

## Day Break

Tuesday, 29 August 2017

## COMPANY UPDATE

## HASCOL PETROLEUM LIMITED

## OIL &amp; GAS MARKETING COMPANIES

<b>Recommendation</b>	<b>BUY</b>
Target Price:	422.7
Last Closing: 28-Aug-17	313.1
Upside:	35.0
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)	37.8   358.6
Exchange	KSE 100
<b>Price Info.</b>	90D 180D 365D
Abs. Return	(17.3) (7.0) 39.0
Lo	309.0 291.9 219.3
Hi	389.4 389.4 389.4

## Key Company Financials

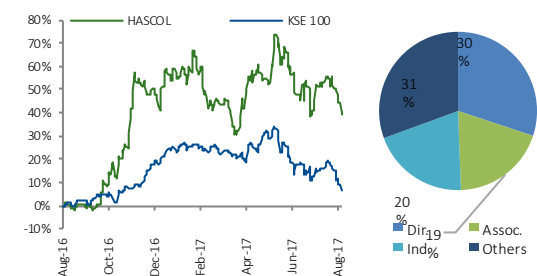
Period End: Dec

PKRbn	CY16A	CY17E	CY18F	CY19F
Total Revenue	99.5	132.0	146.1	173.4
Net Income	1.22	1.9	2.5	3.2
EPS (PKR)	10.1	15.8	20.3	26.8
DPS (PKR)	7.0	9.0	11.0	15.0
Total Assets	44.6	54.3	58.0	65.9
Total Equity	6.1	6.9	8.0	9.4

## Key Financial Ratios

ROE (%)	19.9	27.5	30.7	34.4
P/E (x)	31.1	19.9	15.4	11.7
P/B (x)	6.2	5.5	4.7	4.0
DY (%)	2.2	2.9	3.5	4.8

## 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, PSX &amp; IGI Research

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## Oil &amp; Gas – Marketing Companies

## HASCOL: Earnings to Post +40%YoY Growth in 2QCY17 Driven by Substantial Growth in Volumes

- Hascol Petroleum Limited (HASCOL) board meeting is scheduled on 30th Aug-17 to announce financial results for 2QCY17. We expect the company to report earnings of PKR 572mn (EPS PKR 4.74) in 2QCY17, up by +40%YoY as compared to PKR 410mn
- Total sales for HASCOL leaped up by +49%YoY to 0.67mn Ton during 2QCY17 as compared to 0.45mn Ton in the same period last year. This substantial growth in volumes was led by +64%YoY rise in MS volumes (industry growth of +11%YoY) and +68/+10%YoY increase in HSD/FO sales
- We maintain our "BUY" call on HASCOL with our Dec-17 target prices of PKR 423/share offering +35% upside from its last closing. HASCOL is currently trading at CY17E/CY18F P/E of 19.9x/15.4x

## Earnings to clock in at PKR 4.74/share in 2QCY17, up by +40%YoY...

Hascol Petroleum Limited (HASCOL) board meeting is scheduled on 30<sup>th</sup> Aug-17 to announce financial results for 2QCY17. We expect the company to report earnings of PKR 572mn (EPS PKR 4.74) in 2QCY17, up by +40%YoY as compared to PKR 410mn in the same period last year. We attribute this substantial growth in earnings on the back of +49%YoY rise in total volumes led by +64%/+68%/+10%YoY increase in MS/HSD/FO sales.

## ...Taking 1HCY17 EPS to PKR 7.86, DPS PKR 3.50

Earnings for 1HCY17 are estimated to increase by +55%YoY to PKR 949bn (EPS PKR 7.86) as compared to PKR 612bn (EPS PKR 5.07) in the same period last year primarily owing to 64%/+64%/+8%YoY jump in MS/HSD/FO sales. We expect the company to announce cash dividend of PKR 3.50/share along with the result.

Exhibit:

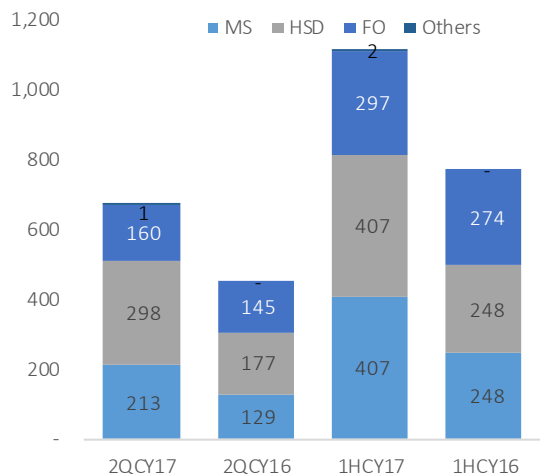
## Financial Highlights

PKRmn	2QCY17E	2QCY16	YoY	QoQ	CY17TDE	CY16TD	YoY
Net Sales	46,528	23,015	102%	33%	81,422	43,367	88%
Gross Profit	1,686	1,407	20%	18%	3,114	2,170	44%
S&D expense	574	414	39%	6%	1,114	772	44%
Admin expense	151	137	10%	1%	299	258	16%
Other Op. Income	54	37	47%	-19%	121	90	34%
EBIT	1,016	893	14%	26%	1,822	1,229	48%
Finance Cost	119	108	10%	5%	233	211	10%
PBT	908	750	21%	36%	1,577	986	60%
PAT	572	410	40%	52%	949	612	55%
<b>EPS (PKR)</b>	<b>4.74</b>	<b>3.40</b>			<b>7.86</b>	<b>5.07</b>	
<b>DPS (PKR)</b>	<b>3.50</b>	<b>3.50</b>			<b>3.50</b>	<b>3.50</b>	

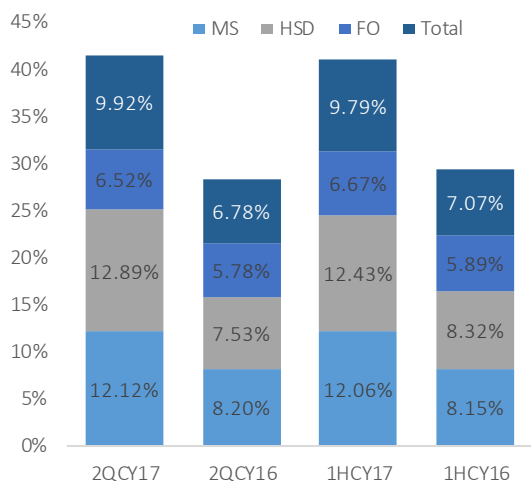
Source: IGI Research, Company Financials

Shares mn: 120.68 mn

**Exhibit: HASCOL volumes (000' MTon)**



**Exhibit: HASCOL - MS, HSD, FO market share**



**Total Volumes up by +49%YoY in 2QCY17**

Total sales for HASCOL leaped up by +49%YoY to 0.67mn Ton during 2QCY17 as compared to 0.45mn Ton in the same period last year. This substantial growth in volumes was led by +64%YoY rise in MS volumes (industry growth of +11%YoY) and +68/+10%YoY increase in HSD/FO sales, compared to decline in overall industry volumes of HSD/FO by 2%YoY each.

**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.

**Recommendation**

We maintain our **“BUY”** call on HASCOL with our Dec-17 target prices of PKR 423/share offering +35% upside from its last closing. HASCOL is currently trading at CY17E/CY18F P/E of 19.9x/15.4x.

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)
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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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