

# Day Break

Wednesday, 10 October 2018

## COMPANY UPDATE

### Attock Petroleum Limited

Oil & Gas Marketing Companies

<b>Recommendation</b>	<b>BUY</b>
Target Price:	532.6
Last Closing: 9-Oct-18	426.5
Upside:	24.9
Valuation Methodology:	Discounted Cash Flow (DCF)

Time Horizon: Dec-18

### Market Data

Bloomberg Tkr.	APL PA		
Shares (mn)	99.5		
Free Float Shares (mn)	20.7		
Free Float Shares (%)	20.8%		
Market Cap (PKRbn   USDmn)	42.5	344.7	
Exchange	KSE ALL		
<b>Price Info.</b>	90D	06M	12M
Abs. Return	(23.9)	(29.8)	(31.0)
Lo	426.1	426.1	426.1
Hi	628.5	639.4	639.4

### Key Company Financials

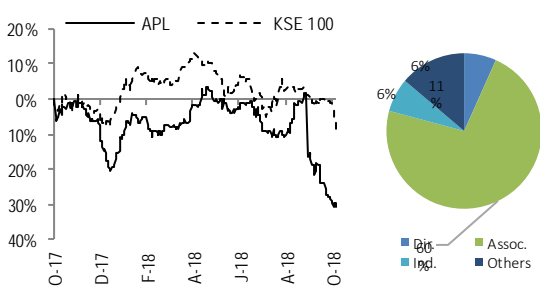
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	177.3	232.6	258.1	259.8
Net Income	5.7	5.7	6.2	6.3
EPS (PKR)	56.8	56.8	62.5	63.5
DPS (PKR)	40.0	43.0	51.0	54.0
Total Assets	38.4	46.1	52.2	54.5
Total Equity	18.4	19.9	21.1	22.0

### Key Financial Ratios

ROE (%)	30.7	28.4	29.5	28.7
P/E (x)	7.5	7.5	6.8	6.7
P/B (x)	13.8	2.3	2.1	2.0
DY (%)	9.4	10.1	12.0	12.7

### Relative Price Performance



### About the Company

The Company was incorporated in Pakistan as a public limited company on December 3, 1995 and it commenced its operations in 1998. The principal activity of the Company is procurement, storage and marketing of petroleum and related products. Pharaon Investment Group Limited Holding s.a.l holds 34.38% (2016: 34.38%) shares of the Company.

Source: Bloomberg, PSX & IGI Research

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## Oil & Gas Marketing Companies

### APL: Depressed HSD/FO sales to drag EPS down by 9%YoY to PKR 12.13

- Attock Petroleum Limited's (APL) board meeting is scheduled on 12<sup>th</sup> Oct-18 to announce financial result for 1QFY19, where we expect the company to post earnings of PKR 1.21bn (EPS PKR 12.13), down by 9%YoY,
- We estimate drop in earnings on the back a) 26%/+6%YoY drop in FO/HSD sales and, b) likely inventory loss of PKR 95mn. However, decline in earnings is expected to be limited by a) +17%YoY rise in MS sales, b) +72%YoY higher FO prices and, c) stable asphalt prices,
- We have a 'BUY' call on APL with our Dec-18 target price of PKR 532.6/share, offering +25% upside from its last close.

### Earnings to clock in at PKR 12.13/share for 1QFY19, down by 9%YoY

Attock Petroleum Limited's (APL) board meeting is scheduled on 12<sup>th</sup> Oct-18 to announce financial result for 1QFY19, where we expect the company to post earnings of PKR 1.21bn (EPS PKR 12.13), down by 9%YoY, compared to PKR 1.33bn (EPS PKR 13.36) in the same period last year. We estimate drop in earnings on the back a) 26%/+6%YoY drop in FO/HSD sales and, b) likely inventory loss of PKR 95mn. However, decline in earnings is expected to be limited by a) +17%YoY rise in MS sales, b) +72%YoY higher FO prices and, c) stable asphalt prices.

