

Kot Addu Power Company Limited

CORPORATE BRIEFING SESSION

22-OCT-2021



2021

Years of
Excellence **25**

Disclaimer



- The information contained in this presentation is given without any liability whatsoever by KAPCO or their respective members, directors, officers or employees (collectively “KAPCO”) for any loss whatsoever arising from any use of this presentation or its contents or otherwise.
- Unless otherwise indicated, information presented herein is as of June 30, 2021.
- No representation or warranty, express or implied, is made or given by KAPCO as to the accuracy, completeness or fairness of the information or opinions contained in this presentation. In particular, no representation or warranty is made that any projection, forecast, calculation, forward- looking statement, assumption or estimate contained in this presentation should or will be achieved. There is a substantial likelihood that at least some, if not all, of the forward-looking statements included in this presentation will prove to be inaccurate, possibly to a significant degree.
- In considering any performance data contained herein, each recipient of this presentation should bear in mind that past performance is not indicative of future results.
- Nothing contained herein should be deemed to be a prediction or projection of future performance.
- The information contained in this presentation does not constitute investment, legal, tax or accounting advice. Recipients of this presentation should conduct their own due diligence and other enquiries in relation to such information and consult with their own professional advisors as to the accuracy and application of the information contained in this presentation and for advice relating to any legal, tax or accounting issues relating to a potential investment in the Company. This presentation does not constitute a recommendation to invest in the Company.
- Certain information contained in this presentation concerning economic trends and performance are based on or derived from information provided by independent third-party sources. KAPCO cannot guarantee the accuracy of such information and has not independently verified the assumptions on which such information is based. KAPCO disclaims any responsibility for any errors or omissions in such information, including the financial calculations, projection, and forecasts in this presentation.



Power Sector of Pakistan - Key Challenges

Capacity Payments

Circular Debt

Tariff Subsidies

Lines Losses & Recovery Issues

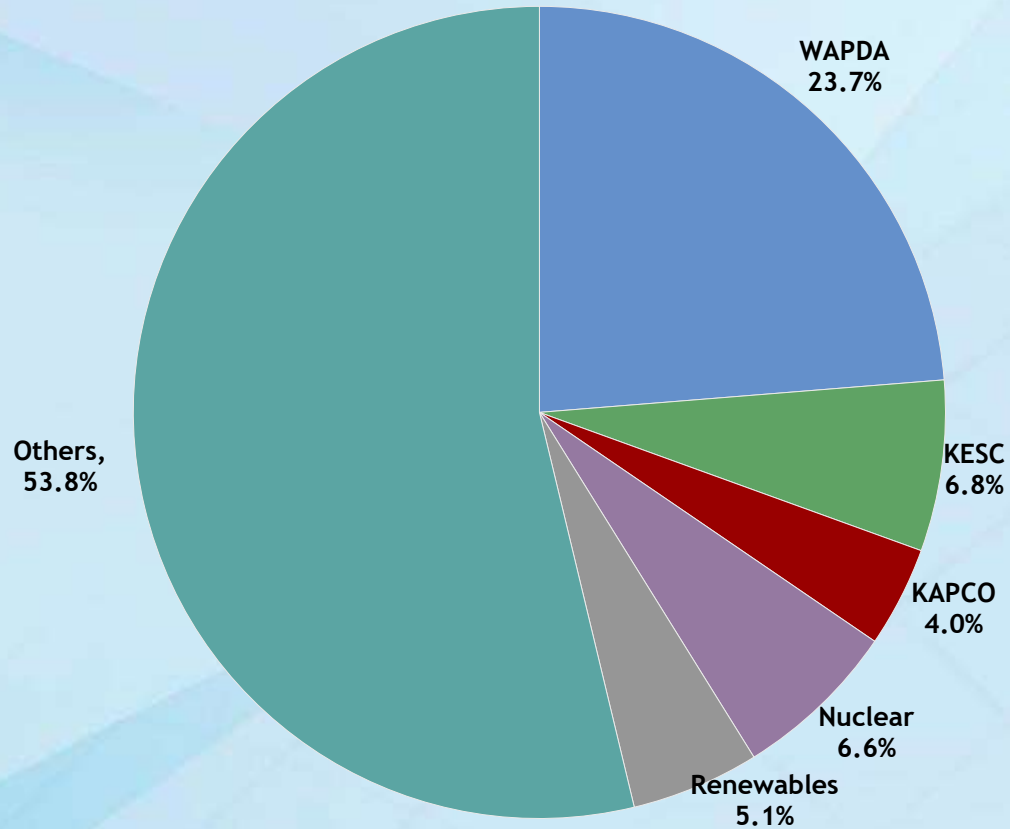
Balance generation mix

Competitive Trading Bilateral Contract Market (CTBCM)

