

Lalpir Power... *Dividend paying entity*

- The conflict between the GoP and IPPs seems to be on the path of resolution after IPPs have withdrawn sovereign guarantee encashment demand, as per media outlets. LPL's claim was PKR 4.6bn as per books.
- Total outstanding of the IPPs have reached PKR 414bn, where IPPs have failed to recover receivables due to circular debt.
- LPL paid Rs2/sh as cash dividend in CY16. If LPL gets receivable after budget speech than dividend stream could also increase. LPL dividend outflow was Rs759mn in CY16. We believe even if receivable issue persists than LPL can continue dividend stream in line with old payout ratio of 76.12%. However, we anticipate payout of Rs2.5/sh or more after aforementioned development between IPPs & GoP – which is again subject to future EPS.
- Nonetheless, we believe understanding between the government and IPPs is a positives sign for the power sector. The power generation & distribution sector yielded average historical P/E of 9.65x (tabulated PEs of listed entities at KSE100 index), versus KSE100 PE multiple of 12x-13x (tabulated PEs of KSE100 index companies).
- LPL recently shown growth in their 1QCY17 results. The sales have increased by 37pps resulting in a PAT increase of 30pps.
- Considering the demand of electricity in the country and GoP commitment to resolve energy crises prior to general elections, LPL may have capacity to increase its supply. It is currently operating at a capacity utilization of less than 50% (load factor: 65.6%). The total capacity of the plant is 362MW.
- LPL also has an equity stake in Lalpir Solar (Pvt) Ltd, which is set to start commercial operation in Mar-18, as per AEDB. The plant has a capacity of 20MW. Along with that, LPL, a Nishat group entity, has investment in Nishat Energy.
- LPL current debt-to-assets ratio is 47.02% with a reasonable long-term-debts-to-assets ratio of 3.37%.

LPL				
000'	% change	1QCY17	1QCY16	
Sales	37%	4,355,872	3,187,209	
CoS	40%	(3,804,236)	(2,711,405)	
GP	16%	551,636	475,804	
Expenses	30%	(65,567)	(50,260)	
Other Income	35%	1,585	1,174	
OP	14%	487,654	426,718	
Finance cost	-7%	(167,706)	(180,864)	
PBT	30%	319,948	245,854	
Tax	-	-	-	
PAT	30%	319,948	245,854	
EPS	30%	0.84	0.65	

LPL books, SCS Research

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Company Information

Symbol	LPL
Bloomberg	LPL PA
Price	20.5
52 weeks low-high	19.91-25.15
No. of Shares	379.84 mn
Market Captilization (PKR)	7.77 bn
Beta	0.43
Avg. Vol. (12M)	504,904
EV/sh (PKR)	21.62

Source: SCS Research

Investment in books:

- LPL Solar (Pvt) Limited
- Nishat Energy

CPPA is the sole customer of LPL

LPL is a Nishat Group company

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- Standard Capital Securities (Pvt.) Ltd. standardized recommendation structure i.e. positive, Hold and negative, based on rating system i.e.

- (Target Price, if any/Current Price - 1) > 10% Positive
- (Target Price, if any/Current Price - 1) < -10% Negative
- less than 10% (Target Price, if any/Current Price -1) Hold

- The time duration is the financial reporting period of Subject Company.

Valuation method

Following research techniques adopted to calculate target price/recommendation

- Price to earnings & Price to Book, EV-EBITDA multiple
- Discounted Cash flows or Dividend Discount Model or Enterprise Value