

# Pakistan Power Sector

## The Hub Power Company Limited

### Accelerating towards new horizons

16-Aug-2024

REP - 300



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## Accelerating towards new horizons

We reiterate our BUY recommendation for The Hub Power Company Limited (HUBC) with a target price of PKR 201.5/share by Jun'25, an upside of 36%. Our positive outlook on this stock is based on several key factors: i) Unlocking new investment opportunities by partnering with Build Your Dreams (BYD), the world's largest electric vehicle manufacturer, to drive profitability ii) early retirement of HUBC plant, which could potentially lead to advance capacity payments expediting early conversion of base plant (RFO) to Thar coal-based power plant iii) solidifying position among IPPs iv) increasing stake in Sindh Engro Coal Mining Company (SECMC) and v) successful acquisition of Eni Pakistan operations, contributing to the company's overall profitability. The stock is trading at an attractive forward P/E and D/Y ratio of 2.7x and 17%, respectively, offering an upside of 36% from last day closing.

### Unlocking new investment horizon

Hub Power Holdings Limited, a wholly-owned subsidiary of The Hub Power Company Limited (HUBC), is diversifying its investment by entering in the business of electric vehicles, with Build Your Dreams (BYD) a leading Chinese EV manufacturer, through its associate company, Mega Motor Company (Private) Limited. Our working suggests that for every 10,000 annual unit sales with weighted average unit price of PKR 9mn, incremental annualized earnings impact on HUBC would be PKR 5.95/share assuming 100% stake in the company. However, it is pertinent to note that, we have not incorporated Mega Motors in our calculation of target price.

### Potential conversion to Thar coal, amid earlier termination

The federal government recently proposed not to renew agreement with the IPPs whose PPA agreements have been expired. Whereas, early termination of nine independent power producers (IPPs), including HUBC's base plant has been proposed. This proposal could benefit HUBC, as it may receive advance payment for its base plant, which could be use to convert its RFO (residual fuel oil) plant to Thar coal, positively impacting its profitability. Additionally, in a recent development, HUBC has signed a Memorandum of Understanding (MoU) with K-Electric (KEL) to explore the possibility of power off-take following the plant's conversion to local Thar coal.

### Solidifying position among IPPs

China Power Hub Generation Company Limited (CPHGC) began commercial operations in Aug'19, with two units of 660 MW each. CPHGC paid out its first dividend in Nov'23 and is expected to continue disbursing dividends in the future, on the back of achieving project completion date (PCD) in Feb'23. Moreover, Thar Energy Ltd (TEL) and ThalNova Power Thar (Private) Ltd (TNPTL) commenced commercial operations on October 1, 2022 and on February 17, 2023, respectively. Both power plants, powered by indigenous coal, have a capacity of 330 MW. We anticipate that TEL and TNPTL to contribute PKR 5.71/share and PKR 4.1/share, respectively, to consolidated earnings of HUBC for FY25.

### Potential investment in SECMC

HUBC entered into a definitive agreement to acquire additional 9.5% stake in Sindh Engro Coal Mining Company Limited (SECMC) held by Habib Bank Limited (HBL), as per its notice to PSX. Post this transaction the total holding of HUBC in SECMC will reach 17%. SECMC is a coal producer with current mining capacity of 7.6mn tons per annum, with plans to achieve mining capacity to 11.2mn tons per annum in 2024.

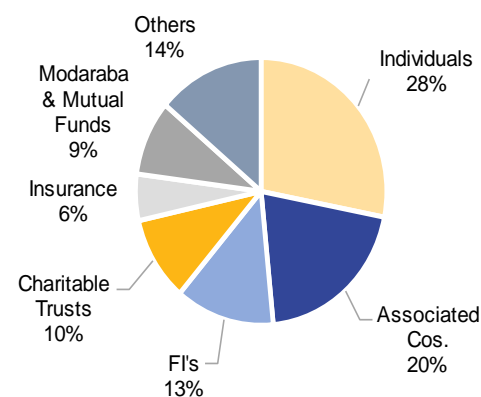
### Diversified into the Oil and Gas Exploration sector:

HUBC successfully finalized the acquisition of Prime International on Dec'22, establishing a 50:50 joint venture between the company and the Employee Buyout Group. In FY23, Prime International made a contribution of PKR 3.9bn (PKR 3.03/share) to HUBC's consolidated earnings. We anticipate Prime International to contribute PKR 5.1bn (PKR 3.9/share) in HUBC's FY25 earnings.

