

# Flash Note

Wednesday, 16 November 2016

## Oil Marketing Companies

### HASCOL: Vitol to Exercise Call Option to Acquire Additional 10% Stake

- As stated in the KSE notification, Vitol Dubai Limited has exercised its call option to buy additional 10% stake in the Hascol Petroleum Limited (HASCOL), taking total shareholding in the company to 25%.
- Vitol acquired 15% stake in HASCOL in Nov-15 where the company had option to increase its shareholding in HASCOL to 25% within one year.
- HASCOL has rallied +92% since Oct-15 when Vitol initially acquired 15% stake in the company last year.
- We believe, Vitol's stake and Supply Agreement with HASCOL will bode well for the company in terms of volumetric growth and efficient supply chain agreement.
- HASCOL's volumes have increased by +92%YoY in CY16TD to 1.5mnTon as compared to 0.8mnTon in CY15TD.
- 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 Mehmoodkot is expected to be completed by the end of 2016. Storage facility at Keamari with a capacity of 30,000MT of Motor gasoline and extension of storage capacity at Machike, Shikarpur and Daulatpur has 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

HASCOL is currently trading at FY16/FY17 P/E multiple of 22.3x/17.3x. With our Jun-17 TP of PKR 293/share, we recommend '**HOLD**' call on the scrip.

#### Analyst

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|----------------|--|
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**Time Horizon:** Jun - 2017

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DCF (Discounted Cash Flow)

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IGI Finex Securities Limited

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