

PAKISTAN

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Earning Review

HUBC: 4QFY23 EPS clocked in at Rs18.43, DPS Rs6.0

Event

- Hub Power Company (HUBC) profitability clocked in at Rs23.9bn (EPS Rs18.43) in 4QFY23, up 241%/113% YoY/QoQ, against profitability of Rs7.0bn (EPS Rs5.41) reported in the same period last year. This cumulates into FY23 profitability of Rs57.5bn (EPS Rs44.37), up 102% YoY.
- The result is accompanied with a cash payout of Rs6.0/sh, taking FY23 payout to Rs30.0/sh.
- The result is above our expectation given enhanced contribution from share of profit from associate and higher other income along with materialization of insurance claim.

Impact

- We attribute increase in profitability to (1) higher dollar indexation for Laraib and CPHGC, (2) lower operation and maintenance expense, (3) reduced efficiency losses, (4) materialization of insurance claim, (5) higher other operating expenses, and (6) enhanced share of profit from associate.
- During 4QFY23, dollar indexation went up by ~55.1% YoY for Laraib Power and CPHGC.
- During the quarter, Hub power base plant generated negative 3.8 GWh as compared to 364 GWh in the same period last year. Hub Narowal plant dispatched 148.8 GWh of electricity with a utilization rate of 31.6% against production of 233.8 GWh and utilization of 49.7%. We attribute lower utilization to elevated electricity cost of generation on Furnace Oil despite lower availability of RLNG in a deliberate move by the government to manage forex reserves of the country and manage circular debt.
- Laraib generated 121.3 GWh of electricity, down 8% YoY in 4QFY23, compared to generation of 131.7 GWh in 4QFY22 due to lower hydrology.
- CPHGC generated 274 GWh of electricity, down by 87% YoY in 4QFY23, at a load factor of ~9.5% during the quarter due to higher cost of electricity generation on imported coal. CPHGC contributed profit of ~Rs14.7bn (against contribution of ~Rs4.2bn in 4QFY22), primarily on account of higher dollar indexation, in our view.
- Finance cost of the company increased by 3.0x YoY in 4QFY23 to Rs7.5bn due to 756 bps YoY increase in KIBOR.
- Company booked other income of Rs2.8bn in 4QFY23 against Rs1.4bn in 4QFY22 due to higher income from management services, in our view. Moreover, company recognized insurance claim of Rs510mn against alternator damage and consequent loss of revenue.

Outlook

- HUBC is beneficiary of aggressive dollar indexed expansion projects. Moreover, Project completion of CPHGC would improve cash flow position of the company.
- However, establishment of competitive market would require shifting of current PPA to take and pay basis, which would substantially reduce capacity payments amid lower reliance of national grid on FO based generation, in our view. Moreover, company dividend paying capacity would remain restricted in the short term due to reduced recoveries of base plant on the back of lower utilization and higher debt maturities.

Fig 1: 4QFY23 Financial highlights

Rs (mn)	4QFY23	4QFY22	YoY	QoQ	FY23	FY22	YoY
Revenue	32,345	32,106	1%	19%	114,263	97,158	18%
Cost of Sales	15,284	23,459	-35%	8%	61,485	64,056	-4%
Gross profit	17,061	8,647	97%	30%	52,778	33,103	59%
Admin expense	394	260	51%	15%	1,368	1,029	33%
Operating profit	16,667	8,387	99%	30%	51,410	32,074	60%
Other operating income	3,348	1,417	136%	na	4,095	2,124	93%
Other operating expense	437	253	na	-682%	79	398	-80%
Finance cost	7,479	2,531	196%	58%	19,323	7,928	144%
Share of associate	14,763	4,236	248%	128%	34,316	9,232	272%
PBT	27,736	11,256	146%	94%	70,418	35,105	101%
Tax	2,159	3,857	-44%	6%	8,411	5,526	52%
PAT	25,577	7,399	246%	108%	62,007	29,579	110%
Profit Attributable							
Owners of the company	23,908	7,019	241%	113%	57,554	28,472	102%
Non-controlling Share	1,669	381	339%	62%	4,453	1,120	298%
EPS	18.43	5.41			44.37	21.95	

Source: PSX, Company Reports, Foundation Research, September 2023

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.