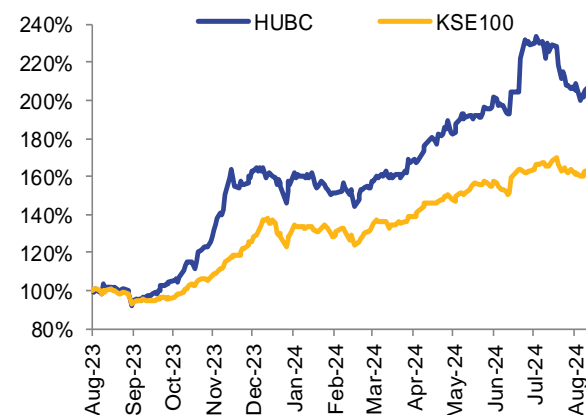
HUBC PA			
Recommendation			BUY
Target Price (Jun-25)			201.5
Last Closing			148.2
Upside (%)			35.9
Shares (mn)			1,297.2
Free float (%)			75.0
Market Cap. (PKR mn)			192,290.2
Market Cap. (USD mn)			690.0
Price Performance			
	3M	6M	12M
Return (%)	7.0	38.8	102.2
Avg. Volume (000)	5,334	4,341	4,102
ADTV (mn) - PKR	816	620	511
ADTV (000) - USD	2,931	2,226	1,818
High Price - PKR	166.7	166.7	166.7
Low Price - PKR	135.6	102.7	65.7

Source: PSX, AHL Research

### Shareholding Pattern



Source: Company Financials, AHL Research



Source: Bloomberg AHL Research

## Exhibit: Valuation Snapshot

		FY24e	FY25e	FY26e	FY27e
EPS	PKR	51.57	54.29	56.82	57.88
D/Y	%	10.57	16.53	19.94	18.06
P/E	x	2.84	2.70	2.58	2.53

Source (s): Company Financials, AHL Research

We have valued HUBC using SOTP-based valuation, whereby our Jun'25 target price is set at PKR 201.5/share, which translates into an upside potential of 36% from the last closing of PKR 148.2/share. Our valuation parameters include a 5-yr adjusted beta of 1.05, a risk-free rate of 15.0%, and a risk premium of 6.0%, which gives a cost of equity of 21.3%. Currently, the stock is trading at FY25 and FY26 P/E of 3.31 and 2.84 and D/Y of 17% and 20%, respectively. Hence, we reiterate a 'BUY' stance on the stock.

## Valuation snapshot

### Exhibit: Sum of the Parts Valuation

SOTP	Holding	TP*
Core Value**	100%	105.7
CPHGC	47%	67.5
TEL	60%	10.8
Prime	50%	7.6
ThalNova	38%	7.5
SECMC	8%	2.3
<b>Total</b>		<b>201.5</b>

Source: AHL Research, \*Jun-2025, \*\*including LEL and NEL

## About the company

The Hub Power Company Limited was established in Pakistan on August 1, 1991, as a public limited company. The primary activities of the holding company include developing, owning, operating, and maintaining power stations. The holding company owns an oil-fired power station of 1,200 MW (net) in Balochistan (Hub plant). The company has a stake of about 47.5% in China Power Hub Generation Company (CPHGC), which is a joint venture between HUBC and China Power International Holdings with 1320MW gross capacity. CPHGC has achieved project completion date enabling the company to pay dividends to its shareholders. Moreover, HUBC further expanded its presence in the power sector by incorporating Thar Energy Limited (subsidiary) and ThalNova Power Thar (Private) Limited (associate), each having 330MW generation capacity. Additionally, HUBC diversified into E&P sector through Prime International Oil & Gas Company (PIOGCL), further supporting the profitability of the company. Also, HUBC has shown keen interest in entering the auto market of Pakistan, further enhancing its revenue stream.

## Shareholding Pattern

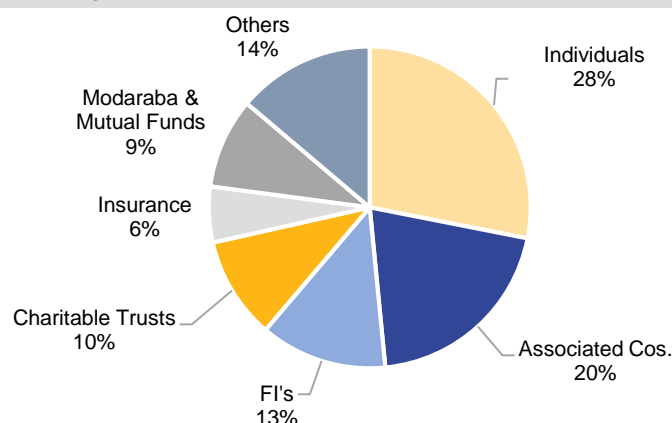
HUBC boasts a shareholder base of 20,320 individuals, collectively holding 364.3mn outstanding shares. The largest stake of 28.1% belongs to locals. The Associated Companies follows with a significant ownership of 20.4% of the shares. Financial Institutions, Charitable Trusts, Modarabas & Mutual Funds, and Insurance companies hold smaller portions, with 12.8%, 10.3%, 9.1 and 5.6%% of HUBC's shares respectively.

