

Kot Addu Power Company Limited

Corporate Briefing Session

19-Nov-19



A vertical strip of four images on the left side of the slide. The top image shows a close-up of industrial machinery with pipes and valves. The second image shows a large industrial structure, possibly a power plant, with a bright orange glow at its base. The third image shows a wide view of an industrial facility with multiple smokestacks and buildings. The bottom image shows a close-up of industrial equipment, including a large cylindrical tank.

1 Power Sector Overview

2 Overview of Kot Addu Power Company Ltd

3 Operational Performance

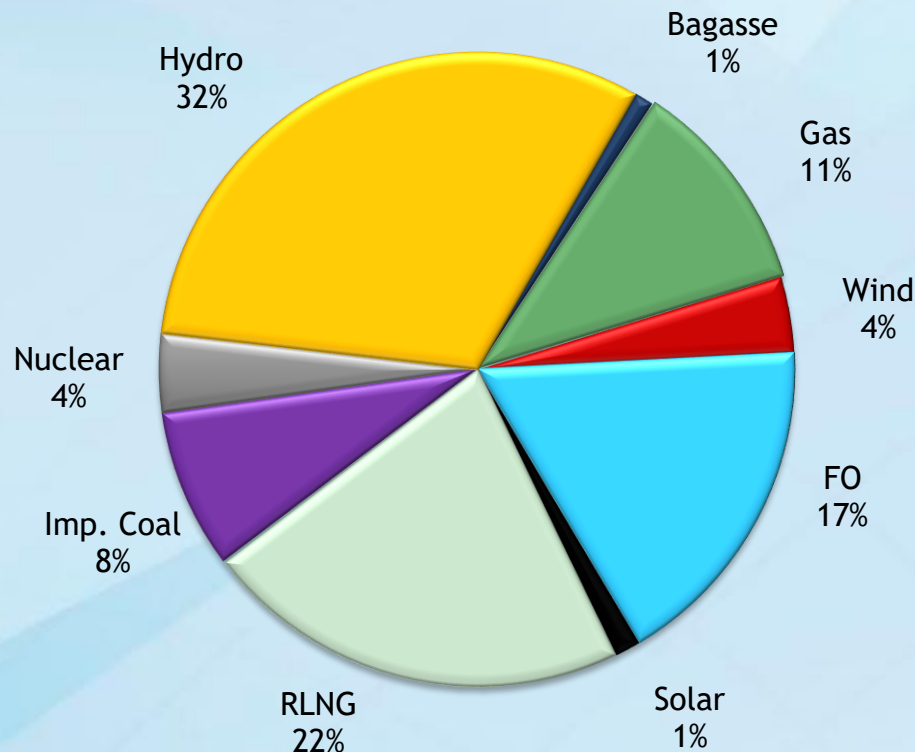
4 Financial Performance

5 Questions & Answers

Pakistan Power Sector - State of the Industry

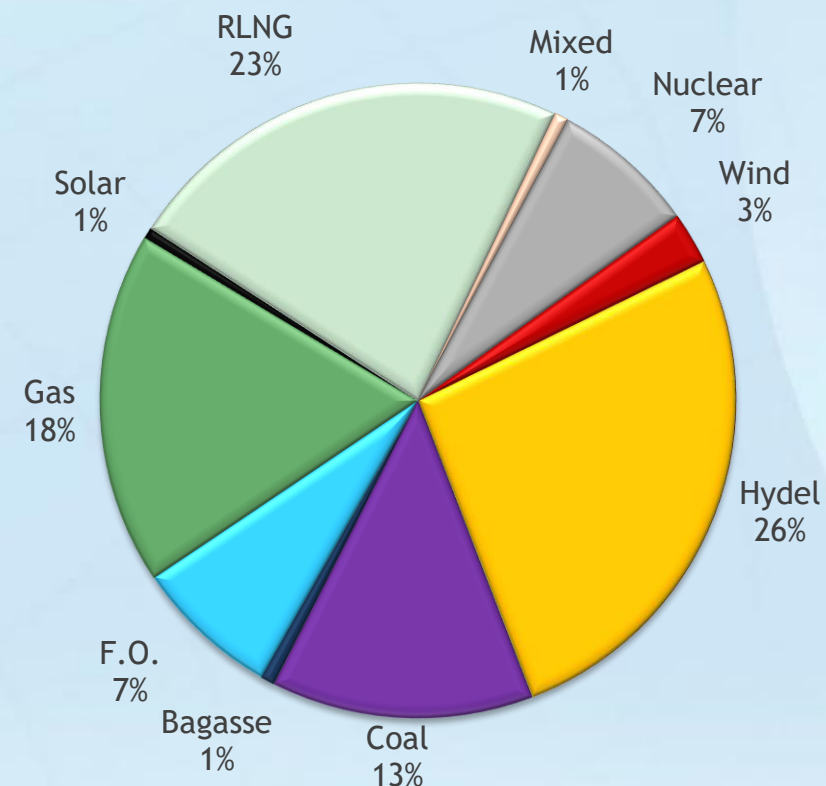
During last 5 years, over 10,000 MW of power generation has been added in the system, however, overall energy planning remained integrated across the energy supply chain, with little focus on reducing losses and upgrading Transmission and Distribution capacity, causing consistent increase in Circular Debt.

