

Day Break

Thursday, 27 October 2016

Company Update

Hascol Petroleum Limited

Oil & Gas Marketing Companies

Recommendation	BUY
Target Price	292.8
Last Closing	264.9
Upside	11%

Market Data

Bloomberg Tkr.	HASCOL PA		
Shares (mn)	120.7		
Market Cap (PKRbn USDmn)	32.0	305.1	
Exchange	KSE ALL		
Price Info.	90D	180D	365D
Abs. Return	11.6	79.0	61.1
Low	219.3	141.9	125.9
High	264.9	264.9	264.9

Key Company Financials

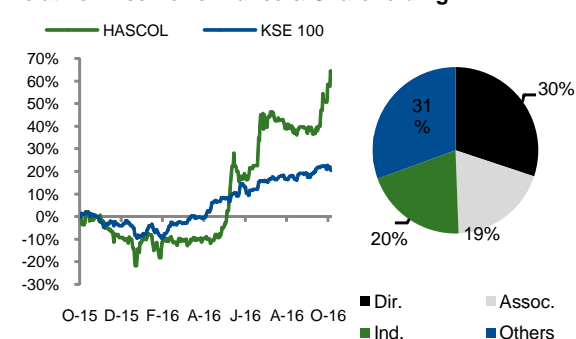
Period End: Dec

PKRbn	CY15A	CY16E	CY17F	CY18F
Total Revenue	76.8	104.3	133.0	157.9
Net Income	1.1	1.6	2.0	2.8
EPS (PKR)	9.4	13.2	17.0	23.0
DPS (PKR)	5.0	6.0	8.0	11.0
Total Assets	26.6	29.7	35.8	41.5
Total Equity	5.8	7.1	8.4	10.0

Key Financial Ratios

ROE (%)	20%	22%	24%	28%
P/E (x)	28.2	20.1	15.6	11.5
P/B (x)	5.5	4.5	3.8	3.2
DY (%)	1.9	2.3	3.0	4.2

Relative Price Performance & Shareholding



About the Company

The principal activities of the Company are procurement, storage and marketing of petroleum and related products. Company is involved in marketing and distribution of (Mogas), HSD, FO, Jet Fuel (JP-1), Kerosene, CNG, LPG, Petrochemicals and Lubricants.

Source: Bloomberg, KSE 100 & IGI Research

Analyst

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Oil & Gas Marketing Companies

HASCOL: Earnings to clock in at PKR 4.25/share in 3QCY16

- Hascol Petroleum Limited's (HASCOL) board meeting is scheduled on 28th Oct-16, where we expect company to post earnings of PKR 513mn (EPS PKR 4.25), up by +2.1xYoY in 3QCY16.
- We expect higher growth in HASCOL's volumes to drive earnings going forward based on aggressive expansion in storage facilities and retail outlets. We expect volumes to surge massively increasing the market share to 12%/11% for MS/HSD by FY18F as compared to 3% for each in FY14.
- HASCOL is currently trading at FY16/FY17 P/E multiple of 20.1x/15.6x. With our Jun-17 TP of PKR 293/share, the scrip provides +11% upside from its last closing. Hence, we recommend 'BUY' call on the scrip.

Earnings to post +2.1xYoY growth to PKR 4.25/share in 3QCY16

Hascol Petroleum Limited's (HASCOL) board meeting is scheduled on 28th Oct-16, where we expect company to post earnings of PKR 513mn (EPS PKR 4.25), up by +2.1xYoY in 3QCY16 as compared to PKR 237mn (EPS PKR 1.96) in the same period last year. We attribute this accretion in profitability to a) +77%/66%YoY rise in MS/HSD volumes and, b) increase in margins for MS and HSD by PKR 0.06/ltr to PKR 2.41/ltr for each. Cumulative earnings for 9MCY16 is expected to clock in at PKR 1.1bn (EPS PKR 9.33) as compared to PKR 0.8bn (EPS PKR 6.24) in the same period last year.

