

Power Generation: The Hub Power Company Limited

Management Meeting Takeaways

Management Meeting Call

REP-300

Arif Habib Limited held a meeting with HUBC management yesterday to discuss the company's current operations and future business plans. The key discussion points were as follows:

CPEC IPP's LPS waiver:

- On the LPS waiver issue, the management stated that they were not aware of any progress during the recent G2G meeting between the governments of China and Pakistan.
- The management believes that an LPS waiver would depend on the outcome of future G2G discussions.

CPHGC true-up:

- The company is already recognizing a contract liability based on its assumed tariff, which differs from NEPRA's approved tariff.
- In the event of a downward tariff revision, the company plans to approach the NEPRA tribunal to obtain a stay order.
- If the decision goes against the company, the adjustment will be recorded as a credit note against trade debts.

TEL/TN Dividends:

- No true-up requirement is expected before the PCD.
- Management anticipates the PCD to materialize during the current quarter.
- The annual dividend may exceed the yearly ROE, supported by accumulated cash reserves.
- TEL can distribute dividends twice a year (May and November).
- CPHGC, however, can only declare dividends once a year (May), as per the historic payouts as well.

NEL fuel/O&M savings:

- NEPRA will review performance over a five-year period, and if there is a surplus in fuel or O&M savings, 50% of the amount will be shared with CPPA-G.

BYD:

- The CKD plant is expected to become operational by 4QFY26.
- To date, a capex of USD 10mn has been incurred, with the majority expected over the next 4–5 months upon LC opening for the EPC contract.
- The company has drawn USD 90mn in debt, while the USD 30mn equity requirement will be comfortably managed internally.
- The response to the Shark model has been very encouraging.

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- Sales tax on EV CKD/CBU units stands at 1%.

Electric Vehicle Charging Stations (EVCS):

- Initial EVCS capex will primarily focus on ensuring safety for EV owners.
- EVCS will be jointly owned and managed by OMCs and HUBC Green, with profits shared equally (50:50).
- The company anticipates low utilization levels in the initial years, with gradual improvement over time.
- Total estimated capex stands at around PKR 400mn.
- The focus is on establishing EV charging stations for long-distance travel, with chargers planned at 100 km intervals along highways and motorways.

PRIME:

- Recovery for PRIME has improved notably, supported by recent gas price hikes, stable oil prices, and a steady currency.

SECMC:

- As per HUBC's previous AGM notice, the company invested PKR 5.4bn (PKR 4.16/share) to acquire an additional 9.5% stake in SECMC from HBL, increasing its total shareholding to 17.5%.
- The transaction was pending regulatory approvals but has stalled following non-completion of ENGRO's deal.
- SECMC's financial close for Phase 3 is expected by end-CY25, with COD targeted for the following year.

HUBC base plant:

- The company had issued an RFP for two units; however, the plan has been shelved due to increased competition from other GENCOs, leading to lower scrap prices and demand.
- The remaining two units are earmarked for coal conversion to supply power to KE, though the process is expected to take time.
- The plants are valued above their book value.
- The land associated with the project can only be utilized for industrial purposes.

HUBC base plant land :

- HPHL is also evaluating investment in greenfield new energy projects. In addition, the company has also signed a Memorandum of Understanding (MOU) with PSO to explore the potential of developing a Single Point Mooring (SPM) system and an oil terminal at Hub, Balochistan.
- This will apply exclusively to white oil products, intended for supply to the northern regions.

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