



**MINUTES OF 113th ANNUAL GENERAL MEETING (AGM) OF K-ELECTRIC LIMITED
HELD ON 26 OCTOBER 2023, AT 10:30 A.M. AT BALL ROOM A AND B,
MOVENPICK HOTEL, CLUB ROAD, KARACHI.**

PRESENT

- | | |
|------------------------------|--|
| 1. Mark Gerard Skelton | Chairman* |
| 2. Syed Moonis Abdullah Alvi | CEO** & proxy-holder of KES Power Limited |
| 3. Adeeb Ahmad | Director** |
| 4. Arshad Majeed Mohmand | Director* & proxy-holder of Government of Pakistan |
| 5. Dr. Imran Ullah Khan | Director* |
| 6. Mubasher H. Sheikh | Director* |
| 7. Muhammad Kamran Kamal | Director* |
| 8. Saad Amanullah Khan | Director** |
| 9. Muhammad Zubair Motiwala | Director* |

KE MANAGEMENT TEAM

- | | |
|-----------------------------|---|
| 1. Rizwan Pesnani | Chief Risk Officer & Company Secretary** |
| 2. Muhammad Aamir Ghaziani | Chief Financial Officer** |
| 3. Abbas Hussain | Chief Generation & Transmission Officer** |
| 4. Fawad Ali Gilani | Chief Distribution Officer** |
| 5. M. Imran Hussain Qureshi | Chief Regulatory Affairs Officer* |
| 6. Muhammad Rizwan Dalia | Chief People Officer** |
| 7. Sadia Dada | Chief Marketing Officer** |
| 8. Shahab Qader Khan | Chief Strategy Officer** |
| 9. Sheraz Kashif | Chief Supply Chain Officer** |
| 10. Amer Zia | Chief Distribution Officer** |
| 11. Rashid Mohiuddin | Manager Corporate Affairs** |
| 12. Muhammad Danish Gazdar | Manager Corporate Affairs** |

REPRESENTATIVES OF EXTERNAL AUDITORS, M/S. A. F. FERGUSON & CO. (PWC)

- | | |
|---------------------------|----------------------|
| 1. Osama Kapadia | Engagement Partner** |
| 2. Farhat Bano | Director Assurance** |
| 3. Noor-ul-Ain Tariq | Manager Assurance** |
| 4. Muhammad Sameed Hassan | Manager Assurance** |
| 5. Salman Raza Rawjani | Audit Executive** |

REPRESENTATIVES OF CENTRAL DEPOSITORY COMPANY (CDC)

1. Murtaza Zuberi
2. Zaheer Ahmed
3. Zohaib Siddiqui

* *Through Video Conference*

** *In Person*

**SHAREHOLDERS****FOLIO NO./CDC ACCOUNT NO.**

1. Syed Muhammad Hanif	03277-67231
2. Muhammad Arif Bilwani	5189
3. Abdul Rauf	5942
4. Salman Saeed	10629-166275
5. Arif Mehmood	8837
6. Ahmad Kamal	00307-24574

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

LEAVE OF ABSENCE WAS GRANTED TO THE FOLLOWING:

- | | |
|-------------------|----------|
| 1. Shan A. Ashary | Director |
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PROCEEDINGS

The Company Secretary welcomed the Board Members, KE Management Team and valued shareholders to the 113th Annual General Meeting (AGM) of the Company. The CEO also thanked the shareholders for their presence at the meeting.

The Company Secretary stated that the AGM is being held physically as well as through video conferencing facility. Upon inquiry from the Chairman, the Company Secretary declared that the requisite quorum for conducting the AGM i.e., at least ten (10) members with not less than 25 percent voting power, was duly present. He added that following proxies had been deposited with the Company within the stipulated time:

IN FAVOR OF	BY	NO. OF SHARES	PERCENTAGE
Syed Moonis Abdullah Alvi	KES Power Limited	18,335,542,678	66.40
Arshad Majeed Mohmand	Government of Pakistan	6,726,912,278	24.36
Grand Total		25,062,454,956	90.76

Upon confirmation of quorum being present, the proceedings of AGM were commenced with recitation from the Holy Qur'an by Mr. Muhammad Danish Gazdar, Manager, Corporate Affairs.

