Korangi, Nazimabad, Surjani-I,
Landhi, Liaquatbad, Orangi-II*

No. of Lives
Impacted

1 Million

No of Feeders converted
to downward category

64

Planned Additions in Distribution Network FY 21 to FY 23

3,500+

PMTs Additions

190+

Feeders Additions

870+ MVAs

Capacity Addition

ABC Implementation – No. of PMTs

Aerial Bundled Cable (ABC) implementation began in 2014 and has continued to date, significantly contributing towards loss reduction

10,500

FY 14 to FY 20

2,500+

FY 21 to FY 23

*All high loss PMTs
to be converted to
ABC by 2023*

Key Recovery & Safety Initiatives



Focused on bringing improved recoveries and ensuring network safety, targeted recovery and safety initiatives are ongoing

Recovery & Safety Initiatives

Launched in January 2021 – Focused to bring high defaulters into paying net and turn them into regular payers while offering them flexible rebate plan in order to gauge maximum recovery

Recovery Scheme – Azaadi Scheme

Rebate Plans	1	50% Rebate Number of Installments	Defaulters 335,000+ customers	Outstanding Dues PKR 79+ Billion
	2	60% Rebate 6 Installments		
	3	75% Rebate One go		
			Registered Customers 31K	Realized recovery PKR 800+ Million

Safety Initiatives

Safety & Rain Emergency Mitigation Plan

- Project ENSURE serves to build **reliability and resilience across Distribution network** from feeder to meter level to reduce interruptions, improve power quality and safety aspects
- In phase 1, project will result in improved resilience on **45 critical feeders – 11 additional substations** added recently in scope due to deteriorated condition, which will be completed in **July 2021**
- Furthermore, a total of **73 substations have been renovated**

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KHI Awards



To recognize the efforts of organizations that have made a significant impact on karachi, its people and its socio-economic landscape

210
ORGANISATIONS
REACHED

147
APPLICATIONS
RECEIVED

13 JURY
MEMBERS

34 WINNERS
ACROSS 13
CATEGORIES

*Entire process
audited by EY*

8.7 Million

Potential number of lives impacted through KHI awards

Electricity rebate amounts ranging from

PKR 5 Million TO PKR 250,000

POST AWARD PLAN



Award disbursement over 1-2 years and based on performance



Roundtable to promote CSR



Capacity building to increase applicant pipeline



KHI awards 2.0

KHI Awards Winners

EDUCATION



HEALTH



WOMEN EMPOWERMENT



LIVELIHOODS & VOCATIONAL TRAINING



HERITAGE & CULTURE



SAFETY



UPLIFTING COMMUNITIES



INCLUSION



SPORTS



SUSTAINABILITY & ENVIRONMENT



DIGITAL ACCESSIBILITY & FINANCIAL INCLUSION



SOCIAL SERVICE



NEW ORGANISATIONS



Environmental Initiatives

Tree Plantation

Increasing green cover in Karachi through the #Plant4Pakistan initiative and mangrove plantations for BQPS III

2018-2019



230,000

2020



330,000

2021



430,000



Reaching out to Off-grid Communities through Micro-grid

Creating a model community managed micro-grid in an off-grid area in Sindh. Access to this renewable energy will enable the community to improve their standard of living and livelihood, while increasing KE's geographic reach



Other Upcoming Initiatives



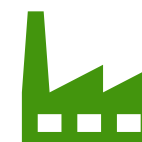
Sustainability report

- In accordance with GRI Standards for 2019 - 2021



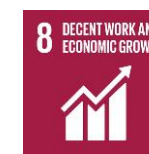
Karachi Beautification

- Adoption of parks and waste management in key areas
- Pop up museum with I AM Karachi



BQPS III Social and Environmental Implementation Plan

- 200,000 Mangrove plantation
- Community upliftment through capacity building
- Water filtration plants



Diversity & Inclusion

KE is committed on its social responsibility and community engagement initiatives are carried out in underprivileged communities through its outreach program

Diversity & Inclusion – Uplifting & Outreaching the Community

Women on Wheels (WOW)

- Partnership with Salman Sufi Foundation to train KE female employees to ride a motorbike – KE will provide the employees with option of microcredit to purchase a motorbike
- KE intends to promote change regarding females in Science, Technology, Engineering and Mathematics (STEM) education
- Improved representation of women in the energy sector is key to bringing about a more inclusive gender environment at the technical and institutional levels
- KE is currently targeting engineering students and has partnered with NED for it's first WePower initiative

WePower
Initiative

10

Scholarships for
female students

95
Women to be
trained by



KE Roshni Baji Project – Women Neighborhood Ambassador Program

Objective

- Community Women Capacity Building
- Create livelihood opportunities for women
- Participants receive a basic stipend thus empowering women.
- Capacity building by provision of a STEM skill-based training
- Create female resource pipeline for Energy Sector

