

Flash Note

Tuesday, 03 April 2018



Oil & Gas - Marketing Companies

HASCOL: Earnings post growth of +15%YoY to PKR 9.68/share during CY17 amid +43%YoY growth in volumes

- Hascol Petroleum Limited (HASCOL) announced its financial results for CY17 with earnings clocking in at PKR 1.40bn (EPS PKR 10.70, EPS PKR 9.68 @144.82mn shares) up by +5%YoY as compared to PKR 1.22bn (EPS PKR 9.41 or EPS PKR 8.39 @144.82mn shares) in the same period last year. Earnings for 4QCY17 clocked in at PKR 305mn (EPS PKR 2.11 @144.82mn shares) down by 2%YoY.
- Revenues increased +75%YoY to PKR 174.2bn as compared to PKR 99.7bn in the corresponding period last year owing to a) rise in domestic POL prices and, b) +65%/+60%YoY increase in MS/HSD sales.
- Gross margins declined by 90bps to 4.2% in CY17 compared to 5.1% in the same period last year likely owing to higher discounts offered and inventory losses incurred during the year.
- Selling and distribution expense increased by +53%YoY to PKR 2.7bn in CY17 compared to PKR 1.8bn in the same period last year likely owing to higher depreciation and salaries/wages cost.
- Finance cost increased by +32%YoY to PKR 583mn in CY17 compared to PKR 442mn in the corresponding period last year owing to increase in letter of credit charges and finance cost on debt raised through Sukuk, in our view.
- The Company booked in exchange losses of PKR 795.8mn (PKR 5.50/share) during CY17 likely owing to 5% PKR devaluation against greenback in 4QCY17.
- HASCOL has reclassified certain category from cost of sale to other expenses and we await full year financial statements for disclosure. However, in our view the Company did not book the PKR 600mn provisioning charge pertaining to litigation dispute between the Company and Mena Energy.
- Effective tax rate stood at 47.3% during CY17 compared to 38.2% in the same period last year, whereas effective tax rate in 4QCY17 stood at 61.9% against 48.5% in the corresponding period last year.

Exhibit:

Financial Highlights

PKRmn	CY17	CY16	YoY
Net Sales	174,240	99,716	75%
Gross Profit	7,389	5,130	44%
S&D Expense	2,667	1,746	53%
Admin Expense	611	509	20%
Other Charges	491	674	-27%
Exchange (Loss)/gain	(796)	6	0%
Other Op. Income	417	203	105%
EBIT	3,593	2,627	37%
Finance Cost	583	442	32%
Profit Before Taxation	2,659	1,968	35%
Taxation	1,257	752	67%
Profit After Taxation	1,401	1,216	15%
EPS (PKR)	10.70	9.41	
EPS (PKR) - at 144.82mn shares	9.68	8.39	
DPS (PKR)	7.00	7.00	

Source: IGI Research, Company Financials

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Time Horizon: Dec – 2018

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