

Flash Note

Wednesday, 30 October 2019

Power Generation and Distribution Companies

The Hub Power Company Limited (HUBC)

Commencement of CPHGC plant and PKR depreciation lifts 1QFY20 EPS to PKR 4.29 despite higher finance costs

- The Hub Power Company Limited (HUBC) announced financial results for 1QFY20 with earnings clocking in at PKR 5.57bn (EPS PKR 4.29) up by +88%YoY compared to PKR 2.96bn (fully diluted EPS PKR 2.28) in the same period last year. On a sequential basis, earnings are up by +2.1xQoQ during 1QFY20.
- We attribute this growth in earnings during 1QFY20 primarily on the back of +55%YoY rise in gross profit led by PKR depreciation, higher penal income in our view and PKR 1.87bn share of profit from associate post commencement of operations from China Power Hub Generation Company Limited (CPHGC). Load factor stood at 1% and 42% for Hub Plant and Narowal during 1QFY20 against 13% and 65% respectively in the same period last year.
- **Net Revenues** dropped by 22%YoY to PKR 14.08bn during 1QFY20 compared to PKR 18.0bn in the same period last year likely owing to lower generation from Hub plant.
- **Gross margins** stood at 53.2% during 1QFY20 compared to 26.9% in the same period last year which in our view could most likely be due to higher penal interest income booked with regard to cash receipt as per IFRS 15. We await financial report for 1QFY20 to gain further clarity on this matter.
- **Finance cost** increased by +2.3xYoY to PKR 3.06bn during 1QFY20 likely owing to rise in mark up expense amid rise in interest rates, short term borrowings and new loans drawn for new project financing.
- **Share of profit from associate** stood at PKR 1.87bn during 1QFY20 as against loss of PKR 0.06bn in the same period last year owing to commencement of operations of CPHGC plant in Aug-19. Effective tax stood at 1.3% during 1QFY20 compared to 2.1% (4QFY19: 7.3%) reported in the corresponding period last year.
- To note, HUBC has restated its sales and cost of sales figure for 1QFY19 whereas are gross profit and profit after tax remains unchanged.

Exhibit:

HUBC Financial Highlights (Consolidated)

PKR mn	1QFY20	1QFY19*	YoY	4QFY19	QoQ
Turnover	14,081	17,989	-22%	13,746	2%
Operating Costs	6,590	13,151	-50%	7,658	-14%
Gross Profit	7,491	4,838	55%	6,089	23%
General & Admin expenses	449	314	43%	526	-15%
Financing Cost	3,059	1,322	131%	2,467	24%
Share of profit/(loss) from associates	1,873	(61)	n/m	(113)	n/m
PBT	5,902	3,191	85%	3,152	87%
PAT	5,823	3,124	86%	2,921	99%
PAT - Attributable to HUBC	5,568	2,960	88%	2,673	108%
EPS (PKR) - @ 1,297.15mn shares	4.29	2.28		2.06	
DPS (PKR)	-	-		-	

Source: IGI Research, Company Financials

No of Shares: 1,297.15

*Restated

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