IGI Securities
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Day Break

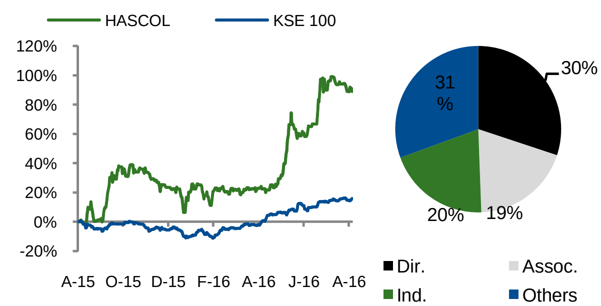
Monday, 29 August 2016

Company Update

Hascol Petroleum Limited
Oil & Gas Marketing Companies

Recommendation			
Target Price			UR
Last Closing			223.9
Upside			
Market Data			
Bloomberg Tkr.			HASCOL PA
Shares (mn)			120.7
Market Cap (PKRbn | USDmn)		27.0	257.9
Exchange			KSE ALL
Price Info.	90D	180D	365D
Abs. Return	35.5	53.8	89.1
Low	165.2	140.3	117.1
High	235.7	235.7	235.7

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

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Hascol Petroleum Limited

Earnings to Clock in at PKR 2.83/share in 2QCY16

- Hascol Petroleum Limited (Hascol) board meeting is scheduled on 30th Aug-16 where we expect the company to post earnings of PKR 341mn (EPS PKR 2.83) up by +41%YoY in 2QCY16.
- Going forward, we expect better performance on the back of a) amid healthy demand for MS and HSD owing to lower prices, b) expansion in retail outlets to provide better opportunity for increased market share in White Oil Products and, c) expansion in storage facility at Port Qasim and supply agreement with Vitol.
- Considering more than assumed volumetric growth on consistent basis for all Oil Marketing Companies and stretched margins, we are revising our investment case on Hascol.

Earnings to Clock in at PKR 2.83/share in 2QCY16
Hascol Petroleum Limited (Hascol) board meeting is scheduled on 30thAug-16, where we expect the company to post earnings of PKR 341mn (EPS PKR 2.83), up by +41%YoY in 2QCY16 as compared to PKR 242mn (EPS PKR 2.01) in the corresponding period last year.This growth in earnings in 2QCY16 is attributable to+114%YoY/+72%YoY/+51%YoY growth in MS/HSD/FO volumes.Cumulative earnings for 1HCY16E are estimated at PKR 544mn (EPS PKR 4.50). Along with the result, we expect Hascol to announce cash dividend of PKR 1.60/share for 2QCY16.

Exhibit: HASCOL Volumes

000'tons	2QCY16E	2QCY15	YoY	1HCY16E	1HCY15	YoY
MS	129.5	60.5	114%	248.2	118.2	110%
HSD	177.2	103.3	72%	345.2	192.9	79%
FO	145.3	96.4	51%	274.4	289.7	-5%
Total	451.9	260.2	74%	867.8	600.9	44%

Source: IGI Research and Company Financials

Volumes Depict +74%YoY Growth in 2QCY16
HASCOL posted a +74%YoY jump in total volumes to 452kTon owing to strong surge in MS/HSD/FO volumes in 2QCY16. Total sales for 1HCY16 stood at 868kTon, depicting +44%YoY rise as compared to 601kTon in the corresponding period last year.

MS/HSD volumes depicted +110%YoY/+79%YoY increase in 1HCY16.

Exhibit: Financial Highlights

PKRmn	2QCY16E	2QCY15	YoY	1HCY16E	1HCY15	YoY
Gross Sales	35,599	20,610	73%	64,091	44,100	45%
Net Sales	27,167	17,057	59%	47,519	36,427	30%
Gross Profit	1,091	776	41%	1,853	1,393	33%
S&D Exp	342	269	27%	700	438	60%
Admin	113	119	-5%	235	179	31%
Other Income	49	34	44%	103	106	-3%
EBIT	686	422	62%	1,022	882	16%
Finance Cost	162	66	145%	264	162	63%
PBT	495	369	34%	731	688	6%
PAT	341	242	41%	544	516	5%
EPS (PKR)	2.83	2.01		4.50	4.27	
DPS (PKR)	1.60	1.50		1.60	1.50	

Source: IGI Research and Company Financials

Outlook

Going forward, we expect Hascol'sperformance to improve on the back of a) amid healthy demand for MS and HSD owing to lower prices, b) expansion in retail outlets to provide better opportunity for increased market share in White Oil Productsand, c) expansion in storage facility at Port Qasim and supply agreement with Vitol. Supporting the bottom line further, rebound in FO prices would improve profit contribution from FO.

Recommendation

Considering more than assumed volumetric growth on consistent basis for all Oil Marketing Companies and stretched margins, we are revising our investment case on Hascol.

Analyst Certification

The analyst^ hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

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IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

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

- DCF (Discounted Cash Flow)

Time Horizon

- Dec-16

Risk

- Changes in State Bank of Pakistan Policy Rate
- Changes in USD/PKR
- Change in Oil price
- Changes in Circular Debt Quantum

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