

Foundation Alert

HUBC: CPHGC achieved project completion

Event

- China Power Hub Generation Company (Private) Limited, a subsidiary of Hub Power Company (HUBC), has declared "Project complete".

Impact

- China Power Hub Generation Company (CPHGC), in which HUBC holds a 47.5% stake, has been declared "Project Complete" by CPHGC's lenders on Feb 23'23 termed as "Project Completion Date" or PCD.
- The declaration of PCD releases HUBC from its obligation to maintain a US\$150mn standby letter of credit.
- HUBC through its wholly-owned subsidiary, Hub Power Holdings Limited (HPHL) and its Chinese partner, China Power International Holding Limited (CPIH), through its wholly owned subsidiary China Power International (Pakistan) Investment Limited (CPIPL), formed a Joint Venture Company, China Power Hub Generation Company (Private) Limited (CPHGC) in September, 2015.
- The principal activities of CPHGC are to develop, own, operate and maintain a 2x660 MW coal fired power plant along with jetty and ancillary facilities at the Hub Plant site in the province of Balochistan, Pakistan. HPHL owns 47.5% shares in CPHGC of which 1.5% would be transferred to Government of Balochistan, as per the Memorandum of Understanding dated December 23, 2016.
- To highlight, the project successfully achieved its Commercial Operation Date (COD) in August 2019.

Outlook

- Project completion would allow CPHGC to disburse dividend to HUBC, thus improving cash flow position of the company. We have an "Outperform" stance on the scrip with Dec-23 TP of Rs82. However, company dividend paying capacity would remain restricted in the short term due to reduced recoveries of base plant on the back of lower utilization and higher debt maturities.

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.