

# Flash Note

Thursday, 28 April 2016

## Oil & Gas Marketing Companies

### HASCOL: Higher Distribution and Admin Cost Drags down Profitability to PKR 1.68/share in 1QCY16

- The Company's profitability plummeted by +26%YoY to PKR 202mn (EPS PKR 1.68) in 1QCY16 as compared to PKR 274mn (EPS PKR 2.27) in the corresponding period last year.
- Revenues leaped up by +5%YoY to PKR 20.4bn owing to +22%YoY increase in volumes.
- Selling & distribution expense more than doubled during the period to PKR 358mn. Similarly, admin expense also ballooned to PKR 121mn in 1QCY16 as compared to PKR 59mn in the corresponding period.
- Company's other income declined by 26%YoY to PKR 53mn while finance cost witnessed a meager up-tick of 7%YoY to PKR 103mn during 1QCY16.

#### Recommendation

We currently have a "**HOLD**" call on HASCOL with our Dec-16 TP of PKR 160/share, offering an upside of +9% from its last close. The company is currently trading at a CY16E P/E of 12.7x.

#### Exhibit: Financial Highlights

PKRmn	1QCY16	1QCY15	YoY	4QCY15	QoQ
Gross Sales	28,493	23,489	21%	27,573	3%
Net Sales	20,352	19,370	5%	21,429	-5%
Gross Profit	762	616	24%	848	-10%
S&D Exp	358	169	112%	343	4%
Admin	121	59	104%	110	10%
Other Income	53	72	-26%	61	-13%
EBIT	336	459	-27%	551	-39%
Finance Cost	103	96	7%	87	18%
PBT	236	319	-26%	380	-38%
PAT	202	274	-26%	380	-47%
EPS	1.68	2.27		3.15	
DPS	-	-		5.00	

Source: IGI Research and Company Financials

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### Analyst Certification

The analyst<sup>^</sup> hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

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### Valuation Methodology

The analyst<sup>^</sup> has used following valuation methodology to arrive at the target price of the said security (ies):

- Discounted Cash Flow (DCF)

#### Time Horizon

- Dec-16

#### Risk

- Changes in State Bank of Pakistan Policy Rate
- Changes in exchange rate
- Changes in Circular Debt

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