

## Day Break

Thursday, 27 April 2017

## COMPANY UPDATE

## HASCOL PETROLEUM LIMITED

OIL &amp; GAS MARKETING COMPANIES

<b>Recommendation</b>	<b>BUY</b>
Target Price:	430.9
Last Closing:	26-Apr-17 347.9
Upside:	23.9
Valuation Methodology:	Discounted Cash Flow (DCF)

Time Horizon: Dec-17

## Market Data

Bloomberg Tkr.	HASCOL PA
Shares (mn)	120.7
Free Float Shares (mn)	60.3
Free Float Shares (%)	50.0%
Market Cap (PKRbn   USDmn)	42.0   401.9
Exchange	KSE 100
<b>Price Info.</b>	90D 180D 365D
Abs. Return	(0.5) 19.5 10.1
Lo	291.9 295.9 291.9
Hi	373.3 353.6 353.6

## Key Company Financials

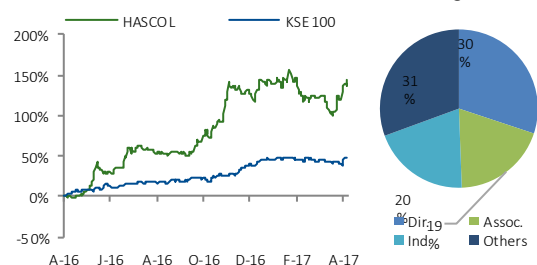
Period End: Dec

PKRbn	CY16A	CY17E	CY18F	CY19F
Total Revenue	99.5	118.4	145.4	179.5
Net Income	1.22	2.1	2.9	3.8
EPS (PKR)	10.1	17.7	23.8	31.1
DPS (PKR)	7.0	12.0	17.0	22.0
Total Assets	44.6	50.0	57.2	66.8
Total Equity	6.1	6.8	7.6	8.8

## Key Financial Ratios

ROE (%)	19.9	31.5	37.7	42.8
P/E (x)	34.5	19.7	14.6	11.2
P/B (x)	6.9	6.2	5.5	4.8
DY (%)	2.0	3.4	4.9	6.3

## Relative Price Performance &amp; 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 &amp; IGI Research

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## Oil &amp; Gas – Marketing Companies

## HASCOL: Earnings to Post +2.4xYoY Growth in 1QCY17 Driven by Substantial Growth in Volumes

- Hascol Petroleum Limited (HASCOL) board meeting is scheduled on 28th Apr-17 to announce financial results for 1QCY17. We expect the company to report earnings of PKR 474mn (EPS PKR 3.93) in 1QCY17, up by +2.4xYoY as compared to PKR 202mn.
- Total sales for HASCOL leaped up by +35%YoY to 0.56mn Ton during 1QCY17 as compared to 0.42mn Ton in the same period last year. This substantial growth in volumes (above industry growth) was led by +64%YoY rise in MS volumes and +36/+6%YoY increase in HSD/FO sales.
- We maintain our “BUY” call on HASCOL with our Dec-17 target prices of PKR 431/share offering +24% upside from its last closing. HASCOL is currently trading at CY17E P/E of 19.7x.

## Earnings to clock in at PKR 3.93/share in 1QCY17, up by +2.4xYoY

Hascol Petroleum Limited (HASCOL) board meeting is scheduled on 28<sup>th</sup> Apr-17 to announce financial results for 1QCY17. We expect the company to report earnings of PKR 474mn (EPS PKR 3.93) in 1QCY17, up by +2.4xYoY as compared to PKR 202mn in the same period last year. The company posted a substantial jump in gross profit up by +2.2xYoY on the back of +64%/+36%/+6%YoY rise in MS/HSD/FO volumes while introducing Hasron 95 (Ron 95 - Dergulated) with better OMC margins. However, earnings growth is expected to be diluted owing to higher effective tax rate of 48% (14% in 1QCY16) which is primarily attributable to deferred tax liability on turnover tax.

Exhibit:

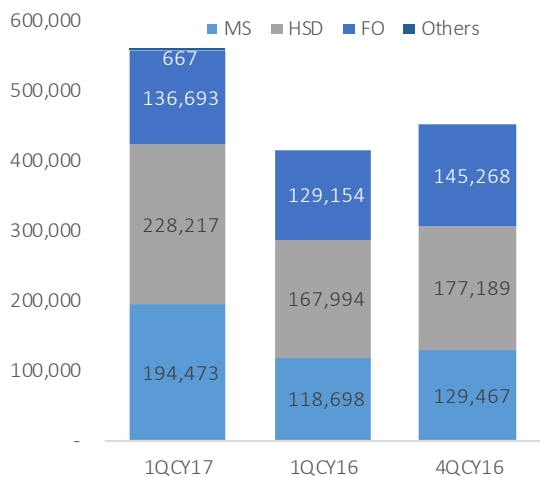
## Financial Highlights

PKRmn	1QCY17E	1QCY16	YoY	4QCY16	QoQ
Gross Sales	46,469	28,493	63%	36,027	29%
Net Sales	41,086	20,352	102%	29,247	40%
Gross Profit	1,676	762	120%	1,364	23%
S&D Exp	523	358	46%	553	-5%
Admin	167	121	38%	149	12%
Other Income	56	53	6%	60	-6%
EBIT	1,042	336	210%	722	44%
Finance Cost	119	103	16%	114	5%
PBT	912	236	287%	605	51%
PAT	474	202	135%	312	52%
EPS (PKR)	3.93	1.68		2.58	
DPS (PKR)	-	-		3.50	

Source: IGI Research and Company Financials

No of Shares: 120.68 mn

**Exhibit: HASCOL volumes (MTon)**



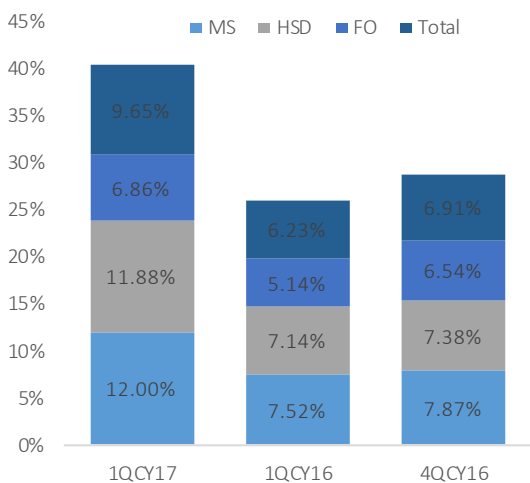
**Total Volumes up by +35%YoY in 1QCY17**

Total sales for HASCOL leaped up by +35%YoY to 0.56mn Ton during 1QCY17 as compared to 0.42mn Ton in the same period last year. This substantial growth in volumes (above industry growth) was led by +64%YoY rise in MS volumes and +36/+6%YoY increase in HSD/FO sales.

**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 Port Qasim, Kotla Jam and Hub with storage capacity of 124,600MT for MS and HSD are expected to be completed by Dec-17, while storage facility for FO at Port Qasim with a capacity of 112,000MT is expected to be completed by Sep-18. 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: HASCOL - MS, HSD, FO market share**



**Recommendation**

We maintain our “BUY” call on HASCOL with our Dec-17 target prices of PKR 431/share offering +24% upside from its last closing. HASCOL is currently trading at CY17E P/E of 19.7x.

Source: Company Financials, IGI Research

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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:** 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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