**Exhibit:** Shareholding Pattern (as of FY23)

	No. of Shares	% Holding
Individuals	364,314,456	28.09%
Associated Cos.	264,149,502	20.36%
FI's	165,694,087	12.77%
Charitable Trusts	133,088,728	10.26%
Modaraba & Mutual Funds	117,852,250	9.09%
Insurance	72,834,590	5.61%
Others	179,220,774	13.8%
<b>Total</b>	<b>1,297,154,387</b>	<b>100.00%</b>

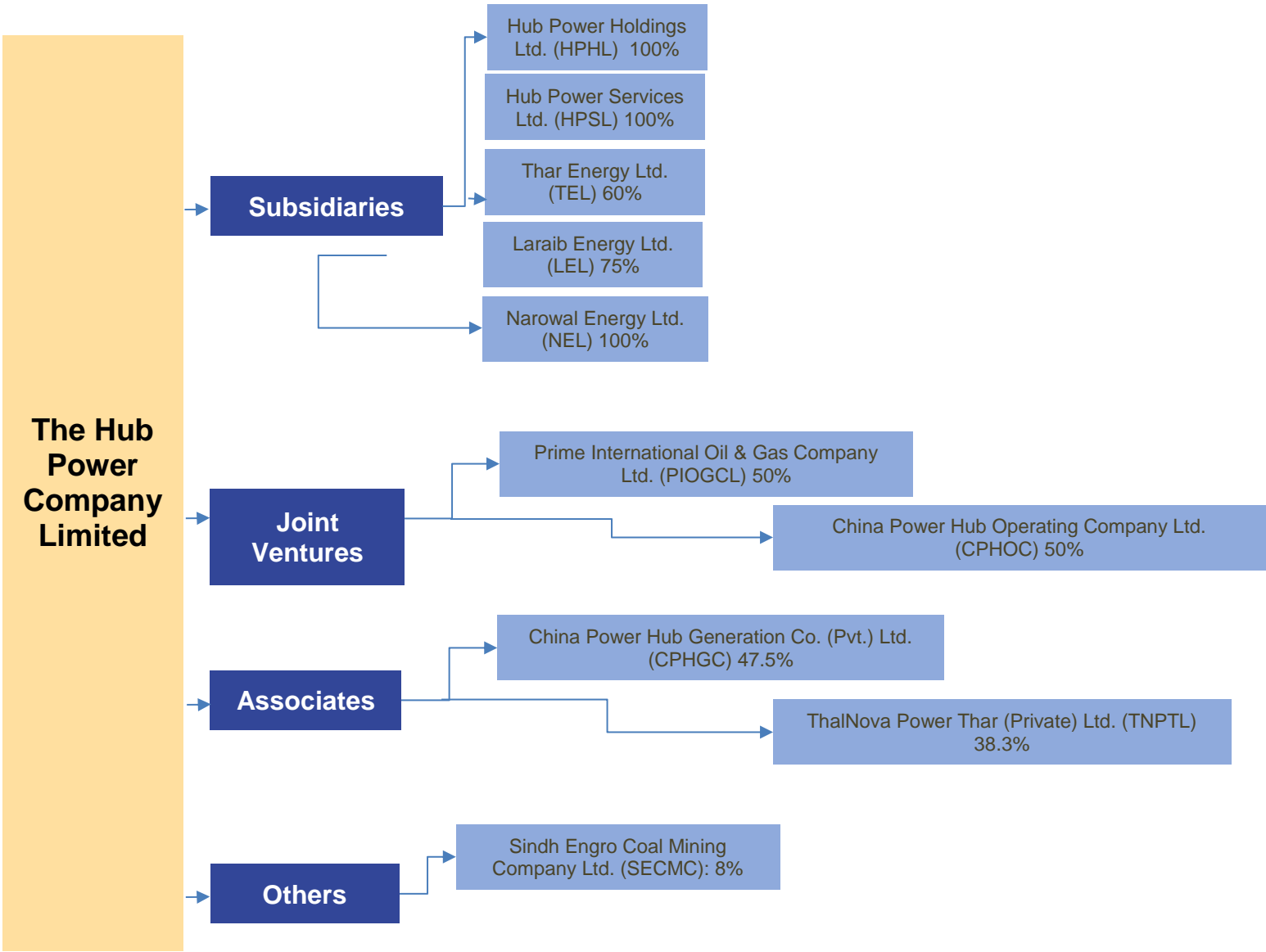
Source (s): Company Financials, AHL Research

**Figure:** Shareholding pattern (as of FY23)



Source (s): Company Financials, AHL Research

HUBCO's Group Structure



Source: Company's Financials, AHL Research



Unlocking new investment horizon

Hub Power Holdings Limited, a wholly-owned subsidiary of The Hub Power Company Limited (HUBC), is diversifying its investment by entering in the business of electric vehicles, with Build Your Dreams (BYD) a leading Chinese EV manufacturer, through its associate company, Mega Motor Company (Private) Limited. It is anticipated that HUBC will commence the manufacturing of the EV and plug-in hybrid vehicles in 2026.