AGENDA ITEM # 1**TO ADOPT MINUTES OF 112th AGM HELD ON 26 OCTOBER 2022**

- 1.1 The Company Secretary stated that the Minutes of 112th AGM held on 26 October 2022 have been uploaded on the website of the Company. He requested shareholders to propose and second the adoption of said minutes.
- 1.2 Mr. Salman Saeed (CDC A/c. No. 10629-166275) proposed and Syed Muhammad Hanif (CDC A/c. No. 03277-67231) seconded the adoption of minutes based on which, following resolution was passed:

RESOLUTION:

- 1.3 **RESOLVED THAT** the Minutes of 112th Annual General Meeting (AGM) of the Company held on 26 October 2022 be and are hereby adopted.



AGENDA ITEM # 2

TO CONSIDER AND ADOPT ANNUAL AUDITED UNCONSOLIDATED AND CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY TOGETHER WITH DIRECTORS' AND AUDITOR'S REPORTS THEREON FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

- 2.1 The CFO started the presentation on the operational and financial performance of the company during FY2023 and explained that the overall decline in financial performance vis a vis last year was primarily driven by sociopolitical and macroeconomic challenges, including high inflation, rising interest rates and significant devaluation of Rupee, all these factors had a significant impact on economic activities within the country, resultantly the company also experienced a 7.3% decrease in sent-out units. Since, under the Multi Year Tariff (MYT) 2017-2023, the company is not entitled to receive any tariff adjustments for variations from benchmarks set by NEPRA including sent-out units; the company was, therefore, unable to offset the impact of macro-economic factors.
- 2.2 The CFO further informed that generation efficiency improved by 3.6 percentage points, primarily due to the successful commissioning of both Unit 1 and Unit 2 (450 MW each) of KE's 900 MW RLNG-fired power plant. The full impact of this enhancement will be reflected in FY2024.
- 2.3 While highlighting the decline in recovery ratio by 3.9%, attributed to decline in customers' propensity to pay owing to high inflation, increase in consumer tariff and deteriorating economic conditions, the CFO informed that the company has continued various initiatives to incentivize its customers to pay their dues.
- 2.4 The CFO explained that the decrease in units sent-out has significantly dampened the gross profitability of the company. Further, EBITDA declined by 60% because of two primary factors viz, increase in Expected Credit Loss (ECL) provision linked to recovery of receivables and increase in exchange loss owing to significant devaluation of PKR. Moreover, there was an increase of PKR 19.5 billion in finance costs due to higher borrowing rates. These factors resulted in negative Earning Per Share (EPS) and Return on Equity (ROE).
- 2.5 The CFO pointed out that the unconsolidated profit or loss statement shows a loss of PKR 30.9 billion. The CFO further informed that the consolidated profit or loss statement is made after incorporating financial results of KE's subsidiaries i.e. K-Solar (Private) Limited (K-Solar) and KE Venture Company (Private) Limited (KEVCL).
- 2.6 Upon conclusion of presentation, the CEO invited questions from the shareholders.

Mr. Syed Muhammad Hanif (03277-67231)

- 2.7 Mr. Hanif raised concerns regarding prolonged load shedding despite many consumers paying bills regularly and also questioned the effectiveness of spending PKR 27 billion on consumer services. In response, the CEO clarified that extent of load shedding is linked to recoveries, he further added that the load shedding schedule is promptly updated on KE's website and communicated to NEPRA.

Mr. Abdul Rauf (5942)

- 2.8 Mr. Abdul Rauf, who also remained KE's employee from 1963 to 2020, provided a brief overview of the company's history and commended the efforts of KE's management. He acknowledged the factors resulting in company's recent loss of PKR 30.9 billion. Moreover, he raised queries on various matters including, decline in gas supply and delayed commissioning of BQPS-III project etc., which were responded by the management team. In response to his query on requesting NEPRA to consider *force*



majeure clause, the CEO responded that during COVID-19, KE was directed by the Government to stop load shedding upon which we requested NEPRA to consider this factor in tariff, however KE did not receive any approval in this regard.

