

Khulna Power Company Limited (DSE: KPCL)	
Current Price (November 13, 2014)	62.00
Total Number of Share (mn)	361.28
Free Float (%)	29%
Forward PE- KPCL*	9.75x
Trailing PE - KPCL *	10.32x
Forward PE - Fuel & Power	13.80x

* Based on Annualized Earnings of the latest declared quarter

Financials (BDT mn)**	2012	2013	9M, 2014** (unaudited)
Revenue	10,348	10,250	9,963
Gross profit	2,433	2,339	1,689
Operating profit	2,292	2,138	1,837
Net Profit after tax	1,661	1,967	1,751
Total Assets	15,149	13,542	15,964
Total equity	5,512	7,097	7,988

Growth (%)	2012	2013	9M, 2014
Net Revenues	-8%	-1%	18%
Net Profit after Tax	99%	18%	13%

Per share (BDT)	2012	2013	9M, 2014
Restated EPS	4.60	5.44	4.85
Book Value per Share	15.26	19.64	22.11

Others	2012	2013	9M, 2014
Gross profit margin	24%	23%	17%
Operating profit margin	22%	21%	18%
Net profit margin	16%	19%	18%
ROA	12%	14%	12%
ROE	35%	31%	23%
Stock Dividend	12.5%	5.0%	-
Cash Dividend	12.5%	25.0%	-

2y's CAGR	Peers			
	KPCL	SPPCL	BEDL	GBBPOWER
Revenue	-3%	5%	-4%	-2%
NPAT	54%	35%	6%	34%

Source: DSE, Financial Statements of Khulna Power Company Limited; Research, IDLC Investments Limited.

Terminologies

Free Float : % of total shares not owned by Sponsors/ Directors, and Govt.
 Forward PE: Based on Annualized Earnings of the latest declared quarter
 Trailing PE: Based on Latest 12 Months Earnings

Company Profile

Khulna Power Company Limited (DSE: KPCL) is the first Independent Power Producer (IPP) in the country. It was incorporated in 1997 and commenced its operation in 1998. Later, the company went public and got listed in DSE and CSE in 2009 and 2010, respectively.

The company has two subsidiaries, Khulna Power Company Unit 2 Limited (KPCL 2) and Khanjahan Ali Power Company Limited (KJAPCL). The principal business of the company and its subsidiaries is electricity generation. Earlier, the KPCL plant and two of its subsidiary units were being operated and maintained by Wäertsillä Bangladesh Ltd., a wholly owned subsidiary of Wäertsillä OY, Finland, under a long term O&M agreement. Currently, the plants are run by the companies itself. Recently, the board of directors of the company has decided to amalgamate KPCL with its subsidiaries.

Key Revenue Drivers & Company Insight

The company earns revenue from generating electricity and adding it to national grid. The operations of the company are dictated by power purchase agreement with BPDB. The agreement guarantees 50% of monthly capacity payment of KPCL and 100% of monthly capacity rental payment of the subsidiaries.

The revenue of the companies comes from four streams, Capacity Payment, Fuel Tariff, Rental Payment and Energy Payment. Capacity Payment compensates the company for all secondary costs, as well as profit for the entrepreneurs. Fuel Tariff reimburses for the cost of fuel used in electricity generation, while Rental Payment is paid for making the dependable capacity available. The last stream, Energy Payment is made for variable operation & maintenance payment. Due to the rental nature of the company's business, revenue doesn't deviate significantly, year over year.

Financial Performance

The company had a 1% dent in top line in 2013, compared to 8% erosion the year before. In 2012, following a fall in oil price, higher Gross Profit Margin caused a 99% boost in net profit. While Gross Profit margin remained almost same as before in 2013; improved non-operating Income drove a modest bottom line growth of 18% YoY. During 9M 2014, company posted a top line growth of 18%. However, sharp increase in cost caused erosion in Profit Margins. Consequently, bottom line growth was 13%.

Recently, the company has reported Net Profit after Tax of BDT 1,722.63 million with EPS of BDT 4.77 for the period of nine months (Jan'14 to Sep'14) as against BDT 1,519.59 million and BDT 4.21 respectively for the same period of the previous year.



Source : DSE; Research, IDLCIL

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