



## Today's Daily

### ■ HUBC: 1HFY18 Result Preview

HUBC is scheduled to announce its 1HFY18 result on Monday, Feb 19'18 where we anticipate the company to announce an NPAT of PkR4.81bn (EPS: PkR4.16), down 6.6%YoY. Gross margins are expected to drop by 1.7ppts due to surprisingly higher load factor of the (inefficient) base plant at 71% (vs. 67.2% in 1HFY17). Further, we believe mandatory maintenance of 1 Narowal engine only will reduce repair & maintenance costs by ~16%YoY. On the other hand, finance cost is projected to rise by 3.5%YoY due to increment in short term borrowing. Along with the result, the company is expected to announce an interim dividend of PkR1.5/sh in-line with its payout policy.

### ■ KAPCO: 1HFY18 Result Preview

KAPCO will release its 1HFY18 result on Feb 23'18 where its bottom-line is expected to escalate 5.5%YoY to PkR4.40bn (EPS: PkR5.00). Improved gross profit is expected to be a function of higher load factor at 58% vs 48.5% in 1HFY17. Other income is anticipated to go up by 27.6%YoY to PkR2.9bn due to piling overdue receivables while rising fuel resulting in higher short term borrowing will lift up finance cost by 71%YoY. The company is expected to declare an interim dividend of PkR4.5/sh.

#### KSE100 - Index

Current	42,942.35
Previous	43,353.04
Chg.	-0.95%

#### Mkt Cap. (PkRbn/US\$bn)

Current	8,919 / 80.69
Previous	9,006 / 81.48
Chg.	-0.97%

#### Daily Turnover (mn)

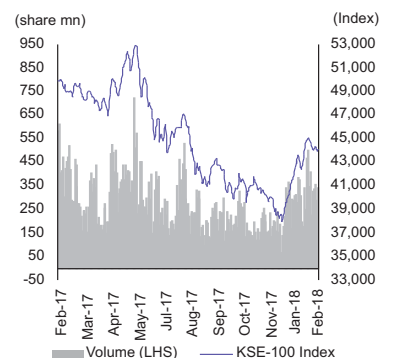
Current	219.48
Previous	206.99
Chg.	6.0%

#### Value Traded (PkRmn/US\$mn)

Current	7,655 / 69.25
Previous	7,777 / 70.35
Chg.	-1.6%

## News and Views

- Foreign exchange reserves declined by US\$215mn recording at US\$18.968bn during the week ended Feb 9, whereas the SBP's reserves fell to US\$12.834bn (down by US\$227mn) during the period due to external debt servicing and other official payments.
- During 7MFY18, FDI dropped 3% YoY standing at US\$1.453bn vs US\$1.532bn for 7MFY17. Country wise, the Chinese investments surpassed recording at US\$1.00bn (67.4% of the total FDI). On the other hand, Power sector captured the lion's share of foreign investment worth US\$542mn with majority routed towards coal power plants.
- The Senate Standing Committee on Energy approved the Regulation of Generation, Transmission and Distribution of Electric Power Bill 2017, better known as NEPRA Amendment. The bill proposes the establishment of a Technical Appellate Tribunal with powers to challenge Nepra's decisions, previously only possible in a high court.



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## HUBC & KAPCO: 1HFY18 Result Preview

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**HUBC 1HFY18 result:** HUBC is scheduled to announce its 1HFY18 result on Monday, Feb 19'18 where we anticipate the company to announce an NPAT of PkR4.81bn (EPS: PkR4.16), down 6.6%YoY. Gross margins are expected to drop by 1.7ppts due to higher load factor of the (relatively inefficient) base plant at 71% (vs. 67.2% in 1HFY17) - significantly shooting up (>80%) in December as we believe GoP operated FO plants to consume

