

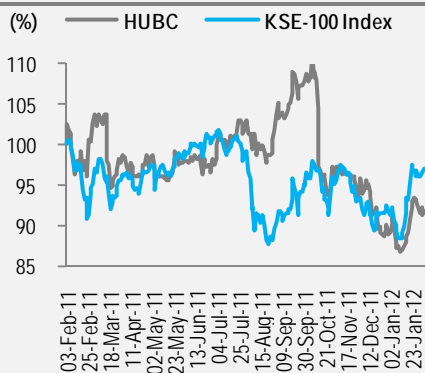
Electricity
Overweight
HUBC PA

Price Target: PKR51/Share
Closing Price: PKR35.3/Share
BUY

Stock Statistics

12m Price Range (PKR)	42.6 – 33.3
Market Cap (PKR mn)	40,893.8
Outstanding Shares (mn)	1,157.0
Avg. Daily Volume mn (YTD)	1.4

1Yr – Relative Performance



Source: Elixir Research

HUBC	FY12E	FY13E	FY14E
EPS (PKR)	5.90	6.40	6.60
DPS (PKR)	5.50	5.80	6.10
PER (x)	6.00	5.50	5.40
Div. Yield	16%	16%	17%
EV/EBITDA (x)	4.90	4.70	4.60
P/BV (x)	1.50	1.50	1.50
ROE	26%	28%	28%

Source: Elixir Research

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HUBC: 1HFY12 EPS to rise 1% YoY to PKR2.47

Result expectation: Hub Power Company is scheduled to announce its 1HFY12 financial results on February 8, 2012. We expect the company to post PAT of PKR2,860mn (EPS: PKR2.47), up 1% YoY along with an interim dividend of PKR2.5/share. 2QFY12 EPS is expected at PKR1.40, up 3% YoY.

Generation bonus expected at PKR0.30/share: Generation bonus for CY11 generation is expected to be booked during 2QFY12 and estimated to clock in at PKR346mn (PKR0.30/share), up 29% YoY. We expect generation of Hub plant for 4QCY11 to stand at 1,740Gwh, taking CY11 generation to 8,121Gwh, up 3% YoY, at a load factor of 77%. Generation for Narowal plant during 2QFY12 is expected at 340Gwh, at a load factor of 72%.

Revenues from Narowal to remain understated: Revenues from Narowal will continue to be booked at reference tariff during 2QFY12, which is subject to adjustment at final tariff notification. We expect Narowal to post loss of PKR148mn (PKR0.13/share) during the quarter.

Investment Perspective: At last closing price of PKR35.3/share, HUBC is trading at FY12 PER of 6.0x, offering FY12 dividend yield of 16%. The scrip currently offers an upside of 44% to our Dec-12 PT of PKR51/share and a real USD IRR of 20% over the remaining term of the power purchase agreements. BUY!

Key Financials (PKRmn)	2011			2012		
	2QFY11A	2QFY12E	YoY	1HFY11A	1HFY12E	YoY
Turnover	24,002	38,100	59%	49,202	78,818	60%
Operating Costs	21,680	34,767	60%	44,954	72,393	61%
Gross Profit	2,322	3,333	44%	4,248	6,425	51%
SG&A Expenses	98	227	133%	206	315	53%
EBITDA	2,649	3,824	44%	4,890	7,494	53%
Operating Profit	2,225	3,106	40%	4,043	6,111	51%
Other income	6	7	19%	16	22	39%
Financing Costs	657	1,494	127%	1,216	3,273	169%
Net Profit	1,574	1,619	3%	2,843	2,860	1%
EPS (PKR)	1.36	1.40	3%	2.46	2.47	1%

Source: Elixir Research, Company Accounts

Generation bonus expected at PKR0.30/share

HUBC is entitled to receive generation bonus for achieving higher utilization levels (above 65%) for Hub plant. Utilization level for generation is calculated on calendar year basis and bonus is booked in second quarter of every fiscal year. Generation bonus for CY11 generation is expected at PKR346mn (PKR0.30/share), up 29% YoY, primarily due to improvement in load factor. Hub plant's generation for 4QCY11 is expected at 1,740Gwh, at a load factor of 66%, which shall take CY11 generation to 8,121Gwh, up 3% YoY, at a load factor of 77%.

We expect generation of Narowal plant for 2QFY12 at 340Gwh, at a load factor of 72%.

Revenues from Narowal to remain understated

Final tariff of Narowal was not notified by NEPRA during 2QFY12. Thus, Narowal revenues are estimated to be booked at initially notified reference tariff, which would be adjusted at

the final tariff notification. Narowal operations are expected to post loss of PKR148mn (PKR0.13/share) during the quarter. We expect cumulative adjustment for Narowal for last three quarters (4QFY11, 1QFY12 and 2QFY12) at PKR1.19bn (PKR1.03/share), which would likely be booked after final tariff notification.

Economic & Political News

FDI falls 63.6% in 1HFY12

The net foreign direct investment (FDI) continued to show negative growth of 63.6% with USD386.6mn inflow in the 1HFY12 mainly on the constant outflow of foreign portfolio investment (FPI). The FDI investment dropped by 36.7% to USD531.2mn during 1HFY12 whereas FPI witnessed outflow of USD144.6mn.

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