

# **Kot Addu Power Company Limited**

**CORPORATE BRIEFING SESSION**

**28-OCT-2020**



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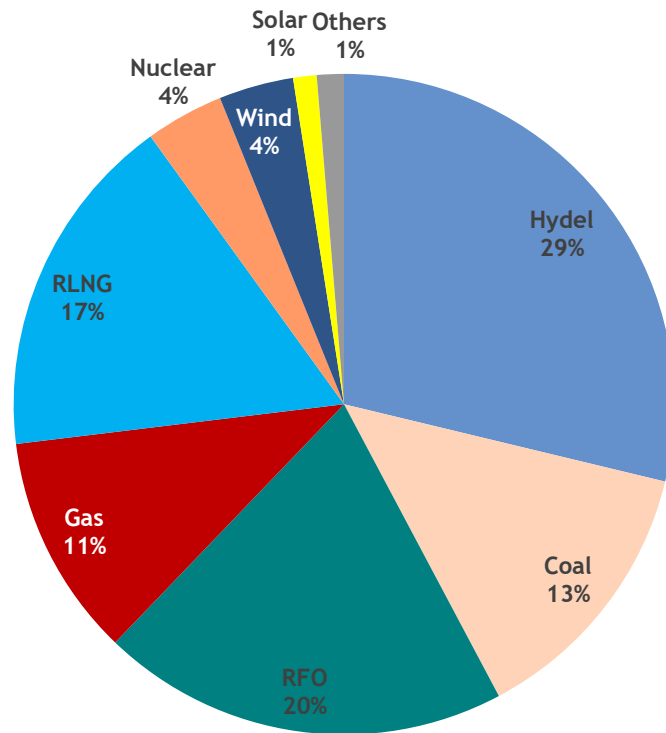
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# Pakistan Power Sector - State of the Industry

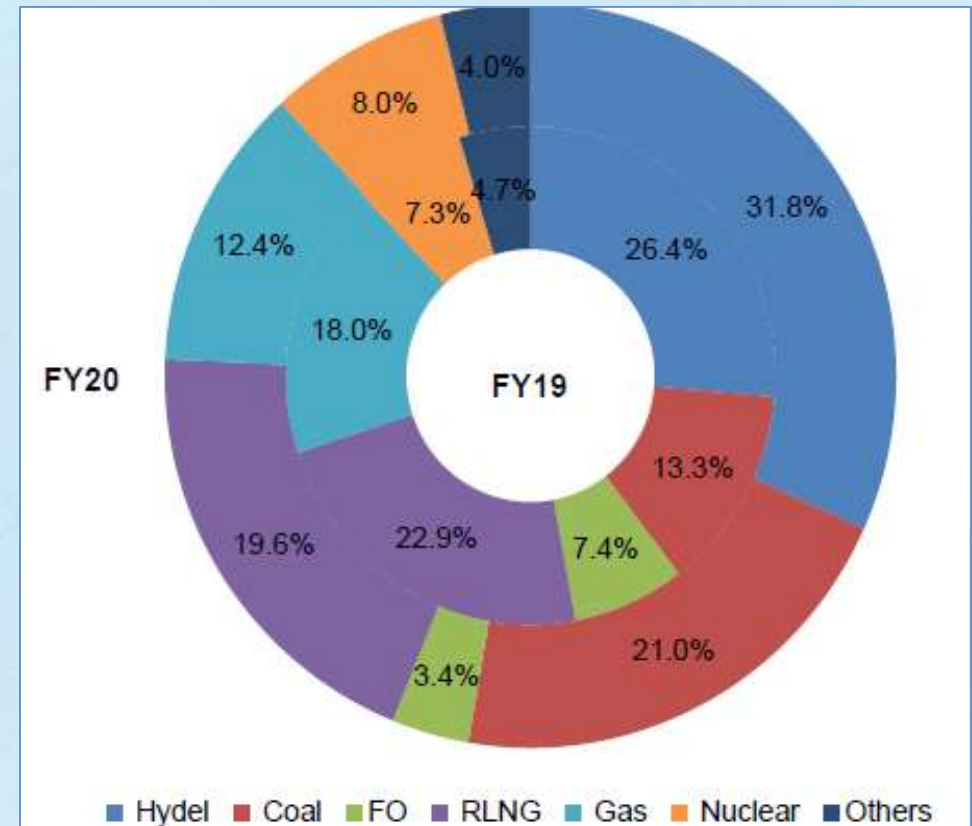
During last 5-6 years, over 10,000 MW of power generation has been added in the system, however, overall energy planning remained fragmented across the energy supply chain, with little focus on reducing losses and upgrading Transmission and Distribution capacity, causing consistent increase in Circular Debt.