- Significant addition to power generation based on GDP growth of 5%-6% but actual GDP is 3.94%
- All new projects on Take-Or-Pay basis with front loaded tariff for debt payments.
- Under utilization of the available capacity including most efficient RLNG plants
- Power sector is highly dependent on imported fuel. PKR devaluation and price hike in international market significantly impact the cost of electricity.
- Insufficient tariff subsidies.
- Shift towards renewable energy. Presently the share of RE power plants (wind, solar and bagasse) in the generation mix of the country is around 5.40%
- Circular debt has increased to the tune of Rs. 2.3 trillion with no immediate solution insight.
- Annual capacity payments are increasing rapidly due to PKR devaluation. Capacity payments of Rs.613,923 million were made during 2020-2021.
- Line losses due to out-dated infrastructure, mismanagement and theft ~ 17%
- Recovery ratio is 97% approx. Inefficient GENCOs not being retired by the Federal Govt.
- Non firm supply of RLNG due to poor planning and extremely high prices.
- System Operator not being able to utilize full generation capacity due to old and inadequate transmission/ distribution system
- Development of Competitive Trading Bilateral Contract market (CTBCM) within envisaged timelines.

Pakistan's Largest IPP - Installed Capacity

KAPCO installed capacity approximately 4.0% of Pakistan's total electricity generation capacity from IPPs



Source: State of Industry Report 2021

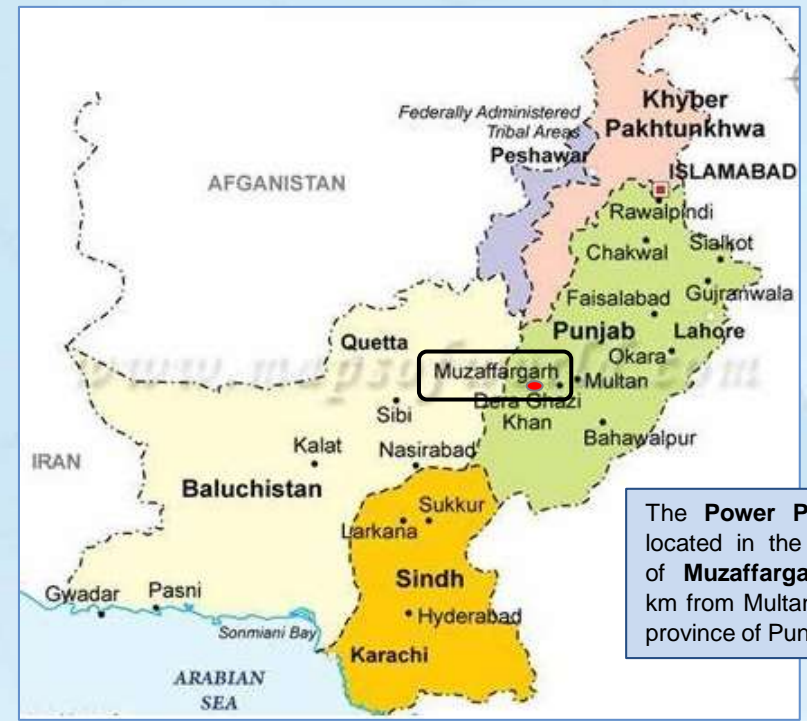
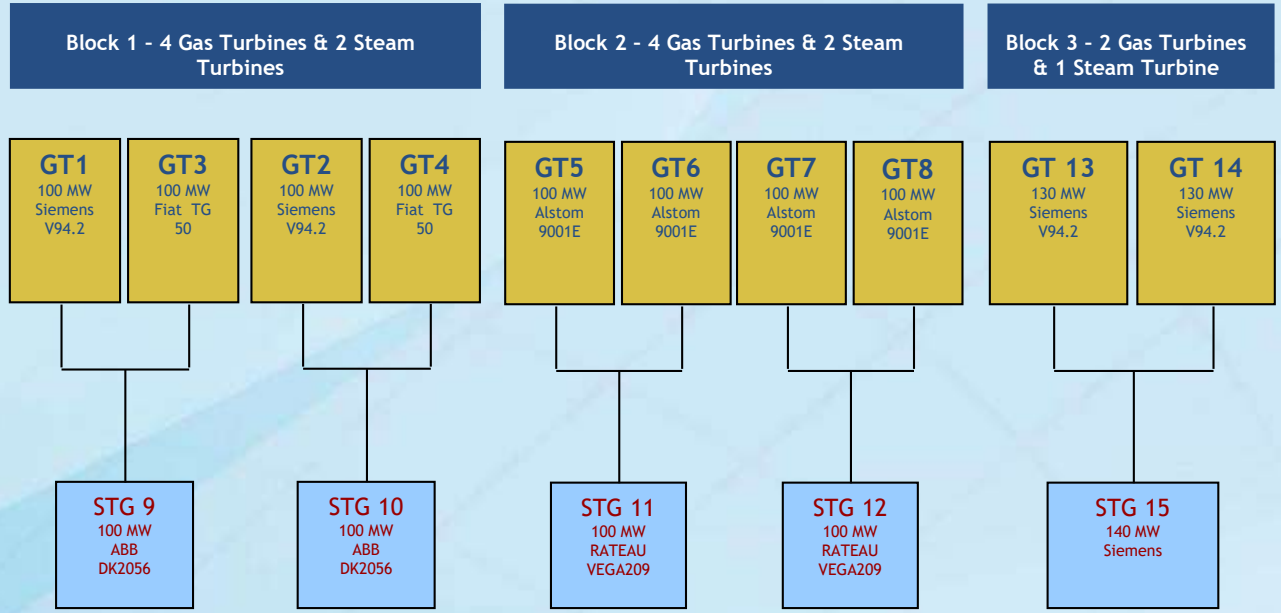
Key highlights

