

Result Previews

NPL and NCPL

Friday January 06, 2017

NPL - UNDERWEIGHT

Target Price: PKR 54

Current Price: PKR 63

NPL Performance

| | 1M | 3M | 12M |
|-------------------------|---------|-----|------|
| Absolute % | 16% | 20% | 34% |
| Relative to KSE % | 4% | 1% | -13% |
| Bloomberg | NPL.PA | | |
| Reuters | NISH.KA | | |
| MCAP (USD mn) | 244 | | |
| 12M ADT (USD mn) | 0.1 | | |
| Shares Outstanding (mn) | 354 | | |

Source: PSX, BMA Research

NCPL - UNDERWEIGHT

Target Price: PKR 47

Current Price: PKR 56

NCPL Performance

| | 1M | 3M | 12M |
|-------------------------|---------|------|------|
| Absolute % | 3% | 8% | 15% |
| Relative to KSE % | -9% | -11% | -33% |
| Bloomberg | NCPL.PA | | |
| Reuters | NCPL.KA | | |
| MCAP (USD mn) | 198 | | |
| 12M ADT (USD mn) | 0.1 | | |
| Shares Outstanding (mn) | 367 | | |

Source: PSX, BMA Research

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NPL: 1HFY17 EPS expected at PKR4.23, down 10%YoY

Nishat Power Limited (NPL) is expected to post NPAT of PKR764mn (EPS: PKR2.16) in 2QFY17, up 4%YoY. We expect the dispatch factor to remain subdued (2QFY17: 70% as compared to 2QFY16: 86%) due to higher hydel based generation in the period under review. However, gross profit is expected to remain stable in 2QFY17 as a result of i) FO prices regaining the level witnessed in 2QFY16 and ii) higher efficiency post overhauling conclusion in FY16. Finance cost is also expected to post a decline of 22%YoY owing to lower DR. In 1HFY17, the company is expected to post NPAT of PKR1.5bn (EPS: PKR4.23) as compared to PKR1.6bn (EPS: PKR4.70) in 1HFY16, down 10%YoY. The decline in earnings comes on the back of i) 14%YoY lower average FO prices in 1HFY17 and a ii) lower dispatch factor which is expected to keep the fuel savings in check. We expect the company to announce a dividend of PKR1.5/sh in 2QFY17 taking the cumulative half year payout to PKR2.5/sh.

Financial Summary

| (PKRmn) | 2QFY17 | 2QFY16 | ▲ | 1HFY17 | 1HFY16 | ▲ |
|-----------|--------|--------|------|--------|--------|------|
| Sales | 3,319 | 3,962 | -16% | 6,912 | 8,490 | -19% |
| GP | 989 | 993 | 0% | 1,955 | 2,210 | -12% |
| Fin Cost | 173 | 220 | -22% | 357 | 463 | -23% |
| PAT | 764 | 734 | 4% | 1,497 | 1,664 | -10% |
| EPS (PKR) | 2.16 | 2.07 | 4% | 4.23 | 4.70 | -10% |
| DPS (PKR) | 1.50 | 2.00 | - | 2.50 | 3.00 | - |

Source: Company Accounts, BMA Research

NCPL: 1HFY17 EPS expected at PKR4.04, down 11%YoY

Nishat Chunian Power Limited (NCPL) is expected to post NPAT of PKR748mn (EPS: PKR2.04) in 2QFY17, down 5%YoY. The decline in EPS comes on the back of a 7%YoY decline in gross profits as a result of i) reversal of excess provisions of PKR141mn booked in 2QFY16 (contract conclusion with Wartsila) and ii) lower dispatch factor (2QFY17: 70% vs. 2QFY16: 78%) keeping the fuel savings in check. On a half yearly basis, the company is expected to post NPAT of PKR1.5bn (EPS: PKR4.04) in 1HFY17 as compared to PKR1.7bn (EPS: PKR4.53) in 1HFY16, down 11%YoY. The decline in earnings comes on the back of i) 14%YoY lower FO prices and lower dispatch factor keeping the fuel savings in check and ii) reversal of excess provisions of PKR141mn booked in 1HFY16. However, 15%YoY decline in finance cost as a result of lower DR is expected to provide support to the bottomline. We expect the 2QFY17 result announcement to be accompanied by a dividend payout of PKR1.5/sh, taking the half year payout to PKR3.0/sh.

Financial Summary

| (PKRmn) | 2QFY17 | 2QFY16 | ▲ | 1HFY17 | 1HFY16 | ▲ |
|-----------|--------|--------|-----|--------|--------|------|
| Sales | 3,735 | 3,860 | -3% | 7,480 | 8,292 | -10% |
| GP | 1,049 | 1,132 | -7% | 5,407 | 5,921 | -13% |
| Margins | 28% | 29% | -1% | 2,074 | 2,372 | 27% |
| Fin Cost | 280 | 305 | -8% | 549 | 642 | -15% |
| PAT | 748 | 790 | -5% | 1,484 | 1,663 | -11% |
| EPS (PKR) | 2.04 | 2.15 | -5% | 4.04 | 4.53 | -11% |
| DPS (PKR) | 1.50 | 2.00 | - | 3.00 | 4.00 | - |

Source: Company Accounts, BMA Research

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Rating definitions

| | |
|---------------|--|
| Overweight | Total stock return > expected market return + 2% |
| Market-weight | Expected market return \pm 2% |
| Underweight | Total stock return < expected market return - 2% |

*Total stock return = capital gain + dividend yield

Old rating system (discarded effective Feb 29'16)

| | |
|------------|------------------------------------|
| Buy | >20% upside potential |
| Accumulate | >=5% to <=20% upside potential |
| Hold | <5% to >5% potential |
| Reduce | <=-5% to >=-20% downside potential |
| Sell | <-20% downside potential |

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)