### Fuel Wise Installed Capacity



As at 30-Sep-20, total installed dependable capacity is ~34,000MW  
Source: NEPRA

### Fuel Wise Generation



During 2019-20, KAPCO generated 5.7% of total generation by IPPs and 12.5% of total generation on RLNG

# Power Sector of Pakistan

## Key Challenges of Power Sector

Circular Debt

Significant Increase in Capacity Payments

Tariff Subsidies

Lines Losses & Recovery Issues

Expensive Fuel Mix

Low Demand Growth

- Significant addition to power generation based on GDP growth of 5%-6% but actual GDP is less than 2%
- All new projects on Take-Or-Pay basis with front loaded tariff for debt payments
- Power sector is highly dependent on imported fuel. PKR devaluation and price hike in international market significantly impact the cost of electricity. Estimated impact of PKR devaluation on cost of generation during last 2 years is over Rs. 259B
- Insufficient tariff subsidies.
- Circular debt has increased to the tune of Rs. 2.2 trillion. No immediate measure to fix/settle this issue.
- Annual capacity payments are increasing rapidly due to PKR devaluation and expected to increase to Rs. 1.59 trillion by 2024-25
- Line losses due to out-dated infrastructure, mismanagement and theft ~ 18%
- Recovery ratio is 87% approx, so net recovery is Rs. 71 against power purchase of Rs. 100
- Inefficient GENCOs not being retired by the Federal Govt.
- System Operator not being able to utilize full generation capacity due to old and inadequate transmission/ distribution system
- Electricity demand growth has significantly reduced due to lesser GDP/industrial growth
- Cost of generation is not being fully passed on to consumers due to socio-political issues as well as the paying capacity of end consumers



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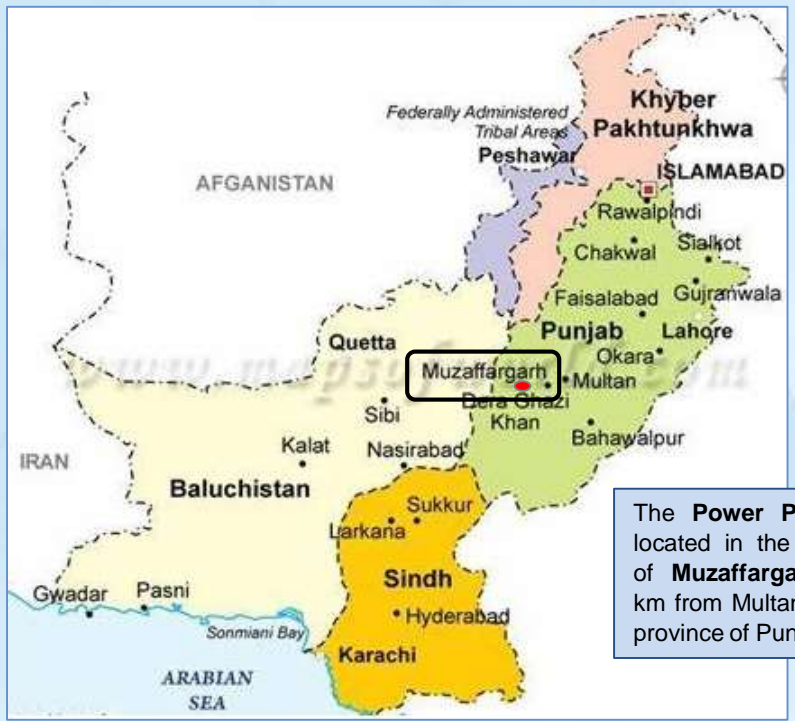
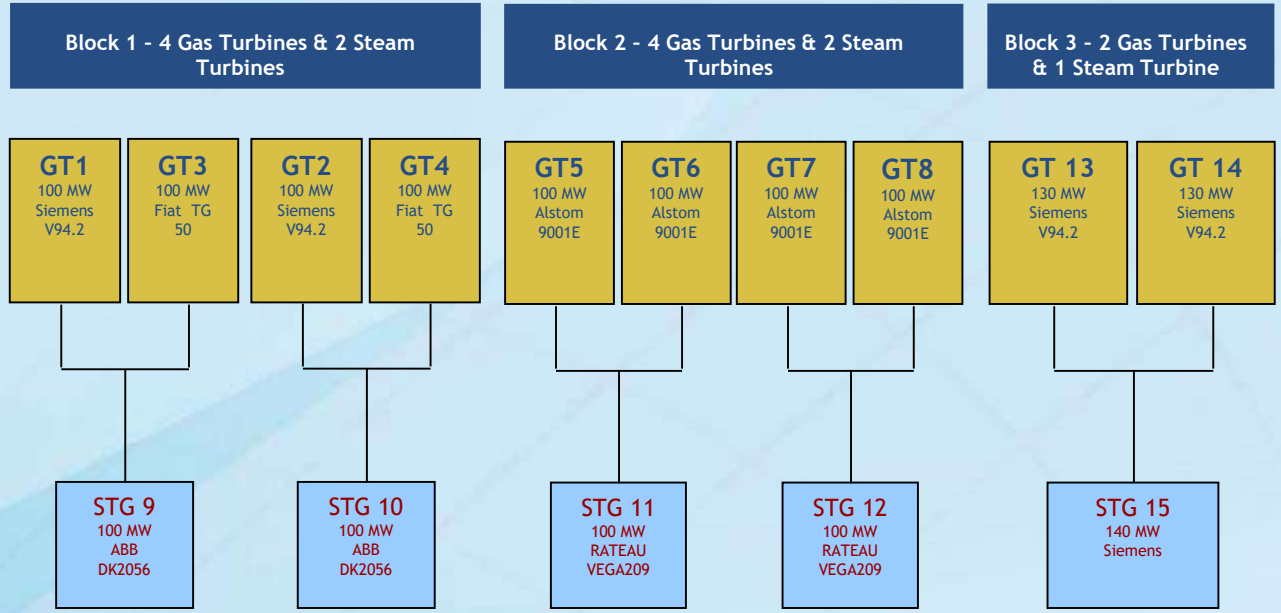
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# Overview of KAPCO