- Accounts for a significant portion of Pakistan's overall power capacity installed
 - 4.0% of total power generation of Pakistan
 - 9.3% of all thermal IPPs (CPPA-G System)
- Largest IPP in Pakistan
 - Installed capacity of 1,600MW
 - Dependable capacity of 1,345MW
 - 10 Multi-Fuel fired Gas Turbines
 - 5 Steam Turbines



Overview of KAPCO

Largest Single IPP and Combined Cycle Plant in Pakistan	Only Tri-Fuel Power Plant	~4% of Country's Generation	Self Managed O&M	No of shareholders > 61,000 (Market Cap. Rs 26B)
~9.3% of IPPs Generation	Ability to self start in country wide blackout	Ownership of 132 kV and 220 kVA grid stations	Total Revenue > Rs 69 Billion	Among Top companies for Dividend Yield



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



Twenty-Five Years of Excellence - Technical achievements



KAPCO has successfully completed 25 years of privatisation in Jun-2021. **The best example of Public Private Partnership.**

Some of the milestone achievements/improvements made in this period are given below:

- ❖ **Annual Dependable Capacity Tests** - an excess in capacity over the Initial Dependability Tests conducted at the time of Privatisation.
- ❖ **Complex Thermal Efficiency** - improved significantly through implementation of various projects and operating and maintaining the Power Complex at the highest international standards.
- ❖ The Company has the distinction of being the first in the Power Sector of Pakistan to achieve **accreditation of the Management Systems** in July 2004 for Environmental Management, Occupational Health & Safety Management, and Quality Management
- ❖ Different **up-gradation projects** were completed successfully, which include up-gradation of two Gas Turbines, replacement of nozzles and shrouds and replacement of old control systems of ten units.
- ❖ **Lost Time Accident** - Over 9m manhours without LTA (2,914 days)
- ❖ **Up gradation of IT systems** were carried out from time to time to conform to the changing needs of the Company and its business.

- ❖ **Auto Transformer, T-6; 200 MVA (220/132 KV)** Siemens make was installed, commissioned and successfully energized in April 2021. This flagship project will enhance grid system reliability for 132 KV transmission lines emanating from KAPCO Grid and feeding consumer grid stations in remote areas of Muzaffargarh, Layyah and Taunsa.
- ❖ On the technical side, solutions were achieved for complicated turbines blade failure, high vibration on some Gas Turbines, and innovative remedial measures to overcome compressor failure problem on two Gas Turbines.
- ❖ **A Fuel Oil Treatment Plant** was successfully rehabilitated and modified for treatment of both Low Sulphur Furnace Oil (LSFO) and High Speed Diesel (HSD); and another Fuel Oil Treatment Plant was installed to enhance LSFO treatment capacity.
- ❖ **Environmental Remediation Project** was completed which included oil effluent water treatment system, turbine wash water treatment plant and sewage treatment plant.
- ❖ A **Reverse Osmosis Plant** was installed for availability of water for combined cycle.
- ❖ New **Sodium Hypo Chlorite Plant** installed for elimination of chlorine gases.

