

Flash Note

Friday, 23 April 2021

Power Generation and Distribution Companies

Kot Addu Power Company Limited (KAPCO)

Profitability drops to PKR 5.03/share during 3QFY21 on account of lower other income

- Kot Addu Power Company Limited (KAPCO) announced financial results for 3QFY21 with earnings clocking in at PKR 4.43bn (EPS PKR 5.03) down by 27%y/y compared to PKR 6.05bn (EPS PKR 6.87) in the same period last year. On a sequential basis, earnings are down by 16%q/q during 3QFY21. This brings total profitability for 9MFY21 to PKR 15.93bn (EPS PKR 18.09), down by 10%y/y.
- We attribute this decline in earnings during 3QFY21 primarily on the back of lower other income on account of drop in true up income. However, profitability decline was limited by substantial drop in finance cost.
- **Net Revenues** declined by 3%y/y to PKR 11.56bn during 3QFY21 compared to PKR 11.93bn in the corresponding period last year.
- **Admin and selling** cost increased by +6%y/y to PKR 0.21bn during 3QFY21 compared to PKR 0.20bn in the same period last year.
- **Other income** dropped by 58%y/y to PKR 2.24bn during 3QFY21 compared to PKR 5.32bn in the similar period last year which may likely relate to lower amount realized under True-up income.
- **Finance cost** dropped by 65%y/y to PKR 0.77bn during 3QFY21 against PKR 2.18bn in the corresponding period last year 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 3QFY21 (2QFY21: 29.0%) compared to 29.0% reported in the same period last year, bringing total effective tax rate to 29.0% for 9MFY21 compared to 28.1% in the corresponding period last year.

Exhibit: KAPCO Financial Highlights

PKRmn	3QFY21	3QFY20	YoY	2QFY21	QoQ	9MFY21	9MFY20	YoY
Revenue	11,564	11,927	-3%	10,677	8%	45,640	56,397	-19%
Operating Costs	6,581	6,357	4%	5,089	29%	29,267	40,721	-28%
Gross Profit	4,983	5,570	-11%	5,588	-11%	16,373	15,676	4%
Admin and Selling	209	197	6%	441	-53%	873	670	30%
Financial Charges	771	2,179	-65%	735	5%	2,399	6,937	-65%
Other Income	2,236	5,323	-58%	3,045	-27%	9,335	16,659	-44%
Pre Tax Profits	6,239	8,517	-27%	7,456	-16%	22,436	24,727	-9%
Post Tax Profits	4,429	6,047	-27%	5,296	-16%	15,927	17,774	-10%
EPS	5.03	6.87		6.02		18.09	20.19	
DPS	-	1.50		-		1.50	1.50	

Source: IGI Research, Company Financials

No of Shares: 880 mn

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Time Horizon: Dec – 2021

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(Discounted Cash Flow)

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