Mr. Ahmad Kamal (00307-24574)

- 2.9 Mr. Kamal drew attention towards the instances of installation of oversized transformers; particularly, in cases of new connections that lead to energy losses. The CEO requested specific details to address the issue. He also highlighted the implementation of Meter Data Management System (MDMS), which is connected to every transformer, and pointed out the inclusion of the required investments based on automated data in the investment plan submitted to NEPRA.
- 2.10 Mr. Kamal enquired if reducing KE's T&D losses from 15.3% would enhance profitability. The CFO explained that NEPRA will establish performance benchmarks for the next seven years in the MYT, extending until 2030 and if the actual losses exceed the target losses, the excess would not be passed on to consumers but rather has to be absorbed by the company and similarly if KE overachieves it will benefit accordingly.
- 2.11 In response to another question, CFO clarified that sent-out volume is a crucial factor, and KE has advocated for tariff determination based on actual sent-out volumes rather than NEPRA's pre-determined fixed values. This approach is justified as the sent-out volumes are beyond company's control, being influenced by various macroeconomic factors. The CFO also pointed out that KE is pursuing separate tariffs for generation, transmission distribution and supply.
- 2.12 Mr. Kamal acknowledged KE's efforts in promptly addressing customer queries. The CFO added that KE is actively utilizing technology to expand its reach and enhance services for both new and existing customers.

Mr. Shahmeer Kurd from Al-Meezan Investment (16675-28)

- 2.13 Mr. Shahmeer inquired about the potential impact of the Multi-Year Tariff (MYT) on financial results. The CFO responded that KE anticipates that NEPRA will grant a sustainable, cost reflective, and investment enabling tariff with adjustment mechanism at par with other power sector entities, and KE is engaged with NEPRA to expedite and complete the determination process by March 2024.
- 2.14 Mr. Shahmeer sought clarification regarding depreciation and any debt raised specifically for BQPS-III project. The CFO clarified that the debt for BQPS-III was secured, and the depreciation for the plant is being calculated using the straight-line method.

Mr. Muhammad Arif Bilwani (5189)

- 2.15 Mr. Bilwani raised several queries and responses to the same were given by the management as under:
- 2.16 Mr. Bilwani observed that despite a decline in sent-out volumes and purchased units, operations and maintenance (O&M) expenses rose from PKR 54 billion to PKR 61 billion, representing an increase of PKR 7 billion compared to the previous year. The CFO stated that the increase is attributed to a combination of significant rise in inflation and depreciation in Pak. Rupee. To mitigate these losses, an Operational Excellence program has been implemented, resulting in cost savings of around PKR 2 billion. Additionally, the declining purchasing power of consumers has led to higher bad debts, necessitating increased vigilance in disconnecting defaulters. If depreciation is excluded, the O&M increase stands at 11.4% which is within the inflation witnessed during the year.

