

# Power Generation

**NEUTRAL**

## Profits to Drop Sharply Y/Y in 3QFY25

**14 April 2025**

- **Sector earnings to drop sharply Y/Y.** Optimus Power earnings are projected at PKR 11 BN in 3QFY25, down 54% Y/Y due to contract terminations and amendments, but up Q/Q on IPPs provisioning for LPS and excess profits during the last quarter.
- **Major power sector reforms ongoing.** With power tariffs reaching unsustainable levels, the GOP introduced major sector reforms, including contract terminations and amendments. These measures, among others, have helped lower tariffs, providing much-needed relief for industry, consumers, and future power demand. But key power sector reforms remain unaddressed. Public sector plants and CPEC IPPs drive most costs and remain unreformed. While generation saw strong investments, transmission constraints, RLNG contracts, poor planning, and DISCO inefficiencies stay unresolved.
- **Continued declining trend in generation Y/Y.** Power generation fell by 2.2% Y/Y, in first two months of 3QFY25, mainly due to increased solarization and high power tariffs. Furthermore, our assumptions exclude any generation through FO in Mar-25.
- **Dividend payout.** In the Optimus power universe, HUBC, NPL and NCPL are expected to announce a dividend this quarter.
- **Sector outlook.** Most IPPs within the Optimus power universe are among the 18 IPPs that have been taken to a 'take and pay' model. This is expected to lead to notable reduction in valuations, earnings, and dividends. HUBC's earnings and dividends are now dependent on its investments, particularly in CPEC IPPs, with dividends anticipated from TEL/TNPTL by FY26.

Y/E: Jun	3QFY25E	FY25E	FY26E	
PKR/sh		EPS		FV
NPL	1.00	(5.67)	5.43	42
NCPL	0.62	(8.82)	4.20	35
KAPCO	0.48	3.16	1.24	45
HUBC (Consol.)	7.28	33.67	28.73	135
PKR/sh		DPS		DY%
NPL	2.00	6.00	6.00	16%
NCPL	2.00	7.00	4.00	26%
KAPCO	-	8.50	7.00	26%
HUBC	3.50	11.50	15.00	8%
Y/E: Dec	1QCY25E	CY25E	CY26E	
PKR/sh		EPS		FV
EPQL	0.30	2.21	2.19	28
SPWL	0.18	3.25	3.29	16
PKR/sh		DPS		DY%
EPQL	-	5.50	5.50	18%
SPWL	-	2.00	2.00	16%

Source: Optimus Research

\*DY on FY25E/CY25E DPS

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# Optimus Universe Estimates

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PKR MN	Mar-25E	Dec-24	Sep-24	Jun-24	Mar-24	Q/Q	Y/Y	9MFY25E	9MFY24	Y/Y
<b>Turnover</b>	<b>22,773</b>	<b>21,785</b>	<b>46,618</b>	<b>51,602</b>	<b>47,163</b>	<b>5%</b>	<b>-52%</b>	<b>91,176</b>	<b>143,187</b>	<b>-36%</b>
Operating Costs	16,179	14,227	24,209	29,599	27,332	14%	-41%	54,615	85,025	-36%
<b>Gross Profit</b>	<b>6,594</b>	<b>7,558</b>	<b>22,409</b>	<b>22,003</b>	<b>19,830</b>	<b>-13%</b>	<b>-67%</b>	<b>36,560</b>	<b>58,162</b>	<b>-37%</b>
General and Admin Expenses	1,047	1,653	1,293	1,293	1,136	-37%	-8%	3,993	3,256	<b>23%</b>
<b>Operating Profit</b>	<b>5,547</b>	<b>5,905</b>	<b>21,115</b>	<b>20,711</b>	<b>18,694</b>	<b>-6%</b>	<b>-70%</b>	<b>32,567</b>	<b>54,906</b>	<b>-41%</b>
Finance Costs	2,798	5,020	5,549	6,690	7,275	-44%	-62%	13,367	23,450	<b>-43%</b>
Other Income	3,209	3,933	4,600	5,271	5,011	-18%	-36%	11,742	16,125	-27%
Other Operating Expenses	75	4,373	312	2,170	161	-98%	-53%	4,761	784	507%
Share of Associates' Profit	9,830	9,824	10,338	14,657	12,104	0%	-19%	29,992	34,703	-14%
Provisioning for LPS and excess profits	-	11,739	-	-	-	n.m	n.m	11,739	-	n.m
<b>Profit Before Tax</b>	<b>15,713</b>	<b>(1,470)</b>	<b>30,191</b>	<b>31,778</b>	<b>28,373</b>	<b>n.m</b>	<b>-45%</b>	<b>44,435</b>	<b>81,500</b>	<b>-45%</b>
Taxation	3,280	3,053	3,522	5,070	3,972	7%	-17%	9,855	12,735	-23%
Profit for the Year	12,433	(4,523)	26,669	26,708	24,402	n.m	-49%	34,579	68,765	-50%
Profit to Minority Interest	1,813	1,266	1,184	856	1,282	43%	41%	4,263	4,423	-4%
<b>Profit to the Company Shareholders</b>	<b>10,620</b>	<b>(5,789)</b>	<b>25,485</b>	<b>25,852</b>	<b>23,120</b>	<b>n.m</b>	<b>-54%</b>	<b>30,316</b>	<b>64,342</b>	<b>-53%</b>
<b>Dividend Declared</b>	<b>6,732</b>	<b>10,311</b>	<b>5,076</b>	<b>17,643</b>	<b>4,800</b>			<b>22,119</b>	<b>25,143</b>	<b>-12%</b>
<b>Dividend Payout</b>	<b>63%</b>	<b>n.m</b>	<b>20%</b>	<b>68%</b>	<b>21%</b>			<b>73%</b>	<b>39%</b>	<b>87%</b>

