

Flash Note

Monday, 29 April 2019

Oil & Gas - Marketing Companies

Hascol Petroleum Limited (HASCOL)

Higher finance cost and lower volumes drag 1QCY19 EPS to PKR 3.39 despite lower exchange loss and effective tax rate

- Hascol Petroleum Limited (HASCOL) announced financial result for 1QCY19 where the Company reported earnings of PKR 675mn (EPS PKR 3.39) against PKR 730mn (EPS PKR 3.66) in the same period last year. On quarterly basis, the Company has reported earnings of PKR 3.39/share against loss of PKR 6.53/share primarily owing to hefty exchange loss of PKR 1.39bn booked in the preceding quarter.
- We attribute this decline in earnings to increase in finance cost amid rise in interest rates, 24%YoY drop in total volumes and +16%YoY rise in selling & distribution expense.
- Revenues dropped by 10%YoY to PKR 49.94bn during 1QCY19 owing to 24%YoY drop in total volumes led by 39%/26%/10%YoY drop in FO/HSD/MS sales despite rise in domestic prices.
- Selling and distribution expense increased by +16%YoY to PKR 998mn during 1QCY19 compared to PKR 863mn in the corresponding period last year.
- HASCOL incurred exchange loss of PKR 180mn during 1QCY19 compared to PKR 400mn in the same period last year as PKR remained relatively stable during 1QCY19 with an average depreciation of 3.6%QoQ.
- Finance costs also leaped up by +3.8xYoY to PKR 732mn during 1QCY19 as against PKR 194mn in the same period last year owing to higher mark up on short term borrowing and long term loan along with rise in interest rates. Furthermore, addition of new long term loans further added to jump in finance costs.
- Effective tax dropped to 30.2% during 1QCY19 compared to 36.9% in the corresponding period last year likely owing to deferred tax asset utilized which diluted the impact of application of turnover tax in our view.

Exhibit:

HASCOL Financial Highlights

PKRmn	1QCY19	1QCY18	YoY	4QCY18	QoQ
Net Sales	49,938	55,657	-10%	49,771	0%
Gross Profit	2,982	2,735	9%	2,064	45%
S&D Expense	998	863	16%	1,270	-21%
Admin Expense	215	189	14%	235	-9%
Other Operating Income	109	69	59%	186	-41%
EBIT	1,878	1,751	7%	745	2.5x
Finance Cost	732	194	3.8x	542	35%
Exchange loss	(180)	(400)	-55%	(1,386)	-87%
Profit Before Taxation	966	1,157	-16%	(1,299)	n/m
Taxation	292	427	-32%	1	527x
Profit After Taxation	675	730	-8%	(1,300)	n/m
EPS (PKR)	3.39	3.66		(6.53)	
DPS (PKR)	-	-		-	

Source: IGI Research, Company Financials

No of Shares: 199.12mn

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