

# AHL Brief Note: Power

## The Hub Power Company Limited

### Corporate Briefing Takeaways

#### Management Conference Call

The management of HUBC held a corporate briefing session on 29th Aug'24 to discuss the financial performance during FY24 and future outlook.

#### Brief Takeaways

- To recall during FY24 consolidated earnings arrived at PKR 70,018mn (EPS: PKR 54.0), up by 22% YoY compared to PKR 57,554mn (EPS: PKR 44.4) during FY23, primarily due to profitability from TEL and TNPTL in tandem with PKR devaluation against the greenback. Also, HUBC announced a cash dividend of PKR 8.5/share (FY24:PKR 20/share).
- CPHGC disbursed its second dividend of USD 80mn in May'24. HUBC received its share of USD 38mn, taking total dividend received from CPHGC to USD 69mn for FY24.
- HUBC's Thar coal-based power plant TEL and TNPTL completed its first full year of operations. Furthermore, Thar plants remained significantly better than minimum required by PPA.
- Furthermore, negotiations are currently in progress to increase HUBC's stake in Sindh Engro Coal Mining Company (SECMC) through a share purchase agreement. Moreover, SECMC phase III is expected to be completed by the end of 2025.
- HUBC's effective tax rate rose to 16.3% in FY24 on consolidated basis, primarily due to tax charged on income from deposits.
- HUBC, via its wholly owned subsidiary HPHL, has set up Mega Motor Company (Private) Limited (MMCL) as a 100% owned entity. MMCL has signed a distributorship agreement with BYD to introduce new energy vehicles (NEVs) in Pakistan.
- MMCL is planning to establish an assembly plant in Karachi and is currently in negotiations with BYD for technical agreement. At present, the company is in the process of finalizing the plant's size.
- The company said that they are planning to develop EV charging infrastructure across the city and motorways, with discussions underway with leading OMCs.
- The company reported that overdue receivables for HUBC's base plant amounts to PKR 53bn, while those for Narowal, Laraib, and CPHGC stand at approximately PKR 10bn, PKR 5bn, and PKR 72bn, respectively. Additionally, overdue receivables for TEL and TNPTL are at PKR 6.5bn. Furthermore, the company noted that these overdue receivables have remained stable compared to SPLY as timely payments were made.

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- Payments to PSO will only be made once HUBC receives overdue amounts from CPPA.
- The company plans to explore and develop minerals in Pakistan through a joint venture agreement with Ark Metals (Private) Limited.
- The company may acquire loans or reduce dividends for financing of BYD plant and Ark Metals projects if needed.
- The company stated that a battery revolution is underway, especially in the solar sector, and they are in talks with battery manufacturers in China and other locations to explore potential opportunities.
- The company is in plans to renew its MoU with KEL, for conversion of its base plant to Thar coal-based plants.
- HUBC, through its wholly owned subsidiary HPHL, has been prequalified for KEL's 200MW wind/solar hybrid project. Additionally, HPHL has been prequalified for the Sindh Solar Energy Project (SSEP), with capacities of 150MW and 120MW for power off-take by KE. HUBCO is actively participating in bid submissions for these renewable energy projects.

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