Source: Company Accounts, Optimus Research

## Pre-1994 Policy IPPs

- **HUBC EPS to arrive at PKR 7.28, dividend expected at PKR 3.50/sh.** We expect HUBC earnings for 3QFY25 to arrive at PKR 7.28/sh (+124% Q/Q / -45% Y/Y).
  - We expect a PKR 3.50/sh payout for 3QFY25, driven by PKR 9.2 BN dividend income from CPHGC. The projected capex for BYD stands at USD 150–170 MN, with HUBC holding a 50% stake. The company currently maintains cash reserve of PKR 15.7 BN. While some outstanding loans related to CPEC project investments (PKR 9.1 BN) remain to be repaid, anticipated recoverable amount from NEL (PKR 9.7 BN) and LEL suggest that HUBC can fund the capex internally. Going forward, dividend payouts will largely hinge on investments, particularly CPHGC.
  - Y/Y decrease is due to absence of base plant's contribution, tariff reduction for NEL, and lower contribution from share of associates' profit. Finance costs will continue to decrease sequentially as HUBC has continued to repay loans obtained for investments in CPEC projects and cut in interest rates.
  - CPHGC is expected to be utilized only 6% in 3QFY25, due to power evacuation constraints from south to north. TEL/TNPTL's utilization for quarter ended Mar-25 is estimated to come in at 47%/49%. Utilization of NEL plant is anticipated to remain lower at 3% in 3QFY25. LEL's utilization is expected to stay stable at 47%.
- **KAPCO EPS to work out at PKR 0.48, no payout anticipated.** KAPCO EPS is expected to arrive at PKR 0.48 (-46% Q/Q) for 3QFY25 solely due to other income from conventional and Islamic mutual funds with different AMCs, as KAPCO's PPA expired in Jun-21. The Q/Q earnings decline is driven by reduced other income due to falling interest rates and overdue trade debts. The company's gross loss is expected to arrive at PKR 534 MN in 3QFY25 with the absence of topline. No payout is anticipated as per their historical payout patterns.

## 2002 Policy IPPs

- **NPL EPS to clock in at PKR 1.00, anticipating a dividend of PKR 2.00/sh.** The Q/Q increase in earnings stems from provisioning for LPS and excess profits recorded in the previous quarter. However, the 77% Y/Y decline is attributable to revised tariffs. Plant utilization for the quarter is expected to be just 5%, down from 21% in 3QFY24, limiting the company's ROE entitlement to 35%. Other income is estimated at PKR 480 MN (PKR 1.24/sh), supported by strong cash reserves. NPL received PKR 9.6 BN (PKR 27/sh) on Mar 28, 2025, with an already maintained strong net cash of PKR 23/sh as of Dec-24. A 3QFY25 dividend of PKR 2.00/sh is expected, backed by agreement clarity and past payout trends.
- **NCPL EPS to clock in at PKR 0.62, anticipating a dividend of PKR 2.00/sh.** The Q/Q rise is driven by LPS and excess profit provisions, while the 84% Y/Y drop reflects tariff revisions. Plant utilization for the quarter is expected to be just 3%, down from 12% in 3QFY24, limiting the company's ROE entitlement to 35%. Other income is estimated at PKR 259 MN (PKR 0.69/sh), supported by strong cash reserves. NCPL received PKR 6.7 BN (PKR 18/sh) on Mar 28, 2025, with an already maintained strong net cash of PKR 11/sh as of Dec-24. A 3QFY25 dividend of PKR 2.00/sh is expected, backed by clarity on the agreement, current cash standing, and sanctioning of change in shareholding.
- **EPQL EPS to arrive at PKR 0.30, featuring no payout.** The Q/Q rise in earnings is due to prior quarter provisioning for LPS, while the 83% Y/Y drop reflects the impact of revised tariffs. Plant utilization for the quarter is expected to be 42%, down from 46% in 1QCY24. EPQL is expected to receive PKR 8 BN (PKR 25/sh) by late April or mid-May. While EPQL may offer bumper payouts, a dividend this quarter is unlikely as inflows are expected next quarter, and its not in line with its historic payouts (last paid a dividend in the first quarter in Mar-15).
- **SPWL EPS to arrive at PKR 0.18, featuring no payout.** The Q/Q earnings increase is driven by prior quarter provisioning for LPS. Plant utilization for the quarter is expected to be 1% in 1QCY25, 0.1% in 1QCY24. SPWL received PKR 6.5 BN (PKR 17/sh) on Apr 03, 2025. While SPWL may offer bumper payouts, a dividend this quarter is unlikely as inflows are expected next quarter, and its not in line with its historic payouts (last paid a dividend in the first quarter in Mar-15).

