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K-Electric Launches Pakistan's First Retail Sukuk

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Pakistan's energy sector has reached a new milestone with the launch of the country's first public retail sukuk by K-Electric. The initiative offers a Shariah-compliant investment option while addressing the utility's financing needs amid rising demand for energy infrastructure.

Sukuks, often described as the Islamic alternative to bonds, are gaining popularity worldwide due to their asset-backed structure and compliance with Shariah principles. Global sukuk volumes are expected to surpass USD 1 trillion in 2025, with Southeast Asia

leading the market. In emerging economies, including Pakistan, sukuk now account for nearly 12 percent of all U.S. dollar-denominated debt issuance outside China.

K-Electric, Pakistan's only privatized and vertically integrated power utility, has previously issued both long- and short-term sukuk. However, its latest offering marks the first public sukuk in Pakistan with a tenure of less than one year. With an issue size of PKR 3 billion (USD 10.8 million), including a PKR 1 billion (USD 3.6 million) greenshoe option, the utility has already raised PKR 1 billion in a pre-IPO round earlier this year.

The sukuk will carry a profit rate set at 20 basis points above the three-month Karachi Interbank Offered Rate (KIBOR). In addition, investors will have the option of offsetting their electricity bills against their investment, a feature available on an opt-in basis.

Unlike traditional loans, sukuk investments represent partial ownership in the underlying assets and operations. For K-Electric, this means investors are directly linked to the infrastructure that powers homes, industries, and businesses across Karachi. The structure provides investors with financial returns while supporting the city's energy needs.

This launch comes at a time when Pakistan's energy sector requires substantial investment to meet growing industrial and residential demand. By introducing this sukuk, K-Electric demonstrates how utilities can use innovative financing to reduce reliance on conventional debt, which has long contributed to the country's circular debt challenges.

Financial experts suggest that the success of this instrument could encourage other utilities and infrastructure operators, including those in telecommunications, water, and transport, to explore sukuk-based financing. This would diversify Pakistan's financial landscape and strengthen investor confidence in Shariah-compliant capital markets.

Islamic finance continues to expand its footprint in Pakistan, offering investors both ethical and profitable avenues. K-Electric's retail sukuk is not just an investment tool; it represents a shift towards sustainable, interest-free financing that could play a pivotal role in shaping the future of infrastructure development in the country.