Twenty-Five Years of Excellence - Financial achievements

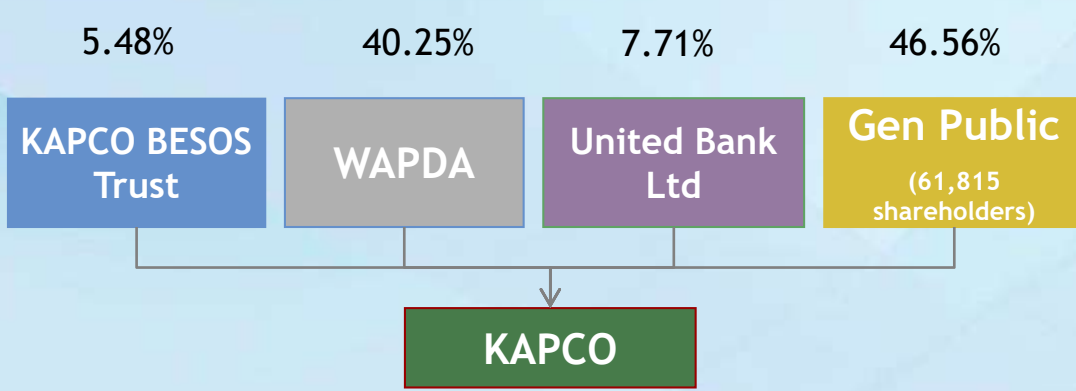
The technical milestone achievements/improvements have directly impacted the Company's financial performance, which has been par excellence, despite challenges. A few financial achievements/contributions over the last Twenty-Five Years are given below:

- ❖ The Company has over the last Twenty-Five years provided a good return to shareholders in the form of **cash dividend of Rs. 136,697 million**
- ❖ The Company arranged USD 45 Million KIBOR to LIBOR SWAPs in Pakistan in 2011.
- ❖ Issuance of first Short Term Islamic Sukuk in Power Sector of Pakistan for Rs 1.5 Billion in June 2011. This transaction was awarded as highly commended Islamic deal in Pakistan by Triple A Asset Asia.
- ❖ The Company is the only IPP in Pakistan whose business income has been taxable since July 2006; and is amongst the top tax payers of the Country ranking at number 13 on the 'Top Tax Payers List' under Prime Minister's Tax Privileges and Honour Card Scheme. **Tax payment over Rs. 53 billion.**

- ❖ The Company has successfully settled the LDs Arbitration with the Power Purchaser, which were imposed for not meeting dispatch requirements due to inability of the Company to purchase fuel because of delayed payments from the Power Purchaser.
- ❖ KAPCO was awarded "Partner in Excellence Award" by FBR in 2006.
- ❖ As a responsible corporate citizen, the Company under its **CSR Programme** made a donation to the President's Relief Fund for earthquake victims in October 2005; and made a donation for flood relief in 2010. Kot Addu and its adjoining areas were severally impacted by these floods. The Company reached out to the local communities by providing cooked food on daily basis to the affected people along with medical and other support. The Company also made its premises and infrastructure available to various governmental agencies, the Pakistan Army and local and foreign NGO's and aid agencies working in the area for relief operations.

Committed and Strong Shareholder Base

Current shareholding structure



Category	No of shareholders	%age holding
Directors, CEO, Spouse & Children	8	0.0098
Associated Companies	2	45.7327
Banks, DFIs & NBFIs	18	15.1277
Insurance Companies	19	2.0656
Mutual Funds	38	1.3709
General Public (Local)	58,334	23.6869
General Public (Foreign)	3,095	2.7786
Others	210	3.5886
Foreign Companies	28	3.9115
Pension, Provident & other approved funds	69	1.7277
Total	61,818	100.0000

Remarks

- **WAPDA**
 - Provides knowledge and experience in Pakistan power industry
 - Responsible for development and utilization of hydel resources & electricity generation in Pakistan

- Investors having more than 1% shares
 - These include financial institutions, insurance companies and other renowned individual investors.

- Foreign shareholders including corporate entities hold **6.7%** shares of the Company.

