

# Flash Note

Tuesday, 29 October 2019



Securities

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## Power Generation and Distribution Companies

### Kot Addu Power Company Limited (KAPCO)

#### Hefty other income along with PKR depreciation lifts 1QFY20 EPS by +84%YoY to PKR 5.72

- Kot Addu Power Company Limited (KAPCO) announced financial results for 1QFY20 with earnings clocking in at PKR 5.03bn (EPS PKR 5.72) up by +84%YoY compared to PKR 2.74bn (EPS PKR 3.11) in the same period last year. On a sequential basis, earnings are up by +4.9xQoQ during 1QFY20.
- We attribute the incline on earnings during 1QFY20 primarily on the back of a) higher gross margins of 14.8% and, b) +73%YoY rise in other income. On a sequential basis jump in earnings is likely attributable to rise in other income as KAPCO restated most of its true up income booked until 9MFY19 to account for changes in accounting policy as per IFRS 15 and would only be recognized now on cash receipt of Capacity Purchase Price (CPP) invoices.
- Net Revenues increased by +12%YoY to PKR 35.37bn during 1QFY20, likely on the back of higher generation with a total load factor of 72% against 72% in the same period last year. Total generation on LNG was up by 20%YoY however, higher FO prices and PKR depreciation led to rise in total revenues.
- Gross margins clocked in at 14.8% during 1QFY20 compared to 11.5% in the same period last year likely owing to PKR depreciation.
- Other income leaped up by +73%YoY to PKR 4.37bn during 1QFY20 compared to PKR 2.53bn in the same period last year which may likely relate to amount realized under True-up income reversed partially by PKR 9.02bn for FY19 owing to changes accounting policy (IFRS 15) where True-up income will now be recognized upon cash receipts of CPP payments.
- Finance cost increased by +9%YoY to PKR 2.29bn during 1QFY20 likely owing to increase in mark up amid rise in interest rates and short term borrowings.
- Effective tax rate stood at 29.0% during 1QFY20 compared to 29.2% (4QFY19: 38.2%) reported in the corresponding period last year.
- To note, KAPCO has restated its other income for 1QFY19 by PKR 543mn which is likely due to de-recognition of True-up income owing to changes in accounting policy as per IFRS 15.

Exhibit:

#### KAPCO Financial Highlights

PKRmn	1QFY20	1QFY19	YoY	4QFY19	QoQ
Revenue	35,365	31,595	12%	29,852	18%
Operating Costs	30,141	27,978	8%	26,506	14%
Gross Profit	5,224	3,617	44%	3,347	56%
Admin and Selling	207	177	17%	176	18%
Financial Charges	2,292	2,099	9%	1,780	29%
Other Income	4,367	2,529	73%	265	16.5x
Pre Tax Profits	7,093	3,871	83%	1,656	4.3x
Post Tax Profits	5,033	2,741	84%	1,023	4.9x
EPS	5.72	3.11		1.16	
DPS	-	-		3.00	

Source: IGI Research, Company Financials

No of Shares: 880 mn

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