



Hub Power in perspective... CPHGC remains a mainstay...

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Hub Power: Key developments to keep the company afloat...

- ❑ Enterprise Value: PKR 213/sh
- ❑ EV-EBITDA: 3.67x
- ❑ Dividend Yield (D/Y): 7.05%



Hub Power: Key developments to keep the company afloat...

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HUB Power (HUBC) is currently the largest Independent Power Producer (IPP) by its key holding i.e. 47.5% in China Power Hub Generation (CPHGC). At present, HUBC is operating as a diversified portfolio of renewable power plants, supplying electricity to the national grid under long-term Power Purchase Agreements (PPAs). The company's core assets include the Hub Plant (1,292 MW), where an old PPA has been terminated. Also, Narowal Plant (225 MW), where HUBC may operate on a 'Take on Pay basis'. However, now HUBC's mainstay is the investments in subsidiaries and associates such as CPHGC and to a small degree, from Laraib Energy, which is a 75MW hydropower plant.

Reorienting business model – finance cost decreasing

HUBC earns revenue primarily through capacity and energy payments under government-backed agreements. The structure of the company to benefit from a stable cash flow stream has changed since it has agreed on a base plant termination* and also a 'Take on Pay basis'** arrangement from the Narowal plant. Now HUBC is only exposed to challenges such as circular debt arising from CPHGC & also a volatility in international coal price, viz. Richard Bay Coal.

Our thrust of coverage in HUBC is mainly due to the reduction of financial debt in the balance sheet. The total chunk of debt is reduced from PKR 135.5 bn to PKR 88.4bn, which is a major development in HUBC books at a time when investors are looking at some other developments, such as investments in Electric Vehicle (EV) and also battery pack smelting plant. The HUBC has PKR 17.9bn free cash. Moreover, the major chunk finance cost will decrease in the following quarters.

HUBC has invested in Sindh Engro Thar Coal Mining (SECMEC), and the total cash outlay up till now is PKR 4.75bn.

HUBC Valuation...EV: PKR 213.17/sh | annual cash yield 7% | EVEBITDA 3.7x

HUBC is yielding a FY25 P/E of 3.94x – 3.99x. HUBC is also delineating a Dividend Yield of 7% by virtue of our final dividend forecast of PKR 5/sh (HUBC has already passed on an interim cash dividend of PKR 5/sh). We see HUBC yields an enterprise value of PKR 213.17/sh. HUBC entails EVEBITDA of 3.7x at the current price.

HUBC Snapshot

Price (PKR/sh)	141
Mkt Cap (PKR)	182.90 bn
Avg Vol (12m)	8,592,886
Pal-d-up (PKR)	12.97 bn
Beta	1.1
Par Value (PKR)	10
52 weeks low	93
52 weeks high	169.9
Exp PE (x)	3.94 - 3.99
Exp D/Y (%)	7.09%
P/B (x)	0.83

Source: SCS Research

HUBC: Valuation

Enterprise Value (PKR)	276.52bn
EV/EBITDA (x)	3.67
Enterprise Value /sh (PKR)	213.17
Book Value/sh (PKR)	169.03
Market Cap (PKR)	182.90bn
Market Cap (\$)	648.58mn

Source: SCS Research

 *<https://www.brecorder.com/news/40326440>

 **<https://www.brecorder.com/news/40351405>

HUBC Smelting Plant battery Pack...

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...lithium-ion battery plant??

HUBC is expanding its business into lithium mining, battery manufacturing, and Electric Vehicles production sectors as per media reports. This move reflects a strategic shift to diversify beyond traditional power generation and tap into the growing global demand for clean energy technologies.

HUBC is conducting exploration activities to assess lithium reserves within Pakistan, with a reserves report expected within 12 to 18 months. If commercially viable, these reserves could provide a domestic source of lithium*, a critical raw material for lithium-ion batteries.

Concurrently, HUBC plans to establish a lithium-ion battery manufacturing plant aimed at producing battery packs for EVs and consumer electronics, aligning its timeline with the mining project.

Electric Vehicles Manufacturing...Earlier impact on EPS based on a rudimentary approach

The company is also developing an EV manufacturing facility. The capacity is stated to be 50k **vehicles, which is also targeted towards the export market. There is talk of various EV models to be unleashed in 2026 and beyond.

Earlier, we have did a sensitivity analysis on 10k sales of BYD vehicles, which had giving a rudimentary impact on EPS of PKR 5/sh based on HUBC stakes in Mega Motors.

Whilst we sense that there could be an integrated approach from mining to battery production to vehicle assembly. We see this as a positive omen for future cash flows.