Fuel Wise Installed Capacity



As at 31-Dec-18
Source: NTDC IGCEP

Fuel Wise Generation (2018-19)



During 2018-19, KAPCO generated 7.8% of total generation by IPPs and 12.5% of total generation on RLNG

Pakistan Power Sector - Key Challenges



Measures against Circular Debt

- Resolving the liquidity issue by issuing sukuk / long term bonds
 - Targeting the theft cases on war footing basis
 - Upgrading transmission & distribution infrastructure
 - Proper budgeting / planning of Govt. subsidies
 - Focusing on reforms in regulatory bodies (Bilateral Market)
 - Improving fuel mix by focusing on green energy
 - Improving law and order situation to increase recoveries
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- Energy Sukuk-II of Rs 200 billion in pipeline
 - Govt. committed to eliminate Circular Debt by Dec-2020
 - Monthly pile-up of circular debt reduced from ~ 40b to ~ 20b



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Overview of KAPCO



Largest Single IPP and Combined Cycle Plant in Pakistan

Only Tri-Fuel Power Plant

~4% of Country's Generation *

~8% of IPPs Generation *

No of shareholders > 57,700
(Market Cap. Rs 30B)

Best example of Public Private Partnership

Ability to self start in country wide blackout

Ownership of 132 KV and 220 KV grid stations

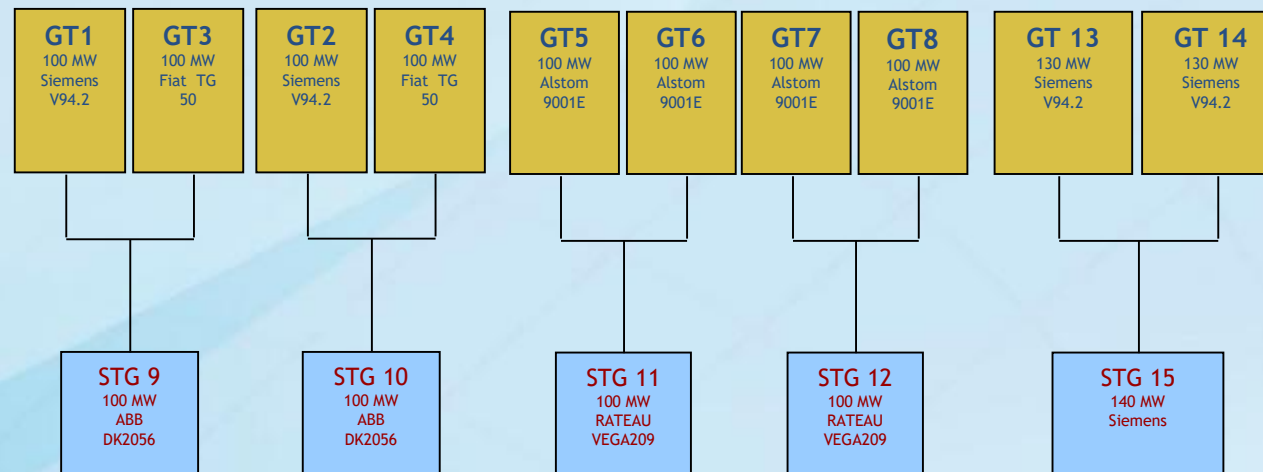
Total Revenue > Rs 84 Billion *

Among Highest Dividend Yield Companies

Block 1 - 4 Gas Turbines & 2 Steam Turbines

Block 2 - 4 Gas Turbines & 2 Steam Turbines

Block 3 - 2 Gas Turbines & 1 Steam Turbine

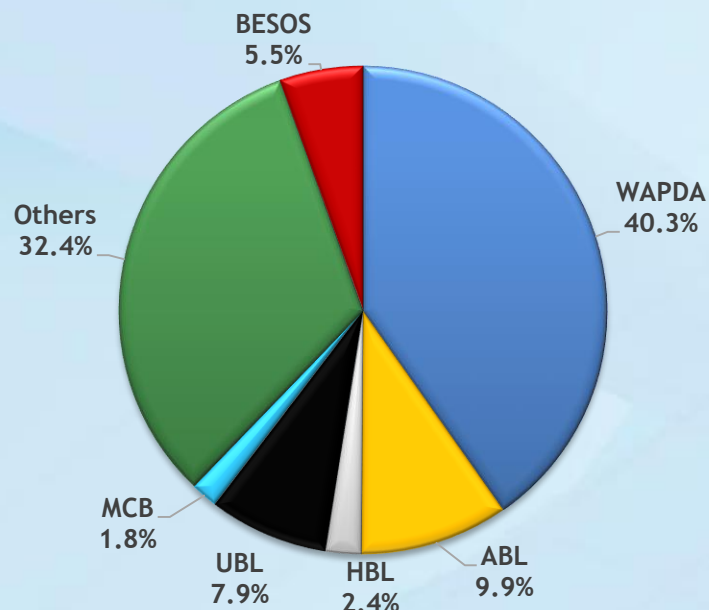


The Power Plant is located in the district of **Muzaffargarh**, 90 km from Multan in the province of Punjab

* For the year 2018-19

Strong Shareholder Base

