

Nishat Power Limited
Result Review

PSX: NPL Bloomberg: NPL: PA Reuters: NISH: KA

Pakistan Research

NPL: FY21 EPS clocked in at PKR 7.57, down 46% YoY, DPS PKR 1.50

- NPL announced its FY21 financial results, where the IPP posted an EPS of PKR 1.57 (down 52% YoY) for 4QFY21, taking FY21 EPS to PKR 7.57, down 46% YoY. Along with the result the company also announced a cash dividend of PKR 1.50/share versus our expectation of PKR 1.0/ share.
- The topline of the IPP declined 3% on a YoY basis where the absence of debt component of the tariff offsetting the impact of higher load factor for FY21. We expected the load factor for the year to settle at 29%, up from 16% in the same period last year.
- On quarterly basis, topline of the company increased 56% YoY to PKR 3.6bn wherein the impact of increase in load factor exceeded the impact of the debt component. Load factor for the quarter was expected at 38% as compared to 9% recorded in the same period last year.
- Gross profit during the quarter declined 39% YoY reflecting the impact of long-term debt component of the tariff.
- Finance cost declined by 70% YoY to PKR 339mn during the year, primarily attributable to lower debt and lower interest rate.
- We maintain our 'BUY' recommendation on the stock. Our Dec-21 PT of PKR 43/share which indicates an upside of 115% along with dividend yield of 7.5%.

Key Data

PSX Ticker	NPL
Target Price (PKR)	43
Current Price (PKR)	20.04
Upside/ (Downside) (%)	115%
Dividend Yield (%)	7.5%
Total Return (%)	122%
12-month High (PKR)	30
12-month Low (PKR)	18
Outstanding Shares (mn)	354.09
Market Cap (PKR mn)	7,096
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	4QFY20	4QFY21	YoY	FY20	FY21	YoY
Sales	2,278	3,554	56%	11,738	11,433	-3%
Cost of Sales	833	2,676	221%	5,319	7,989	50%
Gross Profit	1,445	878	-39%	6,420	3,443	-46%
Admin expenses	88	86	-3%	337	302	-10%
Other income	3	0	-90%	7	42	478%
Other expenses	5	163	2928%	5	163	2928%
EBIT	1,354	630	-53%	6,085	3,020	-50%
Finance cost	196	74	-62%	1,143	339	-70%
Profit after tax	1,158	556	-52%	4,943	2,681	-46%
EPS	3.27	1.57		13.96	7.57	
DPS	1.00	1.50		2.00	1.50	

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
EPS	9.07	10.65	13.96	7.57	4.36	5.45
EPS Growth	11%	17%	31%	-46%	-42%	25%
DPS	1.50	1.50	2.00	1.50	3.00	5.00
PER	2.2	1.9	1.4	2.6	4.6	3.7
Dividend Yield	7.5%	7.5%	10.0%	7.5%	15.0%	25.0%
EV/EBITDA	3.4	3.0	1.8	2.8	4.0	3.5
P/B	0.4	0.4	0.3	0.3	0.3	0.3
ROE	19.6%	19.7%	20.9%	10.3%	6.4%	7.8%

Source: Company Accounts, Akseer Research

Saad Nandia

Saad.Nandia@akseerresearch.com

Valuation Basis

Our PT for Nishat Power Limited (NPL) has been computed using Dividend Discount Model (DDM) method. We have used a risk-free rate of 11%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 17%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of 43/share. Our price target indicates an upside of 115% along with a dividend yield of 7.5%. Our investment case on NPL is based on (1) Expected one-off clearance of circular debt (2) PKR devaluation against USD to continue.

Risks

Key downside risks to our investments thesis are: 1) Government not providing relief to IPPs from rising circular debt issue 2) Less than expected PKR devaluation against USD and 3) Government not fulfilling its contractual commitments towards FO based IPPs due to lower utilization levels.

Company Description

Nishat Power Limited operates as an independent power producer in Pakistan. The company builds, owns, operates, and maintains a fuel fired power station having gross capacity of approximately 200 megawatts in Jamber Kalan, Tehsil Pattoki, District Kasur in Punjab, Pakistan. It supplies electricity to National Transmission and Despatch Company Limited. The company was incorporated in 2007 and is headquartered in Lahore, Pakistan. Nishat Power Limited is a subsidiary of Nishat Mills Limited.

Financial Highlights - NPL

Income Statement (PKR mn)						
	FY18A	FY19A	FY20A	FY21A	FY22F	FY23F
Net sales	16,929	15,582	11,738	11,433	9,253	10,071
Cost of sales	12,707	10,584	5,319	7,989	6,384	6,769
Gross Profit	4,222	4,998	6,420	3,443	2,869	3,302
SG & A	320	274	337	302	351	365
Operating Profit	3,950	4,715	6,085	3,020	1,850	2,242
Other income	51	7	7	42	-	-
Other charges	3	16	5	163	667	694
Finance cost	737	946	1,143	339	306	313
Profit before tax	3,211	3,770	4,943	2,681	1,544	1,929
Taxation	-	-	-	-	-	-
Profit after tax	3,211	3,770	4,943	2,681	1,544	1,929

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
PPE	10,658	10,006	9,392	9,001	8,488	8,021
Other LT assets	1	1	3	2	2	2
Non-Current Assets	10,659	10,007	9,395	9,003	8,490	8,023
Current assets	16,248	19,080	19,929	21,366	19,117	20,187
Total Assets	26,908	29,086	29,324	30,370	27,607	28,210
Non-Current liabilities	3,040	655	55	-	-	-
Current liabilities	7,466	9,323	5,571	4,434	3,402	3,582
Total Liabilities	10,506	9,978	5,627	4,434	3,402	3,582
Equity	16,401	19,109	23,697	25,936	24,205	24,629
Total Equity & liabilities	26,908	29,086	29,324	30,370	27,607	28,210

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
Net Income	3,211	3,770	4,943	2,681	1,544	1,929
Non-cash Charges	948	826	700	656	617	581
Operating Cash flows	(239)	1,644	4,795	1,914	4,387	1,477
FCFF	409	2,099	6,117	2,377	3,979	1,856
Net borrowings	1,015	(211)	(4,636)	(1,564)	(421)	-
FCFE	686	943	338	474	3,252	1,543
Net change in cash	(22)	(120)	(16)	32	(24)	38
Closing cash	140	21	5	37	13	51

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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JV employs a three tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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Contact Details**Akseer Research (Pvt) Limited**

1st Floor, Shaheen Chambers, KCHS block 7 & 8, off. Shahrah-e-Faisal
 T: +92-21-34320359 -60
 E: info@akseerresearch.com

Alfa Adhi Securities (Pvt) Limited

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area, KCH
 Society, Block 7 & 8, Near Virtual University, Karachi
 T: +92-21-38694242
 E: info@alfaadhi.net