

Flash Note

Tuesday, 23 October 2018

Power Generation and Distribution Companies

Kot Addu Power Company Limited (KAPCO)

True-up Income lifts 4QFY18 EPS up by +43%YoY to PKR 3.54

- Kot Addu Power Company Limited (KAPCO) announced financial results for 1QFY19 with earnings clocking in at PKR 3.12bn (EPS PKR 3.54) up by +43%YoY compared to PKR 2.18bn (EPS PKR 2.48) in the same period last year. On sequential basis, earnings are down by 22%QoQ during 1QFY19.
- We attribute this growth in earnings during 1QFY19 primarily on the back of higher other income which increased likely owing to true up income booked as per Power Purchase Agreement (PPA) on account of PKR depreciation and higher interest income realized on receivables.
- Net Revenues increased by +46%YoY to PKR 31.60bn during 1QFY19, likely on the back of +12%YoY higher load factor where generation mix was led by LNG due to better availability and rise in LNG/LSFO prices.
- Gross margins plummeted by 450bps to 11.45% during 1QFY19 as against 15.96% in similar period last year likely owing to higher maintenance cost incurred.
- Other income leaped up by +2.2xYoY to PKR 3.07bn during 1QFY19 compared to PKR 1.40bn in the corresponding period last year likely owing to true up income realized under PPA on account of PKR depreciation.
- Finance cost increased by +31%YoY to PKR 2.10bn during 1QFY19 likely owing to rise in mark up on overdue payments.
- Effective tax stood at 29.4% during 1QFY19 compared to 30.0% (4QFY18: 36.7%) reported in the corresponding period last year.

Exhibit:

Financial Highlights

| PKRmn | 1QFY19 | 1QFY18 | YoY | 4QFY18 | QoQ |
|-------------------|--------|--------|------|--------|------|
| Revenue | 31,595 | 21,571 | 46% | 30,310 | 4% |
| Operating Costs | 27,978 | 18,127 | 54% | 26,754 | 5% |
| Gross Profit | 3,617 | 3,443 | 5% | 3,555 | 2% |
| Admin and Selling | 177 | 128 | 39% | 149 | 18% |
| Financial Charges | 2,099 | 1,598 | 31% | 1,494 | 40% |
| Other Income | 3,073 | 1,399 | 120% | 4,735 | -35% |
| Pre-Tax Profits | 4,414 | 3,116 | 42% | 6,340 | -30% |
| Post-Tax Profits | 3,116 | 2,181 | 43% | 4,014 | -22% |
| EPS | 3.54 | 2.48 | | 4.56 | |
| DPS | - | 4.75 | | - | |

Source: IGI Research, Company Financials

No of Shares: 880 mn

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