GOALS

- Safety awareness & encourage consumers to convert to legal connection and bill management

*40 women from and for 4
underprivileged communities
of Karachi to reach 100,000
Community women in a year*



Community Outreach

KE remains committed to its community – bringing in change through its community outreach program

Community Outreach Initiatives

Baldia Primary School, Landhi

B.F. Cabral School, Lyari

Pir Ji Achan Park, Liaquatabad

Football Ground, Orangi



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Potential for Further Value Improvement through a Strategic Investor



In addition to KE's robust investment plan of over PKR 260 Billion across the energy value chain, an aggressive, strategic investor, Capex plan would further improve Karachi's power infrastructure

Strategic Investment – Potential Impact

- An aggressive investment plan, would be an opportunity for Karachi's power sector to reach new levels of excellence
- A strategic investor with **technical expertise** would, among other operational improvements, leverage its strengths to bring **technological advancements across the power value chain**, benefiting the consumers and economy at large
- Shanghai Electric Power (SEP) signed a Definitive Agreement to acquire 66.4% stake in the company in October 2016, subject to receipt of government and regulatory approvals and has presented such a plan to the GoP
- SEP is one of the largest electric power companies in Shanghai and is committed to developing the power sector worldwide through operations in over 20 countries outside of China
- SEP is a subsidiary of the State Power Investment Corporation of China (SPIC), one of China's big 4 generation companies with installed capacity of over 142,700 MW and also has operations in over 43 countries globally
- SPIC is an active participant in the development of Pakistan's power sector and is a key CPEC investor involved in a wide variety of projects

"... SEP will leverage its own strengths as a strategic investor and further realize K-Electric's potential to provide better services to the people of Pakistan and the Government of Pakistan."

Wang Yundan, Chairman SEP

An aggressive investment plan along with KE's planned initiatives would result in greater positive impact for KE's customers and Karachi, while also facilitating economic growth in Karachi and Pakistan

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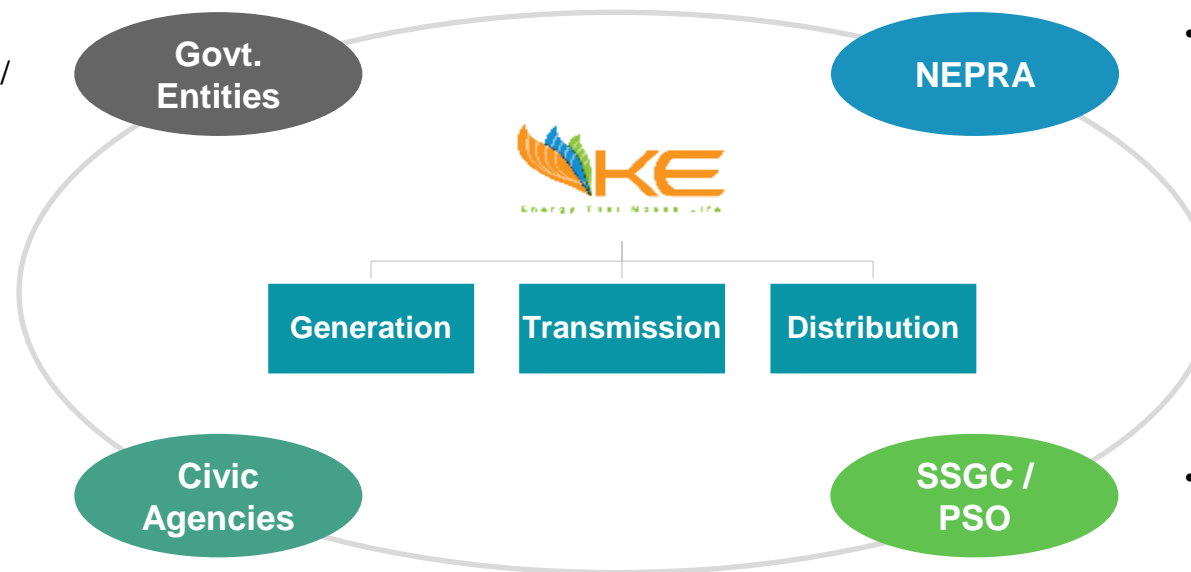
Key Challenges & Issues

Though KE is a private sector company, there is interdependency with other stakeholders for execution of planned initiatives and operational performance

Key Challenges / Issues

- Payment of dues including Tariff Differential Claims (TDC)
- Tariff notification
- Approvals for additional power / fuel supply
- Payment of energy dues