Exhibit: Financial Highlights

PKRmn	3QCY16E	3QCY15	YoY	9MCY16	YoY
Gross Sales	37,813	22,393	69%	97,073	46%
Net Sales	29,033	18,918	53%	72,400	31%
Gross Profit	1,341	598	124%	3,511	76%
S&D Exp	342	272	26%	1,114	57%
Admin	113	77	47%	372	45%
Other Income	61	43	41%	151	1%
EBIT	947	292	224%	2,176	85%
Finance Cost	184	101	83%	395	50%
PBT	744	128	480%	1,730	112%
PAT	513	237	117%	1,125	49%
EPS (PKR)	4.25	1.96		9.33	
DPS (PKR)	-	-		3.50	

Source: IGI Research and Company Financials

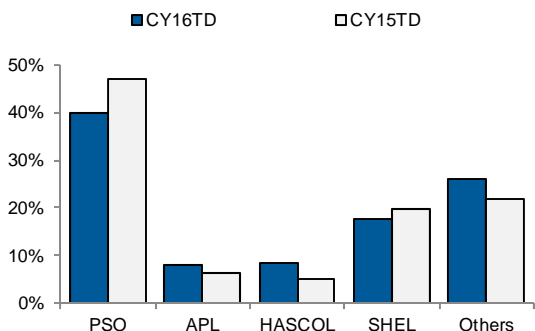
Exhibit: HASCOL Volumes

000Ton	3QCY16	3QCY15	YoY	9MCY16	YoY
MS	146	83	77%	395	96%
HSD	177	107	66%	523	74%
FO	163	129	26%	437	4%
Total	487	319	53%	1,355	47%

Outlook

We expect higher growth in HASCOL's volumes to drive earnings going forward based on aggressive expansion in storage facilities and retail outlets. Under the expansion strategy planned by the company, storage facility at Mehmoodkot is expected to be completed by the end of 2016. Storage facility at Keamari with a capacity of 30,000MT of Motor gasoline has been completed, which should remove dependence of HASCOL on other OMCs and ease supply chain management. Extension of storage capacity at Machike, Shikarpur and Dailatpur has also been completed. As a result of this, we expect volumes to surge massively, increasing the market share to 12%/11% for MS/HSD by FY18F as compared to 3% for each in FY14.

Exhibit: Motor Spirit Market Share (%)



Recommendation

HASCOL is currently trading at FY16/FY17 P/E multiple of 20.1x/15.6x. With our Jun-17 TP of PKR 293/share, the scrip provides +11% upside from its last closing. Hence, we recommend 'BUY' call on the scrip.

Exhibit: High Speed Diesel Market Share (%)

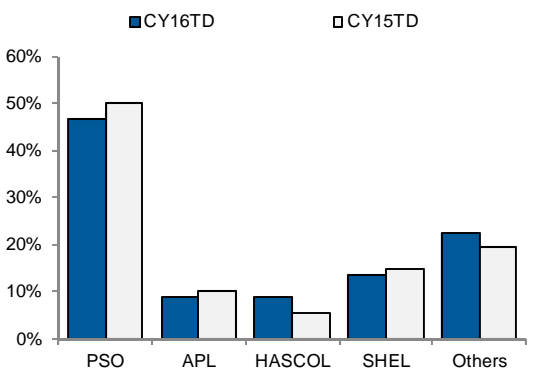
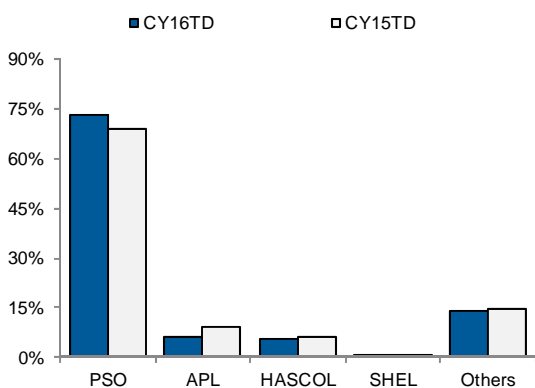


Exhibit: Furnance Oil Market Share (%)



Source: PAMA, Bloomberg, Company Acc.

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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)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Time Horizon: Jun - 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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