

Result Preview

Power Sector	TP	Upside	P/E	D. Yld %
HUBC	123.35	20%	10.01	8.97
KAPCO	83.26	4%	7.14	12.60
NCPL	42.40	-21%	7.27	12.60
NPL	39.69	-22%	6.47	11.70

EPS	2QFY16	YoY	1HFY16	YoY
HUBC	2.26	-1%	4.02	-2%
KAPCO	2.80	2%	5.19	-5%
NCPL	1.91	-24%	4.28	-3%
NPL	1.80	-43%	4.43	-18%

DPS	2QFY16	2QFY15	1HFY16	1HFY15
HUBC	4.00	4.00	4.00	4.00
KAPCO	4.00	4.00	4.00	4.00
NCPL	2.00	2.00	4.00	3.50
NPL	1.50	1.75	2.50	2.75

Power Generation

Power Sector Earnings to Drop by 17%YoY in 2QFY16

- Hub Power Company Limited's (HUBC) Board meeting is scheduled on 17th Feb-16 to announce 2QFY16 financial results. We expect company to post earnings of PKR 2.6bn (EPS PKR 2.26) for 2QFY16, compared to PKR 2.7bn (EPS PKR 2.29), depicting a decline of 1%YoY.
- Kot Addu Power Company (KAPCO)'s Board meeting is scheduled on 23th Feb-16 to announce financial results for 2QFY16. We expect company's earnings to clock in at PKR 2.5bn (EPS PKR 2.80) for 2QFY16, as compared to PKR 2.4bn (EPS PKR 2.74), depicting a muted growth of +2%YoY.
- Our top pick in the sector remains HUBC with Dec-16 TP of PKR 123/share, offering +20% upside from its last closing. The company is currently trading at P/E of 10.01x, offering a dividend yield of 8.97%. The stock has outperformed KSE-100 index by +15% in FY16TD.

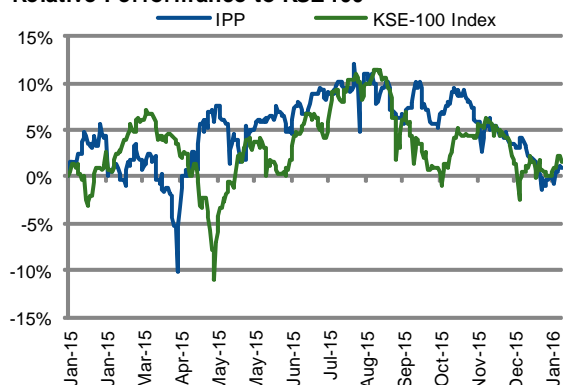
HUBC - EPS PKR 2.26, DPS PKR 4.00

Hub Power Company Limited's (HUBC) Board meeting is scheduled on 17th Feb-16 to announce 2QFY16 financial results. We expect company to post earnings of PKR 2.6bn (EPS PKR 2.26) for 2QFY16, compared to PKR 2.7bn (EPS PKR 2.29) in the same period last year, depicting a decline of 1%YoY. In our view, drop in earnings is attributable to higher maintenance cost owing to repair work on last boiler which concluded in Nov-15. We expect the company to announce cash dividend of PKR 4.0/share for 2QFY16 taking 1HFY16 cumulative dividend to PKR 8.0/share. For 1HFY16, we anticipate profitability to drop by 2%YoY to PKR 4.7bn (EPS PKR 4.02).

KAPCO - EPS PKR 2.80, DPS PKR 4.00

Kot Addu Power Company (KAPCO)'s Board meeting is scheduled on 23th Feb-16 to announce financial results for 2QFY16. We expect company's earnings to clock in at PKR 2.5bn (EPS PKR 2.80) for 2QFY16, as compared to PKR 2.4bn (EPS PKR 2.74) in the corresponding period last year, depicting a muted growth of +2%YoY. Company is projected to announce a cash dividend of PKR 4.0/share for 2QFY16. Profitability for 1HFY16 is expected to decline by 5%YoY to PKR 4.6bn (EPS PKR 5.19).

Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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NCPL - EPS PKR 1.91, DPS PKR 2.00

We expect earnings for NCPL to depict a decline of 24%YoY to PKR 0.7bn (EPS PKR 1.91) compared to PKR 0.9bn (EPS PKR 2.50) during the same period last year, owing to lower fuel cost savings due to sharp decline in FO prices which are down by 17% in 2QFY16. For 1HFY16, net profit is foreseen to drop by 3%YoY to PKR 1.6bn (EPS PKR 4.28). Based on our estimates, company is likely to announce a cash dividend of PKR 2.00/share, taking the 1HFY16 payout to PKR 4.00/share.

NPL - EPS PKR 1.80, DPS PKR 1.50

NPL is expected to post earnings of PKR 0.6bn (EPS PKR 1.80), depicting a decline of 43%YoY, as compared to PKR 1.1bn (EPS PKR 3.14) in 2QFY15, which in our view is due to decline in fuel cost savings. Profitability for 1HFY16 is likely to go down by 18%YoY to PKR 1.6bn (EPS PKR 4.43). NPL is also expected to announce cash dividend of PKR 1.5/share, resulting in total payout of PKR 2.5/share in 1HFY16.

Recommendation

Our top pick in the sector remains HUBC with Dec-16 TP of PKR 123/share, offering +20% upside from its last closing. The company is currently trading at P/E of 10.01x, offering a dividend yield of 8.97%. The stock has outperformed KSE-100 index by +15% in FY16TD.

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Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- DDM(Dividend Discount Model)

Time Horizon

- Dec - 2016

Risk

- Changes in State Bank of Pakistan Policy Rate
- Changes in country (Pakistan) macro-economic environment
- Changes in Company(ies) operating structure
- Change in Exchange Rate (USDPKR)

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