

Engro Powergen Qadirpur Ltd (EPQL)!! IPO @ Rs30.02/sh | Buy | Commendable

Engro Powergen Qadirpur Limited was incorporated in Pakistan on February 28, 2006. The company completed construction and testing of its 217.2 MW(net) combined cycle power plant and commenced commercial operations on March 27, 2010.

Plant details

The company has set up a 217.2 MW (net) gas based thermal power project near Qadirpur, District Gothki, Sindh.

Company is using permeate gas as its primary fuel source and HSD as the startup and backup fuel. Permeate gas is a by-product of gas purification process earlier this gas was flared but EPQL makes it worthy and that allow EPQL to obtain an edge among other thermal based power plants.

The plant is a combine cycle plant with one gas turbine, one heat recovery steam generator and one steam turbine.

Gas Supply ~ 75MMCFD | SNGPL

Company will be receiving 75MMCFD permeate gas from Qadirpur gas field while gas supply contract is with Sui Northern Gas Pipeline Limited (SNGPL).

Exemption ~ Entity to enjoy

Income of the company derived from the electric power generation project is exempted from Income Tax while same goes for deferred taxation hence no provisioning could be taken for deferred taxation.

Company Valuation ~ Impressive

Valuation Matrix			
Engro Powergen Qadirpur Limited			
EPQL	HY14	FY13	FY12
Sales	6,516	8,665	11,665
Gross Profit	1,448	1,651	2,632
EBIT	1,421	1,934	2,509
Finance Cost	(333)	(475)	(404)
Profit After Tax	1,087	1,458	2,100
EPS	3.36	4.50	6.49
DPS	1.54	6.17	2.15

source company announcements

Key Points ~ EPQL

- ❖ Use permeate gas for operations while HSD will be used for start up and backup purpose
- ❖ Exemption from Income tax under clause 132 of Part-1 of the Second Schedule to the Income tax ordinance, 2001.
- ❖ Total Paid up capital 323.8 mn
- ❖ Free Float 12.5% (40.475 mn)
- ❖ Total Project cost USD 194 mn
- ❖ Project life 25 years (21 remaining)
- ❖ Engro Powergen ~ Sindh Engro Coal mining company is working to mine coal from Thar (Block II) and is developing 660 MW coal based power project.
- ❖ Gas Supply ~ 75MMCFD with SNGPL

Why Offer for Sale?

- To pay off conventional liabilities
- To finance new project such as LNG terminal

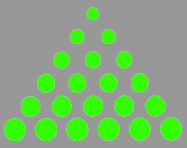
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Industry Valuation ~ Giants to compete

Industry Matrix	EPQL	KAPCO	PKGP	LPL	NPL	HUBC
Net Profit Margin	17%	7.53%	2.94%	1.76%	10.93%	5.66%
Gross Profit Margin	22%	13.88%	5.71%	4.98%	20.05%	9.84%
Current Ratio	1	1.24	1.79	1.39	2.14	1.02
Total Debt to Equity	2.02	2.44	0.53	1	1.56	3.68
Return on Asset	5%	11.83%	5.21%	2.88%	10.74%	9.45%
Return on Equity	18%	28.74%	7.73%	5.34%	29.75%	28.77%

based on latest financials

Valuation | IPO @ Rs30.02/sh | HY14 EPS Rs3.36 | Interim DPS 1.54 |

We show positive stance on Engro Powergen Qadirpur Limited (EPQL).

Currently entity is in a good position and healthy margins alongwith distribution make the company more viable. Annualized expected PE @ Rs30.02 is 4.46x.

We expect company to perform better in future as this is the only plant which is generating power from permeate gas and that allow the company to generate electricity at lower cost among other thermal based plants.