BYD is a publicly listed Chinese multinational conglomerate manufacturing company. It is a vertically integrated company with major subsidiaries, including BYD Auto, BYD Electronics and FinDreams. BYD is the world’s largest maker of electric vehicles. In 2023 BYD sold 1.57mn battery electric vehicles, an increase of 73% YoY, in addition to selling 1.44mn units of plug-in hybrid vehicles. This resulted BYD to record profitability of USD 4,190mn in 2023 as compared to USD 2,318mn, a jump of 80% YoY.

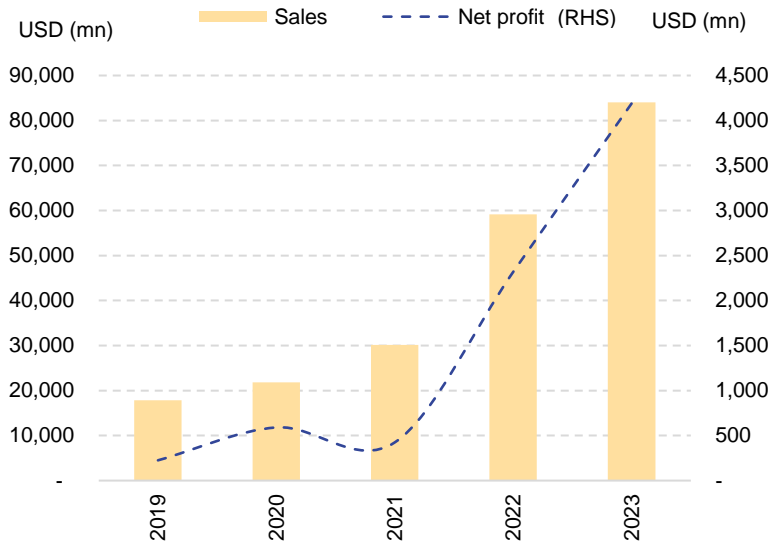
In 2023, China held approximately 31.6% of the market share in new energy vehicles (NEVs) segment, with total retail sales reaching 7.7 mn units. BYD saw a 50.3% growth in its NEV retail sales, increasing to 2.7 mn units in 2023, up from 1.8 mn in 2022. Additionally, BYD operates in more than 400 cities across over 70 countries and regions worldwide, capturing approximately 23% of the global market share and 35% market share in China, in the electric vehicle (EV) segment. As part of the company’s ambitious plans, it is building assembly lines in Brazil, Hungary, Thailand, and Uzbekistan, with intentions shown to expand into Indonesia and Mexico.

Exhibit: EV manufacturers global market share

Companies	Share
BYD	23%
TESLA Inc	14%
VW Group	8%
GM	5%
Stellantis	5%
Geely Auto Group	5%
BMW Group	4%
Hyundai Motor	4%
GAC	4%
Mercedes-Benz Group	3%
Others	24%

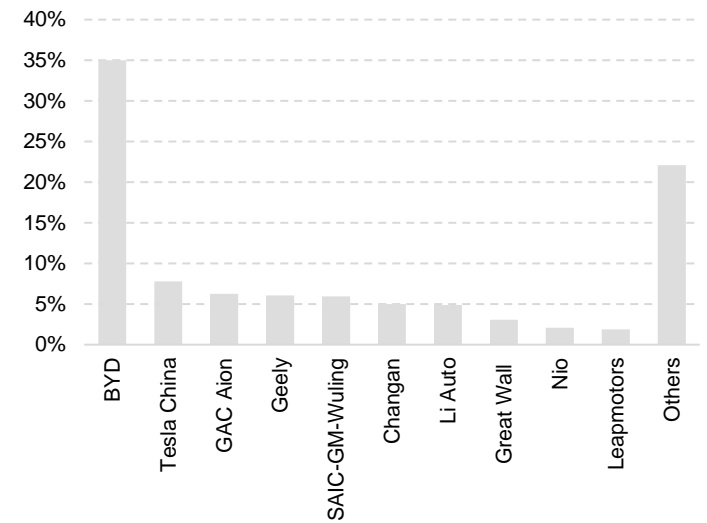
Source: AHL Research

Figure: Historical sales and net profit of BYD



Source (s): Company Financials, AHL Research

Figure: Market share of NEV retail sales in China in 2023



Source (s): AHL Research

BYD’s moat over its peers

A major strength of BYD is its vertical integration and expertise in battery production. As the world’s top producer of rechargeable batteries, BYD manages the entire supply chain, from raw minerals and battery cells to complete battery packs. This comprehensive control enables BYD to maintain high standards of quality and reliability in its batteries, while also keeping costs low. Additionally, BYD’s use of blade batteries (lithium iron phosphate) offers a significant advantage, as they are 30-40% cheaper per kWh than conventional lithium batteries, amid high energy density. This makes BYD’s vehicles more affordable compared to those of its competitors.

