

Power Generation: Kot Addu Power Company Limited

Analyst Briefing Takeaways

REP-300

Analyst Briefing Takeaways

- KAPCO management held an analyst briefing today to discuss financial performance of FY25 and the future outlook.
- In 2025, the power purchaser signed a new Tripartite Power Purchase Agreement (TPPA) for 495 MW with a three-year term. The company met all TPPA requirements by Sep'25, and NEPRA issued the tariff on September 22. However, the TPPA is currently suspended due to regulatory issues. The company has filed a review petition with NEPRA and remains optimistic for a positive outcome, enabling the plant's inclusion in the national power system for the next three years.
- KAPCO reported gross losses for two consecutive quarters due to the non-recognition of capacity payments before achieving COD on September 13, 2025. Post-COD, revenue included capacity charges, resulting in PKR 168mn in capacity payment under the PPA just for the 17 day period. During June to August, CPPA-G had only issued pre-COD purchase instructions.
- The ROE has been fixed at 25% of the load factor, with any additional ROE contingent on the dispatch factor. If the plant operates at up to 25% dispatch during the year, the company will still receive a 25% ROE. Beyond this level, additional returns will apply. Furthermore, any savings in O&M costs will be shared equally (50:50) between the company and the power purchaser.
- Energy Block 3 (GT-3 & GT-4) has been sold for PKR 800mn. Management expects the dismantling and scrapping to be completed by Feb'26.
- KAPCO, in collaboration with Fauji Foundation, has submitted a joint bid to acquire 84.06% shares of Attock Cement Pakistan Ltd., with each partner holding 42.03%. The management sees strong operational and strategic synergies with Fauji Foundation, aligning with the board's decision to diversify into new sectors, starting with cement. Further details regarding the bid will be shared once a response is received from the seller.
- Additionally, the company submitted two bids (150MW and 120MW) for K-Electric's system requirements, emerging as the lowest bidder. However, the final tariff approval from NEPRA is still pending. Once approved, the company plans to proceed with the investment.
- The value of the switchyard will be determined by a third party assessment to be agreed upon between KAPCO and the National Grid Company (NGC) at the TPPA end in 2028. Discussions are still pending, and no value has been finalized yet.
- For the period when the PPA was not operational, KAPCO invoiced NEPRA for the use of the switchyard facility. However, NEPRA rejected the invoice. KAPCO has filed a petition and is hopeful for a positive outcome.

AHL Research

D: +92 21 32462589

UAN: +92 21 111 245 111, Ext: 255

research@arifhabibltd.com

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