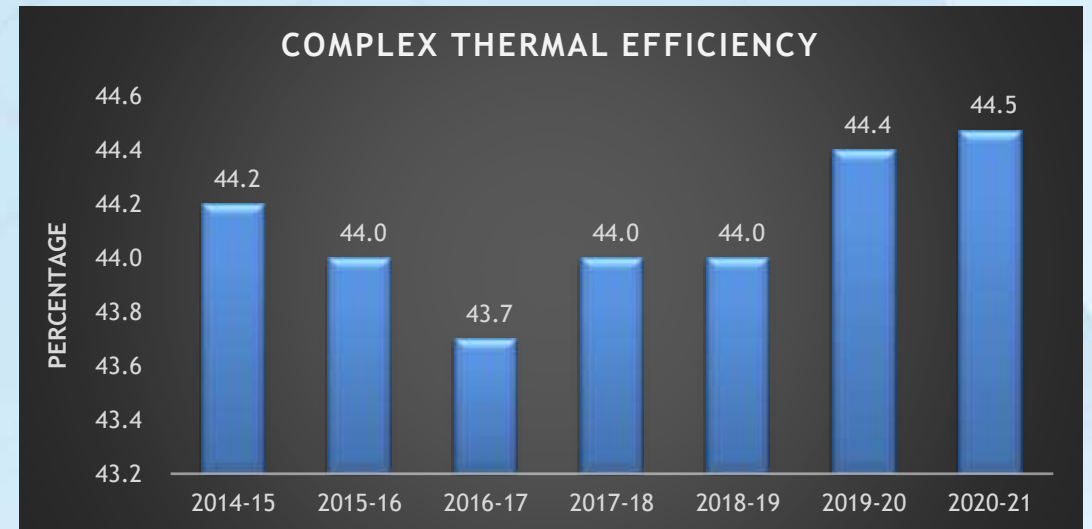
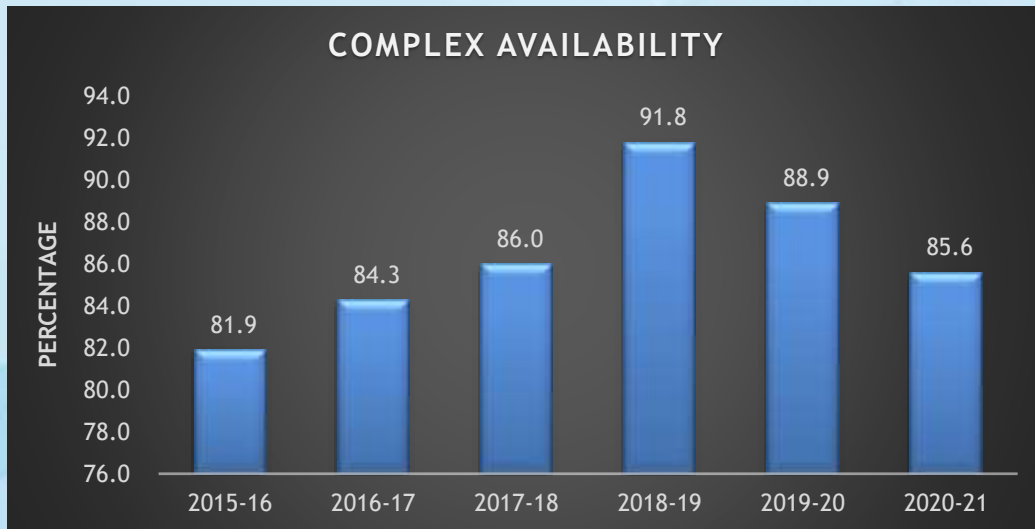
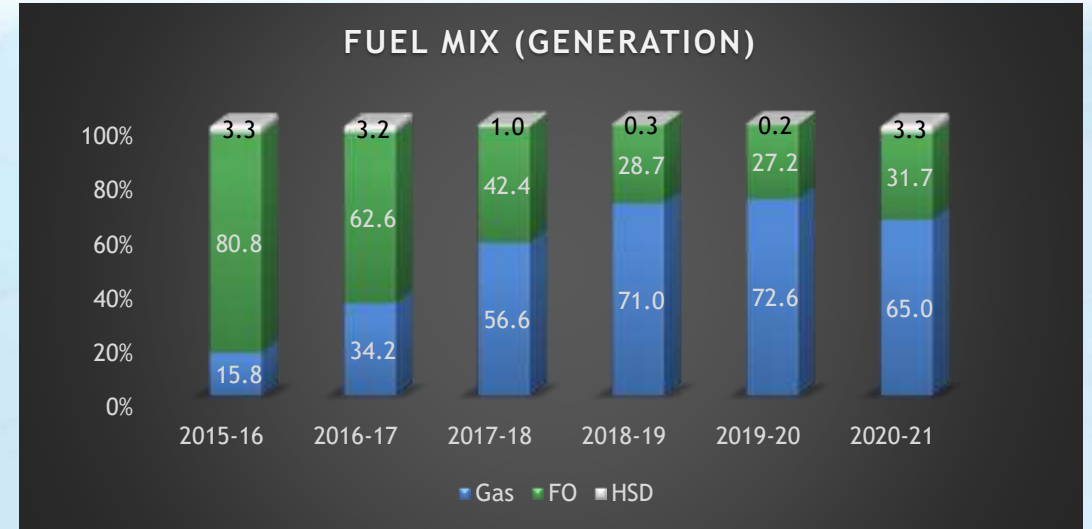
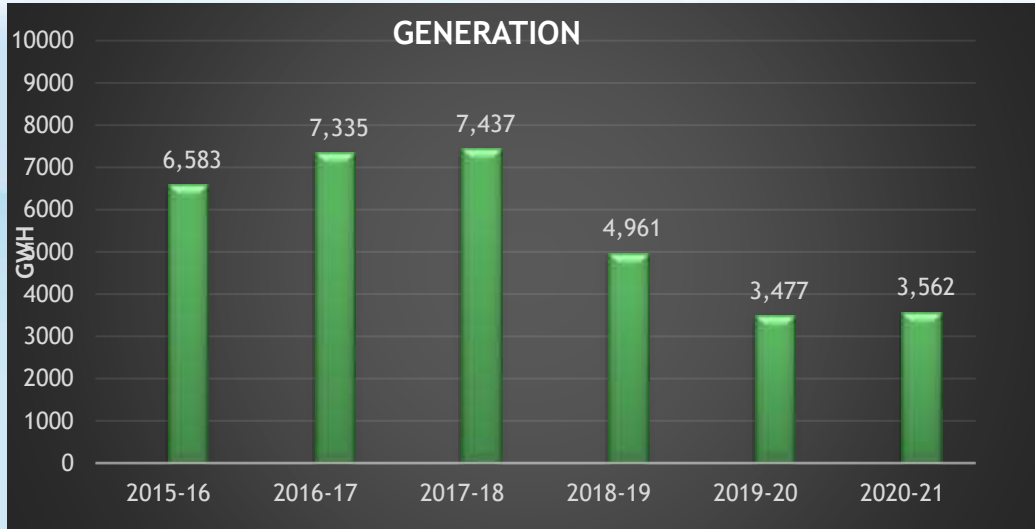
- Total shareholders of the Company as on 30-Jun-21 are 61,818.