- 2.17 Mr. Bilwani pointed out that expenses incurred in generation, transmission, and distribution have increased from PKR 30.21 billion to PKR 33.74 billion while customer services and administration expenses have risen from PKR 23.81 billion to PKR 27.41 billion. He added that In Japan, there is a cultural emphasis on management accountability in the face of losses. This approach could be considered for implementation. Responding his point, the CEO highlighted that non-paying customers have driven up activity levels, leading to increased costs across various heads. With regard to executive compensation, the CEO emphasized the need for competitive remuneration to retain top talent. He remarked that ensuring business continuity amidst the current brain drain is a challenge. This investment, the CEO stressed, is essential for securing long-term growth.
- 2.18 Mr. Bilwani noted that approximately 100,000 kg cables used for illegal connections have been removed during the year. However, the issue of illegal transformers persists, with one area alone harboring 54 such transformers. He further inquired about the number of PMTs connected with the Aerial Bundled Cables (ABCs). The CEO explained that law and order issue had restricted progress in this area and the new MYT investment plan also includes targeted investments to regularize such areas but support from all stakeholders is mandatory.. Mr. Bilwani further raised the issue of NEPRA's directive for load shedding based on PMTs rather than feeders. The CEO responded that to test the concepts implementation has begun in medium-loss areas due to the challenges posed in high loss areas where remote breaker shutdown remained a challenge in areas with unstable law and order situations.
- 2.19 Mr. Bilwani remarked that despite the stated goal of privatization to address recovery losses, these losses have increased. While KE's request for tariff provisions to cover these losses seems optimistic, NEPRA's approval remains uncertain. The CEO acknowledged the significant losses incurred in this regard and stated that if KE had been granted adjustment for sent-out volumes, these losses could have been minimized or eliminated altogether. While its customers enjoy an extended credit period of nearly 75 days, KE, on the other hand, is not allowed to demand security deposits from its customers. He added that a crucial advantage of privatization is that these losses are no longer borne by the national treasury and remain with the Company pushing it to recover the same. Hence, privatization offers immense benefits and represents a viable solution for the country's progress.
- 2.20 Mr. Bilwani highlighted that the recovery ratio of other DISCOs e.g. IESCO and LESCO was better than KE's. The CEO stated in response that dynamics of Islamabad or Lahore are quite different than Karachi as 40% of this city is informal residence (Katchi Abadi). KE's performance otherwise outshines the performance of other DISCOs.
- 2.21 Mr. Bilwani enquired about KE's plans for 216 acres of land situated at Eastern Industrial Zone in Port Qasim, Karachi. CEO responded that a project was envisaged for development of coal-based power plant on this land. However, the Cabinet Committee on Energy (CCoE) principally decided to supply additional power to KE from national grid and to abandon the Project. KE is considering using the related land, now classified as investment property, to explore the development of various greenfield projects, such as solar power plants or coal plants in future.
- 2.22 Mr. Bilwani remarked that the generation target of 1,282 MW from renewable sources by 2030 appears quite difficult to achieve to which, the CEO responded that it is possible as there has been significant progress with the Government of Sindh on this matter.



- 2.23 On a query regarding solar disruptions on sent-out volumes/units, the CFO stated that KE has established a subsidiary, K-Solar (Private) Limited, which operates nationwide to capture such customers by offering them solar solutions. While the current impact is minimal, it may become more significant in future.
- 2.24 Mr. Bilwani sought reasons for increase in sales mix of residential consumers while decline in sales mix of industrial consumers. The CFO attributed this to adverse economic conditions affecting industrial activity. However, with the Government's efforts for revival of industrialization, KE's sales to industrial sector is likely to increase.
- 2.25 Mr. Bilwani asked about the status of receivables of PKR 5 billion from the General Post Office (GPO). The CFO explained that this represents KE's revenue through billing that was collected by Post Offices, and we have escalated this matter with the Government so that KE's account can be settled.
- 2.26 Mr. Bilwani asked for details on Note 22 (Other liabilities), Note 26.5 (Electric duty), Note 37.3 (Professional charges) and Note 38 (Other expenses). The CFO responded that the relevant details will be shared with him separately.
- 2.27 Mr. Bilwani finally sought insight into KE's future prospects considering the current power sector landscape. He also commented that in national interest, power generation should be centralized. KE should not undertake generation and should fulfil its power needs from NTDC. The CEO confirmed the on-going discussions with the Government for power procurement. He further informed about the projected completion of various inter-connection lines with national grid in FY2024 and FY2025, based on KE's planned evacuation from national grid will reach to around 2,700 MW. The CEO stated that KE would strive to avail maximum power from NTDC with the aim to reduce tariff. As regards to KE's own plans for generation, it would depend on the Government's support for supply of requisite energy and coal infrastructure.
- 2.28 On the proposal of Mr. Abdul Rauf (Folio No. 5942) and as seconded by Mr. Muhammad Hanif (CDC A/c. No. 03277-67231), the following resolution was unanimously passed by the shareholders:

RESOLUTION:

- 2.29 **RESOLVED THAT** Annual Audited Unconsolidated and Consolidated Financial Statements of the Company, together with the Directors' and Auditor's Reports thereon, for the financial year ended June 30, 2023, be and are hereby adopted.