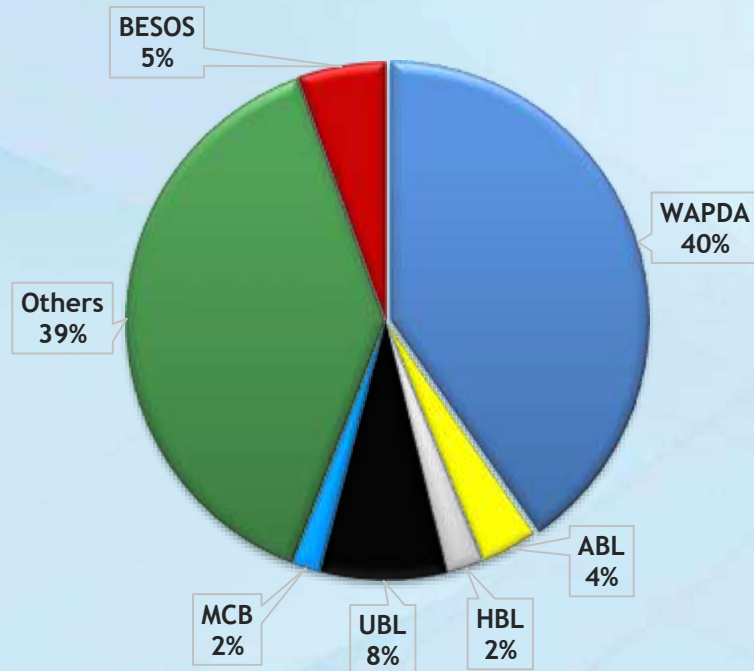
Largest Single IPP and Combined Cycle Plant in Pakistan	Only Tri-Fuel Power Plant	~3% of Country's Generation *	Self Managed O&M	No of shareholders > 61,000 (Market Cap. Rs 25B)
~6% of IPPs Generation *	Ability to self start in country wide blackout	Ownership of 132 kV and 220 kVA grid stations	Total Revenue > Rs 71 Billion *	Among Top 10 Global Stocks with Est. Dividend Yield **



\* For the year 2019-20  
 \*\* Report of Bloomberg

# Strong Shareholder Base

## Shareholding Structure



Shareholding pattern as of 30-Jun-20

## 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

- **WAPDA** provides knowledge and experience in Pakistan power industry
- Key shareholders include renowned financial institutions, insurance companies and other renowned individual investors.
- Foreign corporate entities hold 5.8% shares of the Company.
- Total shareholders of the Company as on 30-Jun-20 are 61,586



# 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
- 5 number 100 MVA auto transformers (220kV/132kV). Replacement of 2 old transformers with one new 200MVA transformer in progress.
- Dedicated 3 Gas/RLNG pipelines having capacity of 350MMCFD.