Exhibit: Australian Market Prices			
	AUD	Exchange Rate	Price in PKR
BYD sealion 6	56,064	185	10,394,266
BYD dolphin	45,544	185	8,443,858
BYD Atto 3	53,980	185	10,007,892
BYD seal	72,486	185	13,438,904
BYD Tang 7	62,061	185	11,506,109
Source: AHL Research			

Entry of BYD in Pakistan

The Chinese automaker is all set to announce its official entry into Pakistan market on 17<sup>th</sup>Aug’24, introducing its wide variety of cars of both electric and plug-in hybrid vehicles. It is pertinent to note, that the company would plan to launch it in the country if the vehicle proves to be compatible with the local market. Other cars that BYD may offer to Pakistani markets are BYD Dolphin (PKR 8.4mn), BYD Atto 3 (PKR 10mn), BYD Seal (PKR 13.4mn) and BYD Tang 7 (PKR 11.5mn).

Variant		Engine type	Minimum Turning Radius	HP	Mileage/electric range	Seating capacity	Max Speed	Battery Capacity	Battery	Airbags
SEALION 6 PHEV		Xiaoyun plug-in hybrid	5.5 metres	319 hp	18-22 Km/L / 92Km/Full Charge	5 persons	170km/h	18.3kWh	BYD BladeBattery (LFP)	7
SEAL DYNAMIC BEV		Permanent Magnet Synchronous Motor	5.7 metres	530 hp	650 Km/Full Charge	5 persons	180Km/h	84.0 kWh	BYD BladeBattery (LFP)	9
TANG 7 BEV		2.0-liter internal combustion engine	5.9 metres	516 hp	530km/Full Charge	7 persons	180 KM/H	90.3 kWh	BYD BladeBattery (LFP)	6
ATTO 3 BEV		Permanent magnet synchronous motor	5.25 metres	204 hp	490 KM/Full Charge	5 persons	160 km/h	60.48 kWh	BYD BladeBattery (LFP)	7
DOLPHIN BEV		Permanent magnet synchronous motor	5.25 metres	204 hp	395 Km/Full Charge	5 persons	160 km/h	60.5 kWh	BYD BladeBattery (LFP)	6

Source: AHL Research, PakWheels, \*launching in Oct'24

Earnings sensitivity of BYD

Our working suggests that for every 10,000 annual unit sales with weighted average unit price of PKR 9mn price (our base case), incremental annualized earnings impact on HUBC would be PKR 5.95/share assuming 100% stake in the company. We have also prepared a sensitivity, with respect to volume and price, to showcase the impact on HUBC’s consolidated earnings.

Exhibit: Sensitivity Analysis of incremental EPS (PKR)						
		Price (PKR mn)				
Volume		7.0	9.0	11.0	13.0	15.0
	8,000	3.70	4.76	5.81	6.87	7.93
	9,000	4.16	5.35	6.54	7.73	8.92
	10,000	4.63	5.95	7.27	8.59	9.91
	11,000	5.09	6.54	8.00	9.45	10.90
	12,000	5.55	7.14	8.72	10.31	11.89
Source: AHL Research						



## Early retirement leading to early conversion of HUBC's base plant

The federal government recently proposed not renewing agreements with six independent power producers (IPPs) whose power purchase agreements (PPAs) have already expired. Additionally, the phase-wise retirement of nine IPPs, including HUBC's base plant, has also been suggested. The agreement for six IPPs, namely Gul Ahmed Energy Limited, Kohinoor Energy, Liberty Power Project, Tapal Energy Limited, Attock Generation, and KAPCO, will not be extended. Whereas, other nine IPPs (including HUBC) will face a gradual phase-out retirement. These IPPs are expected to receive an advance payment equivalent to the present value of the capacity payments for the remaining tenure of each individual IPP. To recall, HUBC's base plant is set to expire in Mar'27.