* <https://profit.pakistantoday.com.pk/2024/09/30/hubco-ventures-into-lithium-mining-and-battery-manufacturing/>

** <https://www.brecorder.com/news/40324754/pakistans-hubco-plans-to-enter-lithium-mining-battery-manufacturing>

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HUBC financial charges decreasing...

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- HUBC holds 47.5% stake in CPHGC. We see that majority of the revenue is derive from *Income from associate* i.e 82.5%.
- HUBC revenue has decreased with the termination of the base plant and also a new arrangement on the Narowal plant. The consol. 9MFY25 revenue declined by 32% to PKR. 64.6 bn from PKR. 95.4bn given our assertion on the termination of Hub power plant, and the key contributor under the revenue segment is Thar Energy Limited (TEL). 57.5% payment derives from CPP's payment. If it is excluded from the books, then the revenue would be around Rs: 27.45 bn..
- Fuel cost takes 57% of Cost of revenue from PKR: 33.1 bn.
- The gross profit declined by 37% in 9MFY25. As per books, Laraib and TEL plants were the main profit contributors. The Hub plant is currently shut down and reported a net loss in 3QFY25.
- We see the finance cost reduced significantly due to improvement in debt management as total debt is decreased from PKR 135.542 bn to PKR 88.415bn in 9MFY25.
- HUBC reported an effective tax rate of 20.1% in 3QFY25 compared to 16.3% in the SPLY.

Rs mn	9MFY25	FY24	% Change
Long term loans	71,008.3	88,940.9	-20.2%
Long term lease liability	135.3	154.3	-12.3%
Short term borrowing	10,707.2	29,366.0	-63.5%
Current maturity of long term loans	6,513.4	16,168.0	-59.7%
Current maturity of long term lease	51.2	913.6	-94.4%
Total Debt	88,415.4	135,542.7	-34.8%

HUBC Holdings

Subsidiaries	Holding
Laraib Energy Limited (LEL)	75.0%
Hub Power Holdings Limited (HPhL)	100.0%
Narowal Energy Limited (NEL)	100.0%
Thar Energy Limited (TEL)	60.0%

Associates

China Power Hub Generation (CPHG)	47.5%
Thal Nova Power Thar (TNPTHL)	38.3%

Joint Ventures

Prime International Oil & Gas Company	50.0%
Mega Motor Company (Private) Limited	50.0%

Source: SCS Research

Debt to Equity Ratio is showing a decreasing trend

Rs mn	9MFY25	FY24	% Change
Share Holder Equity	230,051.1	209,972.5	9.6%
Total Debt	88,415.4	135,542.7	-34.8%
Debt/Equity	38.4%	64.6%	-40.5%

HUBC financials...

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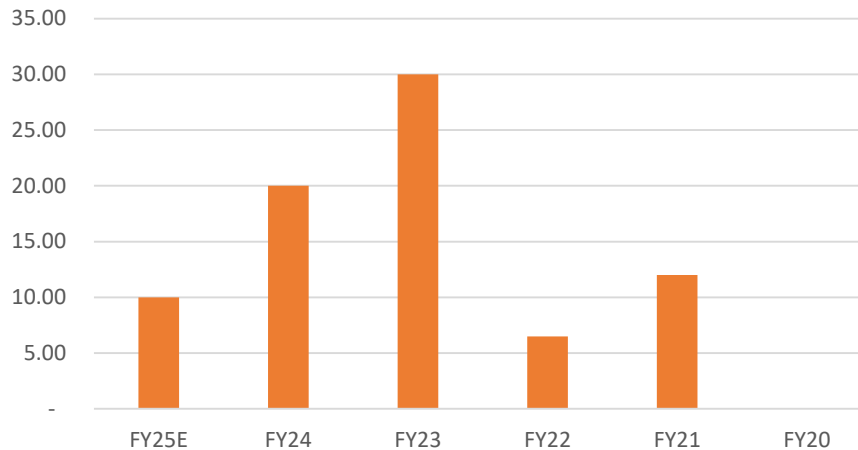
Rs mn	3QFY25	3QFY24	% Change	9MFY25	9MFY24	% Change
Revenue	17,060	31,791	-46.3%	64,596	95,434	-32.3%
Cost of Revenue	10,081	15,401	-34.5%	33,189	45,556	-27.1%
G.P	6,979	16,390	-57.4%	31,407	49,878	-37.0%
Admn Exp	275	574	-52.1%	1,313	1,612	-18.6%
EBIT	6,704	15,816	-57.6%	30,094	48,266	-37.6%
OPEX	11.8	27	-56.5%	3,605	301	1098.3%
Operating Profit	6,715	15,789	-57.5%	26,490	47,965	-44.8%
Other Income	1,616	778	107.7%	3,949	1,959	101.5%
Finance Cost	2,895	6,597	-56.1%	12,453	20,643	-39.7%
Share of Profit from associates	10,195	12,104	-15.8%	30,357	34,703	-12.5%
PBT	15,630	22,074	-29.2%	48,343	63,985	-24.4%
Taxation	2,938	3,605	-18.5%	9,369	10,015	-6.4%
Loss from discounted operations	210	-		824	-	
PAT	12,482	18,468	-32.4%	38,150	53,970	-29.3%
EPS	9.62	14.24	-32.4%	29.41	41.61	-29.3%
DPS	-	2.75		5.00	11.50	-56.5%
Ordinary number of shares	1297.2	1297.2	1297.2	1297.2	1297.2	