# KAPCO Residential Complex

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



# Corporate Social Responsibility

- Installation of two water filtration plants for supply of clean to the local community of Kot Addu.
- Distribution of 1,000 ration bags to needy people of Kot Addu and adjoining areas
- Donation of PPE's i.e. surgical face mask, gloves and doctors' protective kits to Nishter Hospital (Multan) and THQ Hospital (Kot Addu)
- Distribution of cash to daily wagers staff during COVID-19
- Development of green areas near G.T. Road Kot Addu
- Donations to various renowned charitable institutions





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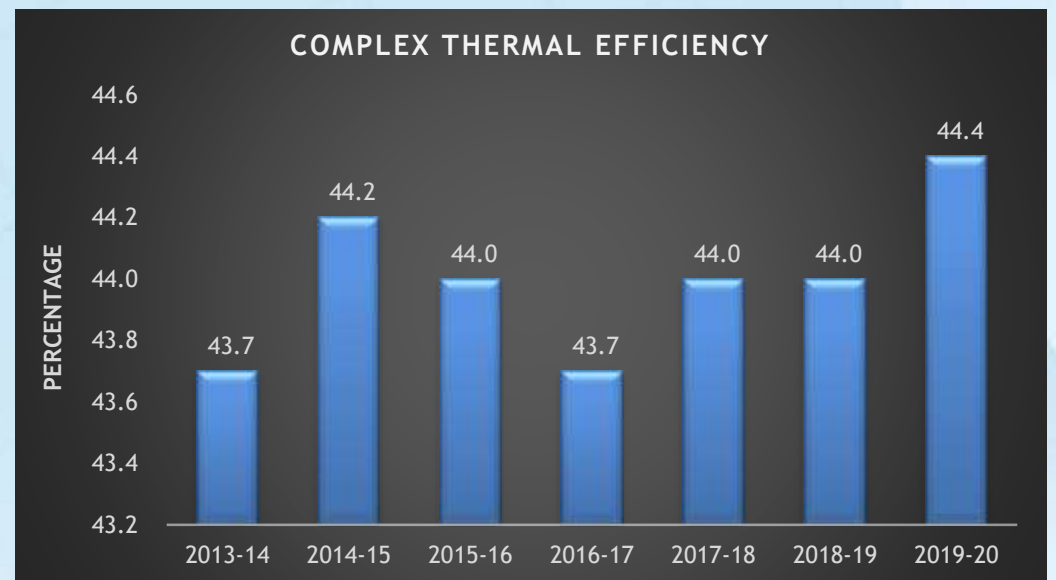
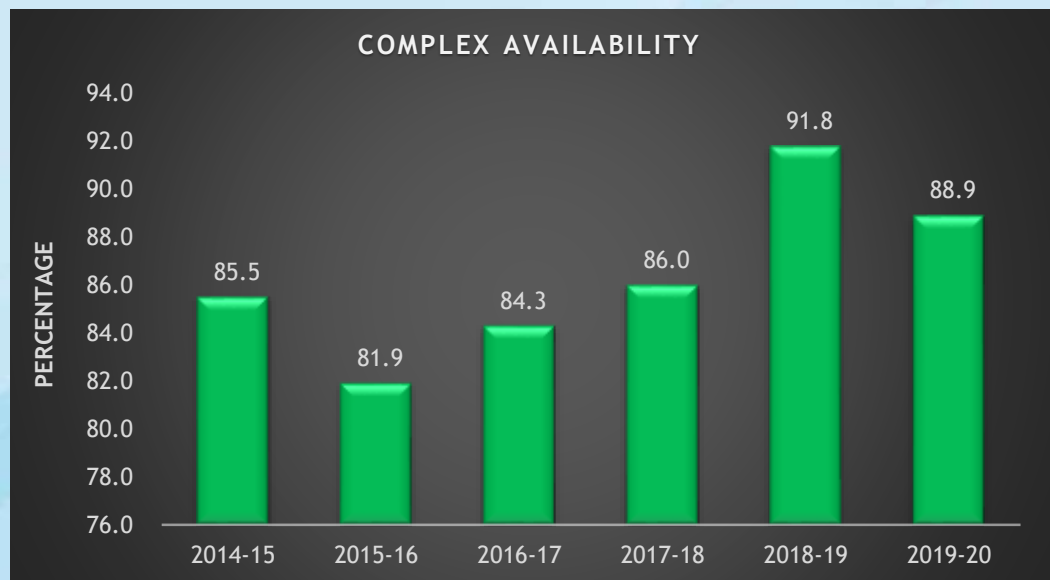
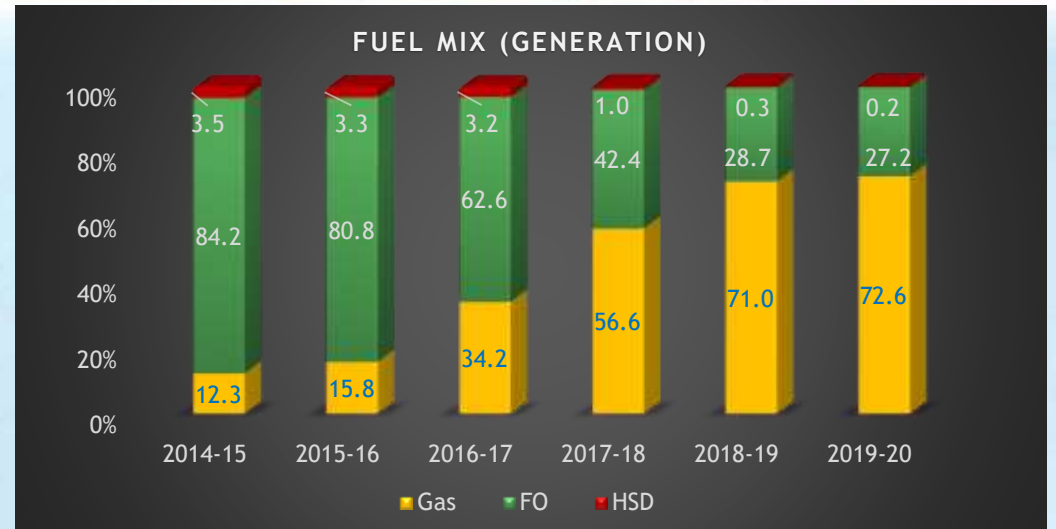
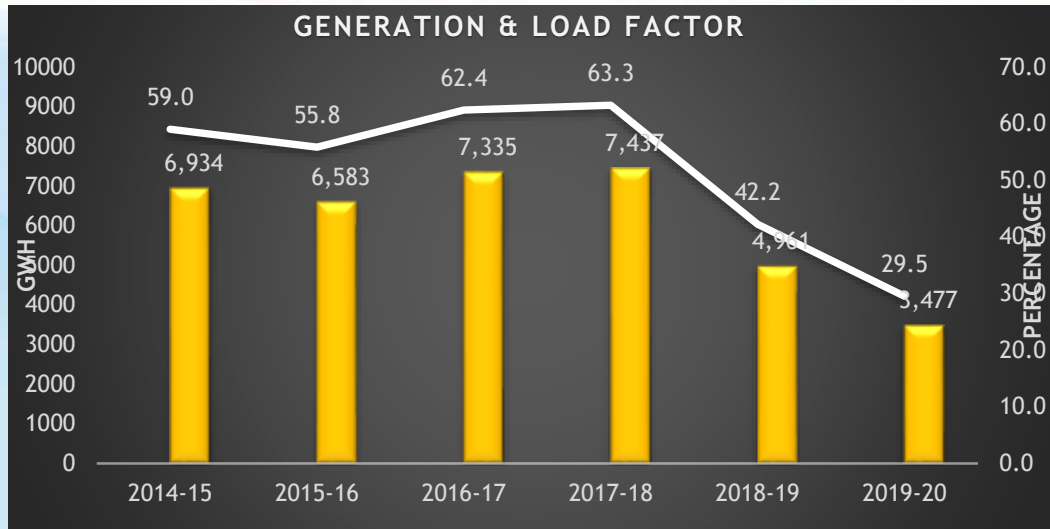
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# TECHNICAL PERFORMANCE