KAPCO Power Complex

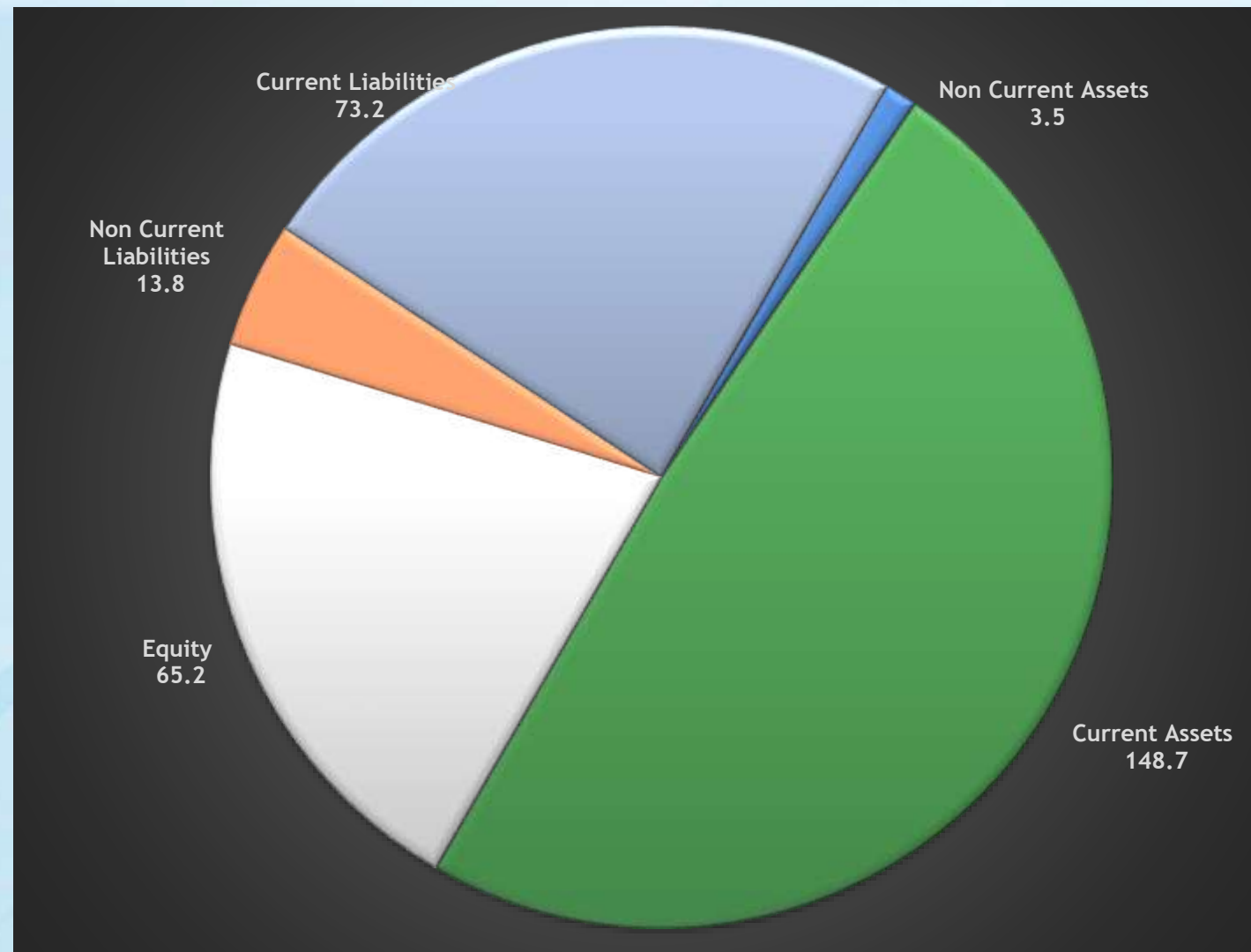
- 10 Gas Turbines, 10 HRSG, 5 Steam Turbines
- 27 Oil Storage Tanks (Total Capacity ~ 200KT)
- 6 FOTPs
- Dedicated Fuel Supply line
- 3 Dedicated Gas Supply lines
- State of the art workshops
- Switch Yards (220Kv & 132Kv)
- 12 Transmission Lines
- Black Start Diesel Generator
- Power Complex - 174 Acres



