

Nishat Power Limited

Power Generation & Distribution

2QFY16- Result Review

NPL posted earnings of PKR 2.07/share in 2QFY16

Nishat Power Limited (NPL) announced its half-yearly results today, posting profit after tax (PAT) of PKR 734mn (EPS: PKR 2.07) during 2QFY16 (down 21% QoQ), taking the cumulative profitability for 1HFY16 to PKR 1,664mn (EPS: PKR 4.70), down 13% YoY. Along with the results, the company also announced an interim cash dividend of PKR 2.0/share (cumulative dividend thus far: PKR 3.0/share).

Exhibit: Financial Highlights

PKR mn	2QFY16A	1QFY16A	QoQ	1HFY16A	1HFY15A	YoY
Net Sales	3,962	4,529	-13%	8,490	13,438	-37%
Cost of Sales	2,969	3,312	-10%	6,281	10,612	-41%
Gross Profit	993	1,217	-18%	2,210	2,826	-22%
Administrative Expenses	49	51	-5%	100	90	11%
Profit from Operations	944	1,166	-19%	2,110	2,736	-23%
Finance Cost	220	242	-9%	463	840	-45%
PAT	734	930	-21%	1,664	1,903	-13%
EPS @ 354mn Shares	2.07	2.63		4.70	5.37	
DPS	2.00	1.00		3.00	2.75	

Sources: Company Financials, AHL Research

Result Highlights

- The company recorded net sales of PKR 3,962mn during 2QFY16, down 13% QoQ, on the back of 13.5% QoQ drop in Furnace oil prices.
- Total electricity generation clocked-in at 370 GWh during the period under review, up 11.3% QoQ.
- While gross margins dipped down by 181bps to 25.1% in the current quarter, attributable to mainly higher O&M expenses.

Recommendation

Currently, we recommend "BUY" on NPL with our DDM based Dec'16 target price of PKR 55.9/share, offering a total return of 21.2% (DY FY16E: 13.5%).

Analyst:

Tahir Abbas/ Rao Aamir Ali
tahir.abbas@arifhabibltd.com/
amir.rao@arifhabibltd.com

Contact: +92-21-32462589

Analyst Certification: The research analyst(s) is (are) principally responsible for preparation of this report. The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security (ies) or sector (or economy), and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. In addition, we currently do not have any interest (financial or otherwise) in the subject security (ies). Furthermore, compensation of the Analyst(s) is not determined nor based on any other service(s) that AHL is offering. Analyst(s) are not subject to the supervision or control of any employee of AHL's non-research departments, and no personal engaged in providing non-research services have any influence or control over the compensatory evaluation of the Analyst(s).

Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as December 2016 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Rating	Description
BUY	Total return* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Total return* of subject security(ies) is between -10% and +10% from last closing of market price(s)
SELL	Total return* of subject security(ies) is less than -10% from last closing of market price(s)

* Total return for Power Generation Companies is target price upside plus dividend yield.

Equity Valuation Methodology

Following valuation technique(s) are used to arrive at the target price of subject security (ies);

➤ Dividend Discount Model (DDM)

Risks

The following risks may potentially impact our valuations of subject security (ies);

➤ Interest Rate Risk

➤ Exchange Rate (Currency) Risk

Disclaimer: This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.