

Flash Note

Friday, 26 April 2019

Power Generation and Distribution Companies

Kot Addu Power Company Limited (KAPCO)

True-up Income and PKR depreciation lifts 3QFY19 EPS to PKR 3.94, up by +57%YoY; DPS 1.50/share

- Kot Addu Power Company Limited (KAPCO) announced financial results for 3QFY19 with earnings clocking in at PKR 3.47bn (EPS PKR 3.94) up by +57%YoY compared to PKR 2.21bn (EPS PKR 2.51) in the same period last year. On sequential basis, earnings are down by 41%QoQ during 3QFY19. This brings total profitability to PKR 12.46bn (EPS PKR 14.16) for 9MFY19, up by +89%YoY, compared to PKR 6.60bn (EPS PKR 7.50) in the corresponding period last year.
- The Company announced cash dividend of PKR 1.50/share for 3QFY19.
- We attribute this growth in earnings during 3QFY19 primarily on the back of a) PKR depreciation against greenback of 3.6%QoQ (25%YoY) and b) higher other income which increased owing to true up income booked as per Power Purchase Agreement (PPA) on account of PKR depreciation.
- Net Revenues dropped by 50%YoY to PKR 12.63bn during 3QFY19, likely on the back of lower generation with a total load factor of 7% against 56% in the same period last year.
- Other income leaped up by +2.1xYoY to PKR 3.68bn during 3QFY19 compared to PKR 1.74bn in the corresponding period last year likely owing to true up income realized under PPA on account of PKR depreciation.
- Finance cost increased by +32%YoY to PKR 2.13bn during 3QFY19 likely owing to rise in mark up on overdue payments amid rise in interest rates and short term borrowings.
- Effective tax stood at 31.2% during 3QFY19 compared to 31.2% (2QFY19: 30.0%) reported in the corresponding period last year.

Exhibit:

KAPCO Financial Highlights

PKRmn	3QFY19	3QFY18	YoY	2QFY19	QoQ	9MFY19	9MFY18	YoY
Revenue	10,757	21,590	-50%	12,626	-15%	54,978	61,606	-11%
Operating Costs	7,053	18,417	-62%	9,088	-22%	44,120	51,782	-15%
Gross Profit	3,704	3,173	17%	3,538	5%	10,859	9,824	11%
Admin and Selling	215	88	2.5x	141	52%	533	316	68%
Financial Charges	2,126	1,609	32%	2,302	-8%	6,526	4,693	39%
Other Income	3,676	1,736	2.1x	7,311	-50%	14,060	4,719	3.0x
Pre-Tax Profits	5,037	3,211	57%	8,399	-40%	17,850	9,468	89%
Post-Tax Profits	3,467	2,208	57%	5,881	-41%	12,464	6,603	89%
EPS	3.94	2.51		6.68		14.16	7.50	
DPS	1.50	-		-		1.50	4.35	

Source: IGI Research, Company Financials

No of Shares: 880 mn

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