

Flash Note

Wednesday, 25 April 2018



Power Generation & Distribution

KAPCO: Higher finance and repairs/maintenance cost drags 3QFY18 earnings to PKR 2.51/share

- Kot Addu Power Company Limited (KAPCO) announced its financial results for 3QFY18 with earnings clocking in at PKR 2.21bn (EPS PKR 2.51) down by 15%YoY compared to PKR 2.59bn (EPS PKR 2.94) in the same period last year. This brings cumulative earnings for 9MFY18 to PKR 6.60bn (EPS PKR 7.50) down by meagre 2%YoY compared to PKR 6.76bn (EPS PKR 7.68) in the corresponding period last year.
- We attribute this decline in earnings during 3QFY18 to a) higher repairs and maintenance cost and, b) inflated finance cost amid rising circular debt.
- Revenues for 3QFY18 inched up by +1%YoY to PKR 21.59bn as compared to PKR 21.28bn in the similar period last year owing to improved load factor and PKR depreciation however higher generation on LNG (which is cheaper than FO) led to a meagre incline in revenues.
- Gross margins declined by 252bps to 14.7% during 3QFY18 as compared to 17.2% in the corresponding period last year likely owing to higher repairs and maintenance cost.
- Other income increased by +39%YoY to PKR 1.74bn against PKR 1.25bn in the similar period last year likely owing to higher interest income on late payments by WAPDA.
- Finance costs leaped up by +47%YoY to PKR 1.61bn during 3QFY18 as compared to PKR 1.10bn in the corresponding period last year likely owing to heavy reliance on short term borrowings and exchange losses.
- Effective tax rate dropped to 31.3% during 3QFY18 compared to 30.4% in the same period last year.

Exhibit:

Financial Highlights

PKRmn	3QFY18	3QFY17	YoY	9MFY18	9MFY17	YoY
Revenue	21,590	21,284	1%	61,606	54,200	14%
Operating Costs	18,417	17,620	5%	51,782	44,578	16%
Gross Profit	3,173	3,664	-13%	9,824	9,623	2%
Admin and Selling	88	99	-12%	316	317	0%
Financial Charges	1,609	1,096	47%	4,693	3,059	53%
Other Income	1,736	1,253	39%	4,719	3,556	33%
PBT	3,211	3,722	-14%	9,468	9,802	-3%
PAT	2,208	2,589	-15%	6,603	6,760	-2%
EPS	2.51	2.94		7.50	7.68	
DPS	-	-		4.35	4.30	

Source: IGI Research, Company Financials

No of Shares: 880 mn

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