AGENDA ITEM # 3

TO APPOINT EXTERNAL AUDITOR FOR FY 2024 AND FIX THEIR REMUNERATION

- 3.1 The Company Secretary informed that Messrs. A. F. Ferguson & Co. have retired and being eligible, have offered themselves for reappointment. Pursuant to the provisions of the Code of Corporate Governance, the Board Audit Committee has recommended the reappointment of Messrs. A. F. Fergusons & Co. as statutory auditors of the Company for FY2024 on a mutually agreed audit fee of PKR 13 million. The Board has endorsed BAC's recommendations.
- 3.2 On the proposal of Mr. Mr. Salman Saeed (CDC A/c. No. 10629-166275) (and as seconded by Mr. Syed Muhammad Hanif (CDC A/c. No. 3277-67231), the House passed the following resolution:

RESOLUTION:

- 3.3 **RESOLVED THAT** Messrs. A. F. Fergusons and Co. be and are hereby reappointed as statutory auditors of the Company for FY2024, on a total remuneration of PKR 13 million plus out of pocket expenses for the audit of the annual financial statements, the review of half-yearly financial statements and issue of a Review Report on the Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019.

AGENDA ITEM # 4

TO CONSIDER AND APPROVE CIRCULATION/DISSEMINATION OF ANNUAL AUDITED FINANCIAL STATEMENTS THROUGH QR ENABLED CODE AND WEB-LINK AND FOR THIS PURPOSE, TO PASS A SPECIAL RESOLUTION

- 4.1 The Company Secretary briefed the members that in pursuance of S.R.O 389(I)/2023 dated March 21, 2023 notified by SECP, the listed companies have been allowed to circulate the Annual Balance Sheet, Profit or Loss Account, Auditors' Report, Directors' Report ("Annual Audited Financial Statements") to its members through QR enabled code and web link, subject to the approval of shareholders in the general meeting, and considering technology advancement and old technology becoming obsolete, the circulation of annual audited financial statements through CD/DVD/USB may be discontinued from the next year.
- 4.2 The Company Secretary further informed that voting on the proposed resolution, for allowing circulation of Annual Audited Financial Statements to members of the Company through QR enabled code and web link, is being carried out under Companies (Postal Ballot) Regulations, 2018 for which necessary arrangements were made. He continued that while voting through postal ballot and online portal provided by CDC, the Company's Share Registrar, has been concluded, the members physically present at the meeting may cast their vote through the ballot papers provided to them. The physical casting of votes through ballot commenced after which the total votes were tabulated by CDC's team.
- 4.3 Based on the tabulations compiled by CDC's team, following results were announced:

TOTAL MEMBERS PRESENT IN PERSON OR THROUGH PROXY/E-VOTING/POSTAL BALLOT			
Description	Number of shareholders	Number of shares	Percentage of share capital
E-voting	127	19,065,555	0.069%
Postal Ballot	1	6,726,912,278	24.359%
Physical	13	18,336,061,638	66.398%
Total	141	25,082,039,471	90.827%

RESULTS OF SPECIAL BUSINESS AS PER VOTES CASTED				
Description	Number of shareholders	Number of shares	Percentage of votes casted	Percentage of share capital
Votes in favour	131	25,081,593,961	99.998%	90.825%
Votes against	10	445,510	0.002%	0.002%
Votes rejected	-	-	-	-
Total	141	25,082,039,471	100%	90.827%

- 4.4 In view of the above, following Special Resolution was declared as being passed:



SPECIAL RESOLUTION:

- 4.5 **RESOLVED THAT** circulation/dissemination of annual audited financial statements to the shareholders through QR enabled code and web-link, as allowed by the Securities and Exchange Commission of Pakistan vide its notification numbered S.R.O. 389 (1) /2023 dated March 21, 2023, be and is hereby approved.
- 4.6 **FURTHER RESOLVED THAT** Company Secretary be and is hereby authorized to take and do all necessary actions, deeds and things which are or may be necessary, incidental and/or consequential to give effect to the above resolution.

AGENDA ITEM # 5
ANY OTHER BUSINESS

- 6.1 There being no other business, the Chairman thanked the shareholders for their participation and valuable suggestions. The meeting ended with a vote of thanks to the Chair.

Mark Gerard Skelton
Chairman