

# Power Generation: Kot Addu Power Company Limited

## Result Review: DPS arrived at PKR 1.50/share in 2QFY26

REP-300

### 2QFY26: EPS at PKR 0.93, PKR 1.50/share dividend declared

Kot Addu Power Company (KAPCO) announced its financial results for 2QFY26, wherein the EPS arrived at PKR 0.93 (+4% YoY). The YoY improvement in earnings likely stems from a reversal in cost of sales, although a detailed breakup is awaited for confirmation. To recall, KAPCO's PPA expired in Jun-21. However, it entered into a 3-year Tri-Partite PPA with CPPA-G and NGPCL.

### Result Highlights

- In 2QFY26, revenue stood at PKR 224mn (vs. PKR 4.2bn in the prior quarter and nil SPLY) in the absence of a PPA. The revenue was below expectations due to temporary suspension of the TPPA over regulatory issues, resolved on 10-Dec'25 with normalization anticipated going forward. Lower revenue also reflects no plant dispatch recorded in Dec'25.
- The company declared a 2QFY26 dividend of PKR 1.50/share, below expectations. Following an earlier reduction in its semi-annual payout run rate to PKR 2.50/share from the historical PKR 4.00/share, KAPCO has further lowered the payout amid ongoing investments in ACPL and solar initiatives, in our view.
- The company earnings were primarily driven by interest income as well as penal income (PKR 1.6/share in 2QFY26). As of Dec'25, KAPCO holds cash and investments of PKR 43/share and a book value per share (ex-PPE) of PKR 61.
- KAPCO resumed operations in Jun'25 after an 18-month hiatus, with the 500MW SY plant operating under a hybrid take-and-pay model that ensures fixed cost recovery and a 25% minimum ROE, with upside linked to incremental generation. Separately, KAPCO and FCCL have agreed to acquire ~84.06% of ACPL at an adjusted price of PKR 330.41/share and, post tender offer, will each hold a 46% stake.

### Other Information

- It has also bid for two solar projects (150MW & 120MW), pending NEPRA approval.

### Recommendation

- We maintain a **Buy** stance on KAPCO with a Dec'26 target price of PKR 59/share.

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### Exhibit: Financial Highlights

(PKR mn)	1HFY26	1HFY25	YoY	2QFY26	2QFY25	YoY	QoQ
<b>Income statement</b>							
Net Revenue	4,270	-	nm	224	-	nm	-94%
Gross Profit / (Loss)	(554)	-	nm	427	-	nm	nm
Admin and Dist. Exp.	395	387	2%	174	245	-29%	-22%
Other Income	2,671	4,588	-42%	1,377	1,966	-30%	6%
Other Expense	100	1,740	-94%	128	529	-76%	nm
Share of profit	-	-	nm	-	-	nm	nm
Finance Cost	11	234	-95%	6	28	nm	25%
PBT	1,611	2,227	-28%	1,496	1,163	29%	7.1x
Taxation	784	282	178%	681	380	79%	3.3x
PAT	827	1,945	-57%	816	783	4%	167x
EPS (PKR)	0.94	2.21		0.93	0.89		
DPS (PKR)	1.50	4.50		1.50	4.50		

### Ratio Analysis

Gross Margins	nm	nm	-24.3%	nm
Net Margins	19.4%	nm	0.3%	nm
Effective Tax Rate	49%	13%	90%	32.7%

Source (s): Company Financials, AHL Research

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