Source: SCS Research

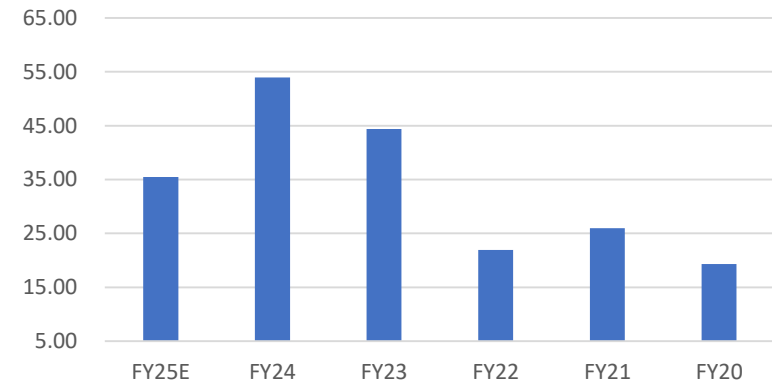
HUBC EPS, DPS & payout hinges on new dynamics

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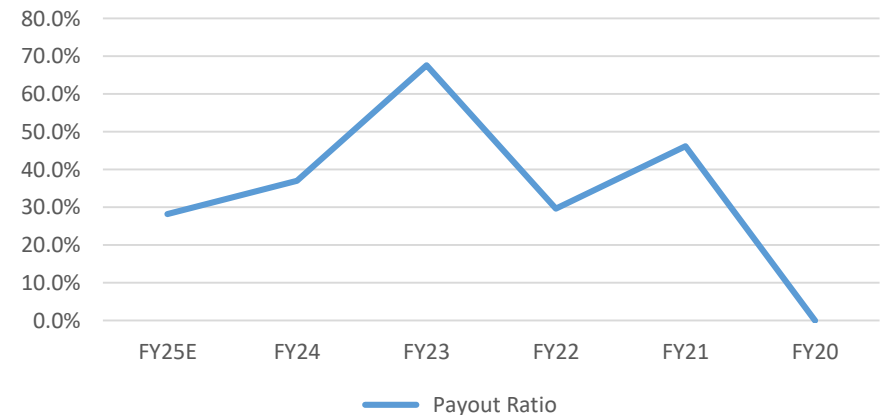
DPS



EPS



Payout Ratio



	FY25E	FY24	FY23	FY22	FY21	FY20
EPS	35.50	53.98	44.37	21.95	25.97	19.31
DPS	10.00	20.00	30.00	6.50	12.00	-
Payout Ratio	28.2%	37.1%	67.6%	29.6%	46.2%	0.0%