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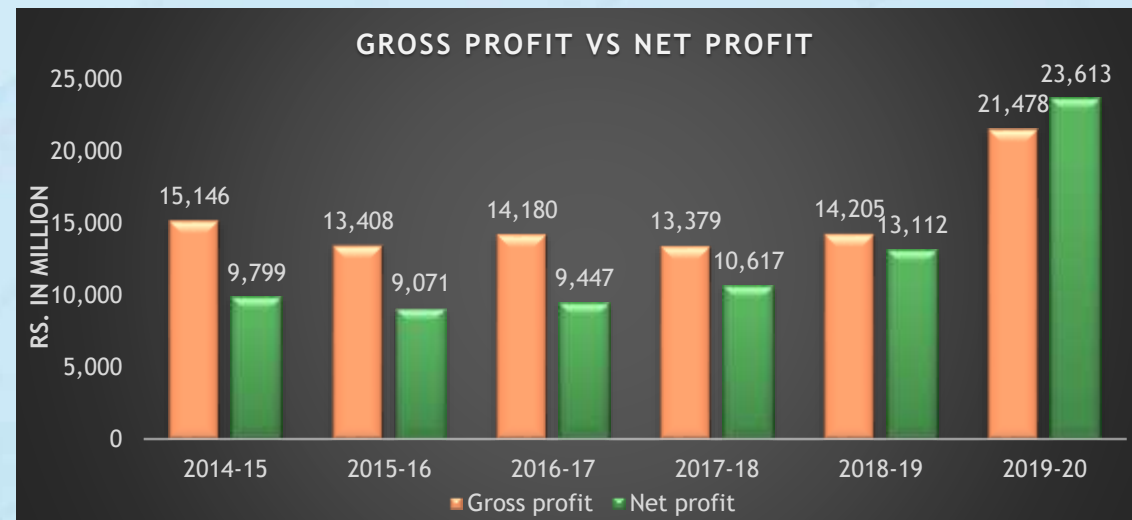
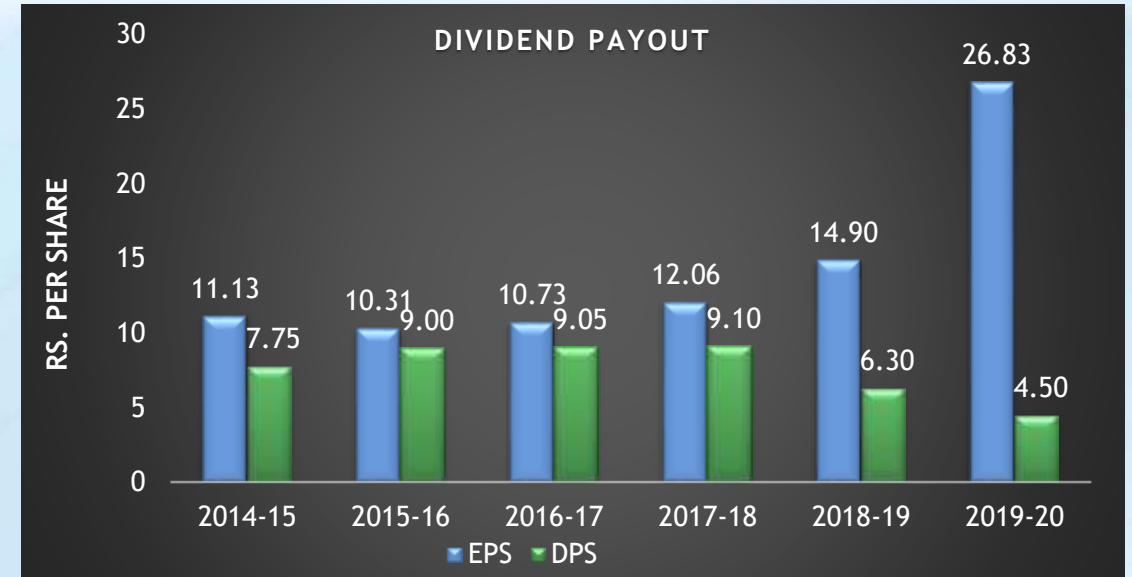
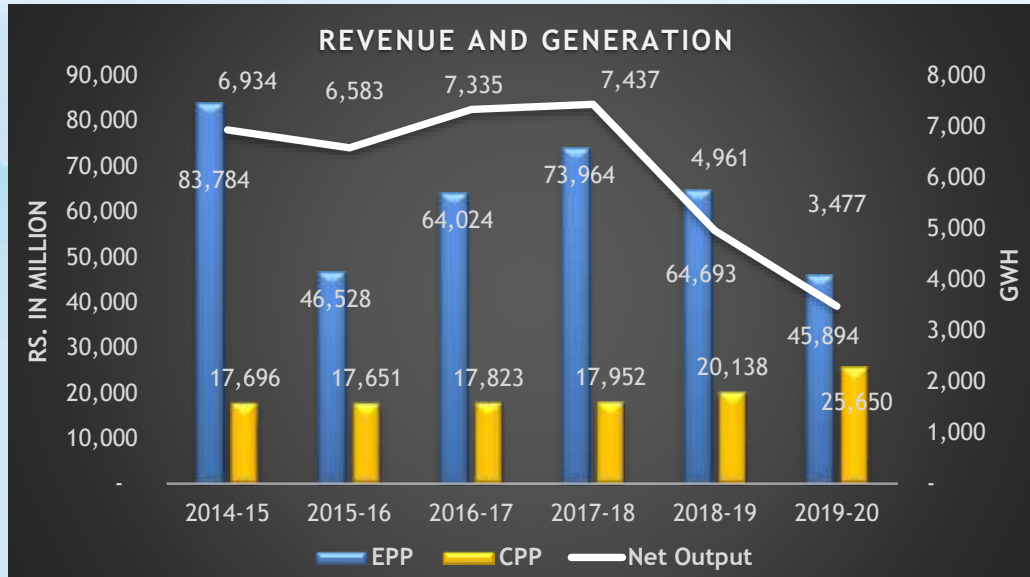
