

Flash Note

Monday, 30 October 2017

Power Generation & Distribution

HUBC: Earnings reported at PKR 2.06/share, down by 3%YoY owing to ongoing maintenance

- The Hub Power Company Limited (HUBC) announced financial result for 1QFY18 with consolidated earnings (attributable to HUBC) clocking in at PKR 2.4bn (EPS PKR 2.06) down by 3%YoY compared to PKR 2.5bn (EPS PKR 2.13) in the same period last year.
- The company announced cash dividend of PKR 1.50/share along with the result.
- Revenues for 1QFY18 increased by +15%YoY to PKR 27.3bn as compared to PKR 23.9bn in the corresponding period last year owing to +36%YoY rise in FO prices despite lower load factor from all three plants.
- Gross margins declined by 173bps to 15.3% during 1QFY18 as compared to 17.0% in the corresponding period last year likely owing to higher repairs and maintenance cost incurred at Narowal plant.
- General and admin expenses leaped up by +25%YoY to PKR 438mn during 1QFY18 compared to PKR 351mn in the same period last year leading to further dilution in earnings.
- Finance costs inched up by +1%YoY to PKR 1.02bn during 1QFY18 as compared to PKR 1.01bn in the corresponding period last year likely owing to heavy reliance on short term borrowings leading to higher interest cost.
- We maintain our 'BUY' stance on HUBC with our Jun-18 target price of PKR 137/share offering +27% upside from its last close. The scrip offers a healthy dividend yield of 7.4%.

Exhibit:

Financial Highlights (Consolidated)

PKR mn	1QFY18	1QFY17	YoY	FY17	QoQ
Turnover	27,340	23,874	15%	27,049	1%
Operating Costs	23,162	19,813	17%	22,220	4%
Gross Profit	4,178	4,061	3%	4,829	-13%
General & Admin expenses	438	351	25%	385	14%
Other Income	34	35	-4%	14	144%
Other expenses	42	-	N/M	18	129%
Financing Cost	1,017	1,007	1%	998	2%
Share of Profit from associate	(45)	(42)	N/M	(34)	30%
EBT	2,671	2,696	-1%	3,407	-22%
PAT	2,549	2,652	-4%	3,284	-22%
PAT - Attributable to HUBC	2,384	2,465	-3%	3,120	-24%
EPS (PKR)	2.06	2.13		2.70	
DPS (PKR)	1.50	1.50		2.50	

Source: Company Financials & IGI Research

No of Shares: 1,157.15 mn

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 912

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Time Horizon: Jun – 2018

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DDM (Dividend Discount Model)

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Syed Daniyal Adil	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 973	daniyal.adil@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 973	muhammad.saad@igi.com.pk
Tanweer Kabbeer	Research/Fund Select	Tel: (+92-21) 111-234-234 Ext: 966	tanweer.kabbeer@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	umesh.solanki@igi.com.pk

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) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Ejaz Rana	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	ejaz.rana@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

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

Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, PSX Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Tel: (92-992) 408243 - 44

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Peshawar Cantt.
Tel: (92-91) 5253035, 5278448

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area, Islamabad
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, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah Shopping Center, Opp. Rad
Station, Mansehra Road, Abbottabad
Tel: (+92-99) 2408243 - 44

Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,
Mubarak Pura, Sialkot.
Tel: (+92-52) 3258437, 3258762