

Flash Note

Friday, 17 July 2020

Oil & Gas - Marketing Companies

Hascal Petroleum Limited (HASCOL)

Huge loss reported in 4QCY19 on account of higher taxation and inventory losses, Diluted LPS of PKR 11.95

- ✓ Hascal Petroleum Limited (HASCOL) announced its financial results for 4QCY19 with loss clocking in at PKR 11.94bn (Diluted @999.12mn LPS: PKR 11.95) as compared to loss of PKR 1.30bn (Diluted @999.12mn LPS: PKR 1.30) in the same period last year, up +9xYoY. On sequential basis, losses are up by +4xQoQ. This brings total loss for CY19 to PKR 25.75bn (Diluted @999.12mn LPS: PKR 25.78) down by 210xYoY compared to loss of PKR 0.12bn (Diluted @999.12mn LPS: PKR 0.12) in the similar period last year.
- ✓ We attribute this substantial loss during 4QCY19 to a) 25% YoY decline in volumes led by 39%/24/1% drop in FO/HSD/MS sales, b) substantial rise in finance cost amid higher mark-up cost of ST borrowings, c) likely inventory losses and, c) higher taxation.
- ✓ Net sales decreased by 13% YoY to PKR 43.48bn during 4QCY19, likely on the back of 25% YoY decline in total volumes.
- ✓ The Company reported gross loss of PKR 2.02bn in 4QCY19 compared to gross profit of PKR 2.06bn likely owing to substantial drop in total volumes and likely inventory losses of PKR ~3bn.
- ✓ Finance cost increased by +4.5xYoY to PKR 2.45bn during 4QCY19 likely on account higher interest rates leading to increased mark-up cost on elevated ST borrowings which stood at PKR 43bn as at Sep-19.
- ✓ Other income also augmented by +3.0xYoY to PKR 2.52bn during 3QFY20 likely owing to hefty exchange gains.
- ✓ Major drag to losses came from net tax expense of PKR 5.43bn booked during 4QCY19 bringing total net tax expense for CY19 to PKR 0.87bn as compared to PKR 0.31bn in CY18.
- ✓ Substantial decline in earnings during CY19 is primarily attributable to gross losses (likely due to higher inventory losses and 46% YoY drop in total volumes), higher finance cost up by +5.6xYoY on account of elevated ST borrowings and rise in interest rates and huge other charges of PKR 8.79bn on account of volatility in exchange rate and oil prices.
- ✓ As a result of this huge loss for 4QCY19, HASCOL's shareholder's equity which stood at negative PKR 1.78bn is likely to go down to negative PKR 13.72bn as at Dec-19. Right share is likely to be reflected in Mar-20 financial results.
- ✓ To note HASCOL has also restated it CY18 results as well.

Exhibit: Financial Highlights

PKRmn	4QCY19	4QCY18	YoY	3QCY19	QoQ	CY19	CY18	YoY
Net Sales	43,475	49,771	-13%	25,366	71%	154,875	233,244	-34%
Gross Profit	(2,019)	2,064	n/m	61	n/m	(1,851)	10,707	n/m
S&D Expense	(109)	1,270	n/m	1,213	n/m	4,078	3,539	15%
Admin Expense	(42)	235	n/m	311	n/m	818	883	-7%
Other Op. Income	217	186	16%	99	120%	511	527	-3%
EBIT	(1,651)	745	n/m	(1,364)	21%	(6,237)	6,812	n/m
Finance Cost	2,452	542	353%	2,364	4%	7,467	1,324	464%
Other Charges	2,467	117	21.1x	-	n/m	8,791	1,094	704%
Exch. (loss)/gain	54	(1,386)	n/m	33	65%	(2,393)	(4,208)	-43%
PBT	(6,516)	(1,299)	402%	(3,696)	76%	(24,887)	186	n/m
Taxation	5,425	1	9808x	(1,053)	n/m	866	309	180%
PAT	(11,941)	(1,300)	819%	(2,643)	352%	(25,753)	(123)	209x
EPS (PKR)	(11.95)	(1.30)		(2.65)		(25.78)	(0.12)	
DPS (PKR)	-	-		-		-	-	

Source: IGI Research, Company

No of Shares: 999.12mn

Exhibit: HASCOL Shareholder's equity

	PKRmn
Share Capital as at Sep-19	1,991
Reserves as at Sep-19	(7,964)
Surplus on reval. as at Sep-19	4,198
Shareholder's equity as at Sep-19	(1,775)
Loss for 4QCY19	(11,941)
Shareholder's equity as at Dec-19	(13,716)
Right Issue adjustment	8,000
Shareholder's equity	(5,716)

Source: IGI Research, Company financials

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