### HUBC: Income Statement

(PkrMn)	1HFY18F	1HFY17	YoY	2QFY18F	2QFY17	YoY	1QFY18	QoQ
Turnover - net	54,748	48,227	13.5%	27,408	24,353	12.5%	27,340	0.2%
Operating Costs	44,516	38,197	16.5%	22,318	19,329	15.5%	22,198	0.5%
Gross Profit	8,350	8,167	2.2%	4,172	4,106	1.6%	4,178	-0.1%
SG&A expenses	886	640	38.4%	448	290	54.8%	438	2.5%
Other income	75	115	-34.6%	42	78	-46.9%	33	24.6%
Operating Profit	7,497	7,641	-1.9%	3,765	3,894	-3.3%	3,732	0.9%
Share of profit from associate (105)	(99)	(99)	6.4%	(61)	(56)	8.9%	(45)	36.0%
Financing cost	2,133	2,062	3.5%	1,116	1,054	5.8%	1,017	9.7%
NPBT	5,259	5,480	-4.0%	2,588	2,784	-7.0%	2,670	-3.1%
Taxation	243	110	121.5%	121	66	84.2%	122	-0.8%
NPAT	5,015	5,370	-6.6%	2,467	2,718	-9.2%	2,548	-3.2%
Attributable to Owners of Holding Company	4,813	5,154	-6.6%	2,368	2,609	-9.2%	2,445	-3.2%
Attributable to non-controlling interests	202	216	-6.6%	99	110	-9.2%	103	-3.2%
EPS (Pkr)	4.16	4.45	-	2.05	2.25	-	2.11	-
DPS (Pkr)	3.00	3.00	-	1.50	1.50	-	1.50	-

Source: Co. Report & AKD Research



excess stock imported by PSO earlier. Further, we believe 36,000 hours' running maintenance of only 1 Narowal engine took place in the outgoing quarter (out of the remaining 3 engines at the end of FY17) reducing repair & maintenance costs by ~16%YoY. On the other hand, we expect admin expenses and finance costs to jump by 38%YoY and 3.5%YoY due to increment in short term borrowing. Along with the result, the company is expected to announce an interim dividend of PkR1.5/sh in-line with its policy. On a sequential basis, earnings are anticipated to slip by a meagre 3.2% to PkR2.37bn (EPS: PkR2.05) largely due to rise in finance costs while higher fuel cost is expected to be compensated by lower repair & maintenance costs along with generation bonus too.

**KAPCO 1HFY18 result:** KAPCO will release its 1HFY18 result on Feb 23'18 where its bottom-line is expected to rise 5.5%YoY to PkR4.40bn (EPS: PkR5.00). Gross profit is expected to rise on account of higher load factor at 58% vs 48.5% in 1HFY17. Other income is anticipated to go up by 27.6%YoY to PkR2.9bn due to piling overdue receivables while heavy short term borrowing (due to peaking fuel prices) are expected to lift up finance cost by 71%YoY. The company is expected to declare an interim dividend of PkR4.5/sh. Earnings are expected to scale up by 1.8%QoQ to PkR2.22bn (EPS: PkR2.52) aided by higher gross profits. Gross margins are expected to be recorded at 18.6% (up 2.6ppts on quarterly basis) attributable to higher RLNG proportion in the generation mix (41% in 2QFY18 as opposed to 20% in 1QFY18) leading to improved efficiency. On the other hand, a 10%QoQ uptick in finance cost is likely to restrict earnings, in our view.

#### KAPCO: Income Statement

(Pkrmn)	1HFY18F	1HFY17	YoY	2QFY18F	2QFY17	YoY	1QFY18	QoQ
Sales	40,595	32,916	23.3%	19,024	15,191	25.2%	21,571	-11.8%
Cost of Sales	33,596	26,958	24.6%	15,469	12,571	23.1%	18,127	-14.7%
Gross Profit	6,999	5,959	17.5%	3,556	2,620	35.7%	3,443	3.3%
Administrative Expenses	246	217	13.1%	118	115	3.0%	128	-7.2%
Other Operating Income	2,937	2,303	27.6%	1,539	1,225	25.6%	1,399	10.0%
Operating Profit	9,690	8,044	20.5%	4,976	3,730	33.4%	4,714	5.5%
Finance Cost	3,356	1,964	70.9%	1,758	1,008	74.4%	1,598	10.0%
NPBT	6,334	6,081	4.2%	3,218	2,722	18.2%	3,116	3.3%
Taxation	1,933	1,909	1.2%	997	869	14.8%	935	6.7%
NPAT	4,401	4,172	5.5%	2,220	1,853	19.8%	2,181	1.8%
EPS (PKR)	5.00	4.74	-	2.52	2.11	-	2.48	-
DPS (PKR)	4.5	4.3	-	4.5	4.3	-	-	-

Source: Co. Report & AKD Research



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