### Details of Power Plants

Power Plant	Fuel	Listed status	CoD	Power Policy	Capacity (MW)	Term of PPA (Years)	PPA Expiry
<b>Immediate termination</b>							
Kohinoor Energy Ltd.	RFO	<input checked="" type="checkbox"/>	20-Jun-97	1994	131	22	15-Jun-19
Tapal Energy Ltd.	RFO	<input type="checkbox"/>	20-Jun-97	1994	126	22	15-Jun-19
Gul Ahmed Energy Ltd.	RFO	<input type="checkbox"/>	3-Nov-97	1994	136	22	29-Oct-19
Kot Addu Power Co. Ltd.	Gas   RFO	<input checked="" type="checkbox"/>	1-Dec-96	1994	1,638	25	24-Oct-22
Liberty Power Project	Gas	<input type="checkbox"/>	10-Sep-01	1994	235	25	4-Sep-26
Attock Gen Ltd.	RFO	<input type="checkbox"/>	30-Jul-09	2002	165	25	24-Jul-34
<b>Gradual termination</b>							
Hub Power Co.	RFO	<input checked="" type="checkbox"/>	31-Mar-97	1994	1,292	30	24-Mar-27
Lal Pir (Pvt.) Ltd.	RFO	<input checked="" type="checkbox"/>	6-Nov-97	1994	362	30	30-Oct-27
Pak Gen. Power Ltd.	RFO	<input checked="" type="checkbox"/>	1-Feb-98	1994	365	30	25-Jan-28
Southern Electric Power Company Ltd.	RFO	<input type="checkbox"/>	12-Jul-99	1994	117	30	4-Jul-29
Habibullah Coastal Power Co. (Pvt.) Ltd.	Gas	<input type="checkbox"/>	11-Sep-99	1994	140	30	3-Sep-29
Fauji Kabirwala Power Co. Ltd.	Gas	<input type="checkbox"/>	21-Oct-99	1994	157	30	13-Oct-29
Rousch (Pakistan) Power Ltd.	RFO	<input type="checkbox"/>	11-Dec-99	1994	450	30	3-Dec-29
Saba Power Company Ltd.	RFO	<input type="checkbox"/>	31-Dec-99	1994	134	30	23-Dec-29
Japan Power Generation (Private) Ltd.	RFO	<input type="checkbox"/>	14-Mar-00	1994	120	30	7-Mar-30
Source: AHL Research							

## Advance payments to spark early conversion

The early retirement of HUBC's base plant could serve as a catalyst for new investments, enabling HUBC to use the funds for converting its RFO-based plant to Thar coal-based plant. HUBC has recently signed an MoU with K-Electric to explore power off-take options following the conversion. This strategic move would strengthen HUBC's position in the energy sector and enhance the company's profitability. Assuming HUBC receives PKR 83.8bn, representing the present value of capacity payments for the remaining tenure, the company could strategically allocate these funds to convert its base plant to Thar coal. Additionally, HUBC could use this upfront payment to finance its capital expenditures for its electric vehicle investment.

## Solidifying position among IPPs

HUBC has been successful in increasing its presence in Pakistan's power sector through investing in both imported coal-based plant (CPHGC) and local coal-based plants. CPHGC, having a capacity of 1320 MW (comprising of two coal-fired power generation units of 660MW each), achieved commercial operation date (COD) in Aug'19. HUBC successfully increased its stake in the CPHGC, from 26% to 47.5% in 2019. Moreover, to further increase stake in the power sector, HUBC acquired TEL and TNPTL, both which are 330MW mine-mouth coal fired power plants. Thar Energy Ltd (TEL) began its commercial operations on October 1, 2022, followed by ThalNova Power Thar (Private) Ltd (TNPTL) on February 17, 2023.

**Figure:** Description of new plants added

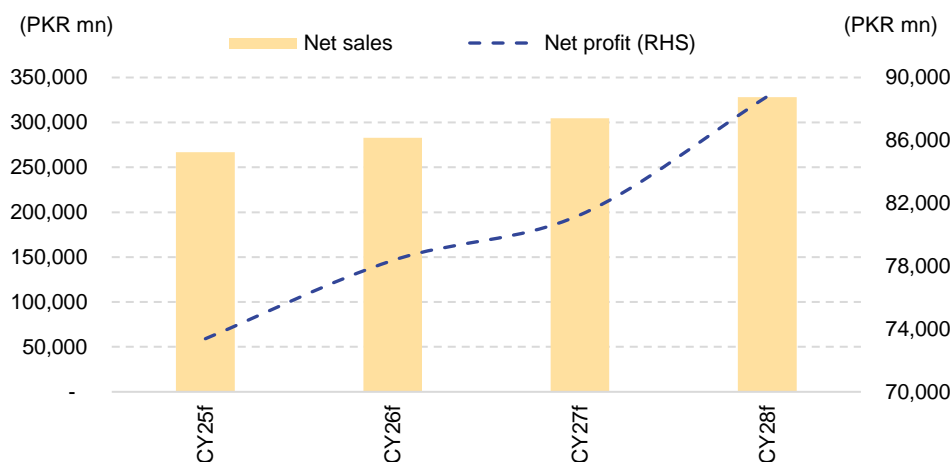
	CoD	Gross capacity (MW)	RoE	Reference exchange rate (PKR/USD)	D:E	Fuel source	Tariff period (Years)
CPHGC	Aug'19	1320	27.20%	97.1	75:25	Imported coal	30
TEL	Oct'22	330	30.65%	97.1	75:25	Local coal	30
TNPTL	Feb'23	330	30.65%	97.1	75:25	Local coal	30

Source: NEPRA, AHL Research

## Continuation of dividends from CPHGC

CPHGC's lenders officially declared Project Completion Date (PCD) in Feb'23. The project completion of CPHGC has released HUBC to maintain a Standby Letter of Credit (SBLC) amounting to USD 150mn. Moreover, CPHGC in Nov'23 paid out dividend to HUBC amounting to USD 32bn (PKR 9,212mn), which has been primarily used for repayments of loans. Expected continuation of dividend to HUBC from CPHGC will further consolidate the cash position of the company and is forecasted to accelerate repayments of loans taken for investments in Thar coal and imported coal projects. Contribution from CPHGC to HUBC on a consolidated basis for FY25 is anticipated to come at PKR 35.8bn (EPS: PKR 27.61).