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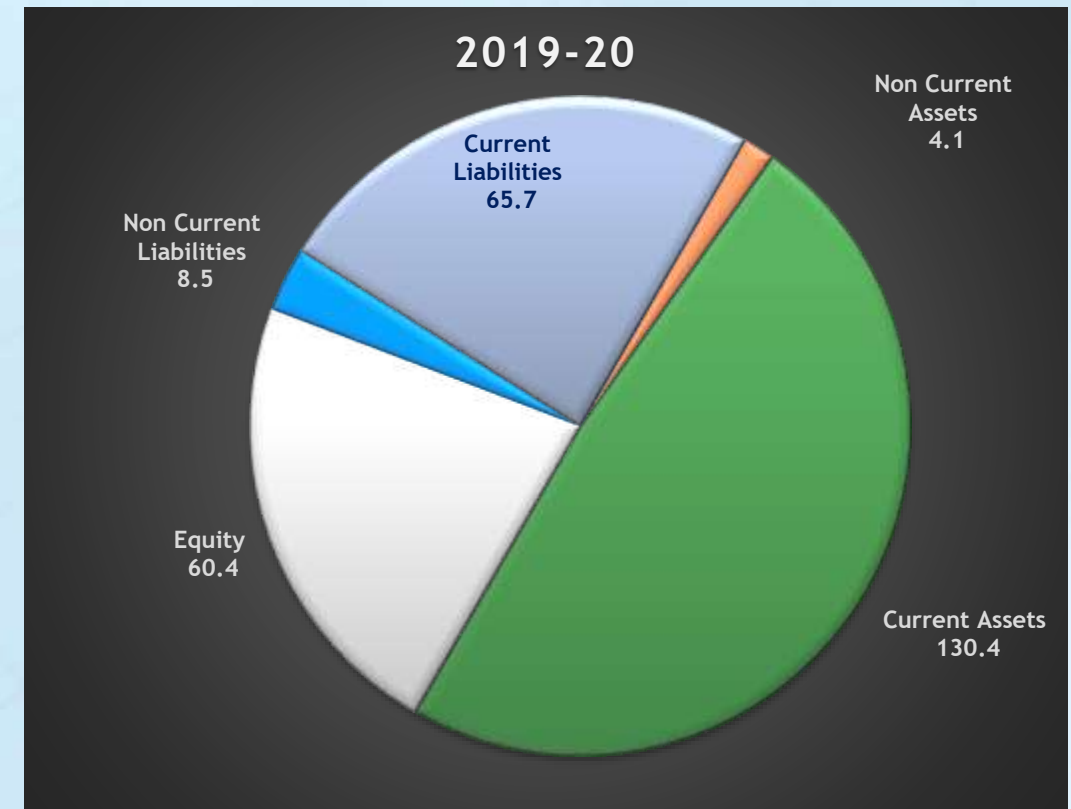
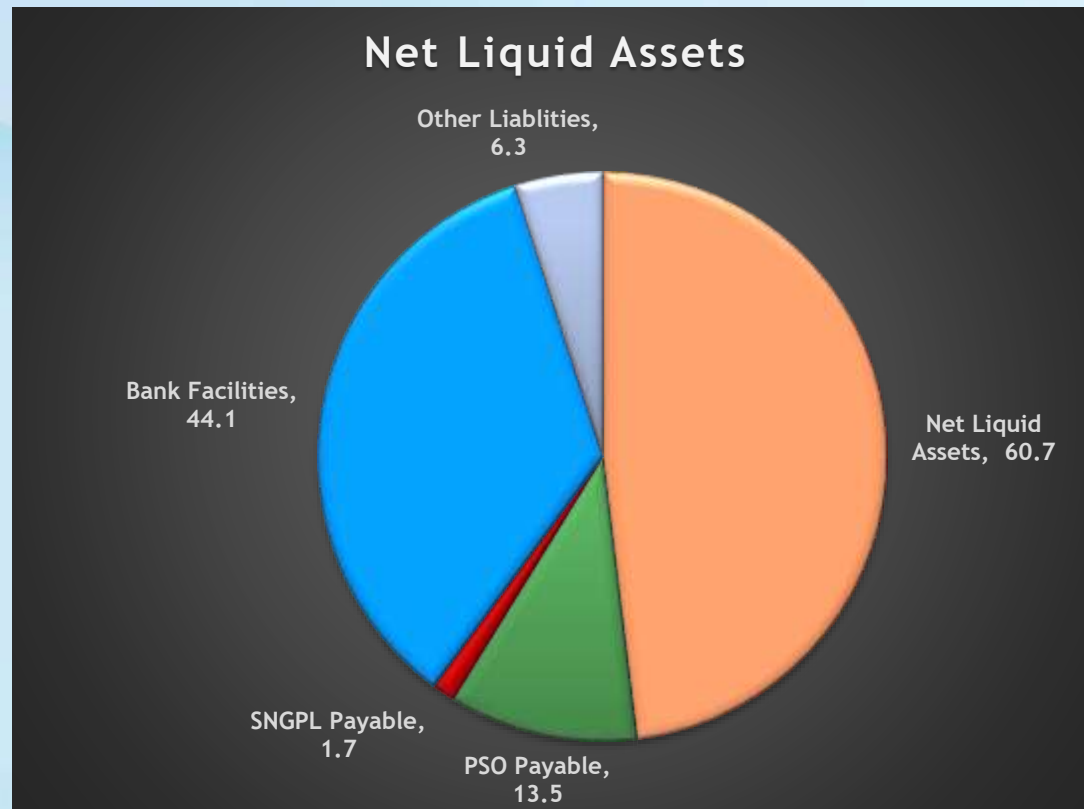
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# Financial Performance