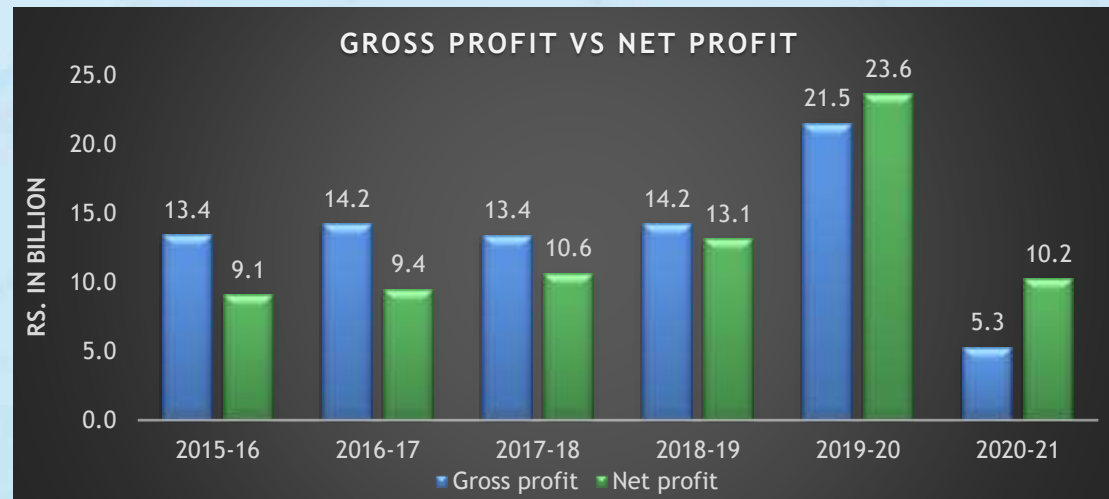
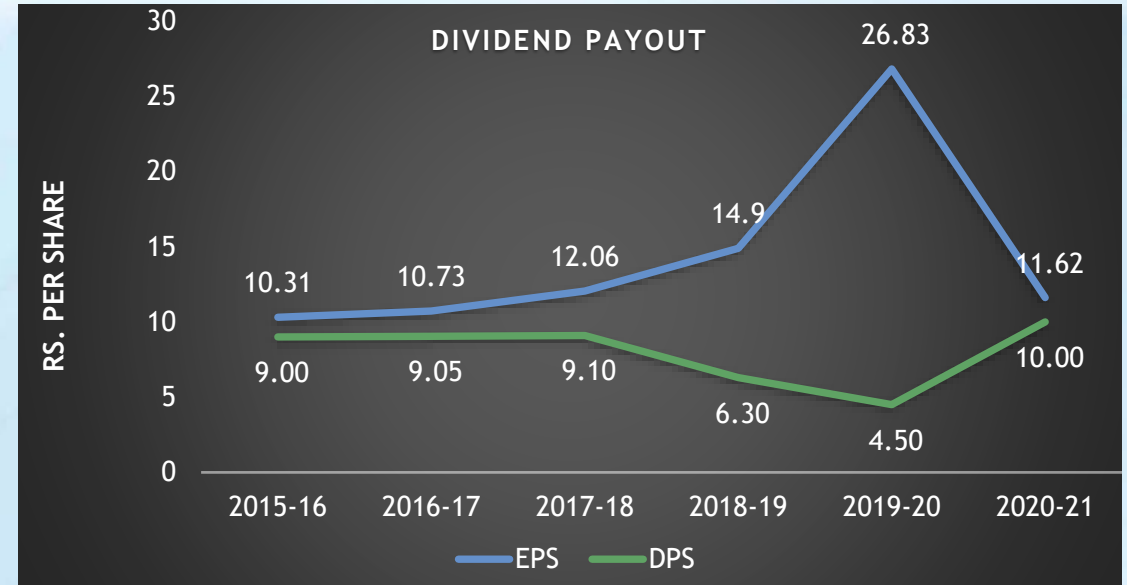
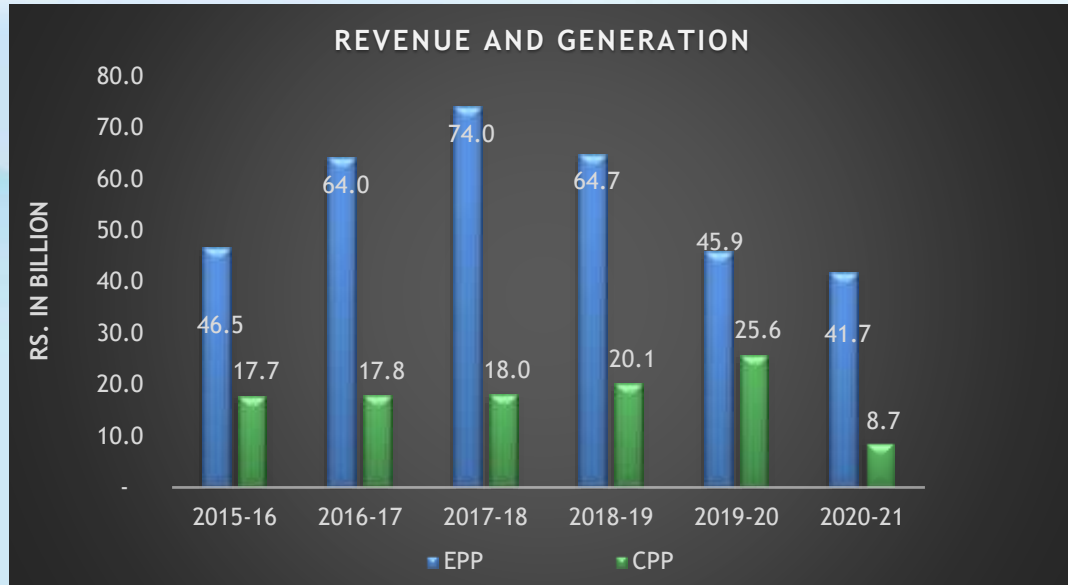
TECHNICAL PERFORMANCE