- Right of Way approvals
- Civic infrastructure / planning
- Maintain law & order



- Tariff setting
- Regulatory approvals / determinations
- Investment / Regulatory certainty

- Adequate fuel supply and gas pressure for optimum utilization of KE's plants

Delivery of smooth supply of power to end-consumers is dependent upon timely decision making and support from all stakeholders

Key Regulatory Challenges / Issues

KE remains in close coordination with the regulator for timely and effective resolution of KE's outstanding issues including mid-term review request under the determined MYT, pending tariff variations and write-off claims

Mid-term Review mechanism under the Determined MYT

- Mid-term review request filed in March 2020, followed by NEPRA's proceedings including a public hearing in September 2020
- Increase in base tariff of **PKR 1.21 / kWh** requested on account of below :
 - Revision of investment plan from c. PKR 299 billion (allowed) to **c. PKR 448 billion** due to (i) increase in scope of projects and routine capex, and (ii) significant rupee devaluation
 - Revision in indexation of exchange rate on allowed RoE to account for rupee devaluation
 - Impact of working capital due to significant receivables from Govt. entities and other factors including COVID-19 impacts

Requests in MTR are critical for:

- Timely execution of investment plan
- Elimination of demand and supply gap by off taking additional supply from national grid (setting up of 500 kV grid stations) and BQPS III power plant
- Improving the safety and network reliability through investment in system
- Improving efficiency and network performance
- Recovery of genuine business costs incurred by KE and to ensure business viability and sustainability

Pending Tariff Variations and Write-off Claims

- Since notification of MYT in May 2019, KE is regularly filing its requests of monthly and quarterly tariff variations, including claims for actual write offs as allowed under the MYT
- Currently, monthly variations since June 2020 and quarterly tariff variations since April 2020 are pending with NEPRA for determination, along with write off claims for FY 2017 to 2020
 - *Public hearings have been conducted for pending variations and verifications up to December 2020 have been completed by NEPRA*

Impact of Delays in Determination of Tariff Variations:

- Delays in determination of these tariff variations is significantly impacting the working capital position of the company
- Payments to fuel suppliers and IPPs are to be made timely and the differential has to be covered through borrowings
- Variations of TDC to be filed based on pending quarterly tariff determinations (July 2020 to March 2021), including write off claims for FY 17 to 20 and pending Heat Rate determinations – **c. PKR 68 Billion**

KE is in constant engagement with NEPRA for timely decisions on the above matters and is confident that these requests will be allowed by NEPRA – will help in provision of reliable supply to consumers along with sustainable operations of the Company

Receivables from Govt Entities & Departments

Delays in release of payments from relevant authorities and growing receivables from government entities impacts the working capital position of the company for which continuous engagement with relevant stakeholders is being done

Receivables & Payables – Government Entities / Departments (March 2021)¹

Receivables from Government Entities PKR Billion			Payables to Government Entities	PKR Billion	
Tariff Differential Claims ²	235		NTDC / CPPA – G	199	
KWSB “Strategic Customer”	28	—	SSGC	14	==
Government of Sindh (GoS)	12				
Other Federal & Provincial Entities	15		Other Federal & Provincial Entities	12	
Total Receivables	290		Total Payables	225	

Net Receivable to KE

c. PKR 65 Billion

Resolution & Disputes

- KE is in continuous engagement with relevant stakeholders for a fair and expedient resolution to the issue of receivables and payables, including any mark-up
- Delays in release of TDC & energy dues of strategic customers incl. KWSB by GoP resulted in consequential delays in payments to NTDC / CPPA – G & SSGC
- Monthly payments are being received against KWSB dues since January 2016. Further, execution of a Power Supply Agreement with GoS guarantee around KWSB dues is in advanced stages

Introduction

Operational & Financial Performance

Business and Key Projects Update

- **Business Update**
- **Generation**
- **Transmission**
- **Distribution**

Corporate Social Responsibility

Potential for Further Value Improvement

Key Challenges / Issues

Conclusion

The Journey Continues

With the ongoing developments / investments in KE's network and necessary support from the government entities, KE is confident in serving its customers in a reliable and efficient way

Moving Forward



Capacity Additions
through investments
across the value chain



Diversification
towards Renewables
Energy Landscape



**Operational
Efficiencies** with
system automation /
improvements



Enhanced Safety
through Public
Prevention Plans &
safety drives



**Economic
Prosperity** through
Industrial growth &
reliable power supply

Aligned with the mission of **brightening lives by building the capacity to deliver uninterrupted, safe and affordable power to Karachiites**, KE will continue to make investments across the value chain, enabling the company to improve operationally whilst progressing on the value creation curve through innovation and technological advancements

Thank You

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