# Financial Position



- Current Assets mainly include Receivable from Off-Taker [Rs. 120b]
- Current Liabilities mainly include payable to fuel suppliers and banking facilities



## Financial Performance: 2019 vs. 2020

<i>Rs. in million</i>	2019-20	2018-19	% Change
Generation (GWh)	3,477	4,961	↓ 30%
Revenue - EPP	45,894	64,693	↓ 29%
Revenue - CPP	25,650	20,138	↑ 27%
<b>Gross Profit</b>	<b>21,478</b>	<b>14,205</b>	<b>↑ 51%</b>
<b>Gross Profit %</b>	<b>30.0%</b>	<b>16.7%</b>	<b>↑ 79%</b>
<b>Net Profit</b>	<b>23,613</b>	<b>13,112</b>	<b>↑ 80%</b>
<b>Net Profit %</b>	<b>33.0%</b>	<b>15.5%</b>	<b>↑ 114%</b>
<b>EPS (Rs / Share)</b>	<b>26.83</b>	<b>14.90</b>	<b>↑ 80%</b>

### Reasons for variance in net profit:

- ✓ Exchange Rate Indexation due to significant depreciation of the Rupee impacting Capacity Income & True-Up Income.
- ✓ Higher net finance income due to higher receivables during the year partially offset by higher finance cost to banks and fuel suppliers

# PPA Renewal & Liquidated Damages

## PPA Renewal

- ❖ 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.
- ❖ Under new policy, a Competitive Trading Bilateral Contracts Market (CTBCM) on competitive pricing mechanism is expected to be introduced, for both new and renewal cases.
- ❖ The Government has formed a negotiation committee (“the Committee”) on June 03, 2020, which will discuss/renegotiate the terms and conditions of PPAs with all the IPPs and will also coordinate with other GoP institutions, including Ministry of Energy, CPPA-G, NEPRA, NTDC etc. for this purpose.
- ❖ During August 2020, a Memorandum of Understanding has been signed with the Committee which states, among other things, that the parties / GoP shall look into possibility of extension / renewal of KAPCO’s PPA beyond June 26, 2021 on terms and conditions to be mutually agreed, keeping in view the commercial and technical viability of KAPCO’s Power Plant.

## 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.
- ❖ Subsequently Memorial, counter memorial and rejoinders were submitted as per agreed timelines.
- ❖ Final hearings are scheduled in the mid of Nov-20.
- ❖ KAPCO is quite confident that the matter will be settled in its favour



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**Thanks**