

Day Break

Thursday, 09 August 2018

Sector Update

IGI OMC Universe

Recommendation

(PKR/share)	TP	Yr End	Recom.	Upside	P/E (x)
PSO	383.5	Jun	BUY	14.8%	5.8
APL	688.1	Jun	BUY	22.3%	8.2
HASCOL	350.9	Dec	BUY	12.9%	20.4

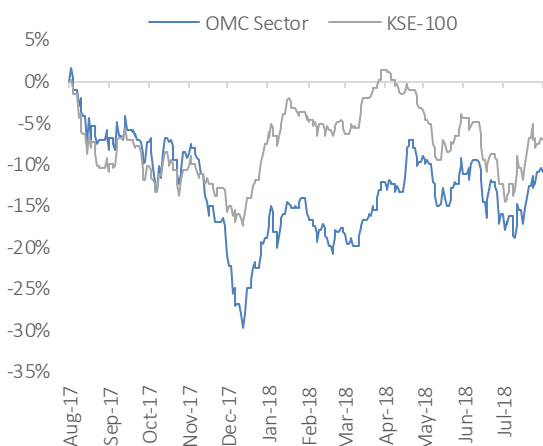
EPS estimate for 4QFY18

	4Q/2Q18E	YoY	1HCY18/ FY18E	YoY
PSO	8.39	-33%	48.95	-15%
APL	14.17	25%	65.58	7%
HASCOL	3.54	24%	8.58	57%

DPS estimate for 4QFY18

	4Q/2Q18E	1HCY18/ FY18E	1HCY17
PSO	10.0	20.0	25.0
APL	30.0	45.0	42.5
HASCOL	5.0	5.0	3.5

Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Oil & Gas Marketing Companies

OMC Sector Earnings to drop by 18%YoY in 4QFY18

- IGI OMC universe earnings are expected to decline by 18%YoY in 4QFY18 to PKR 4.42bn compared to PKR 5.42bn in the same period last year,
- We expect PSO to post earnings of PKR 2.74bn (EPS PKR 8.39) down by 33%YoY compared to PKR 4.07bn (EPS PKR 12.48) in the same period last year. This brings FY18 earnings to PKR 15.96bn (EPS PKR 48.95) down by 15%YoY,
- We estimate APL to register earnings of PKR 1.18bn (EPS PKR 14.17) up by +25%YoY compared to PKR 0.94bn (EPS PKR 11.33) in the same period last year. This brings FY18 earning to PKR 5.44bn (EPS PKR 65.58) up by +7%YoY,
- We forecast HASCOL to record profitability of PKR 513mn (EPS PKR 3.54) up by +24%YoY compared to PKR 414mn (EPS PKR 2.86) in the same period last year. This bring total 1HCY18 earnings to PKR 1.24bn (EPS PKR 8.58) up by +57%YoY.
- We maintain 'BUY' call on PSO/HASCOL/APL with our Dec-18 target price of PKR 383.5/share/ PKR 688.1share/ PKR 350.9/share offering +15%/+22%/+13% upside from last close. PSO and APL are trading at FY18 P/E of 5.8x and 8.2x, respectively.

OMC Sector: Earnings to drop by 18%YoY to PKR 4.42bn in 4QFY18

IGI OMC universe earnings are expected to decline by 18%YoY in 4QFY18 to PKR 4.42bn compared to PKR 5.42bn in the same period last year. Earnings contraction is expected on the back of a) exchange losses owing to 5% PKR depreciation in Jun-18, b) likely inventory losses during the quarter and, c) imposition of super tax.

PSO: earnings to plummet by 33%YoY in 4QFY18 to PKR 8.39/share

Pakistan State Oil Company Limited (PSO) board meeting is scheduled on 11th Aug-18 to announce financial result for 4QFY18, where we expect PSO to post earnings of PKR 2.74bn (EPS PKR 8.39) down by 33%YoY compared to PKR 4.07bn (EPS PKR 12.48) in the same period last year. We attribute the decline in the earnings to a) exchange losses of PKR 652mn owing to 5% PKR depreciation in Jun-18, b) 33%/6%YoY drop in FO/HSD sales and, c) likely inventory losses of PKR 1.8bn during 4QFY18. Effective tax rate is likely to remain on the higher side owing to super tax charge. This brings FY18 earnings to PKR 15.96bn (EPS PKR 48.95) down by 15%YoY. We forecast PSO to pay cash dividend of PKR 10.0/share, bringing total cash payout for FY18 to PKR 20.0/share.