**Figure:** CPHGC's Topline vs Net profit



Source (s): Company financials, AHL Research

## TEL and TNPTL to elevate the profitability

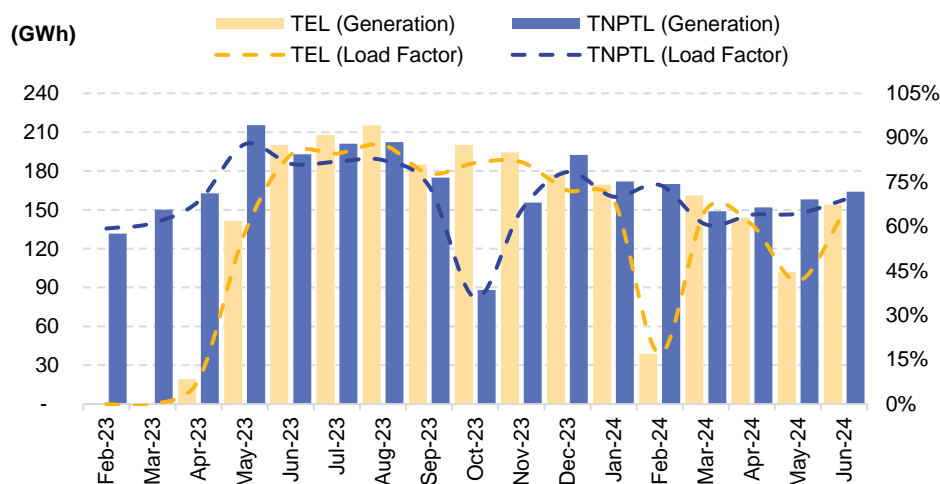
HUBC holds a 60% stake in TEL and a 38.3% stake in TNPTL. These investments are expected to significantly boost HUBC's earnings. In FY25, we project that TEL and TNPTL will contribute PKR 5.7 per share and PKR 4.1 per share, respectively. Additionally, these power plants are ranked higher in the merit order (with both positioned in the top 5 on 1<sup>st</sup> Aug'24). We anticipate that these plants will maintain their favorable ranking, thereby receiving priority in payments. Moreover, achieving the project completion date, expected in 2026, TEL and TNPTL will be positioned to distribute dividends, further enhancing HUBC's balance sheet. Furthermore, TEL and TNPTL have already saved approximately USD 150mn for the economy and are projected to continue delivering annual savings of around USD 380mn by reducing reliance on imported fuels. This underscores the strategic importance of TEL and TNPTL, highlighting the need for the government to ensure timely payments for these companies.

**Exhibit: Merit Order (01-Aug-2024)**

Sr #	Plant	Fuel	Fuel and VO&M Cost*
1	UCH	Gas	3.07
2	Thar Coal Block-1	Coal	5.54
3	Liberty Power	Gas	5.64
4	Thar Energy Limited	Coal	5.78
5	ThalNova	Coal	5.81
6	Engro Power Thar	Coal	5.86
7	747 MW GUDUU	Gas	8.38
8	Guduu CC B-I	Gas	9.03
9	Foundation power	Gas	9.62
10	Guduu CC B-II	Gas	10.02

Source (s): Company Financials, AHL Research

**Figure: Load factor of TEL and TNPTL**



Source (s): NEPRA, AHL Research

## Increasing stake in SECMC

Interest is shown by HUBC to augment its stake in SECMC. HUBC already has an 8% shareholding in SECMC and is showing interest to increase it. HUBC entered into a definitive agreement to acquire additional 9.5% stake in Sindh Engro Coal Mining Company Limited (SECMC) held by Habib Bank Limited (HBL), as per its notice to PSX on Feb'24. This will take HUBC total holding to 17.5%, making it the second largest shareholder in SECMC. This transaction is anticipated to have a positive impact on HUBC's profitability, contributing to an annualized impact PKR ~750mn (EPS: PKR 0.58). HUBC required to make a total cash payment of ~PKR 7,125mn (equivalent to PKR 5.49 cash per share) for the acquisition of the stake.

