

Flash Note

Friday, 28 October 2016

Oil & Gas Marketing Companies

HASCOL: Earnings clock in at PKR 2.42/share in 3QCY16 along with approval for setting up Lube blending plant

- Hascol Petroleum Limited's (HASCOL) earning augmented by +23%YoY to PKR 292mn (EPS PKR 2.42) in 3QCY16 as compared to PKR 237mn (EPS PKR 1.96) in the corresponding period last year.
- Cumulative earnings for 9MCY16 clocked in at PKR 904mn (EPS PKR 7.49) as compared to PKR 753mn (EPS PKR 6.24) in the same period last year.
- Company's revenues increased by +42%YoY to PKR 26.9bn in 3QCY16 owing to increase of +53%YoY rise in total volumes.
- Gross Profits increased by +96%YoY to PKR 1.2bn likely owing to inventory gains and increased margins on MS and HSD from PKR 2.35/ltr to PKR 2.41/ltr each.
- Selling and distribution expense increased by +61%YoY to PKR 439mn in 3QCY16 as compared to PKR 272mn in the same period last year.
- The company booked tax expense of PKR 271mn (effective tax rate of 48%) in 3QCY16 as compared to a tax income of PKR 109mn in the same period last year.
- HASCOL also announced that Board of Directors have approved setting up of Lubricant Blending and Grease plant in collaboration with FUCHS-Germany with an estimated cost of PKR 1.8bn. The project is anticipated to be completed in two years.

Recommendation

HASCOL is currently trading at CY16E/CY17F P/E multiple of 20.1x/15.6x. With our Jun-17 TP of PKR 293/share, the scrip provides +11% upside from its last closing. Hence, we recommend '**BUY**' call on the scrip.

Exhibit: Financial Highlights

PKRmn	3QCY16	3QCY15	YoY	9MCY16	YoY
Gross Sales	33,472	22,393	49%	92,733	39%
Net Sales	26,894	18,918	42%	70,261	27%
Gross Profit	1,175	598	96%	3,344	68%
S&D Exp	439	272	61%	1,211	70%
Admin	122	77	58%	380	48%
Other Income	61	43	42%	151	1%
EBIT	675	292	131%	1,905	62%
Finance Cost	108	101	7%	319	21%
PBT	563	128	339%	1,549	90%
PAT	292	237	23%	904	20%
EPS (PKR)	2.42	1.96		7.49	
DPS (PKR)	-	-		3.50	

Source: IGI Research and Company Financials

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Jun - 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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