Shareholding structure



Shareholding pattern as of 30-Jun-19

IMS Accreditations:

- ❖ ISO 9001:2015 (Quality Management System)
- ❖ ISO 14001:2015 (Environmental Management System)
- ❖ OSHAS 18001:2007 (Occupational Health & Safety)

Remarks

- In 1996, WAPDA divested its 36% holding to National Power of UK through International Competitive Bidding
- In 2005, another 18% shares were sold to general public through IPO
- In 2012, strategic investor sold its entire shareholding to local investors
- As of today, WAPDA stands as the single largest shareholder with ~ 40.25% stake

- Out of 8 directors 3 are from WAPDA
- **WAPDA** provides knowledge and experience in Pakistan power industry
- Key shareholders included renowned financial institutions, insurance companies and other renowned individual investors.
- Foreign corporate entities/individuals hold 6.7% shares of the Company.
- Total shareholders of the Company as on 30-Jun-19 are 57,702

KAPCO Power Complex

- 10 Gas Turbines, 10 HRSG, 5 Steam Turbines
- 27 Oil Storage Tanks (Total Capacity ~ 200KT)
- 6 FOTPs
- State of the art workshops
- Switch Yards
- Black Start Diesel Generator



KAPCO Residential Complex

- Over 800 Houses
- 2 Community Centres
- 3 Mosques, 2 schools
- 2 Markets, Guest Houses
- Cricket/ Football Grounds



Corporate Social Responsibility

- Free medical and eye camp for needy persons (3000 to 4000 persons)
- Rehabilitation and maintenance of Govt. schools in Kot Addu area
- KAPCO Iftar Dastarkhwan for needy persons during month of Ramadan
- Supply of Medical Equipment to THQ Hospital, Kot Addu
- Scholarship to students of IBA, Karachi
- Donations to various renowned charitable institutions
- Tree plantation for Green Pakistan





