

Nishat Power Limited
Result Preview

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

Pakistan Research

NPL: FY21 EPS estimated to clock in at PKR 7.70, down 45% YoY

- NPL is scheduled to announce its FY21 financial results on 16th September 2021, where we expect the IPP to post an EPS of PKR 1.70 (down 48% YoY) for 4QFY21, taking FY21 EPS to PKR 7.70, down 45% YoY. We also expect the IPP to declare cash dividend of PKR 1.00/share along with the results.
- The topline of the IPP is estimated to post restricted growth of 4% on a YoY basis where the absence of debt component of the tariff will almost entirely offset the impact of higher load factor for FY21. We expect 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 is estimated to increase 51% YoY to PKR 3.4bn wherein the impact of increase in load factor is likely to exceed the impact of the debt component. Load factor for the quarter is expected at 38% as compared to 9% recorded in the same period last year.
- Gross profit during the quarter is expected to decline 47% YoY reflecting the impact of long-term debt component of the tariff.
- Finance cost is expected to decrease by 70% YoY to PKR 346mn, primarily attributable to lower debt and lower interest rate.
- We maintain our 'BUY' recommendation on the stock. Our Dec-21 PT of PKR 44/share indicates an upside of 140% along with dividend yield of 5.4%.

Key Data

PSX Ticker	NPL
Target Price (PKR)	44
Current Price (PKR)	18.5
Upside/ (Downside) (%)	140%
Dividend Yield (%)	5.4%
Total Return (%)	146%
12-month High (PKR)	30
12-month Low (PKR)	18
Outstanding Shares (mn)	354.09
Market Cap (PKR mn)	6,551
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	4QFY20	4QFY21E	YoY	FY20	FY21E	YoY
Sales	2,278	3,448	51%	11,738	11,327	-4%
Cost of Sales	833	2,685	222%	5,319	7,999	50%
Gross Profit	1,445	763	-47%	6,420	3,328	-48%
Admin expenses	88	80	-10%	337	296	-12%
Other income	3	2	-23%	7	44	501%
Other expenses	5	2	-60%	5	2	-60%
EBIT	1,354	683	-50%	6,085	3,074	-49%
Finance cost	196	81	-59%	1,143	346	-70%
Profit after tax	1,158	603	-48%	4,943	2,728	-45%
EPS	3.27	1.70	-48%	13.96	7.70	-45%
DPS	1.00	1.00		2.00	1.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
EPS	9.07	10.65	13.96	7.70	6.29	7.46
EPS Growth	11%	17%	31%	-45%	-18%	19%
DPS	1.50	1.50	2.00	1.00	3.00	5.00
PER	2.0	1.7	1.3	2.4	2.9	2.5
Dividend Yield	8.1%	8.1%	10.8%	5.4%	16.2%	27.0%
EV/EBITDA	3.3	2.9	1.7	2.6	3.0	2.6
P/B	0.4	0.3	0.3	0.3	0.3	0.3
ROE	19.6%	19.7%	20.9%	10.5%	9.2%	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 44/share. Our price target indicates an upside of 140% along with a dividend yield of 5.4%. 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	FY21E	FY22F	FY23F
Net sales	16,929	15,582	11,738	11,327	9,253	10,071
Cost of sales	12,707	10,584	5,319	7,999	6,384	6,769
Gross Profit	4,222	4,998	6,420	3,328	2,869	3,302
SG & A	320	274	337	296	326	339
Operating Profit	3,950	4,715	6,085	3,074	2,534	2,953
Other income	51	7	7	44	-	-
Other charges	3	16	5	2	9	9
Finance cost	737	946	1,143	346	306	313
Profit before tax	3,211	3,770	4,943	2,728	2,228	2,640
Taxation	-	-	-	-	-	-
Profit after tax	3,211	3,770	4,943	2,728	2,228	2,640

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	21,419	19,138	20,212
Total Assets	26,908	29,086	29,324	30,422	27,629	28,235
Non-Current liabilities	3,040	655	55	-	-	-
Current liabilities	7,466	9,323	5,571	4,440	3,402	3,582
Total Liabilities	10,506	9,978	5,627	4,440	3,402	3,582
Equity	16,401	19,109	23,697	25,982	24,227	24,654
Total Equity & liabilities	26,908	29,086	29,324	30,422	27,629	28,235

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
Net Income	3,211	3,770	4,943	2,728	2,228	2,640
Non-cash Charges	948	826	700	656	617	581
Operating Cash flows	(239)	1,644	4,795	1,957	5,075	2,189
FCFF	409	2,099	6,117	2,433	4,660	2,567
Net borrowings	1,015	(211)	(4,636)	(1,564)	(421)	-
FCFE	686	943	338	523	3,933	2,254
Net change in cash	(22)	(120)	(16)	81	(51)	41
Closing cash	140	21	5	85	35	76

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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