

## Day Break

Friday, 31 March 2017

## COMPANY UPDATE

## HASCOL PETROLEUM LIMITED

OIL &amp; GAS MARKETING COMPANIES

<b>Recommendation</b>		<b>BUY</b>
Target Price		430.9
Last Closing	30-Mar-17	303.1
Upside		42.2

## 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)	36.6	349.0	
Exchange		KSE 100	
<b>Price Info.</b>	90D	180D	365D
Abs. Return	(10.2)	37.6	116.1
Lo	303.1	220.3	140.3
Hi	373.3	373.3	373.3

## Key Company Financials

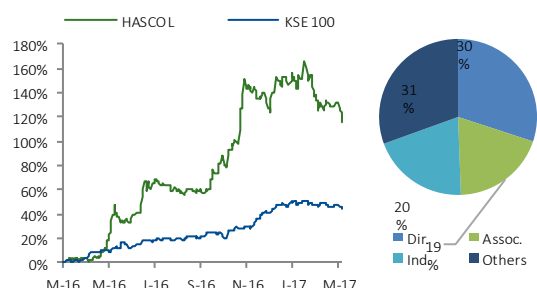
Period End: Dec

PKRbn	CY15A	CY16E	CY17F	CY18F
Total Revenue	76.8	97.5	121.9	150.2
Net Income	1.13	1.3	2.0	2.9
EPS (PKR)	9.4	10.9	16.6	23.9
DPS (PKR)	5.0	6.5	8.0	12.0
Total Assets	26.6	27.8	32.9	38.9
Total Equity	5.8	6.4	7.4	8.9

## Key Financial Ratios

ROE (%)	19.6	20.7	27.0	32.6
P/E (x)	32.3	27.8	18.2	12.7
P/B (x)	6.3	5.7	4.9	4.1
DY (%)	1.6	2.1	2.6	4.0

## 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, KSE 100 &amp; IGI Research

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## Oil &amp; Gas – Marketing Companies

## HASCOL: Earning to Clock in at PKR 10.9/share in CY16

- Hascol Petroleum Limited (HASCOL) board meeting is scheduled on 31st Mar-17 to announce financial results for CY16. We expect the company to report earnings of PKR 420mn (EPS PKR 3.48) in 4QCY16, up by +1%YoY as compared to PKR 414mn in the same period last year.
- Cumulative earnings for CY16E are estimated at PKR 1.32bn (EPS PKR 10.93) up by +16%YoY as compared to PKR 1.13bn (EPS PKR 9.39) last year.
- We maintain our “BUY” call on HASCOL with our Dec-17 target prices of PKR 431/share offering +42.2% upside from its last closing. HASCOL is currently trading at CY17F P/E of 18.2x.

## Earnings to clock in at PKR 3.48/share in 4QCY16E

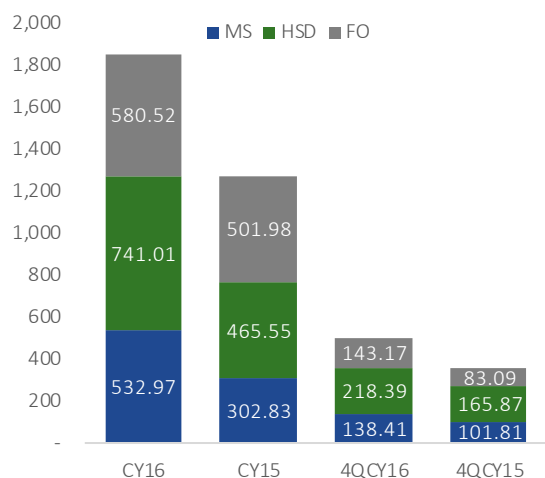
Hascol Petroleum Limited (HASCOL) board meeting is scheduled on 31<sup>st</sup> Mar-17 to announce financial results for CY16. We expect the company to report earnings of PKR 420mn (EPS PKR 3.48) in 4QCY16, up by +1%YoY as compared to PKR 414mn in the same period last year. The company posted a substantial jump in gross profit up by +58%YoY on the back of a) upward revision in MS and HSD margin for OMCs from Jul-16 and b) +36%/+32%/+72%YoY rise in MS/HSD/FO volumes. However, this muted growth in earnings is primarily attributable to higher effective tax rate of 45% owing to deferred tax liability on turnover tax. The company is expected to announce cash dividend of PKR 3.0/share along with the result, taking cumulative dividend for CY16 to PKR 6.5/share.

Cumulative earnings for CY16E are estimated at PKR 1.32bn (EPS PKR 10.93), up by +16%YoY as compared to PKR 1.13bn (EPS PKR 9.39) last year. This growth in earnings is attributable to a) increase in OMC margin for MS and HSD and b) +76%/+59%/+16%YoY rise in MS/HSD/FO volumes. However, earnings are expected to dilute owing to higher effective tax rate of 44% in CY16 as compared to 5% last year.

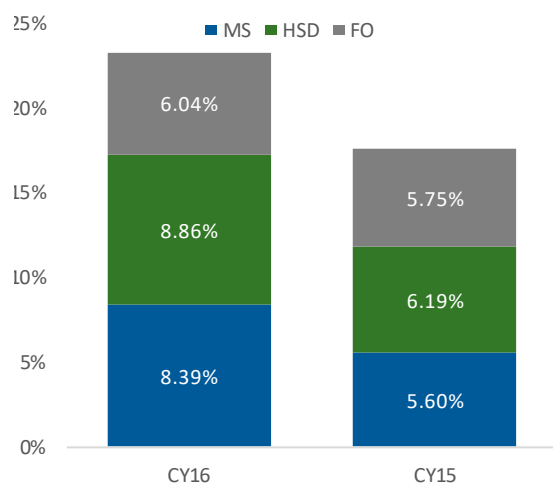
## Outlook

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.

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



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



**Recommendation**

We maintain our **“BUY”** call on HASCOL with our Dec-17 target prices of PKR 431/share offering +42.2% upside from its last closing. HASCOL is currently trading at CY17F P/E of 18.2x.

Exhibit:

**Financial Highlights**

PKRmn	CY16E	CY15	YoY	4QCY16E	4QCY15	YoY
Gross Sales	129,941	94,065	38%	37,209	34,061	9%
Net Sales	97,511	76,774	27%	27,249	28,672	-5%
Gross Profit	4,778	2,839	68%	1,434	907	58%
S&D Exp	1,554	1,053	47%	343	272	26%
Admin	514	366	40%	134	77	73%
Other Income	207	211	-2%	56	43	29%
EBIT	2,918	1,630	79%	1,013	601	69%
Finance Cost	475	350	36%	156	101	55%
PBT	2,367	1,197	98%	823	437	88%
PAT	1,319	1,133	16%	420	414	1%
EPS (PKR)	10.93	9.39		3.48	3.43	
DPS (PKR)	6.50	5.00		3.00	3.50	

Source: IGI Research and Company Financials

Source: Company Financials, IGI Research

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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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