

Flash Note

Wednesday, 19 August 2020

Power Generation and Distribution Companies

The Hub Power Company Limited (HUBC)

Share of profit from CPHGC and PKR depreciation lifts 4QFY20 EPS to PKR 5.24 despite higher finance costs and taxation; Nil cash payout

- ✓ The Hub Power Company Limited (HUBC) announced financial results for 4QFY20 with earnings clocking in at PKR 6.79bn (EPS PKR 5.24) up by +3.1xYoY compared to PKR 2.67bn (EPS PKR 2.06) in the same period last year. On a sequential basis, earnings are up by +16% QoQ during 4QFY20. This brings total profitability to PKR 25.04bn (EPS PKR 19.31) for FY20 up by +2.2xYoY compared to PKR 11.24bn (EPS PKR 8.67) in the same period last year.
- ✓ The Company did not announce any cash dividend for 4QFY20 amid substantial rise in receivables, cash requirement for new projects and delays in CPP payments. HUBC has so far withheld cash payout for 2 years.
- ✓ We attribute this growth in earnings during 4QFY20 primarily on the back of +30% YoY rise in gross profit led by PKR depreciation. Earnings growth was further supported by PKR 4.70bn share of profit from associate post commencement of operations from China Power Hub Generation Company Limited (CPHGC) in Aug-19 and higher profitability from Laraib. However, earnings growth was limited by higher finance cost and higher taxation on account of O&M support being provided by Hub-Power Services Limited (HPSL) to TEL, in our view. We await clarity on this from the management.
- ✓ **Net Revenues** dropped by 7% YoY to PKR 11.85bn during 4QFY20 compared to PKR 13.71bn in the same period last year likely owing to no generation from Hub and 87% YoY lower generation from Narowal plant.
- ✓ **Finance cost** increased by +12% YoY to PKR 2.55bn during 4QFY20 compared to PKR 2.47bn in the same period last year likely owing to rise in mark-up expense amid higher short term borrowings and new loans drawn for new project financing despite drop in interest rates.
- ✓ **Share of profit from associate** stood at PKR 4.74bn during 4QFY20 as against loss of PKR 0.11bn in the same period last year owing to commencement of operations of CPHGC plant in Aug-19.
- ✓ **Effective tax** stood at 31% during 4QFY20 compared to 7% (3QFY20: 6%) reported in the corresponding period last year bringing total effective tax rate to 13% for FY20 compared to 4% last year.

Exhibit: HUBC Financial Highlights (Consolidated)

PKR mn	4QFY20	4QFY19	YoY	3QFY20	QoQ	FY20	FY19	YoY
Turnover	11,848	13,705	-7%	11,820	8%	48,321	58,129	-17%
Operating Costs	3,333	7,617	-37%	4,316	12%	17,831	36,640	-51%
Gross Profit	8,515	6,089	30%	7,504	5%	30,490	21,489	42%
General & Admin expenses	327	526	-26%	343	14%	1,500	1,606	-7%
Financing Cost	2,549	2,467	12%	3,106	-11%	11,905	7,401	61%
Share of profit/(loss) from associates	4,740	(113)	n/m	3,807	5%	13,700	(434)	n/m
Loss on shares transferred to GoB	-	-	n/m	-	n/m	(1,009)	-	n/m
PBT	10,435	3,152	182%	7,903	12%	30,006	12,447	141%
PAT	7,161	2,921	193%	7,390	16%	26,061	11,930	118%
PAT - Attributable to HUBC	6,791	2,673	212%	7,201	16%	25,044	11,241	123%
EPS (PKR) @ 1,297.15mn shares	5.24	2.06	212%	5.55		19.31	8.67	
DPS (PKR)	-	-		-		-	-	

Source: IGI Research, Company Financials No of Shares: 1,297.15

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