

Day Break

Wednesday, 24 January 2018

COMPANY UPDATE

Attock Petroleum Limited
 Oil & Gas Marketing Companies

Recommendation	BUY
Target Price:	677.1
Last Closing: 23-Jan-18	585.0
Upside:	15.7
Valuation Methodology:	Discounted Cash Flow (DCF)

Time Horizon: Dec-18

Market Data

Bloomberg Tkr.	APL PA
Shares (mn)	82.9
Free Float Shares (mn)	20.7
Free Float Shares (%)	25.0%
Market Cap (PKRbn USDmn)	48.5 438.1
Exchange	KSE 100
Price Info.	90D 180D 365D
Abs. Return	(2.8) (12.9) (12.4)
Lo	490.0 490.0 490.0
Hi	618.0 703.9 749.4

Key Company Financials

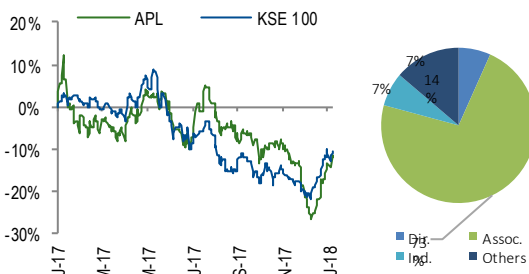
Period End: Jun

PKRbn	FY17A	FY18E	FY19F	FY20F
Total Revenue	138.7	143.3	150.4	156.4
Net Income	5.3	5.1	5.4	5.7
EPS (PKR)	63.9	61.5	64.8	68.5
DPS (PKR)	43.0	48.0	50.0	58.0
Total Assets	38.4	35.1	33.9	33.6
Total Equity	16.3	17.3	18.6	19.5

Key Financial Ratios

ROE (%)	32.5	29.5	28.9	29.2
P/E (x)	9.2	9.5	9.0	8.5
P/B (x)	3.0	2.8	2.6	2.5
DY (%)	7.4	8.2	8.5	9.9

Relative Price Performance



About the Company

The principal activity of the Company is procurement, storage and marketing of petroleum and related products. Pharaon Investment Group Limited Holding s.a.l holds 34.38% (2016: 34.38%) shares of the Company.

Source: Bloomberg, PSX & IGI Research

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Oil & Gas Marketing Companies

APL: Exchange loss to drag down EPS in 2QFY18 to PKR 14.97

- Attock Petroleum Limited's (APL) board meeting is scheduled on 24th Jan-18 to announce financial result for 2QFY18, where we expect the company to post earnings of PKR 1.24bn (EPS PKR 14.97), down by 22%YoY.
- Decline in earnings is primarily attributable to likely exchange losses during 2QFY18 as PKR depreciated by nearly 4.5% in Dec-17. However, decline in earnings is expected to be diluted on the back of a) +12%/+9%YoY increase in MS/HSD sales and; b) likely inventory gains of PKR 149mn.
- We expect the company to book hefty exchange losses during 2QFY18 to the tune of PKR 184mn (PKR 2.22/share).
- We have a 'BUY' call on APL with our Dec-18 target price of PKR 677/share, offering +16% upside from its last close.

Earnings to clock in at PKR 14.97/share for 2QFY18, down by 22%YoY

Attock Petroleum Limited's (APL) board meeting is scheduled on 24th Jan-18 to announce financial result for 2QFY18, where we expect the company to post earnings of PKR 1.24bn (EPS PKR 14.97), down by 22%YoY, compared to PKR 1.59bn (EPS PKR 19.21) in the same period last year. As a result, earnings for 1HFY18 are expected to compress by 19%YoY to PKR 2.57bn (EPS PKR 31.00) compared to PKR 3.16bn (EPS PKR 38.06) in the same period last year. We expect the company to announce cash dividend of PKR 15/share, along with the result.

We estimate decline in earnings is primarily attributable to exchange losses during 2QFY18 as PKR depreciated by nearly 4.5% in Dec-17. However, this decline in earnings is expected to be compensated by a) +12%/+9%YoY increase in MS/HSD sales and; b) estimated inventory gains of PKR 149mn.

