

Saif Power Ltd | PE of 5.71x Book Building @ Rs18-30/sh | Viable

Saif Power operates 225 MW combined cycle thermal power project with a net capacity of 209 MW, under the government of Pakistan's power policy 2002 on a build, own and operate basis in the Sahiwal District of Punjab.

The company is selling electricity to NTDCL through a power purchase agreement dated 30th April 2007 (the PPA) which has a tenor of thirty years.

Plant Details

Saif Power is a 225 MW combined cycle thermal power project having an operating capacity of 209 MW. The plant has two gas turbines and one steam turbine. The gas turbine is 6 FA machines procured from General Electric, France.

Fuel efficiency of the complex is one of the highest in the Pakistan market. Complex fuel efficiency determined by NEPRA on Gas is 51.2% and 48.5% on HSD. The cost of fuel is a pass through item as determined by the regulator, NEPRA.

Capacity Utilization ~ Room to expand

Capacity Utilization	CY13	CY12
Net Generation (MW)	681,005	895,353
Utilization	40%	49%

Company Valuation ~

Profit and Loss				
(Rs in mn)	CY11	CY12	CY13	1QCY14
Sales	12,040	17,027	11,890	3,920
Cost of Sales	(8,664)	(13,240)	(8,746)	(2,962)
Gross Profit	3,376	3,787	3,144	958
Administrative Exp.	(210)	(66)	(73)	(18)
Finance Cost	(2,418)	(2,291)	(1,834)	(439)
Other Operating Exp.	-	-	(65)	-
Other Income	31	24	53	16
Profit for the Year	779	1,454	1,225	517

source company announcement

Key Points

- ❖ Offer for sale of 48.3 mn ordinary shares (12.5% of the Total Paid up Capital)
- ❖ Book building portion of the offer comprises of 36.2 mn ordinary shares at a price band of Rs18-30/sh. General Public portion of the offer comprises of 12.07 mn ordinary shares
- ❖ Total paid up share capital of 386.47 mn shares.
- ❖ Total project cost Rs17.6bn
- ❖ Project life 30 years (26 remaining)
- ❖ Natural gas and HSD to use as fuel source for electricity generation
- ❖ Net capacity of 209.78 MW
- ❖ Gas supply agreement signed with the SNGPL limited for 25 years
- ❖ **Interim Dividend of 20% for period ended 31 March 2014.**

Valuation Matrix

EPS	3.15
Book Value/sh	16.38
DPS	3.5
PE	5.71
Price to Book Value	1.1
Dividend Yield	19.44%

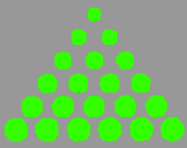
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Project Cost | Rs17.6bn

Project Cost	
Description	Rs in mn
Plant & Machinery	9,804
Land	44
Civil Works	1,896
Inland Clearing	593
Insurance	166
Mobilization for Operating & Maintenance	348
Initial Spare Parts	399
Pre-Operating Expenses	565
Administrative Expenses	260
Interest Expenses & Fee	3,578
Total	17,653

cost as at 30th April 2010

Valuation | Book Building @ Rs18-30/sh | 1QCY14 EPS 1.34 | PE of 5.71x

We show our positive stance on Saif Power Limited as company has posted revenue of Rs3921mn in 1QCY14 with a net margin of 13% showing a consistent increase in margin.

Company is conscious regarding its Long Term Debt to Equity ratio and a consistent decline is been witnessed since CY2010 hence allowing a company to control its finance cost.

We expect earnings to grow in CY14 as compared to previous year.