Source: SCS Research

HUBC Key developments

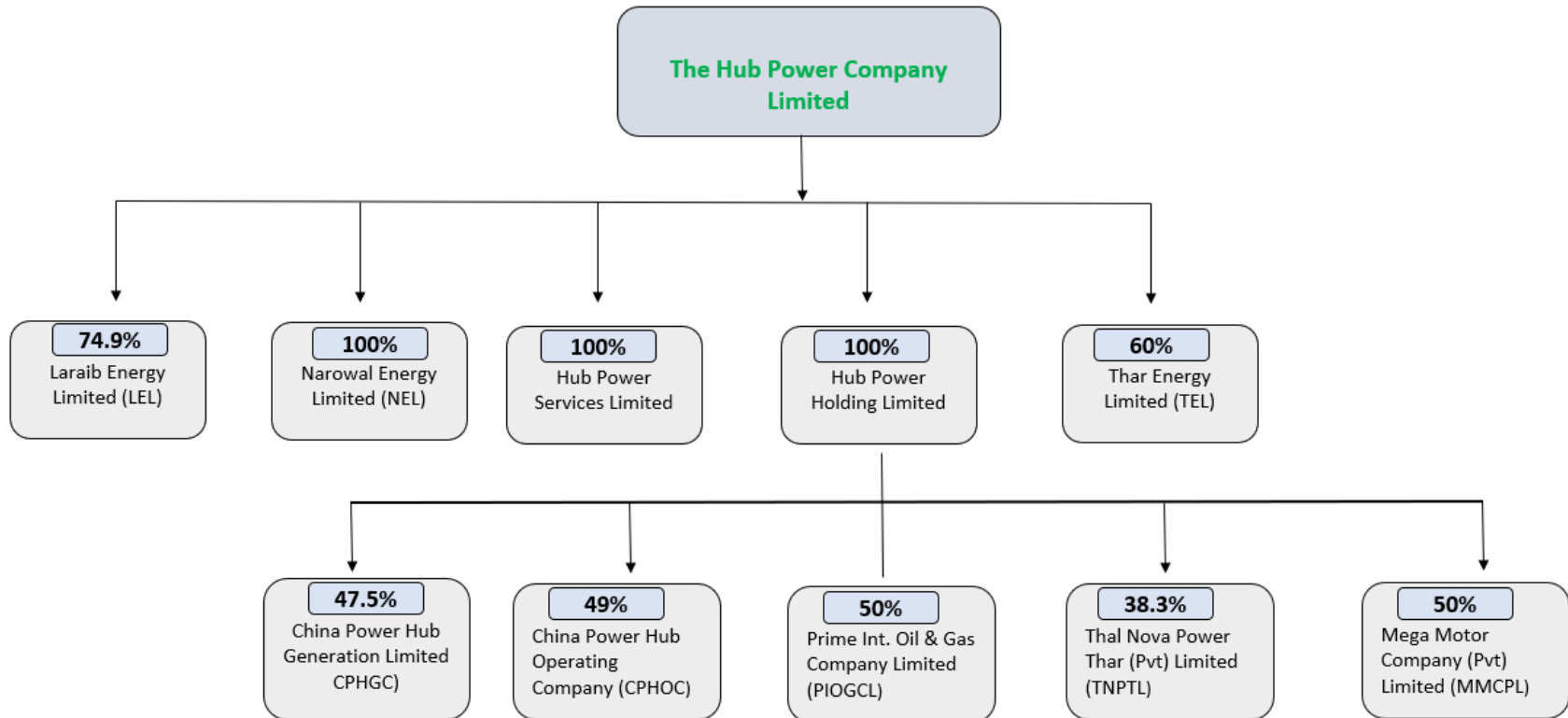
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Recent Developments in HUBC to keep matters afloat...

- **Hub Base Plant:** HUBC entered into a Negotiated Settlement Agreement (NSA) for early termination of all agreements related to its base Hub Plant, effective October 1, 2024. The plant is currently shut down, and management is evaluating alternate business plans. This was a main plant mainly used to contribute to HUBC's CPP payment.
- **Narowal Plant:** In February 2025, NEL also executed an Amendment Agreement with the Government of Pakistan and CPPA(G), revising indexation and tariff components. In March 2025, NEL received Rs. 8.86 bn in outstanding receivables as per the new agreement.
- **Mega Motor Company (MMCPL):** HPHL diluted its equity investment in MMCPL, following which Mega Motor acquired a 50% equity interest in February 2025. The company, which is part of Hub Power Holding company was liable to assemble BYD EV cars & SUVs.
- **Ark Metals (AMPL):** In a recent notice to PSX, HUBC is stated to have a acquired 50.4% stake in November 2024 in AMPL. We expect this company may also take part in Natural Resources (NRL), which is excavating minerals from Chaghi Balochistan.
- **Hubco Green (HGPL):** Also, we see HUBC is continuously giving notices at PSX to build EV charging stations at PSO pumps. This is a new area that is aligned with HUBC's new investments in Mega Motors (MM) to produce BYD cars, which could become Pakistan's leading car selling brand in the following years. The company was incorporated in November 2024 to enter into an electric vehicle charging market.

HUBC Group Structure: Hub Power Holding owns 50% stakes in Mega

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Source: As per 9MFY25 books, Legal Status

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- (Target Price, if any/Current Price - 1) < 10% Hold
- (Target Price, if any/Current Price - 1) < -10% Negative

The time duration is the financial reporting period of Subject Company

Valuation method

Following research techniques adopted to calculate target price/recommendation

- Price to earnings & Price to Book, EV-EBITDA multiple
- Discounted Cash flows or Dividend Discount Model or Enterprise Value