**Exhibit: Post acquisition by HUBC**

Company	
Government of Sindh	55.0%
HUBC	17.5%
CMEC	4.0%
Thal Limited	12.0%
Engro	12.0%

Source: Company Financials, AHL Research

## Diversified into the Oil and Gas Exploration sector:

On Dec 30, 2022, HUBC successfully finalized the acquisition of Prime International, establishing a 50:50 joint venture between the company and the Employee Buyout Group. Eni is a global energy company, which has been operating in Pakistan since 2000 in the exploration and production sector. This strategic diversification has significantly contributed

to the profitability of the company, where the company made an additional PKR 3.9bn in FY23. Eni Pakistan currently has operator status in: i) Bhit/Badhra (Eni's interest 40%), and ii) Kadanwari (Eni's interest 18.42%) fields, respectively. Moreover, Eni has participating interest in the Latif (Eni's interest 33.3%), Zamzama (Eni's interest 17.75%), and Sawan (Eni's interest 23.7%) fields. We estimate Prime International to contribute PKR 4.7bn (PKR 3.6/share) and PKR 5.1bn (PKR 3.9/share) in HUBC's FY24 and FY25 consolidated earnings, respectively.

## Key Risk (s)

- **Mounting of circular debt:** Delays in the capacity payment could lead to cash constraints for the company.
- **Liquidity damages (LDs) to TEL and TNPTL:** Liquidity damages of USD 1.8mn/month (subject to payment of HVDC line) could be imposed due to delay in the CoD for TEL and TNPTL.

Exhibit: Expected LDs				
		TEL	TNPTL	Total
Initial CoD Date		31-Dec-21	30-Jun-22	
Actual CoD Date		1-Oct-22	17-Feb-23	
Delay (Months)		9.1	7.7	
LDs/Month	USD mn	1.8	1.8	
LDs/Month	PKR mn	522	522	
<b>Expected LDs</b>	<b>PKR mn</b>	<b>4,768</b>	<b>4,037</b>	<b>8,804</b>
Source (s): Company Financials, AHL Research				

- **Competitive Trading Bilateral Contract Market (CTBCM):** The Hub-base plant and Narowal Energy Limited (NEL) were included in the agreement signed with the government in 2020. Implementation of CTBCM could result in change of agreement from take or pay to take and pay, hence negatively impacting the profitability of the company.

**Exhibit: Key financial highlights**

PKR mn	FY23a	FY24e	FY25f	FY26f	FY27f		Unit	FY23a	FY24e	FY25f	FY26f	FY27f
Income Statement Items (PKR mn)						Per Share						
Revenue	114,263	124,295	112,834	114,426	116,008	Earnings	PKR	44.4	51.6	54.3	56.8	57.9
Cost of Sales	61,485	58,273	52,044	54,696	56,773	Dividend	PKR	30.0	15.5	24.3	29.3	26.5
Gross Profit	52,778	66,022	62,990	59,730	59,235	Book Value	PKR	121.8	162.4	196.8	229.3	266.2
Other Expenses	79	359	566	566	566							
Other Income	4,095	2,142	578	578	578	Valuation						
Finance Cost	19,323	26,924	20,534	12,528	10,931	P/E	x	3.3	2.8	2.7	2.6	2.5
PBT	70,418	85,475	86,369	90,379	93,418	Dividend Yield	%	20.4	10.6	16.5	19.9	18.1
PAT	57,554	66,891	70,422	73,704	75,085	P/B (x)	x	1.2	0.9	0.7	0.6	0.6
Balance Sheet Items (PKR mn)						Payout Ratio	%	67.6	30.1	44.7	51.5	45.8
Paid-up Capital	12,972	12,972	12,972	12,972	12,972	RoE	%	40.6	36.3	30.2	26.7	23.4
Total Equity	158,036	210,699	255,325	297,435	345,312	RoA	%	16.0	16.1	16.4	16.5	15.6
Current Liabilities	123,604	103,492	78,122	71,483	81,038	D/E	x	1.57	1.01	0.71	0.55	0.46
Non-Current Liabilities	123,925	109,135	102,331	90,681	77,430	Margins						
Current Assets	145,730	134,626	127,369	131,055	154,737	G.P Margin	%	46.2	53.1	55.8	52.2	51.1
Non-Current Assets	259,835	288,701	308,409	328,544	349,043	EBITDA Margin	%	52.5	58.9	61.4	57.7	56.5
Total Assets	405,566	423,327	435,778	459,599	503,780	N.P Margin	%	50.4	53.8	62.4	64.4	64.7
Source (s): Company Financials, AHL Research												

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun'25 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -15% and +15% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -15% from last closing of market price(s)

\* Upside for Power Generation Companies is upside plus dividend yield.

## Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- **Discounted Cash Flow (DCF)**
- **Dividend Discounted Model (DDM)**
- **Sum of the Parts (SoTP)**
- **Justified Price to Book (JPTB)**
- **Reserved Base Valuation (RBV)**

## Risks

The following risks may potentially impact our valuations of subject security (ies);

- **Market risk**
- **Interest Rate Risk**
- **Exchange Rate (Currency) Risk**

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In order to avoid any conflict of interest, we hereby disclosed that;

Arif Habib Limited (AHL) has a shareholding in HUBC.