

NPL: 1QFY22 EPS estimated to clock in at PKR 1.80, down 31% YoY

- NPL is scheduled to announce its 1QFY22 financial results on 22nd October 2021, where we expect the IPP to post an EPS of PKR 1.80, down 31% YoY. We don't expect the IPP to declare any dividend for 1QFY22.
- The IPP's topline is expected to post an increase of 52% YoY which is largely attributable to the increase in the load factor. Load factor during the quarter is expected to clock in at 66% (up 18pps YoY), while furnace oil prices during the quarter grew 49% YoY.
- Gross profit is expected to decline by 25% YoY mainly attributable to decline in penal income and ROE component on account of appreciation of PKR (6% YoY) in the applicable exchange rate for the quarter.
- Finance cost is expected to decline 4% YoY for 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 revised and rolled over Jun-22 PT of PKR 40/share indicates an upside of 126% along with dividend yield of 16.8%.

Key Data

PSX Ticker	NPL
Target Price (PKR)	40
Current Price (PKR)	17.9
Upside/ (Downside) (%)	126%
Dividend Yield (%)	16.8%
Total Return (%)	143%
12-month High (PKR)	30
12-month Low (PKR)	17
Outstanding Shares (mn)	354.09
Market Cap (PKR mn)	6,338
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	1QFY21	1QFY22E	YoY
Sales	4,117	6,253	52%
Cost of Sales	3,025	5,429	79%
Gross Profit	1,092	824	-25%
Administrative expenses	67	86	29%
Other income	1	1	5%
Finance cost	105	101	-4%
Profit after tax	921	638	-31%
EPS	2.60	1.80	

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	10.65	13.76	7.57	6.05	6.19	6.73
EPS Growth	17%	29%	-45%	-20%	2%	9%
DPS	1.50	2.00	1.50	3.00	4.00	4.50
PER	1.7	1.3	2.4	3.0	2.9	2.7
Dividend Yield	8.4%	11.2%	8.4%	16.8%	22.3%	25.1%
EV/EBITDA	2.8	1.7	2.6	3.4	3.4	3.3
P/B	0.3	0.3	0.2	0.3	0.3	0.3
ROE	19.7%	20.6%	10.3%	9.8%	9.9%	10.6%

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 40/share. Our price target indicates an upside of 126% 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 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 (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	14,210	11,218	11,897
Cost of sales	10,584	5,391	7,989	11,239	8,112	8,555
Gross Profit	4,998	6,348	3,443	2,971	3,107	3,342
SG & A	274	337	302	351	365	380
Operating Profit	4,715	6,013	3,020	2,623	2,745	2,967
Other income	7	7	42	3	4	5
Other charges	16	5	163	-	-	-
Finance cost	946	1,143	339	480	554	584
Profit before tax	3,770	4,871	2,681	2,143	2,191	2,383
Taxation	-	-	-	-	-	-
Profit after tax	3,770	4,871	2,681	2,143	2,191	2,383

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	10,006	9,392	8,827	8,317	7,837	7,383
Other LT assets	1	3	1	1	1	1
Non-Current Assets	10,007	9,395	8,828	8,318	7,838	7,384
Current assets	19,141	19,913	21,958	19,461	20,504	21,537
Total Assets	29,147	29,308	30,786	27,780	28,342	28,922
Non-Current liabilities	655	55	37	-	-	-
Current liabilities	9,326	5,569	4,739	6,000	6,142	6,376
Total Liabilities	9,981	5,625	4,776	6,000	6,142	6,376
Equity	19,167	23,683	26,010	21,779	22,200	22,546
Total Equity & liabilities	29,147	29,308	30,786	27,780	28,342	28,922

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	3,770	4,871	2,681	2,143	2,191	2,383
Non-cash Charges	826	700	726	682	643	607
Operating Cash flows	1,584	4,800	1,742	5,003	1,791	1,883
FCFF	2,041	6,117	2,163	5,364	2,074	2,279
Net borrowings	(211)	(4,636)	(1,072)	1,172	250	269
FCFE	885	338	752	6,055	1,770	1,963
Net change in cash	(120)	(16)	398	(318)	(0)	(73)
Closing cash	21	5	403	84	84	11

Source: Company Accounts, Akseer Research

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