

Flash Note

Wednesday, 30 October 2019

Oil & Gas - Marketing Companies

Hascol Petroleum Limited (HASCOL)

Substantial drop in volumes and higher finance cost led to LPS of PKR 13.60; 400% right issue at par

- Hascol Petroleum Limited (HASCOL) announced financial result for 3QCY19 where the Company reported loss of PKR 2.71bn (LPS PKR 13.60) against earnings of PKR 0.48bn (EPS PKR 2.41) in the same period last year. This brings total loss for 9MCY19 to PKR 13.88bn (LPS PKR 69.69) compared to profit of PKR 1.51bn (EPS PKR 7.57) in the same period last year.
- HASCOL also announced right issue of 400% (4 for every 1 existing share) at par value of PKR 10/share. The company's issued share capital will increase by 800mn shares and HASCOL expects to raise PKR 8.0bn from the right issue. The right issue of nearly 58% will be full subscribed by the Directors and Sponsors of HASCOL while remaining portion will be underwritten. The following are management projection for the next five years:

Exhibit:

Financial Projections stated by management for the next five years

PKR mn	2020	2021	2022	2023	2024
Sales	257,413	294,833	328,072	342,100	356,829
Profit before tax	158	2,105	3,227	3,786	4,463
Profit/(Loss) after tax	(926)	857	1,830	2,319	2,923

Source: PSX, IGI Research

- We attribute this loss to substantial decline in volumes by 68%YoY during 3QCY19 led by 83%/69%/56%YoY drop in FO/HSD/MS sales and higher finance costs.
- Revenues dropped by 59%YoY to PKR 25.37bn during 3QCY19 owing to 68%YoY drop in total volumes led by 83%/69%/56%YoY drop in FO/HSD/MS sales despite rise in domestic MS and HSD prices.
- Selling and distribution expense increased by +26%YoY to PKR 1.25bn during 3QCY19 compared to PKR 1.0bn in the corresponding period last year.
- To recall, HASCOL's shareholder's equity stood at PKR 1.06bn as at Jun-19 and post PKR 2.71bn loss in 3QCY19 Company's shareholders equity would stand at negative PKR 1.65bn. Post right issue equity would most likely improve by PKR 8.0bn (incase of full subscription at par) to PKR 6.35bn. As a part of Capital Reorganization Plan the Company has availed PKR 16bn long term finance consortium from one of a major bank along with PKR 50bn LC line to ensure sufficient liquidity for procurement of POL products.

Exhibit:

HASCOL Financial Highlights

PKRmm	3QCY19	3QCY18	YoY	2QCY19	QoQ	9MCY19	9MCY18	YoY
Net Sales	25,366	61,956	-59%	36,396	-30%	111,400	183,837	-39%
Gross Profit	61	2,399	-97%	85	-29%	168	8,213	-98%
S&D Expense	1,252	995	26%	1,977	-37%	4,227	2,655	59%
Other Charges	-	-	0%	2,860	-100%	6,324	-	n/m
EBIT	(1,364)	1,345	n/m	(2,139)	-36%	(4,585)	5,251	n/m
Finance Cost	2,364	347	580%	1,918	23%	5,014	783	541%
Profit Before Taxation	(3,761)	335	n/m	(9,217)	-59%	(18,436)	1,951	n/m
Taxation	(1,053)	(144)	632%	(3,798)	-72%	(4,559)	444	n/m
Profit After Taxation	(2,709)	479	n/m	(5,419)	-50%	(13,877)	1,507	n/m
EPS (PKR)	(13.60)	2.41		(27.22)		(69.69)	7.57	
DPS (PKR)	-	-		-		-	-	
Right/Bonus	400% R	25% B		-		400% R	25% B	

Source: IGI Research, Company Financials

No of Shares: 199.12mn

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