1 Power Sector Overview

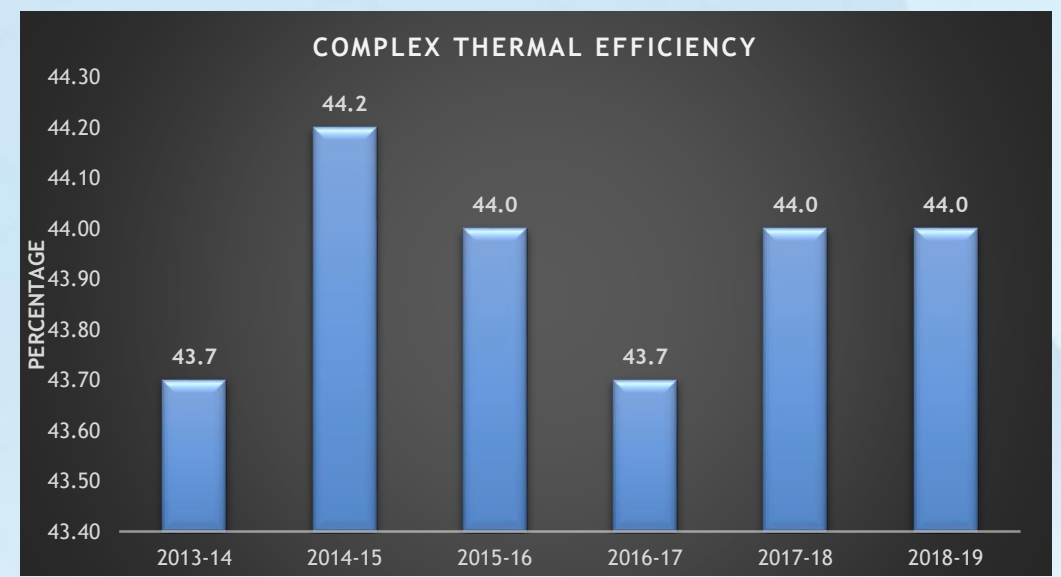
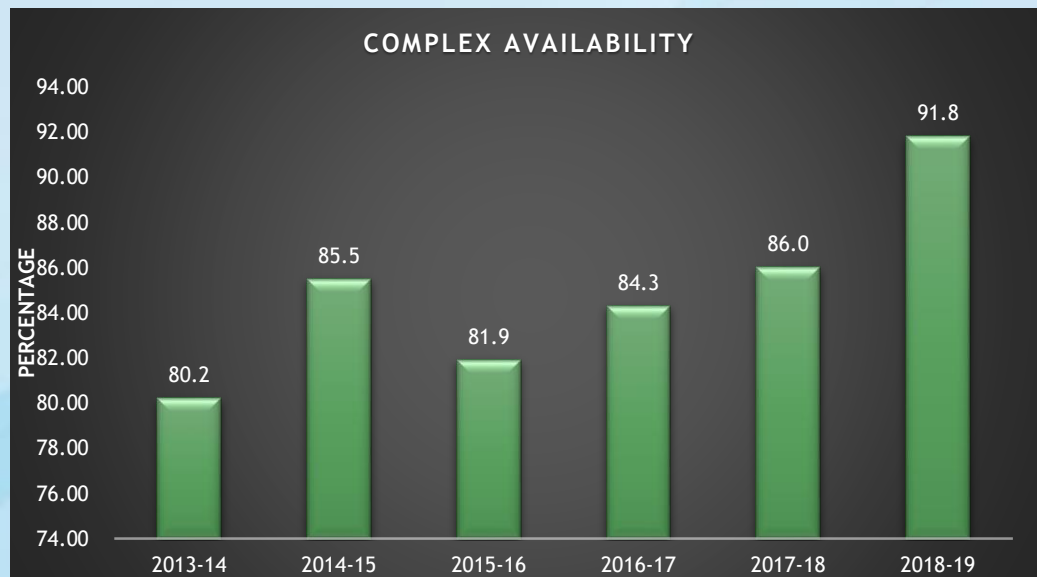
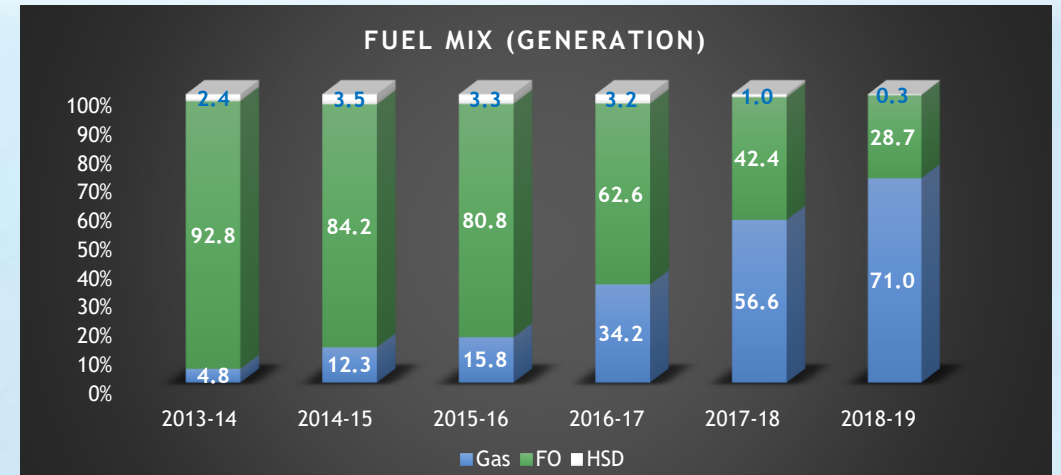
