

# Flash Note

Wednesday, 05 September 2018

## Power Generation and Distribution Companies

### Kot Addu Power Company Limited (KAPCO)

#### Other Income lifts 4QFY18 EPS up by +49%YoY to PKR 4.56; DPS PKR 4.80

- Kot Addu Power Company Limited (KAPCO) announced financial results for 4QFY18 with earnings clocking in at PKR 4.01bn (EPS PKR 4.56) up by +49%YoY compared to PKR 2.69bn (EPS PKR 3.05) in the same period last year. The company announced cash dividend of PKR 4.80/share, bringing total cash payout for FY18 to PKR 9.15/share. This brings FY18 earnings to PKR 10.62bn (EPS: PKR 12.06) up by +12%YoY compared to PKR 9.45bn (EPS: PKR 10.73) in the similar period last year.
- We attribute this growth in earnings during 4QFY18 primarily on the back of higher other income which increased likely owing to receipt of overdue interest payment received from WAPDA.
- Net Revenues increased by +10%YoY to PKR 30.31bn during 4QFY18, likely on the back of higher load factor where generation mix was led by LNG due to better availability and rise in LNG/LSFO prices. As a result of improved generation on LNG and rise in LNG/LSFO prices, total revenues are up by +12%YoY to PKR 91.92bn in FY18.
- Gross profit plummeted by 22%YoY to PKR 3.56bn during 4QFY18 as against PKR 4.56bn in similar period last year likely owing to higher maintenance cost incurred despite PKR depreciation of 5% in Jun-18. As a result of higher maintenance cost, gross margins are down by 2.77pts to 14.6% in FY18.
- Other income leaped up by +3.3xYoY to PKR 4.74bn during 4QFY18 compared to PKR 1.44bn in the corresponding period last year likely owing to receipt of overdue mark up on late payments by WAPDA, taking total other income for FY18 to PKR 9.45bn up by +89%YoY.
- Finance cost increased by +9%YoY to PKR 1.49bn during 4QFY18 likely owing to rise in mark up in overdue payments, taking total finance cost for FY18 to PKR 6.19bn up by +40%YoY.
- Effective tax stood at 36.7% during 4QFY18 compared to 37.1% reported in the corresponding period last year, bringing total effective tax rate for FY18 to 32.8% compared to 32.9% last year.

Exhibit:

#### Financial Highlights

PKRmn	4QFY18	4QFY17	YoY	3QFY18	QoQ	FY18	FY17	YoY
Revenue	30,310	27,647	10%	21,590	40%	91,916	81,847	12%
Operating Costs	26,754	23,089	16%	18,417	45%	78,537	67,667	16%
Gross Profit	3,555	4,558	-22%	3,173	12%	13,379	14,180	-6%
Admin and Selling	149	135	11%	88	70%	466	452	3%
Financial Charges	1,494	1,366	9%	1,609	-7%	6,188	4,425	40%
Other Income	4,735	1,436	230%	1,736	173%	9,453	4,991	89%
Pre-Tax Profits	6,340	4,271	48%	3,211	97%	15,808	14,073	12%
Post-Tax Profits	4,014	2,687	49%	2,208	82%	10,617	9,447	12%
EPS	4.56	3.05		2.51		12.06	10.73	
DPS	4.80	4.75		-		9.15	9.05	

Source: IGI Research, Company Financials

No of Shares: 880 mn

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