Balance Sheet



Financial Performance



Financial Performance: 2019 vs. 2020

<i>Rs in Billion</i>	2020-21	2019-20	% Change
Generation (GWh)	3,562	3,477	2%
Revenue - EPP	41.7	45.9	-9%
Revenue - CPP	8.7	25.6	-66%
Gross Profit	5.3	21.5	-76%
Gross Profit %	10.4%	30.0%	-65%
Net Profit	10.2	23.6	-57%
Net Profit %	20.3%	33.0%	-38%
EPS (Rs / Share)	11.62	26.83	-57%

Reasons for decrease in net profit:

- ✓ Adjustment of Rs. 19.3 billion to capacity purchase price due to under Third Amendment to the Power Purchase Agreement
- ✓ No major significant depreciation of the Rupee during the year also impacting true-up income
- ✓ Higher repair & maintenance/BMR costs



KAPCO Contribution in Future Power Market!

- KAPCO has the facility of having optimal size machines and lesser ramp-up/ramp-down time, so can easily manage peaking load.
- Major capex cost/debts of KAPCO have been paid, therefore, lesser cost compared to new power plants
- KAPCO has the largest oil storage capacity by any IPP. KAPCO is key national & strategic asset and can play its role in the fuel/ energy security of the Country.
- KAPCO has the facility of 132KV/200KV transmission system which is necessary to manage MEPCO region system demand.
- **CTBCM** - KAPCO is ready to fully participate in the upcoming market by having bilateral contracts as well as providing support to the existing Power Purchaser
- KAPCO has strong balance sheet which can help it expanding its business into energy market/diversification





Questions & Answers.





Thanks