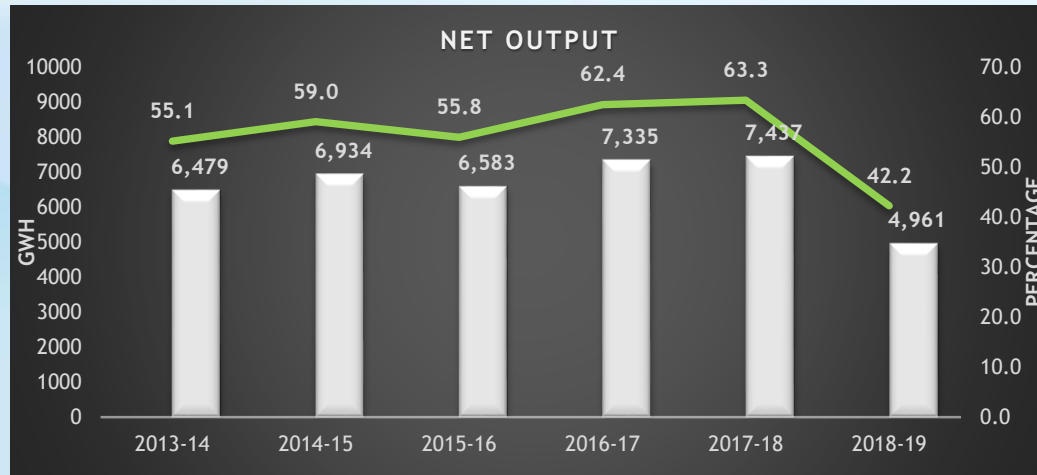
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Technical Performance