## Earning & Dividend Expectations

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EPS								
	Mar-25E	Dec-24	Mar-24	Q/Q	Y/Y	9MFY25E	9MFY24	Y/Y
NPL	1.00	(12.47)	4.35	n.m	-77%	(6.80)	10.89	-162%
NCPL	0.62	(14.28)	3.87	n.m	-84%	(9.67)	3.87	-350%
KAPCO	0.48	0.89	1.30	-46%	-63%	2.69	4.07	-34%
HUBC	7.28	3.25	13.25	124%	-45%	25.27	38.20	-34%
	Mar-25E	Dec-24	Mar-24	Q/Q	Y/Y	1QCY25E	1QCY24	Y/Y
SPWL	0.18	(2.18)	0.01	n.m	3233%	0.18	0.01	n.m
EPQL	0.30	(2.27)	1.81	n.m	-83%	0.30	1.81	-83%
DPS								
	Mar-25E	Dec-24	Mar-24	Q/Q	Y/Y	9MFY25E	9MFY24	Y/Y
NPL	2.00	2.00	2.00	0%	0%	6.00	4.50	33%
NCPL	2.00	-	-	n.m	n.m	7.00	0.00	n.m
KOHE	4.00	-	5.00	n.m	-20%	11.00	14.50	-24%
KAPCO	-	4.50	-	-100%	n.m	4.50	4.50	0%
HUBC	3.50	5.00	2.50	-30%	40%	8.50	11.50	-26%
	Mar-25E	Dec-24	Mar-24	Q/Q	Y/Y	1QCY25E	1QCY24	Y/Y
SPWL	-	-	-	n.m	n.m	-	-	n.m
EPQL	-	-	-	n.m	n.m	-	-	n.m

Source: Company Accounts, Optimus Research

# Key Financials

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PKR MN	Mar-25E	Dec-24	Mar-24	Q/Q	Y/Y	9MFY25E	9MFY24	Y/Y
<b>HUBC</b>								
Revenue	15,990	15,498	31,791	3%	-50%	63,526	95,434	-33%
Gross Profit	6,449	6,380	16,390	1%	-61%	30,877	49,878	-38%
Trade Debts	21,959	35,410	104,425	-38%	-79%	21,959	104,425	-79%
<b>KAPCO</b>								
Revenue	-	-	-	n.m	n.m	-	-	n.m
Gross Profit / (Loss)	(534)	(486)	(882)	10%	-39%	(1,997)	(2,805)	-29%
Trade Debts	1,599	1,882	18,213	-15%	-91%	1,599	18,213	-91%
<b>NPL</b>								
Revenue	1,256	788	4,869	59%	-74%	4,775	17,090	-72%
Gross Profit	161	258	1,430	-37%	-89%	1,830	3,643	-50%
Trade Debts	47	8,011	13,941	-99%	-100%	47	13,941	-100%
<b>NCPL</b>								
Revenue	947	706	3,757	34%	-75%	3,731	12,480	-70%
Gross Profit	142	253	1,321	-44%	-89%	1,778	3,969	-55%
Trade Debts	168	6,804	13,643	-98%	-99%	168	13,643	-99%

Source: Company Accounts, Optimus Research

PKR MN	Mar-25E	Dec-24	Mar-24	Q/Q	Y/Y
<b>SPWL</b>					
Revenue	856	1,525	1,064	-44%	-20%
Gross Profit	222	591	461	-62%	-52%
Trade Debts	1,095	7,520	9,062	-85%	-88%
<b>EPQL</b>					
Revenue	2,787	2,841	3,088	9%	0%
Gross Profit	154	302	457	33%	-4%
Trade Debts	1,321	9,295	9,527	0%	-6%

Source: Company Accounts, Optimus Research

## Analyst Certification

The research analyst for this report, Zayan Babar Khan, certifies that: (1) all of the views expressed in this report accurately reflect his personal views about the subject; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this report.

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