

Flash Note

Friday, 23 October 2020

Power Generation and Distribution Companies

Kot Addu Power Company Limited (KAPCO)

Substantial drop in finance cost and PKR depreciation lifts 1QFY21 EPS to PKR 7.05; DPS PKR 1.50

- Kot Addu Power Company Limited (KAPCO) announced financial results for 1QFY21 with earnings clocking in at PKR 6.20bn (EPS PKR 7.05) up by +23% YoY compared to PKR 5.03bn (EPS PKR 5.72) in the same period last year. On a sequential basis, earnings are up by +6% QoQ during 1QFY21.
- The Company announced surprise cash dividend of PKR 1.5/share for 1QFY21.
- We attribute the incline in earnings during 1QFY21 primarily on the back of a) 5% YoY PKR depreciation on average against greenback and, b) substantial drop in finance cost amid lower interest cost on short term borrowings.
- Net Revenues dropped by 34% YoY to PKR 23.4bn during 1QFY21 compared to PKR 35.37bn in the corresponding period last year, likely on the back of lower generation and drop in FO/LNG prices.
- Other income dropped by 7% YoY to PKR 4.06bn during 1QFY21 compared to PKR 4.37bn in the similar period last year which may likely relate to lower amount realized under True-up income.
- Finance cost dropped by 61% YoY to PKR 0.90bn during 1QFY21 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 1QFY21 compared to 29.0% (4QFY20: 29.0%) reported in the same period last year.

Exhibit: KAPCO Financial Highlights

PKRmn	1QFY21	1QFY20	YoY	4QFY20	QoQ
Revenue	23,400	35,365	-34%	15,147	54%
Operating Costs	17,597	30,141	-42%	9,344	88%
Gross Profit	5,803	5,224	11%	5,802	0%
Admin and Selling	223	207	8%	202	10%
Financial Charges	893	2,292	-61%	1,520	-41%
Other Income	4,055	4,367	-7%	4,147	-2%
Pre-Tax Profits	8,741	7,093	23%	8,227	6%
Post-Tax Profits	6,202	5,033	23%	5,839	6%
EPS	7.05	5.72	23%	6.63	
DPS	1.50	-		-	

Source: IGI Research, Company Financials

No of Shares: 880 mn

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