

## Corporate Briefing Takeaways: 2QFY22

### Power Generation & Distribution Companies

## The Hub Power Company Limited

**Loss from associate:** Transformer failure at Unit-I of CPHGC and scheduled outage at Unit-II took place in Jul-21. As a result availability dropped to 47% for 1HFY22. Unit-I returned to service on 6th-Jan-22. Losses due to damage are estimated at USD 70-80mn. Nearly USD 50-60mn will be recovered through insurance which will be finalized by Mar-22 and some of receipt from insurance is expected by Jun-22. PKR 1.9bn relates to material loss.

**CPHGC:** Tariff true up is likely to be finalized and notified post Prime Minister's visit to China which included issues to be resolved such as true up tariff, settlement of receivables, setting up of revolving account and reversal of WHT on dividend to 7.5%. Once true up tariff notified and revolving account is established along with other conditions, HUBC will most likely announce first dividend from CPHGC in the next 2hCy22.

**Thar Coal projects and delay penalties:** The penalties relating to delay in COD of Thar Energy Limited (TEL) and Thal Nova Limited (TNTPL) would be finalized post COD (TEL expected in Jun/Jul-22 and TNTPL by Sep/Nov-22). Once commissioned, the penalty would be determined. Capacity underutilization penalty would be applied along with few other penalties. TEL is almost 86% completed while TNTPL is 65% completed. Remaining amount is USD 40mn for all these projects which are fully arranged.

**Growth projects:** Company is actively pursuing different projects such as waste water recycling project and renewable energy projects. In this regard, OFR has been awarded by Government of Sindh for 35MGD waste water recycling project at S.I.T.E. NOC from FBR and clearance from DG PC is expected shortly for ENI acquisition after which transition would take roughly 4-5 weeks.

**Base plant:** Hub plant received PKR 57bn in total through 1st and 2nd settlement and paid off PKR 45bn to PSO and Narowal Plant received PKR 6.4bn from 1st settlement. Hub plant operating at efficiency of 38-39%. For Hub and Narowal, management expects PKR 3-5bn impact on earnings in the next 2 years post discounts applicable on tariff as part of MoU agreement. In FY22 it would be around PKR 1bn.

It will take 2-3 years for CTBCM to be implemented. DISCO reforms are critical. All the segments in the power chain need to be reformed especially DISCOS

### Analyst

Abdullah Farhan

[Abdullah.Farhan@igi.com.pk](mailto:Abdullah.Farhan@igi.com.pk)

Tel: +92 21 111 234 234 Ext: 912

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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## Contact Details

### 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) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Zaid Farook	Branch Manager (Stock Exchange) Karachi	Tel: (+92-21) 32462651-52	zaid.farook@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

### 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
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk
Ajay Kumar	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	ajay.kumar@igi.com.pk
Huzaifa Yaseen	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	huzaifa.yaseen@igi.com.pk

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Website: [www.igisecurities.com.pk](http://www.igisecurities.com.pk)

### 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

### Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2  
Fax: (+92-21) 32429607

### Lahore Office

Shop # G-009, Ground Floor,  
Packages Mall  
Tel: (+92-42) 38303560-69  
Fax: (+92-42) 38303559

### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
Block- B, Jinnah Avenue, Blue Area  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

### Faisalabad Office

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

### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road  
Tel: (+92-68) 5871652-3  
Fax: (+92-68) 5871651

### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road  
Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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