On quarterly basis, earnings are expected to drop by 13%QoQ owing to 28%/7%QoQ drop in FO/HSD sales. However, decline in profitability is estimated to be limited on the back of rise in FO prices and +3%QoQ growth in MS volumes. FO contribution to gross profit is down to only 14% in 1QFY19 (4QFY18: 18%) owing to +16%QoQ rise in FO price despite drop in volumes.

Exhibit:

### Financial Highlights

PKRmn	1QFY19F	1QFY18	YoY	4QFY18	QoQ
Net Sales	56,882	38,531	48%	55,985	2%
Gross Profit	2,098	1,970	6%	2,873	-27%
S&D expense	665	543	23%	657	1%
Other Charges	116	94	24%	132	-12%
Other Op. Income	269	206	31%	280	-4%
EBIT	1,701	1,634	4%	2,496	-32%
Finance Cost	150	223	-33%	147	2%
Profit Before Taxation	1,750	1,830	-4%	2,377	-26%
Profit After Taxation	1,208	1,330	-9%	1,393	-13%
<b>EPS (PKR)</b>	<b>12.13</b>	<b>13.36</b>		<b>13.99</b>	
DPS (PKR)	-	-		25.00	

Source: IGI Research, Company Financials

No of Shares: 99.53mn

### Volumes down by 6%YoY during 1QFY19 owing to public holidays

Total volumes decreased by 6%YoY to 0.53mn Mtons on the back 26%/6%YoY incline in FO/HSD sales despite +17%YoY growth in MS sales. Decline in HSD sales was primarily led public holidays during the quarter and substantially higher price which led to 19%YoY decline in overall industry volumes. However APL performed relatively better in FO sales with only 26%YoY drop compared to 67%YoY decline in industry sales.

Exhibit:

**Volumes breakup for 1QFY19 - (000'Mtons)**

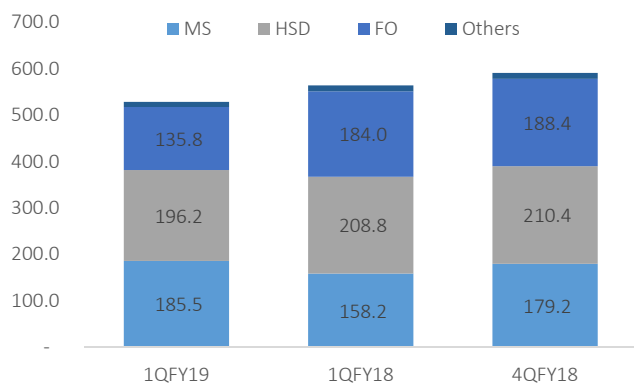
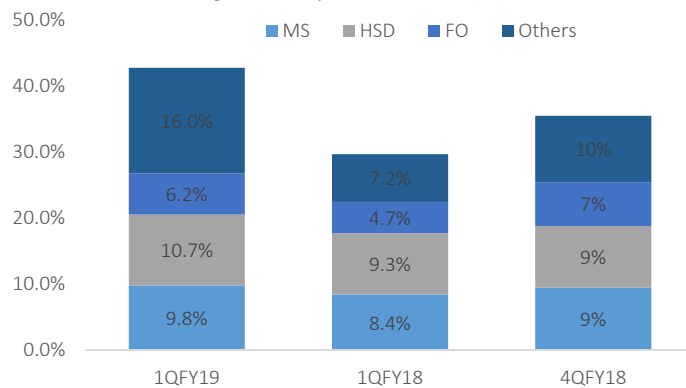


Exhibit:

**Market share during 1QFY19 product wise - (%)**



Source: IGI Research, Company Financials

**Recommendation**

We have a 'BUY' call on APL with our Dec-18 target price of PKR 532.6/share, offering +25% upside from its last close. The company is currently trading at FY19E P/E of 7.5x and offers a decent dividend yield of 10.1%.

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**Time Horizon:** Dec – 2018

**Valuation Methodology:** The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):  
(Discounted Cash Flow)

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