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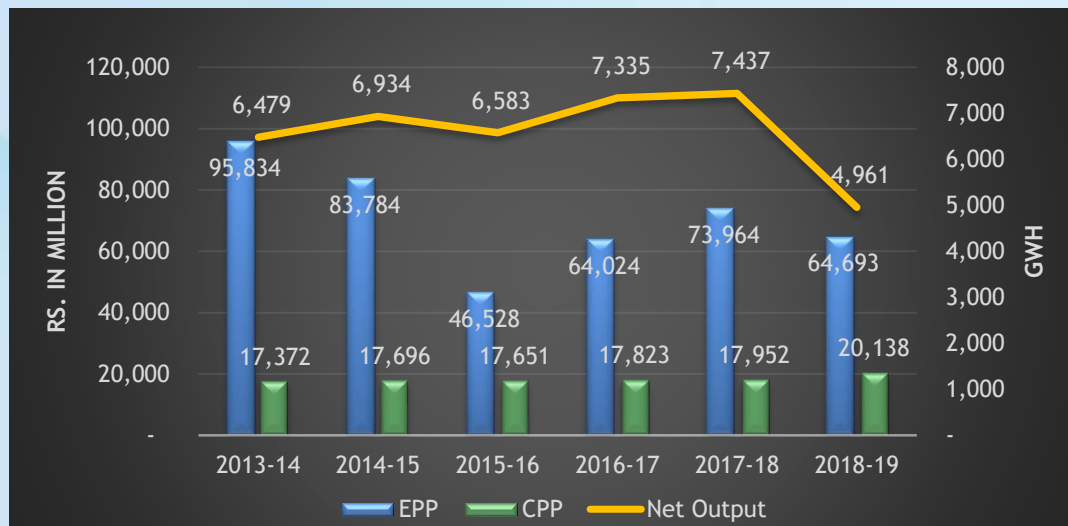
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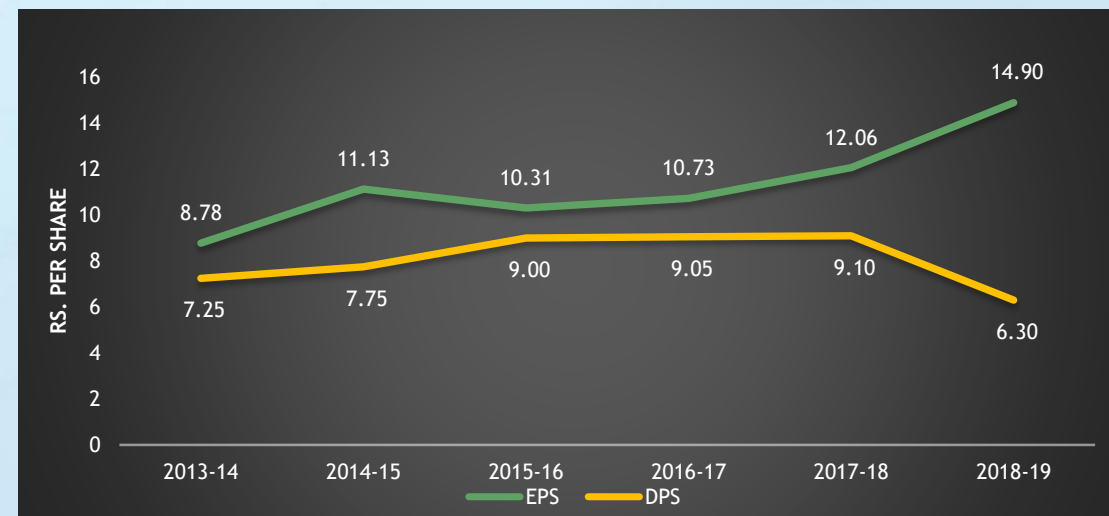
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Financial Performance

