

## Power Generation & Distribution

### HUBC: Earnings down by 6%YoY to PKR 2.14/share

- Company's earnings posted a decline of 6%YoY to PKR 2.5bn (EPS PKR 2.14) during 2QFY16 as compared to PKR 2.7bn (EPS PKR 2.29) in the same period last year, in line with our estimates. Profitability for the 1HFY16, declined by 5% to PKR 4.5bn (EPS PKR 3.90).
- HUBCO announced cash dividend of PKR 4.50/share along with the results.
- Operating costs of the company dropped by 33%YoY to PKR 18.7bn in 2QFY16. However, it was still on the higher side owing to repair work on last boiler which ended in Nov-15.
- Admin expenses increased by +32%YoY to PKR 0.3bn as compared to PKR 0.2bn in the same period last year.
- Financial charges dropped by 35%YoY to PKR 0.8bn owing to lower interest rates.

#### Recommendation

The scrip is currently trading at FY16E P/E of 10.0x. With Dec-16 TP of PKR 123.35/share based on Dividend Discount Model (DDM), we maintain our **'BUY'** stance on the stock.

#### Exhibit: Financial Highlights

PKRmn	2QFY16	2QFY15	YoY	1HFY16	1HFY15	QoQ
Revenue	22,239	32,565	-32%	47,901	78,320	-39%
Operating Costs	18,706	27,796	-33%	40,198	69,315	-42%
Gross Profit	3,533	4,769	-26%	7,704	9,004	-14%
General & Admin	264	201	32%	532	365	46%
Financial Charges	809	1,251	-35%	1,620	2,558	-37%
Other Income	22	13	69%	29	20	47%
Net Profit	2,480	2,652	-6%	4,523	4,747	-5%
EPS	2.14	2.29		3.90	4.10	
DPS	4.50	4.00		4.50	4.00	

Source: IGI Research, Company Financials

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### Analyst Certification

The analyst<sup>^</sup> hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

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

### Valuation Methodology

The analyst<sup>^</sup> 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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