

Shahmir Khan

shahmir.khan@akseerresearch.com

02 September 2024

NCPL: 4QFY24 EPS expected to clock in at PKR 4.02, up 21% YoY, DPS PKR 7.25

Nishat Chunian Power Limited

PSX: NCPL | Bloomberg: NCPL PA | Reuters: NCPL.PSX

- NCPL is scheduled to announce its FY24 results on 03 September 2024, where we expect the IPP to post FY24 EPS of PKR 14.50, up 35% YoY. The company's earnings for 4QFY24 are expected to remain flattish, clocking in at PKR 4.02/share due to fuel efficiency gains amidst low utilization levels.
- The IPP did not declare any interim cash dividends during 9MFY24, however, considering improved receivable recovery, we expect the company to declare a final dividend of PKR 7.25/share.
- NCPL's topline for 4QFY24 is expected to clock in at PKR 3.4bn, down by 22% YoY, due to lower utilization as demonstrated by a load factor of 8% for 4QFY24 compared to 26% for SPLY.
- The IPP's finance cost for FY24 is anticipated to decline by 72%, and sharply decrease by 89% YoY for 4QFY24. The contraction of finance cost is mainly due to contained short-term borrowings amid better cash recovery.
- For 4QFY24, the company's bottom line is expected to be uplifted by a 2.37x YoY increase in other income following accumulating cash balances.
- We maintain our 'BUY' recommendation on the stock on the basis of our Jun-25 PT of PKR 49/share which indicates an upside of 64% along with a dividend yield of 24.2%.

Key Data

PSX Ticker	NCPL
Target Price (PKR)	49
Current Price (PKR)	30
Upside/(Downside) (%)	64%
Dividend Yield (%)	24.2%
Total Return (%)	88%
12-month High (PKR)	34
12-month Low (PKR)	18
Outstanding Shares (mn)	367.346
Market Cap (PKR mn)	10,285

Source: Company Accounts, Akseer Research

Financial Estimates	4QFY23	4QFY24E	YoY	FY23	FY24E	YoY
Sales	4,352	3,374	-22%	18,221	15,854	-13%
Cost of sales	2,926	1,890	-35%	13,162	10,400	-21%
Gross profit	1,426	1,485	4%	5,059	5,455	8%
Administrative expenses	42	44	6%	156	176	13%
Other operating expenses	7	2	-71%	190	3	-98%
Finance cost	178	20	-89%	870	245	-72%
Other income	25	59	2.37x	112	296	2.65x
Profit after tax	1,224	1,478	21%	3,955	5,327	35%
EPS	3.33	4.02	-	10.77	14.50	-
DPS	-	7.25	-	-	7.25	-

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for Nishat Chunian Power Limited (NCPL) has been computed using Dividend Discount Model (DDM) method. We have used a risk-free rate of 14%, a beta of 1.0, and a market risk premium of 6% to arrive at cost of equity of 20%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of PKR 49/share. Our price target indicates an upside of 64% along with a dividend yield of 24.2%. Our investment case on NCPL is based on (1) continued PKR devaluation against USD and (2) no delays in FO based power plants payments when RLNG/Coal plants come online.

Risks

Key downside risks to our investments thesis are: 1) Bailout for circular debt is not provided and cashflow concerns continue, 2) Less than expected PKR devaluation against USD, 3) Government start to delay in fulfilling contractual obligations to FO based power plants due to fall in utilization levels when other capacities come online and 4) the possibility of early termination of the IPP's Implementation Agreement (IA).

Company Description

Nishat Chunian Power Limited owns, operates, and maintains a fuel fired power station in Pakistan. Its power station has a gross capacity of 200 MW located at Jamber Kalan, Punjab, Pakistan. The company was incorporated in 2007 and is headquartered in Lahore, Pakistan. Nishat Chunian Power Limited is a subsidiary of Nishat (Chunian) Limited.

Financial Summary	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
EPS	6.84	6.83	10.77	14.50	13.62	13.35
EPS Growth	-45%	0%	58%	35%	-6%	-2%
DPS	-	10.00	-	7.25	5.50	5.00
BVPS	58.46	65.27	66.05	73.29	81.41	89.76
PER	4.4	4.4	2.8	2.1	2.2	2.2
Dividend Yield	0.0%	33.3%	0.0%	24.2%	18.3%	16.7%
P/B	0.5	0.5	0.5	0.4	0.4	0.3
ROE	13.2%	11.7%	16.5%	22.0%	18.6%	16.4%

Source: Company Accounts, Akseer Research

Income Statement (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net sales	11,644	25,416	18,221	15,772	15,193	14,247
Cost of sales	7,872	21,859	13,162	10,324	10,051	9,362
Gross profit	3,772	3,557	5,059	5,447	5,142	4,884
SG & A	141	176	156	176	197	207
Operating profit	3,631	3,381	4,903	5,271	4,944	4,677
Other income	39	161	112	296	303	307
Other charges	174	152	190	3	5	6
Finance cost	984	883	870	245	257	85
Profit before tax	2,512	2,507	3,955	5,319	4,986	4,894
Taxation	-	(1)	-	-	-	-
Profit after tax	2,512	2,508	3,955	5,319	4,986	4,894

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
PPE	9,858	9,461	9,478	9,566	9,189	8,827
Other LT assets	-	-	-	-	-	-
Non-current Assets	9,858	9,461	9,478	9,566	9,190	8,827
Current assets	23,235	26,621	18,308	18,859	22,286	25,316
Total assets	33,093	36,082	27,786	28,426	31,475	34,143
Non-current liabilities	17	-	-	-	-	-
Current liabilities	11,603	12,104	3,525	1,505	1,589	1,200
Total liabilities	11,620	12,104	3,525	1,505	1,589	1,200
Equity	21,475	23,978	24,262	26,921	29,886	32,943
Total equity & liabilities	33,095	36,082	27,787	28,426	31,475	34,143

Source: Company Accounts, Akseer Research

Cashflows (PKR mn)	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net income	2,512	2,508	3,955	5,319	4,986	4,894
Non-cash charges	808	947	767	729	754	724
Operating cash flows	1,309	(516)	15,734	3,811	10,550	5,483
FCFF	1,215	(1,066)	14,950	2,994	10,173	5,121
Net borrowings	(920)	794	(9,894)	(612)	44	(59)
FCFE	295	(272)	5,056	2,381	10,217	5,062
Net change in cash	293	(277)	1,385	(279)	8,197	3,225
Closing cash	298	21	1,406	1,127	9,323	12,548

Source: Company Accounts, Akseer Research

Disclaimer

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of the JV. Action could be taken for unauthorized reproduction, distribution or publication.

Valuation Methodology

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.

Ratings Criteria

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%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

Research Dissemination Policy

The JV endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

Analyst Certification

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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



Alpha Capital (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@alphacapital.com.pk



www.jamapunji.pk