

# Flash Note

Thursday, 25 February 2021

Power Generation and Distribution Companies

## Nishat Chunian Power Limited (NCPL)

### Profitability drops to PKR 1.27/share on removal on debt component in tariff as per PPA

- Nishat Chunian Power Limited (NCPL) announced its financial results for 2QFY21 with earnings clocking in at PKR 0.47bn (EPS PKR 1.27) down by 55%y/y compared to PKR 1.03bn (EPS PKR 2.80) in the same period last year. This brings cumulative earnings for 1HFY21 to PKR 1.43bn (EPS PKR 3.88) down by 32%y/y compared to PKR 2.10bn (EPS PKR 5.71) in the corresponding period last year.
- We attribute this decline in earnings during 2QFY21 to removal of debt component in tariff.
- Revenues for 2QFY21 dropped by 41%y/y to PKR 1.38bn as compared to PKR 2.36bn in the similar period last year owing to removal of debt component from tariff while load factor remained flat compared to same period last year.
- Gross margins declined by 16pps to 53.5% during 2QFY21 as compared to 69.8% in the corresponding period last year likely in the absence of debt component and lower O&M savings in our view.
- Administrative expenses declined by 1%y/y to PKR 34mn against PKR 37mn in the similar period last year, whereas other income also dropped by 69%y/y to PKR 3mn during 2QFY21.
- Finance costs dropped by 59%y/y to PKR 0.24bn during 2QFY21 as compared to PKR 0.59bn in the corresponding period last year likely owing decline in mark-up cost amid substantial dip in interest rates and likely decrease in ST borrowings.

#### Exhibit: NCPL Financial Highlights

PKRmn	2QFY21	2QFY20	y/y	1QFY21	q/q	1HFY21	1HFY20	y/y
Net Sales	1,380	2,356	-41%	4,424	-69%	5,804	7,782	-25%
Cost of Sales	641	712	-10%	3,202	-80%	3,844	4,496	-15%
Gross Profit	738	1,644	-55%	1,222	-40%	1,960	3,286	-40%
Administrative Expense	34	37	-9%	30	14%	64	76	-16%
Other Operating Expense	-	0	n/m	-	n/m	-	1	n/m
Other Operating Income	3	10	-69%	14	-78%	17	23	-26%
EBIT	707	1,617	-56%	1,205	-41%	1,913	3,232	-41%
Finance Cost	241	587	-59%	246	-2%	487	1,134	-57%
PBT	466	1,030	-55%	960	-51%	1,425	2,098	-32%
PAT	466	1,030	-55%	960	-51%	1,425	2,098	-32%
EPS	1.27	2.80		2.61		3.88	5.71	
DPS	-	-		-		-	-	

Source: IGI Research, Company Financials

No of shares: 367.35mn

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