

Engro Powergen Qadirpur Limited

KATS: EPQL
Bloomberg: EPQL PA

Price: PKR 27
Fair Value: PKR 30

NEUTRAL

Dividend arrived at PKR 3.50/sh in 2QCY24

01 August 2024

- **EPS arrived at PKR 3.17 in 2QCY24.** EPQL announced its 2QCY24 results today, reporting a quarterly EPS of PKR 3.17 (+75/31% Q/Q / Y/Y). We believe the Q/Q increase in earnings is due to a higher period weighting factor (PWF) in the quarter, coupled with reduced administrative expenses in 2QCY24.
- **Payout of PKR 3.50/sh in 2QCY24.** The company paid a dividend of PKR 3.50/sh in 2QCY24, above our expectations, considering the company's historical track record.
- **Gross profit clocked in at PKR 876 MN.** 2QCY24 gross profit arrived at PKR 876 MN (+92/-1% Q/Q / Y/Y). We believe the increase in gross profit Q/Q is attributed to a higher PWF in the quarter. PWF adjusts the capacity component of a plant's revenue, either increasing or decreasing the revenue for a given quarter. However, this factor does not affect the annual capacity revenues. It is higher when plant utilization is high and lower when utilization is low. CPPA-G determines this factor quarterly, and the company books revenues accordingly.
- **Higher than anticipated finance income.** Finance income of PKR 237 MN (PKR 0.73/sh) continued to provide support to the EPS in 2QCY24, which can be attributed to a higher penal income and lower finance costs during the quarter, although further clarity is awaited
- **Outlook.** We maintain a neutral stance on the scrip, based on our DDM valuation with the company's fair value standing at PKR 30/sh.

Y/E: Dec	CY23	CY24E	CY25E	CY26E
EPS	7.8	8.9	7.9	7.5
DPS	5.0	6.0	4.5	4.5
BVPS	44.7	49.6	52.4	55.4
P/E	3.5	3.1	3.5	3.7
D/Y	18.2%	21.9%	16.4%	16.4%
P/B	0.6	0.6	0.5	0.5

Source: Company Financials, Optimus Research

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Earnings Snapshot

PKR MN	2QCY24E	2QCY24	1QCY24	4QCY23	3QCY23	2QCY23	Q/Q	Y/Y	1HCY24	1HCY23	Y/Y
Sales	3,661	3,504	3,088	2,355	3,821	3,700	13%	-5%	6,592	7,080	-7%
Cost of sales	2,817	2,627	2,632	2,277	2,608	2,811	0%	-7%	5,259	5,708	-8%
Gross profit	844	876	457	78	1,213	889	92%	-1%	1,333	1,372	-3%
Administrative expenses	129	69	103	163	81	111	-33%	-38%	172	182	-6%
Operating profit	715	807	354	(86)	1,132	778	128%	4%	1,161	1,190	-2%
Other Expenses	9	19	4	5	22	4	385%	389%	23	7	246%
Finance Cost / (Income)	(193)	(237)	(238)	(161)	(110)	(3)	-1%	9061%	(475)	(31)	1427%
Other Operating Income	-	1	0	2	4	9	494%	-86%	2	11	-86%
Profit Before Tax	899	1,026	588	73	1,224	786	74%	31%	1,615	1,226	32%
Taxation	-	1	3	4	3	3	-60%	-53%	5	5	-1%
Profit for the period	899	1,025	585	69	1,221	783	75%	31%	1,610	1,221	32%
EPS	2.78	3.17	1.81	0.21	3.77	2.42			4.97	3.77	
DPS	2.50	3.50	-	1.50	2.00	1.50			3.50	1.50	

Source: Company Financials, Optimus Research

Analyst Certification

The research analyst for this report, Zayan Babar Khan, certify that: (1) all of the views expressed in this report accurately reflect his personal views about the subject; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this report.

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