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NPL: 4QFY24 EPS expected to clock in at PKR 4.14, up by 20% YoY, DPS PKR 4.50

Nishat Power Limited

PSX: NPL | Bloomberg: NPL PA | Reuters: NISH.PSX

- NPL is scheduled to announce its financial result on 03 September, 2024, where we expect it to report an EPS of PKR 4.14 during 4QFY24, up by 20% YoY. Along with the result, we expect the company to announce a final dividend of PKR 4.50/share, taking the FY24 dividend payout to PKR 9.00/share.
- We expect the revenues to fall to PKR 5.3bn during 4QFY24, compared to PKR 5.9 bn in SPLY, down by 10% YoY owing to lower utilization.
- We anticipate the bottom-line for 4QFY24 to grow by 10% on the back of a 2.8x YoY growth in net finance income (other income – finance costs).
- While lower utilization inhibits fuel and O&M savings, higher penal markup income is expected to support the gross profit, raising it by 12% YoY for FY24.
- For FY24, we expect the company to post an EPS of PKR 15.03 (+30% YoY) compared to PKR 11.55 for SPLY mainly driven by an 81x growth in net finance income.
- We maintain a 'BUY' recommendation on the stock based on a Jun-25 price target (PT) of PKR 49/share which provides an upside of 29% along with a dividend yield of 15.1%.

Key Data

PSX Ticker	NPL
Target Price (PKR)	49
Current Price (PKR)	38
Upside/(Downside) (%)	29%
Dividend Yield (%)	15.1%
Total Return (%)	44%
12-month High (PKR)	21
12-month Low (PKR)	43
Outstanding Shares (mn)	354.09
Market Cap (PKR mn)	13,477

Financial Estimates (PKR mn)	4QFY23	4QFY24E	YoY	FY23	FY24E	YoY
Sales	5,910	5,341	-10%	23,069	22,431	-3%
Cost of sales	4,603	3,865	-16%	18,496	17,313	-6%
Gross profit	1,307	1,476	13%	4,573	5,118	12%
Admin expenses	121	131	8%	401	476	19%
Other income	79	427	5.42x	100	1,145	11.50x
Other expenses	35	-	-100%	163	-	-100%
EBIT	1,229	1,773	44%	4,188	5,788	38%
Finance cost	5	222	42x	88	243	2.75x
Profit after tax	1,224	1,465	20%	4,091	5,323	30%
EPS	3.46	4.14	20%	11.55	15.03	30%
DPS	3.00	4.50	50%	7.00	9.00	29%
Overdue receivables (PKR bn)	7.9	12.4	56%	7.9	12.4	56%
Cash & cash equivalents (PKR/sh)	13.45	29.88	122%	13.4	29.9	122%

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for Nishat Power Limited (NPL) has been computed using the Dividend Discount Model (DDM) method. We have used a risk-free rate of 14%, a beta of 0.8, and a market risk premium of 6% to arrive at a cost of equity of 19%.

Investment Thesis

We maintain a 'BUY' recommendation on the stock based on our Jun-25 PT of PKR 49/share, which results in an upside of 29% along with a dividend yield of 14.5%. Our investment case on NPL is based on 1) continued devaluation of the PKR against the dollar, and 2) a recovery of circular debt receivables irrespective of new power plants coming online.

Risks

Key downside risks to our investments thesis are: 1) the government's inability to provide relief to IPPs from rising circular debt, 2) less-than-expected PKR devaluation against the dollar, and 2) less-than-expected utilization as other plants go online.

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 a 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 as a subsidiary of Nishat Mills Limited in 2007 and is headquartered in Lahore, Pakistan.

Income Statement (PKR mn)	FY22A	FY23A	FY24E	FY25F	FY26F	FY27F
Net sales	23,684	23,069	22,431	15,649	14,402	13,774
Cost of sales	19,809	18,496	18,179	11,653	10,827	10,296
Gross profit	3,875	4,573	4,252	3,996	3,575	3,478
SG & A	334	401	476	536	558	580
Operating profit	3,559	4,188	5,788	4,076	3,757	3,632
Other income	91	178	1,145	616	740	734
Other charges	73	163	0	0	0	0
Finance cost	236	88	243	535	409	179
Profit before tax	3,323	4,099	5,545	3,541	3,348	3,453
Taxation	0	8	222	123	148	147
Profit after tax	3,323	4,091	5,323	3,418	3,200	3,306

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	FY22A	FY23A	FY24E	FY25F	FY26F	FY27F
PPE	8,504	8,573	8,258	7,856	7,473	7,110
Other LT assets	1	8	8	8	8	8
Non-current assets	8,505	8,581	8,266	7,864	7,481	7,118
Current assets	24,865	22,801	29,250	30,902	32,135	30,045
Total assets	33,370	31,382	37,517	38,766	39,616	37,163
Non-current liabilities	-	-	-	-	-	-
Current liabilities	5,277	1,499	5,852	5,719	5,316	1,504
Total liabilities	5,277	1,499	5,852	5,719	5,316	1,504
Equity	28,094	29,883	31,665	33,047	34,300	35,659
Total equity & liabilities	33,370	31,382	37,517	38,766	39,616	37,163

Source: Company Accounts, Akseer Research

Cashflow Statement (PKR mn)	FY22A	FY23A	FY24E	FY25F	FY26F	FY27F
Net income	3,323	4,091	5,323	3,418	3,200	3,306
Non-cash charges	770	753	867	629	599	570
Operating cash flows	7,024	5,429	5,559	3,282	4,964	4,707
FCFF	807	11,169	-2,197	3,258	4,791	4,265
Net borrowings	772	-4,525	4,832	256	-318	-3,689
FCFE	1,344	6,555	2,392	2,979	4,064	397
Net change in cash	104	4,254	-1,149	943	2,117	-1,550
Closing cash	507	4,761	3,612	4,555	6,672	5,121

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY22A	FY23A	FY24E	FY25F	FY26F	FY27F
EPS (PKR)	9.4	11.6	15.0	9.7	9.0	9.3
EPS Growth	24%	23%	30%	-36%	-6%	3%
DPS (PKR)	4.5	7.0	9.0	5.8	5.5	5.5
PER	4.0	3.3	2.5	3.9	4.2	4.1
Dividend Yield	12%	18%	24%	15%	14%	14%
EV/EBITDA	2.7	1.8	1.3	1.5	1.0	0.5
P/B	0.5	0.5	0.4	0.4	0.4	0.4
ROE	12%	14%	17%	10%	9%	9%

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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Rating	Expected Total Return
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Hold	Between -5% and +15%
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