

Power Generation and Distribution

HUBC: 4QFY23 Management Call Takeaways

- HUBC held an investor briefing session to discuss 4QFY23 financial results. Management also provided further details on key developments and future outlook for the Company.
- The Company reported consolidated 4QFY23 earnings attributable to HUBC of PKR 23.91bn (EPS PKR 18.43), up by +2.4xy/y compared to PKR 7.02bn (EPS PKR 5.41) in the similar period last year. On quarterly basis, profitability is up by +2.1xq/q during 4QFY23.
- Earnings improved on the back of 2.5xy/y rise in share of profit from associates and addition of subsidiary, Thar Energy Limited (TEL). Increase in share of profit was due to insurance proceeds received by China Power Hub Generation Company (CPHGC) and contribution from Prime International.
- CPHGC completed Project Completion during Feb-2023 which has released HUBC to maintain Standby Letter of Credit (SBLC) to the tune of US\$ 150mn. As a result, CPHGC can now distribute dividend to its shareholders and the Company expects dividends from CPHGC to be announced during FY24. Based on this, dividend payout is likely to remain strong during FY24.

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Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

Exhibit: HUBC Financial Highlights								
For the period 4QFY23								
PKRmn	4QFY23	4QFY22	y/y	3QFY23	q/q	FY23	FY22	y/y
Turnover	32,345	32,106	1%	27,231	19%	114,263	97,158	18%
Gross Profit	17,061	8,647	97%	13,133	30%	52,778	33,103	59%
General & Admin expenses	394	260	51%	342	15%	1,368	1,029	33%
Other Income	2,519	1,417	78%	159	15.8x	3,585	2,124	69%
Other Expenses	(437)	253	n/m	75	n/m	79	398	-80%
Profit from Operations	19,623	9,551	105%	12,875	52%	54,916	33,800	62%
Financing Cost	7,479	2,531	3.0x	4,721	58%	19,323	7,928	144%
Share of profit/(loss)	14,763	4,236	2.5x	6,476	128%	34,316	9,232	3.7x
PBT	27,417	11,256	144%	14,630	87%	70,418	35,105	101%
PAT	25,257	7,399	2.4x	12,596	101%	62,007	29,579	110%
PAT - Attributable to HUBC	23,907	7,019	2.4x	11,249	113%	57,554	28,472	102%
EPS (PKR)	18.43	5.41		8.67		44.37	21.95	
DPS (PKR)	6.00	0.00		2.75		30.00	6.50	
Source: IGI Research, PSX						No of Shares: 1,297.15mn		

Key highlights from management conference call

- CPHGC completed Project Completion during Feb-2023 which has released HUBC to maintain Standby Letter of Credit (SBLC) to the tune of US\$ 150mn. As a result, CPHGC can now distribute dividend to its shareholders and the Company expects dividends from CPHGC to be announced during FY24. Based on this, dividend payout is likely to remain strong during FY24.
- During FY23, HUBC achieved Commercial Operations Date (COD) of 3 projects based in Thar including TEL and SECMC during Oct-2022 and Thal Nova Limited (TNTPL) during Feb-2023. Both TEL and TNTPL remain in top 5 of the merit order list.
- The availability of plants are above the requirement under the Power Purchase Agreement (PPA), however load factors remained low due to lower demand and lower transmission capacity.
- The Company is in talks with CPPA regarding applicability of Liquidated Damages (LD) for HVDC. CPPA has asked HUBC to postpone the Thar projects so that PPA related LDs can be waived off.
- There is not plan right now to convert base plant from FO to coal. The Company will consider the conversion plan if its economically viable and in the larger interest of the Country.

- HUBC has been awarded Right of First Refusal (ROFR) for West Karachi Water Recycling Plant and will participate in competitive bidding for the project once announced by Government of Sindh.
- With regards to ENI Assets, Prime International was awarded license for exploratory block SW Miano III. The management control lies with ENI employees. Turnaround project was completed in Jun-23 which is expected to enhance life of existing fields.

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk

IGI Finex Securities Limited

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Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
 Stock Exchange Road, Karachi.
 Tel: (+92-21) 32429613-4, 32462651-2
 Fax: (+92-21) 32429607

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The
 Regency International 949, The Mall
 Faisalabad
 Tel: (+92-41) 2540843-45

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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