

# Flash Note

Friday, 30 April 2021

Power Generation and Distribution Companies

## The Hub Power Company Limited (HUBC)

### Lower finance cost and higher CPHGC contribution lifts 3QFY21 EPS to PKR 6.61

- The Hub Power Company Limited (HUBC) announced financial results for 3QFY21 with earnings clocking in at PKR 8.58bn (EPS PKR 6.61) up by 19%y/y compared to PKR 7.20bn (EPS PKR 5.55) in the same period last year. On a sequential basis, earnings are up 5%q/q during 3QFY21. This brings total profitability for 9MFY21 to PKR 24.92bn (EPS PKR 19.21) against PKR 18.25bn (EPS PKR 14.07) reported in the corresponding period last year
- We attribute this growth in earnings during 3QFY21 primarily on the back of a) +8%y/y rise in gross profit led by weaker PKR and lower depreciation cost, b) PKR 4.08bn share of profit from associate and c) lower finance cost. However, earnings growth was limited by higher taxation on account of withholding tax recorded on share of profit from CPHGC.
- **Net Revenues** improved by +2%y/y to PKR 12.02bn during 3QFY21 compared to PKR 11.82bn in the same period last year on account of higher generation from Narowal and Laraib.
- **Gross margins** improved to 67.7% during 3QFY21 compared to 63.5% due to PKR depreciation and lower depreciation cost despite lower penal income which was partially offset by lower penal income payable to supplier. However, on quarterly basis margins dropped from 70.4% in 2QFY21 owing to PKR appreciation.
- **Finance cost** dropped by 38%y/y to PKR 1.93bn during 3QFY21 compared to PKR 3.11bn in the same period last year likely owing to drop in mark-up expense in the backdrop of lower interest rates.
- **Share of profit from associate** stood at PKR 4.08bn during 3QFY21 as against PKR 3.81bn in the same period last year owing to higher share of profit from CPHGC.
- **Effective tax rate** stood at 11.6% during 3QFY21 compared to 6.5% (2QFY21: 11.5%) reported in the corresponding period last year on account of withholding tax recorded on income from CPHGC due to changes introduced in Federal Budget 2021. This brings total effective tax rate for 9MFY21 to 11.0% compared to 3.4% in the same period last year.

#### Exhibit: HUBC Financial Highlights (Consolidated)

PKR mn	3QFY21	3QFY20	y/y	2QFY21	q/q	9MFY21	9MFY20	y/y
Turnover	12,023	11,820	2%	10,997	9%	38,815	36,473	6%
Operating Costs	3,883	4,316	-10%	3,258	19%	14,796	14,498	2%
Gross Profit	8,141	7,504	8%	7,739	5%	24,018	21,975	9%
General & Admin expenses	332	343	-3%	366	-9%	1,084	1,173	-8%
Financing Cost	1,928	3,106	-38%	1,827	6%	5,659	9,357	-40%
Share of profit/(loss) from associates	4,078	3,807	7%	4,123	-1%	11,683	8,960	30%
Loss on shares transferred to GoB	-	-	n/m	-	n/m	-	(1,009)	n/m
PBT	9,974	7,903	26%	9,545	4%	28,895	19,571	48%
PAT	8,818	7,390	19%	8,447	4%	25,706	18,900	36%
PAT - Attributable to HUBC	8,576	7,201	19%	8,198	5%	24,918	18,253	37%
EPS (PKR) @ 1,297.15mn shares	6.61	5.55		6.32		19.21	14.07	
DPS (PKR)	-	-		3.00		7.00	-	

Source: IGI Research, Company Financials

No of Shares: 1,297.15

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