Exhibit:

Financial Highlights

PKRmn	2QFY18E	2QFY17	YoY	1HFY18E	1HFY17	YoY
Net Sales	40,247	29,993	34%	78,778	61,495	28%
Gross Profit	2,099	1,628	29%	4,070	3,919	4%
S&D Expense	539	455	18%	1,082	875	24%
Other Charges	255	(621)	n/m	349	(463)	n/m
Other Op. Income	234	256	-9%	440	481	-8%
Finance Cost	177	209	-15%	400	427	-6%
PBT	1,774	2,281	-22%	3,604	4,481	-20%
PAT	1,241	1,594	-22%	2,571	3,157	-19%
EPS (PKR)	14.97	19.21		31.00	38.06	
DPS (PKR)	15.00	15.00		15.00	15.00	

Source: IGI Research, Company Financials

Shares mn: 120.68 mn

Volumes up by +4%YoY during 2QFY18 despite lower FO sales

Total volumes increased by +4%YoY to 0.49mn Mtons on the back +12%/+9%YoY incline in MS/HSD sales despite 8%YoY decline in FO sales as Government of Pakistan (GoP) imposed ban of inefficient FO based power plants. This leads to a +7%YoY increase in total sales for 1HFY18 backed by +7%/+9%/+3%YoY growth in MS/HSD/FO sales.

Exhibit:

Volumes breakup for 2QFY18 - (000'Mtons)

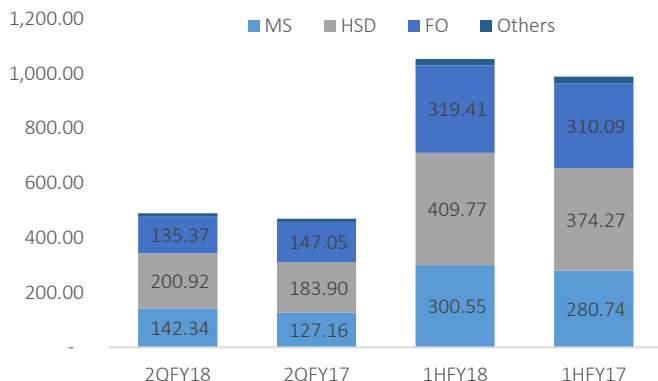
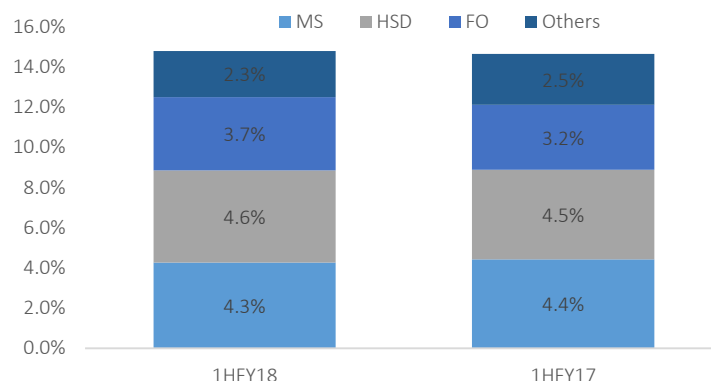


Exhibit:

Market share during 1HFY18 product wise - (%)



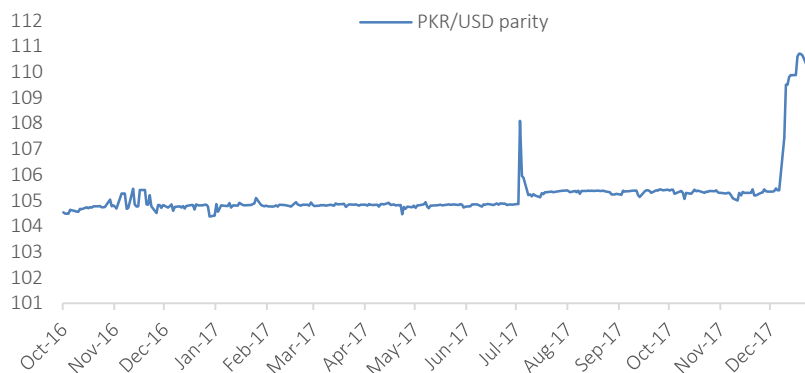
Source: IGI Research, Company Financials

PKR depreciation of nearly 4.5% in Dec-17 to dent earnings in 2QFY18

During Dec-17, PKR depreciated by nearly 4.5% to average around PKR 106.5/USD compared to PKR 105.4/USD in the preceding quarter (PKR 104.8/USD during 2QFY17). As a result we expect the company to book hefty exchange losses during 2QFY18 to the tune of PKR 184mn (PKR 2.22/share).

Exhibit:

PKR parity against USD



Source: IGI Research, Bloomberg

Recommendation

We have a 'BUY' call on APL with our Dec-18 target price of PKR 677/share, offering +16% upside from its last close. The company is currently trading at FY18E P/E of 9.5x and offers a decent dividend yield of 8.2%.

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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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):

DCF (Discounted Cash Flow)

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