

Day Break

Tuesday, 26 April 2016

Sector Update

Power Sector	TP	Upside	P/E	D. Yld %
HUBC	119.44	13%	9.94	8.98
NCPL	42.54	12%	7.27	14.84

EPS	3QFY16E	YoY	9MFY16	YoY
HUBC	2.37	51%	6.28	11%
NCPL	2.34	8%	6.87	4%

DPS	3QFY16E	3QFY15	9MFY16	9MFY15
HUBC	-	-	4.50	4.00
NCPL	2.00	2.00	6.00	5.50

Power Generation

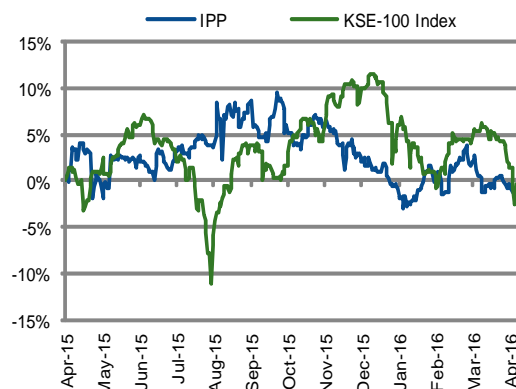
HUBC & NCPL: Improved Earnings post major Overhauls

- Hub Power Company Limited's (HUBC) Board meeting is scheduled on 28th Apr-16 to announce 3QFY16 financial results. We anticipate company's earnings to clock in at PKR 3.0bn (EPS PKR 2.59) for 3QFY16, compared to PKR 1.8bn (EPS PKR 1.57) in the same period last year, depicting a jump of +65%YoY.
- We expect earnings for NCPL to depict a decline of +9%YoY to PKR 0.9bn (EPS: PKR 2.36) compared to PKR 0.8bn (EPS PKR 2.17) during the same period last year, owing to depreciation of 3%YoY of PKR against USD and lower repair and maintenance cost.
- Our top pick in the sector remains HUBC with Dec-16 TP of PKR 119.44/share, offering +13% upside from its last closing. The company is currently trading at P/E of 9.94x, offering a dividend yield of 8.98%. The stock has outperformed KSE-100 index by +9% in FY16TD.

HUBC - EPS PKR 2.59, up by +65%YoY in 3QFY16

Hub Power Company Limited's (HUBC) Board meeting is scheduled on 28th Apr-16 to announce 3QFY16 financial results. We anticipate earnings to clock in at PKR 3.0bn (EPS PKR 2.59) for 3QFY16, compared to PKR 1.8bn (EPS PKR 1.57) in the same period last year, depicting a jump of +65%YoY. In our view, incline in profitability is attributable to a) lower maintenance cost owing to conclusion of repair work on last boiler in Nov-15, b) 3%YoY depreciation of PKR against USD and, c) +12%YoY increase in PCE. Cumulative earnings for 9MFY16 is expected to clock in at PKR 7.5bn (EPS PKR 6.50) depicting a jump of +15%YoY.

Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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Exhibit: HUBC Financial Highlights

PKRmn	3QFY16	3QFY15	YoY	9MFY16	9MFY15	YoY
Revenue	15,892	25,801	-38%	63,794	104,121	-39%
Operating Costs	12,195	22,344	-45%	55,098	95,061	-42%
Gross Profit	3,697	3,458	7%	8,695	9,060	-4%
Admin	228	251	-9%	760	617	23%
Other Expenses	17	382	-96%	383	382	0%
Finance Cost	488	1,020	-52%	2,109	3,577	-41%
Other Income	22	8	182%	52	28	86%
PAT	2,998	1,816	65%	7,520	6,561	15%
EPS	2.59	1.57		6.50	5.67	
DPS	-	-		4.50	4.00	

Source: IGI Research, Company Financials

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NCPL - EPS PKR 2.34, DPS PKR 2.00

Nishat Chunian Power Limited's (NCPL) board meeting is scheduled on 28th Apr-16 where we expect company's earning to depict a increase of +8%YoY to PKR 0.9bn (EPS PKR 2.34) in 3QFY16 compared to PKR 0.8bn (EPS PKR 2.17) during the same period last year, owing to 3%YoY depreciation of PKR against USD and lower repair and maintenance cost. For 9MFY16, net profit is foreseen to increase by +4%YoY to PKR 2.5bn (EPS PKR 6.87). Based on our estimates, company is likely to announce a cash dividend of PKR 2.0/share, taking the 9MFY16 payout to PKR 6.0/share.

Exhibit: NCPL Financial Highlights

PKRmn	3QFY16	3QFY15	YoY	9MFY16	9MFY15	YoY
Gross Sales	3,203	4,658	-31%	11,495	18,113	-37%
Net Sales	1,659	3,153	-47%	7,117	13,352	-47%
Gross Profit	1,543	1,505	3%	4,378	4,761	-8%
Administrative Expenses	16	30	-48%	82	91	-10%
Other Expense	9	11	-19%	21	39	-46%
Other Income	25	4	550%	38	23	63%
Finance Cost	421	431	-2%	1,063	1,500	-29%
PAT	859	797	8%	2,522	2,424	4%
EPS	2.34	2.17		6.87	6.60	
DPS	2.00	-		6.00	3.50	

Source: IGI Research, Company Financials

Recommendation

Our top pick in the sector remains HUBC with Dec-16 TP of PKR 119.44/share, offering +13% upside from its last closing. The company is currently trading at P/E of 9.94x, offering a dividend yield of 8.98%. The stock has outperformed KSE-100 index by +9% in FY16TD.

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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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