

# Flash Note

Friday, 19 February 2021

Power Generation and Distribution Companies

## Kot Addu Power Company Limited (KAPCO)

### Profitability drops on lower other income and higher admin cost; Nil cash payout

- Kot Addu Power Company Limited (KAPCO) announced financial results for 2QFY21 with earnings clocking in at PKR 5.30bn (EPS PKR 6.02) down by 21%y/y compared to PKR 6.69bn (EPS PKR 7.60) in the same period last year. On a sequential basis, earnings are down by 15%q/q during 2QFY21. This brings total profitability for 1HFY21 to PKR 11.50bn (EPS PKR 13.06), down by 2%y/y.
- The Company did not announce any cash dividend for 2QFY21.
- We attribute this decline in earnings during 2QFY21 primarily on the back of a) lower other income on account of drop in true up income, b) higher effective tax rate and, c) higher admin cost. However, profitability decline was limited by PKR depreciation and substantial drop in finance cost.
- **Net Revenues** increased by +17%y/y to PKR 10.68bn during 2QFY21 compared to PKR 9.10bn in the corresponding period last year, likely on the back of higher generation despite drop in FO/LNG prices.
- **Admin and selling** cost increased by +66%y/y to PKR 0.44bn during 2QFY21 compared to PKR 0.27bn in the same period last year likely owing to higher arbitration cost. However, we await detailed financial reports for further clarity.
- **Other income** dropped by 56%y/y to PKR 3.05bn during 2QFY21 compared to PKR 6.70bn in the similar period last year which may likely relate to lower amount realized under True-up income.
- **Finance cost** dropped by 70%y/y to PKR 0.74bn during 2QFY21 likely owing to decline in mark-up cost amid drop in interest rates and decline in short term borrowings, in our view.
- **Effective tax rate** stood at 29.0% during 2QFY21 (1QFY21: 29.0%) compared to 26.6% reported in the same period last year, bringing total effective tax rate to 29.0% for 1HFY21 compared to 27.7% in the corresponding period last year.

#### Exhibit: KAPCO Financial Highlights

PKRmn	2QFY21	2QFY20	y/y	1QFY21	q/q	1HFY21	1HFY20	y/y
Revenue	10,677	9,104	17%	23,400	-54%	34,076	44,469	-23%
Operating Costs	5,089	4,223	21%	17,597	-71%	22,686	34,364	-34%
Gross Profit	5,588	4,881	14%	5,803	-4%	11,390	10,106	13%
Admin and Selling	441	266	66%	223	98%	664	473	40%
Financial Charges	735	2,466	-70%	893	-18%	1,629	4,758	-66%
Other Income	3,045	6,969	-56%	4,055	-25%	7,099	11,336	-37%
Pre Tax Profits	7,456	9,118	-18%	8,741	-15%	16,197	16,211	0%
Post Tax Profits	5,296	6,694	-21%	6,202	-15%	11,498	11,727	-2%
EPS	6.02	7.60	-21%	7.05		13.06	13.32	-2%
DPS	-	-		1.50		1.50	-	

Source: IGI Research, Company Financials No of Shares: 880 mn

#### Analyst

Abdullah Farhan

[abdullah.farhan@igi.com.pk](mailto:abdullah.farhan@igi.com.pk)

Tel: (+92-21) 111-234-234 Ext.: 912

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IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

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## Contact Details

### Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

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Pakistan Stock Exchange Limited |  
Corporate member of Pakistan Mercantile Exchange Limited

### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780  
Website: www.igisecurities.com.pk

### Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2  
Fax: (+92-21) 32429607

<p><b>Lahore Office</b> Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559</p>	<p><b>Islamabad Office</b> Mezzanine Floor, Office 5, 6 &amp; 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861</p>
<p><b>Faisalabad Office</b> Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815</p>	<p><b>Rahim Yar Khan Office</b> Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651</p>
<p><b>Multan Office</b> Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183</p>	

IGI Finex Securities Limited

### Research Analyst(s)

Research Identity Number: BRP009

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