

**Nishat Power Limited**
**Power Generation**
**Result Review: 2QFY22 EPS @ PKR 2.10**
**2QFY22: Earnings registered an increase of 37% YoY**

Nishat Power Limited (NPL) announced its 2QFY22 financial result today where the company posted a profit after tax (PAT) of PKR 745mn (EPS: PKR 2.10), up by 37% YoY compared to PKR 544mn (EPS: PKR 1.54) during the same period last year. This takes 1HFY22 profitability to PKR 1,660mn (EPS: PKR 4.69) up by 12% YoY. The company announced a cash dividend of PKR 2.00/share along with the result.

<b>Exhibit: Financial Highlights</b>							
<b>PKR mn</b>	<b>1HFY22A</b>	<b>1HFY21A</b>	<b>YoY</b>	<b>2QFY22A</b>	<b>2QFY21A</b>	<b>YoY</b>	<b>QoQ</b>
Net Sales	9,871	5,407	83%	4,142	1,290	221%	-28%
Cost of Sales	7,952	3,605	121%	3,231	593	445%	-32%
Gross Profit	1,919	1,802	7%	911	697	31%	-10%
Administrative Exp.	153	138	11%	79	71	11%	6%
Operating Profit	1,766	1,664	6%	832	626	33%	-11%
Finance Cost	144	191	-25%	88	86	2%	58%
PAT	1,660	1,478	12%	745	544	37%	-19%
EPS (PKR)	4.69	4.17		2.10	1.54		
DPS (PKR)	2.00	-		2.00	-		

Sources: Company Financials, AHL Research

**Result Highlights**

- During 2QFY22, net sales witnessed an increase of 221% YoY to PKR 4,142mn due to i) 884% YoY higher dispatches, and ii) 75% YoY higher FO prices. Sales during 1HFY22 also increased by 83% YoY due to same reasons mentioned above.
- Gross margins of the company during 2QFY22 dipped by 32pps YoY due to higher dispatches which were up by 884% YoY to 147 GWh.
- Finance cost has increased by 2% YoY | 10% QoQ during 2QFY22 due to higher interest rates.

**Recommendation**

- Currently we have BUY call on the scrip with a Dec'22 target price of PKR 22.7/share.

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2022 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

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

\* Upside for Power Generation Companies is upside plus dividend yield.

## Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- **Discounted Cash Flow (DCF, DDM)**
- **Sum of the Parts (SoTP)**
- **Justified Price to Book (JPTB)**
- **Reserved Base Valuation (RBV)**

## Risks

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

- **Market risk**
- **Interest Rate Risk**
- **Exchange Rate (Currency) Risk**

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