



AKD Securities Limited

TREC Holder & Registered Broker
Pakistan Stock Exchange

Equity Research / Pakistan



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Today's Daily

■ HASCOL: 2QCY18 Earnings preview

HASCOL is slated to release earnings for 2QCY18/1HCY18 today where we expect the OMC to post an NPAT of PkR498/1,228mn (EPS:PkR3.44/8.48/sh, on diluted number of shares) marking increase of 20/55%YoY. Earnings are backed by continued growth in volumes and rising pump prices. In addition to the results, we expect the OMC to announce an interim dividend of PkR5.0/sh maintaining its payout ratio of 60%. From an operational frame the OMC continues to expand its retail network while developments on expanding into the LPG, LNG & Chemicals business streams are in process, where the continued push by management to diversify revenue streams fuels our bullish thesis on continued bottom-line growth at the OMC. Even so, our forecasts fail to incorporate these income streams as clarity on most fronts (margins from LPG business, COD of lubricant plant with annual capacity and margin expectations) remains elusive.

KSE100 - Index

Current 42,446.62
Previous 41,960.80
Chg. 1.16%

Mkt Cap. (PkRbn/US\$bn)

Current 8,703 / 70.17
Previous 8,620 / 69.49
Chg. 0.97%

Daily Turnover (mn)

Current 194.19
Previous 142.18
Chg. 36.6%

Value Traded (PkRmn/US\$mn)

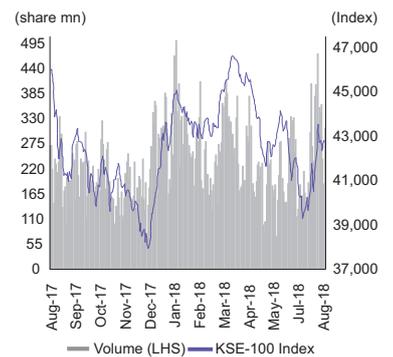
Current 8,086 / 65.19
Previous 7,225 / 58.25
Chg. 11.9%

AKD Daily

Monday, Aug 20, 2018

News and Views

- Unnamed sources at the power division quoted by the media stated that the ministry has handed over power sector's RLNG requirement for the next four months to M/s Pakistan LNG Limited (PLL) and indicated a major reduction in the use of RLNG for power generation while opting for an increase in the use of furnace oil.
- Pakistan's new Prime Minister Imran Khan called on Sunday for the rich to start paying taxes and said the country will begin an austerity drive to reduce debt, a campaign he will kick-start by selling his office's fleet of bullet-proof cars.
- Prime Minister Imran Khan's approved 21-member federal cabinet, comprising 16 ministers and five advisers, took oath in the morning today. Notable portfolios included Mr. Asad Umer as Minister for Finance, Revenue & Economic Affairs and Dr. Ishrat Hussain as Adviser on Institutional Reforms & Austerity.



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2QCY18E result preview: We expect the OMC to post 2QCY18E NPAT of PkR498mn (EPS:PkR3.44/sh) marking growth of 20%YoY on the back of: 1) total volumetric sales climbing 11%QoQ/15%YoY led by retail segment fuels, 2) product prices remaining rising drastically over the quarter, and 3) higher margin on MOGAS at PkR2.55/ltr vs. PkR2.41/ltr in the previous period. Expected exchange loss of PkR400mn and higher taxation expense are softening margins, with GM/NM expected at 4.4/0.9% for 2QCY18E vs. 4.9/1.3% in 1QCY18 signifying some weakness. In addition to the results we expect the OMC to announce an interim payout of PkR5.0/sh maintaining its payout ratio of 60%.

HASCOL: Income Statement

PkRmn	2QCY18E	2QCY17	YoY%	QoQ%	1HCY18E	1HCY17	YoY%
Sales- Net of Sales Tax & Discounts	57,696	42,848	35%	4%	113,353	77,743	46%
Cost of Sales	55,186	41,226	34%	4%	108,108	74,693	45%
Gross Profit	2,510	1,622	55%	-8%	5,244	3,050	72%
Selling & Distribution Exp	(745)	(628)	19%	-14%	(1,608)	(1,168)	38%
Administrative Expenses	(171)	(152)	12%	-10%	(360)	(301)	20%
Other Income	68	67	1%	-1%	136	134	2%
Operating Profit	1,661	908	83%	-5%	3,413	1,715	99%
Finance Cost	(154)	(148)	4%	-21%	(349)	(262)	33%
Other Expenses	-	0.44	-100%	-21%	-	(23)	-100%
Exchange loss/gain	(400)	--	-	-	(800)	-	-
Profit Before Taxation	1,107	760	46%	0%	2,264	1,430	58%
Taxation	(609)	(347)	76%	-4%	(1,036)	(639)	62%
Profit After Taxation	498	414	20%	42%	1,228	791	55%
EPS (PkR)	3.44	2.86	20%	-32%	8.48	5.46	-

Source: AKD Research & Company Report

LPG update: Based on OGRA's pump-wise fuel price list HASCOL added 47 pumps in 2QCY17 taking the total retail pump count to 547 pumps (86 pumps added CYTD). On growth prospects, HASCOL disclosed in a notice to the exchange its plans for a PkR175mn acquisition of Marshal



Gas Pvt Ltd, a licensed LPG distributor operating gas filling facility near Karachi under a hospitality agreement with SSGC, which is slated to add additional revenue streams for HASCOL. Of importance is the common shareholding between Marshal Gas (directors of private company include Mr. Liaqat Ali, also on the Board of HASCOL) and HASCOL, where Marshal Gas also owns a stake in HASCOL (9.32mn shares - a 6.44% stake as of Dec'17). Based on LPG filling station licensing data (by OGRA), Marshal Gas does not have a retail presence currently, selling only to downstream stockists/wholesalers. However, the management believes integration of filling station operations with HASCOL's existing retail network would entail minor expenses (Pkr15-20mn) mostly on the distribution side, but would create room for margin expansion for the combined OMC.

Investment Perspective: Developments on expanding the non-fuel retail businesses are in process with first phase of lubes segment (~US\$20mn oil blending and grease plant) expected to commence from 3QCY18. Continued push by management to diversify revenue streams fuels our bullish thesis on continued bottom-line growth at the OMC. That said, we re-iterate our bullish outlook on the stock, citing lucrative additional revenue sources and persistent CAPEX on retail network infrastructure. At current levels, an accumulate call on HASCOL is implied at our TP of Pkr318/sh.



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Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



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