Exhibit:

PSO Financial Highlights

PKRmn	4QFY18E	4QFY17	YoY	3QFY18	QoQ	FY18E	FY17	YoY
Net Sales	303,365	248,638	22%	226,286	34%	1,048,004	943,279	11%
Gross Profit	8,032	10,075	-20%	10,182	-21%	36,944	36,683	1%
Operating Cost	3,169	3,612	-12%	3,089	3%	13,309	12,987	2%
Other Income	2,006	2,726	-26%	2,112	-5%	7,087	11,049	-36%
EBIT	6,869	9,189	-25%	9,204	-25%	30,722	34,745	-12%
Finance Cost	1,839	1,592	16%	1,907	-4%	5,525	5,401	2%
PBT	5,161	7,670	-33%	7,353	-30%	25,595	29,980	-15%
PAT	2,735	4,069	-33%	4,703	-42%	15,960	18,879	-15%
EPS (PKR)	8.39	12.48		14.42		48.95	57.91	
DPS (PKR)	10.00	10.00		10.00		20.00	20.00	

Source: IGI Research, Company Financials

No of Shares: 326.02mn

Exhibit: MS sales (000'ton) - Company wise (FY18)

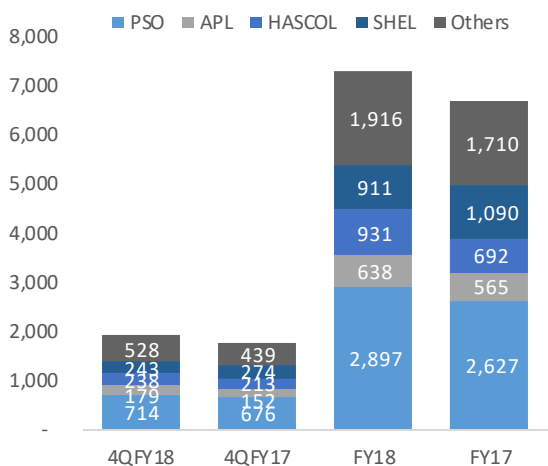


Exhibit: HSD sales (000'ton) - Company wise (FY18)

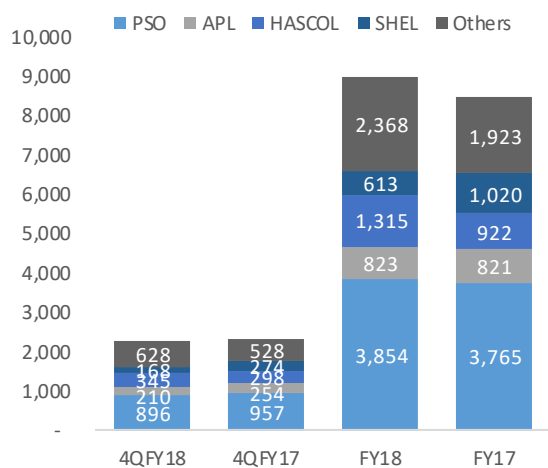
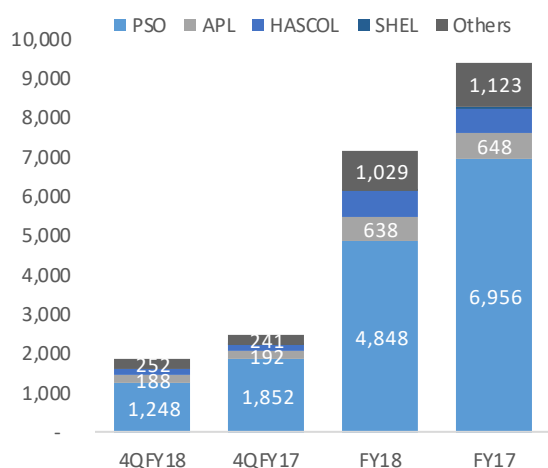


