

Flash Note

Wednesday, 22 April 2020

Power Generation and Distribution Companies

Kot Addu Power Company Limited (KAPCO)

Hefty other income along with PKR depreciation lifts 3QFY20 EPS by +65%YoY to PKR 6.87

- ✓ Kot Addu Power Company Limited (KAPCO) announced financial results for 3QFY20 with earnings clocking in at PKR 6.05bn (EPS PKR 6.87) up by +65%YoY compared to PKR 3.67bn (EPS PKR 4.17) in the same period last year. On a sequential basis, earnings are down by 10%QoQ during 3QFY20. This brings total profitability to PKR 17.77bn (EPS PKR 20.19) for 9MFY20 up by +78%YoY.
- ✓ The Company announced cash dividend of PKR 1.50/share for 3QFY20.
- ✓ We attribute the incline in earnings during 3QFY20 primarily on the back of a) PKR depreciation, b) lower effective tax rate and, c) +34%YoY rise in other income.
- ✓ Net Revenues increased by +22%YoY to PKR 11.93bn during 3QFY20 compared to PKR 10.76bn in the same period last year, likely on the back of PKR depreciation and slightly higher generation despite drop in FO prices.
- ✓ Other income leaped up by +34%YoY to PKR 5.32bn during 3QFY20 compared to PKR 3.97bn in the same period last year which may likely relate to amount realized under True-up income. To note, KAPCO has restated its other income and tax for 3QFY19 which likely relates to adjustment of true-up income.
- ✓ Finance cost increased by +3%YoY to PKR 2.18bn during 3QFY20 likely owing to increase in mark-up cost amid short term borrowings.
- ✓ Effective tax rate stood at 29.0% during 3QFY20 compared to 31.2% (2QFY20: 26.6%) reported in the corresponding period last year bring total effective tax rate to 28.1% for 9MFY20 against 30.0% during 9MFY19.

Exhibit: KAPCO Financial Highlights

PKRmn	3QFY20	3QFY19	YoY	2QFY20	QoQ	9MFY20	9MFY19	YoY
Revenue	11,927	10,757	11%	9,104	31%	56,397	54,978	3%
Operating Costs	6,357	7,053	-10%	4,223	51%	40,721	44,120	-8%
Gross Profit	5,570	3,704	50%	4,881	14%	15,676	10,859	44%
Admin and Selling	197	215	-8%	266	-26%	670	533	26%
Financial Charges	2,179	2,126	3%	2,466	-12%	6,937	6,526	6%
Other Income	5,323	3,972	34%	6,969	-24%	16,659	10,478	59%
Pre Tax Profits	8,517	5,333	60%	9,118	-7%	24,727	14,268	73%
Post Tax Profits	6,047	3,670	65%	6,694	-10%	17,774	9,992	78%
EPS	6.87	4.17	65%	7.60		20.19	11.35	78%
DPS	1.50	1.50		-		1.50	1.50	

Source: IGI Research, Company Financials

No of Shares: 880 mn

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