

Day Break

Monday, 29 April 2019

COMPANY UPDATE

Nishat Chunian Power Limited

Power Generation & Distribution

Recommendation	BUY
Target Price:	31-Dec-19 23.3
Last Closing:	26-Apr-19 17.9
Upside:	30.0
Valuation Methodology:	Dividend Discount Model (DDM)
Time Horizon:	8M

Market Data

Bloomberg Tkr.	NCPL PA		
Shares (mn)	367.3		
Free Float Shares (mn)	179.5		
Free Float Shares (%)	48.9%		
Market Cap (PKRbn USDmn)	6.6	46.5	
Exchange	KSE ALL		
Price Info.	90D	06M	12M
Abs. Return	(23.2)	(30.0)	(41.8)
Lo	17.2	17.2	17.2
Hi	24.0	25.9	29.6

Key Company Financials

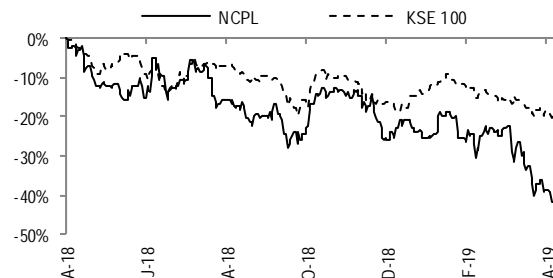
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	16.6	13.8	12.9	5.5
Net Income	3.4	3.6	4.0	1.7
EPS (PKR)	9.3	9.9	11.0	4.5
DPS (PKR)	1.5	3.0	4.0	3.0
Total Assets	24	26	22	22
Total Equity	12	15	18	18

Key Financial Ratios

ROE (%)	27.9	24.9	23.1	9.3
P/E (x)	1.9	1.8	1.6	4.0
P/B (x)	1.0	0.5	0.5	0.4
DY (%)	8.4	16.7	22.3	16.7

Relative Price Performance



About the Company

The company is a subsidiary of Nishat (Chunian) Ltd. The principal activity of the company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW and net capacity of 195.722 MW in Punjab, Pakistan.

Source: Bloomberg, PSX & IGI Research

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Power Generation & Distribution

NCPL: PKR depreciation to lift 3QFY19 EPS by +16%YoY to PKR 2.62

- Nishat Chunian Power Limited's (NCPL) board meeting is scheduled on 30th Apr-19 to announce financial result for 3QFY19, where we expect the company to post earnings of PKR 963mn (EPS PKR 2.62), up by +16%YoY,
- We estimate incline in earnings on the back of 25%YoY depreciation of PKR against greenback and higher fuel savings as FO prices went up by +45%YoY. Total load factor stood at 18% during 3QFY19 against 56% in same period last year,
- This will bring total 9MFY19 profitability to PKR 2.82bn (EPS PKR 7.67) up by +9%YoY compared to PKR 2.58bn (EPS PKR 7.01) in the same period last year. We expect the Company to announce cash dividend of PKR 1.0/share, bringing total cash payout for 9MFY19 to PKR 2.0/share,
- We recommend a 'BUY' stance on NCPL with our Dec-19 target price of PKR 23.30/share offering 30.0% upside from last close.

Earnings to clock in at PKR 2.62/share for 3QFY19, up by +16%YoY

Nishat Chunian Power Limited's (NCPL) board meeting is scheduled on 30th Apr-19 to announce financial result for 3QFY19, where we expect the company to post earnings of PKR 963mn (EPS PKR 2.62), up by +16%YoY, compared to PKR 830mn (EPS PKR 2.26) in the same period last year. We estimate incline in earnings on the back of 25%YoY depreciation of PKR against greenback and higher fuel savings as FO prices went up by +45%YoY. Total load factor stood at 18% during 3QFY19 against 56% in same period last year. However, due to increase in short term borrowings and rise in interest rate, finance cost is estimated to augment by +14%YoY which is likely to restrict earnings growth in 3QFY19. This will bring total 9MFY19 profitability to PKR 2.82bn (EPS PKR 7.67) up by +9%YoY compared to PKR 2.58bn (EPS PKR 7.01) in the same period last year. We expect the Company to announce cash dividend of PKR 1.0/share, bringing total cash payout for 9MFY19 to PKR 2.0/share.

On quarterly basis, earnings are expected to increase by 1%QoQ on the back of 3.6%QoQ PKR depreciation against USD. Load factor stood at 18% compared to 66% in the preceding quarter. However, lower O&M savings are likely to keep earnings growth restricted during 3QFY19.

Exhibit:

NCPL Financial Highlights

PKRmn	3QFY19E	3QFY18	YoY	9MFY19E	9MFY18	YoY
Net Sales	2,377	3,774	-37%	10,859	12,249	-11%
Cost of Sales	1,097	2,650	-59%	7,053	8,728	-19%
Gross Profit	1,280	1,123	14%	3,806	3,521	8%
EBIT	1,255	1,086	16%	3,703	3,364	10%
Finance Cost	292	256	14%	886	789	12%
PBT	963	830	16%	2,817	2,575	9%
PAT	963	830	16%	2,817	2,575	9%
EPS	2.62	2.26		7.67	7.01	
DPS	1.00	-		2.00	-	

Source: IGI Research

No of shares: 367.35mn

Recommendation

We recommend a 'BUY' stance on NCPL with our Dec-19 target price of PKR 23.30/share offering 30.0% upside from last close. The company is currently trading at FY19/20 P/E of 1.8/1.6x and offers dividend yield of 16.7%.

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Time Horizon: Dec – 2019

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DDM (Dividend Discount Model)

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