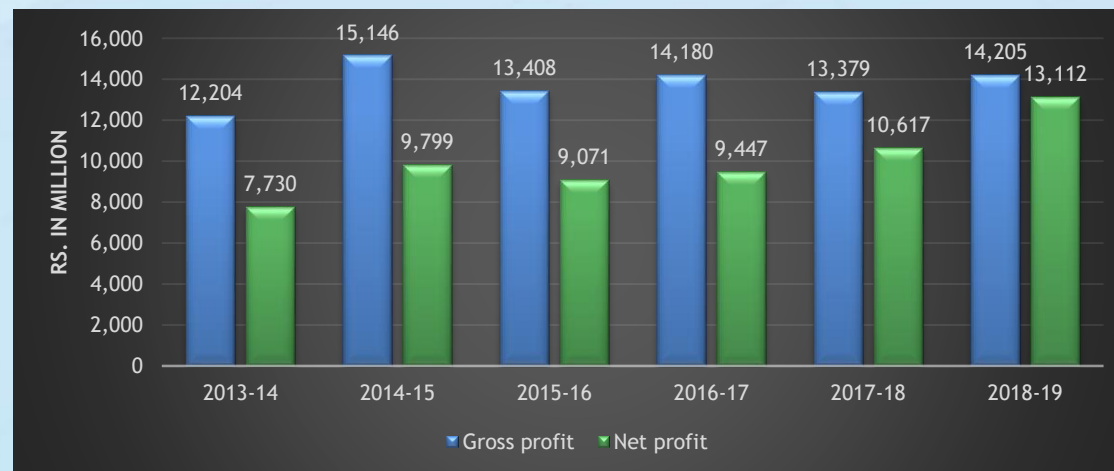
Revenue & Generation



Dividend Payout

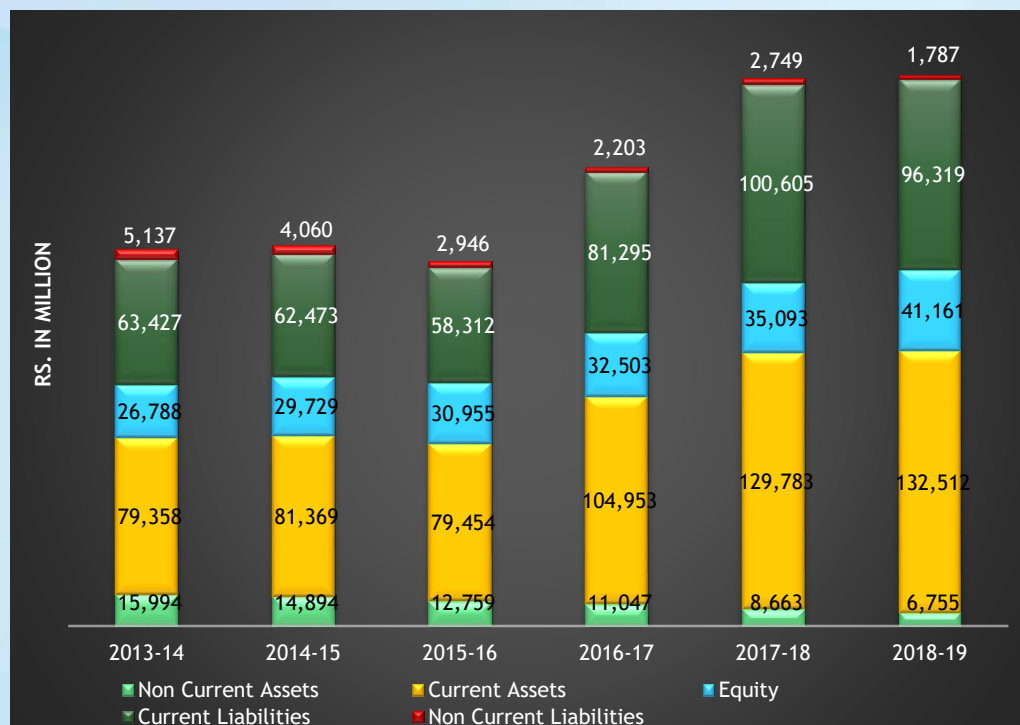


Gross Profit vs Net Profit

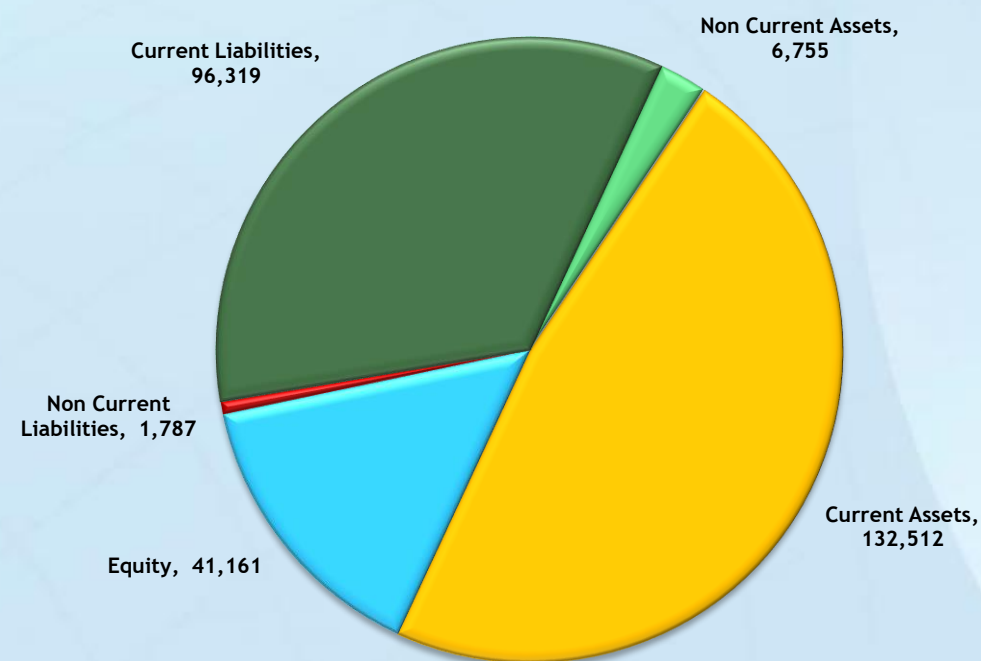


Financial Performance - Balance Sheet

Balance Sheet Breakup Last 6 Years




Balance Sheet Breakup 30-Jun-19



- Current Assets mainly include Receivable from Off-Taker,
- Current Liabilities mainly include payable to fuel suppliers and banking facilities

Financial Performance: 2019 vs. 2018

A vertical strip of images on the left side of the slide shows various industrial scenes: a power plant with cooling towers, a refinery with distillation columns, and a large industrial facility with multiple smokestacks.


	Rs. in million	2018-19	2017-18	% Change
Revenue - EPP		64,693	73,964	↓ 13%
Revenue - CPP		20,138	17,952	↑ 12%
Total Revenue		89,792	99,353	↓ -10%
Gross Profit		14,205	13,379	↑ 6%
Gross Profit %		16.7%	14.6%	↑ 15%
Net Profit		13,112	10,617	↑ 23%
Net Profit %		15.5%	11.6%	↑ 34%
EPS (Rs / Share)		14.90	12.06	↑ 23%

Reasons for variance in net profit:

- ✓ Exchange Rate Indexation due to significant depreciation of the Rupee also impacting true-up income
- ✓ Lower repairs & maintenance costs
- ✓ Higher net finance income due to higher receivables during the year partially offset by higher finance cost to banks and fuel suppliers

KAPCO - Key Challenges

PPA Renewal

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- A vertical strip of images on the left side of the slide. It includes a close-up of industrial machinery with pipes and valves, a large industrial facility with multiple smokestacks emitting smoke, and a view of a power plant or refinery with large storage tanks and complex piping.
- ❖ Current PPA of KAPCO is for 25 years, expiring in Jun-2021
