

Flash Note

Friday, 18 September 2020



Securities

SERVING YOU SINCE 1994

Power Generation and Distribution Companies

Kot Addu Power Company Limited (KAPCO)

PKR depreciation along with higher other income and lower finance cost lifts 4QFY20 EPS by +87%YoY to PKR 6.63

- Kot Addu Power Company Limited (KAPCO) announced financial results for 4QFY20 with earnings clocking in at PKR 5.84bn (EPS PKR 6.63) up by +87% YoY compared to PKR 3.12bn (EPS PKR 3.54) in the same period last year. On a sequential basis, earnings are down by 3%QoQ during 4QFY20. This brings total profitability to PKR 23.61bn (EPS PKR 26.83) for FY20 up by +80% YoY.
- The Company did not announce any cash dividend for 4QFY20 resulting in total cash payout for FY20 of PKR 1.5/share.
- We attribute the incline in earnings during 4QFY20 primarily on the back of a) PKR depreciation, b) lower effective tax rate, c) 15% YoY drop in finance cost and, d) +26% YoY rise in other income.
- Net Revenues dropped by 49% YoY to PKR 15.15bn during 4QFY20 compared to PKR 29.85bn in the corresponding period last year, likely on the back of lower generation and drop in FO/LNG prices.
- Other income leaped up by +26% YoY to PKR 4.15bn during 4QFY20 compared to PKR 3.30bn in the similar period last year which may likely relate to amount realized under True-up income.
- Finance cost dropped by 15% YoY to PKR 1.52bn during 4QFY20 likely owing to decline in mark-up cost amid drop in interest rates.
- Effective tax rate stood at 29.0% during 4QFY20 compared to 33.5% (3QFY20: 29.0%) reported in the same period last year bring total effective tax rate to 28.3% for FY20 against 30.9% during FY19.

Exhibit: KAPCO Financial Highlights

PKRmn	4QFY20	4QFY19	YoY	3QFY20	QoQ	FY20	FY19	YoY
Revenue	15,147	29,852	-49%	11,927	27%	71,543	84,831	-16%
Operating Costs	9,344	26,506	-65%	6,357	47%	50,065	70,625	-29%
Gross Profit	5,802	3,347	73%	5,570	4%	21,478	14,205	51%
Admin and Selling	202	176	15%	197	2%	873	709	23%
Financial Charges	1,520	1,780	-15%	2,179	-30%	8,457	8,306	2%
Other Income	4,147	3,303	26%	5,323	-22%	20,806	13,781	51%
Pre Tax Profits	8,227	4,694	75%	8,517	-3%	32,954	18,963	74%
Profit After Tax	5,839	3,119	87%	6,047	-3%	23,613	13,112	80%
EPS	6.63	3.54		6.87		26.83	14.90	
DPS	-	3.00		1.50		1.50	4.50	
Source: IGI Research, Company Financials						No of Shares: 880 mn		

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 912

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to subject company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2020 IGI Finex Securities Limited



Jama Punji
 سرمایہ کاری سمجھداری کے ساتھ
<http://www.jamapunji.pk>

Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559	Islamabad Office Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861
Faisalabad Office Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815	Rahim Yar Khan Office Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651
Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183	

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2020 IGI Finex Securities Limited