

Nishat Power Limited

Result Review

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

Pakistan Research

NPL: 1QFY22 EPS clocked in at PKR 2.58, down 2% YoY

- NPL announced its 1QFY22 financial results, where the IPP posted an EPS of PKR 2.58 (down 2% YoY). The result was higher than our expectation possibly due to higher than estimated penal income.
- The IPP's topline of the IPP increase 39% YoY which can be attributable to the increase in the load factor. Load factor during the quarter clock in at 58% (up 10pps YoY), while furnace oil prices during the quarter grew 49% YoY.
- Gross profit saw a decline of 9% YoY largely reflecting the decline in ROE component on account of currency appreciation. During 1QFY22 the applicable rate of PKR was recorded at 158.30/USD against PKR 168.75/USD in the same period last year.
- Finance cost is declined 47% YoY to PKR 56mn during 1QFY22 primarily owing to reduction in interest bearing liabilities as well as lower interest rate during the quarter.
- We maintain our 'BUY' recommendation on the stock. Our Jun-22 PT of PKR 41/share indicates an upside of 129% along with dividend yield of 16.8%.

Key Data

PSX Ticker	NPL
Target Price (PKR)	41
Current Price (PKR)	17.91
Upside/ (Downside) (%)	129%
Dividend Yield (%)	16.8%
Total Return (%)	146%
12-month High (PKR)	30
12-month Low (PKR)	17
Outstanding Shares (mn)	354.09
Market Cap (PKR mn)	6,342
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	1QFY21	1QFY22	YoY
Sales	4,117	5,729	39%
Cost of Sales	3,012	4,721	57%
Gross Profit	1,105	1,009	-9%
Administrative expenses	67	74	10%
Other income	1	37	50x
Finance cost	105	56	-47%
Profit after tax	933	915	-2%
EPS	2.64	2.58	-2%

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	10.65	13.76	7.57	7.72	7.60	8.30
EPS Growth	17%	29%	-45%	2%	-2%	9%
DPS	1.50	2.00	1.50	3.00	4.00	4.50
PER	1.7	1.3	2.4	2.3	2.4	2.2
Dividend Yield	8.4%	11.2%	8.4%	16.8%	22.3%	25.1%
EV/EBITDA	2.8	1.7	2.6	2.8	2.9	2.7
P/B	0.3	0.3	0.2	0.3	0.2	0.2
ROE	19.7%	20.6%	10.3%	11.0%	10.3%	10.7%

Source: Company Accounts, Akseer Research

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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 41/share. Our price target indicates an upside of 129% along with a dividend yield of 16.8%. Our investment case on NPL is based on (1) Expected one-off clearance of circular debt (2) PKR devaluation.

Risks

Key downside risks to our investment thesis are: 1) Government not providing relief to IPPs from rising circular debt 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 (IPP) in Pakistan. The company builds, owns, operates, and maintains a fuel fired power station having gross capacity of approximately 200 MW 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)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net sales	15,582	11,738	11,433	13,804	11,422	12,112
Cost of sales	10,584	5,391	7,989	10,531	8,112	8,555
Gross Profit	4,998	6,348	3,443	3,273	3,310	3,558
SG & A	274	337	302	301	313	326
Operating Profit	4,715	6,013	3,020	3,130	3,189	3,466
Other income	7	7	42	160	195	237
Other charges	16	5	163	2	2	3
Finance cost	946	1,143	339	396	499	526
Profit before tax	3,770	4,871	2,681	2,734	2,690	2,940
Taxation	-	-	-	-	-	-
Profit after tax	3,770	4,871	2,681	2,734	2,690	2,940

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	10,006	9,392	8,827	8,998	9,227	9,515
Other LT assets	1	3	1	1	1	1
Non-Current Assets	10,007	9,395	8,828	8,999	9,228	9,517
Current assets	19,141	19,913	21,958	21,345	22,507	23,770
Total Assets	29,147	29,308	30,786	30,345	31,735	33,287
Non-Current liabilities	655	55	37	-	-	-
Current liabilities	9,326	5,569	4,739	5,495	5,611	5,817
Total Liabilities	9,981	5,625	4,776	5,495	5,611	5,817
Equity	19,167	23,683	26,010	24,850	26,124	27,470
Total Equity & liabilities	29,147	29,308	30,786	30,345	31,735	33,287

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	3,770	4,871	2,681	2,734	2,690	2,940
Non-cash Charges	826	700	726	682	643	607
Operating Cash flows	1,584	4,800	1,742	3,635	2,177	2,321
FCFF	2,041	6,117	2,163	3,217	1,695	1,914
Net borrowings	(211)	(4,636)	(1,072)	679	225	242
FCFE	885	338	752	3,501	1,422	1,630
Net change in cash	(120)	(16)	398	(394)	5	37
Closing cash	21	5	403	8	14	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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