Exhibit: FO sales (000'ton) - Company wise (FY18)



Source: Company Financials, IGI Research

APL: earnings to increase by +25%YoY in 4QFY18 to PKR 14.17/share

Attock Petroleum Limited's (APL) board meeting is scheduled on 14th Aug-18 to announce financial result for 4QFY18, where we expect the company to post earnings of PKR 1.18bn (EPS PKR 14.17) up by +25%YoY compared to PKR 0.94bn (EPS PKR 11.33) in the same period last year. We attribute the growth in the earnings to a) +18%YoY rise in MS volumes and, b) minimum exchange loss due to lower exposure to USD. However, the company is likely to book inventory loss of PKR 135mn. This brings FY18 earning to PKR 5.44bn (EPS PKR 65.58) up by +7%YoY. We forecast APL to pay cash dividend of PKR 30.0/share, bringing total cash payout for FY18 to PKR 45.0/share.

Exhibit:

APL Financial Highlights

PKRmn	4QFY18E	4QFY17	YoY	3QFY18	QoQ	FY18E	FY17	YoY
Net Sales	53,726	42,487	26%	45,014	19%	175,085	145,690	20%
Gross Profit	1,961	1,609	22%	2,471	-21%	8,832	7,015	26%
Operating Costs	659	574	15%	775	-15%	2,852	1,637	74%
Other Income	215	201	7%	190	13%	819	894	-8%
EBIT	1,602	1,311	22%	1,993	-20%	7,191	5,905	22%
Finance Cost	179	197	-9%	135	32%	709	818	-13%
PBT	1,754	1,553	13%	2,020	-13%	7,667	7,329	5%
PAT	1,175	940	25%	1,453	-19%	5,439	5,066	7%
EPS (PKR)	14.17	11.33		17.52		65.58	61.08	
DPS (PKR)	30.00	27.50				45.00	42.50	

Source: IGI Research, Company Financials

No of Shares: 82.94mn

HASCOL: earnings to lift by +24%YoY in 1QCY18 to PKR 3.54/share

We expect Hascol Petroleum Limited (HASCOL) to post earnings of PKR 513mn (EPS PKR 3.54) up by +24%YoY compared to PKR 414mn (EPS PKR 2.86) in the same period last year. We attribute the growth in the earnings to +12%/+15%/+16%YoY rise in MS/FO/HSD volumes. However growth in earnings is expected to be limited by a) inventory loss of PKR 261mn, b) exchange loss of PKR 326mn and, c) higher effective tax rate of 44% owing to turnover tax and super tax application. This bring total 1HCY18 earnings to PKR 1.24bn (EPS PKR 8.58) up by +57%YoY. We expect the company to announce cash dividend of PKR 5.0/share along with the result.

Exhibit:

HASCOL Financial Highlights

PKRmn	2QCY18E	2QCY17	YoY	1QCY18	QoQ	1HCY18E	1HCY17	YoY
Net Sales	68,575	42,848	60%	55,657	23%	124,231	77,743	60%
Gross Profit	2,364	1,622	46%	2,735	-14%	5,099	3,050	67%
S&D Expense	824	628	31%	863	-4%	1,687	1,168	44%
Admin Expense	184	152	21%	189	-3%	374	301	24%
EBIT	1,435	908	58%	1,751	-18%	3,186	1,715	86%
Finance Cost	193	148	30%	194	-1%	388	262	48%
PBT	916	760	20%	1,157	-21%	2,073	1,430	45%
PAT	513	414	24%	730	-30%	1,243	791	57%
EPS (PKR)	3.54	2.86		5.04		8.58	5.46	
DPS (PKR)	5.30	3.50				5.30	3.50	

Source: IGI Research, Company Financials

No of Shares: 144.82mn

Recommendation

We maintain 'BUY' call on PSO/HASCOL/APL with our Dec-18 target price of PKR 383.5/share/ PKR 688.1share/ PKR 350.9/share offering +15%/+22%/+13% upside from last close. PSO and APL are trading at FY18 P/E of 5.8x and 8.2x, respectively.

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Time Horizon: Dec – 2018

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

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