 - ❖ As per stipulations of PPA relating to renewal, Company has taken-up the matter for a new or renewal/extension of PPA with WAPDA and other relevant quarters of the GoP.
 - ❖ Currently, Govt. is in process of implementing reforms and formulating a new energy policy for issuance and renewal of PPAs.
 - ❖ Under new policy, a merchant market contracts regime on competitive pricing mechanism (Take-and-Pay) is expected
 - ❖ The terms and conditions under new policy are not yet clear
 - ❖ KAPCO plant is capable of running beyond 2021. Additionally NTDC in its Indicative Generation Expansion Plan 2018-40 has also shown the requirement of generation from KAPCO beyond 2021.

Liquidated Damages

- ❖ WAPDA imposed Liquidated Damages (LDs) on Company amounting to Rs. 27.7 billion treating it as 'Forced Outage' due to Non-availability of fuel
- ❖ LDs Period: Jul-2008 to Sep-2015
- ❖ KAPCO disputed LDs based on the premise that failure to dispatch was resultant of non-payment by WAPDA to procure fuel. KAPCO started Arbitration process as per terms of PPA.
- ❖ Partial award received in Jun-19 wherein ICC Tribunal decided that it had jurisdiction over WAPDA and regular hearing of the case will continue between WAPDA and the Company.
- ❖ KAPCO and its legal teams are confident that the matter will be settled in its favour.



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Disclaimer



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- A vertical collage of four images showing different parts of an industrial facility, likely a refinery or chemical plant. The top image shows distillation columns, the second shows a large storage tank, the third shows a complex of pipes and structures, and the bottom shows a building with a chimney.
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