

# Flash Note

Monday, 30 October 2017

## Oil & Gas - Marketing Companies

### HASCOL: Earnings post meager growth of +5%YoY during 3QCY17 amid higher costs and likely inventory loss

- Hascol Petroleum Limited (HASCOL) announced financial results for 3QCY17 with earnings clocking in at PKR 305mn (EPS PKR 2.53) up by +5%YoY as compared to PKR 292mn (EPS PKR 2.42) in the same period last year, taking 9MCY17 earnings to PKR 1,096mn (EPS PKR 9.08) up by +21%YoY.
- For 3QCY17, revenues increased +73%YoY to PKR 46.6bn as compared to PKR 26.9bn in the corresponding period last year owing to a) +69%/+82%YoY rise in MS/HSD sales, b) +20%YoY rise in FO prices and, c) increase in MS/HSD average price during 3QCY17.
- Gross margins declined by 138bps to 2.9% in 3QCY17 compared to 4.4% in the same period last year likely owing to higher discounts offered and inventory losses incurred during the period.
- Selling and distribution expense increased by +42%YoY to PKR 622mn in 3QCY17 compared to PKR 439mn in the same period last year.
- Finance cost increased by +17%YoY to PKR 126mn in 3QCY17 compared to PKR 108mn in the corresponding period last year owing to increase in finance cost on debt raised through Sukuk, in our view.
- Other charges augmented by +32xYoY to PKR 158mn during 3QCY17 likely owing to substantial exchange losses incurred.
- Effective tax rate stood at 29% during 3QCY17 compared to 48% in the same period last year, taking effective tax rate for 9MCY17 to 41% (9MCY16: 42%).
- We maintain our 'BUY' stance on the scrip with our Dec-17 target price of PKR 320/share (ex-right) offering +19% upside from its last close. The company is currently trading at CY17E/CY18F P/E of 23.9x/19.2x with 3Yr earnings CAGR of 29%.

Exhibit:

### Financial Highlights

PKRmn	3QCY17	3QCY16	YoY	QoQ	9MCY17	9MCY16	YoY
Net Sales	46,619	26,894	73%	9%	124,361	70,261	77%
Gross Profit	1,392	1,175	19%	-14%	4,442	3,344	33%
S&D expense	622	439	42%	-1%	1,790	1,211	48%
Admin expense	166	122	36%	9%	467	380	23%
Other Charges	158	5	3212%	35529%	181	37	386%
Other Op. Income	109	61	77%	63%	243	151	60%
EBIT	713	675	6%	-22%	2,428	1,905	27%
Finance Cost	126	108	17%	-15%	389	319	22%
Profit Before Taxation	428	563	-24%	-44%	1,858	1,549	20%
Taxation	123	271	-55%	-64%	762	645	18%
Profit After Taxation	305	292	5%	-26%	1,096	904	21%
Basic EPS (PKR)	2.53	2.42			9.08	7.49	
DPS (PKR)	-	-			-	3.50	

Source: IGI Research, Company Financials

Shares mn: 120.68 mn

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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**Time Horizon:** Dec - 2017

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

DCF (Discounted Cash Flow)

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