



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

Equity Research / Pakistan



REP-108  
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### Today's Daily

#### ■ HASCOL: 2QCY17 Earnings preview

HASCOL is slated to release earnings for 2QCY17E/1HCY17E on Wednesday, 30th August, where we expect the OMC to post NPAT of PkR609/981mn (EPS:PkR5.05/8.13/sh) marking increase of 49%/60%YoY. Earnings are backed by continued growth in volumes, stable product prices, pickup in other revenues & income. In addition to the results we expect the OMC to announce an interim payout of PkR3.0/sh maintaining its payout ratio of 60%. From an operational frame the OMC continues to add to its retail network while developments on expanding the non-fuel retail business 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. We re-iterate our bullish outlook on the stock, citing lucrative additional revenue sources, persistent CAPEX on retail network infrastructure. We have a BUY call on HASCOL with an FCFE based TP of PkR422.5/sh.

#### KSE100 - Index

Current 42,268.62  
Previous 42,910.79  
Chg. -1.50%

#### Mkt Cap. (PkRbn/US\$bn)

Current 8,812 / 83.61  
Previous 8,934 / 84.77  
Chg. -1.37%

#### Daily Turnover (mn)

Current 184.66  
Previous 166.77  
Chg. 10.7%

#### Value Traded (PkRmn/US\$mn)

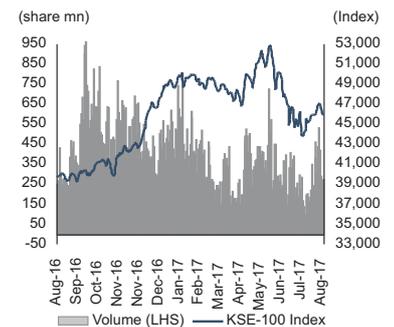
Current 10,053 / 95.39  
Previous 9,356 / 88.78  
Chg. 7.4%

AKD Daily

Friday, Aug 25, 2017

### News and Views

- In a CCI meeting scheduled today (Friday), the federal government is likely to take provinces on board before making amendments to the Petroleum Policy 2012 and offer a higher price for hydrocarbon exploration to Mari Petroleum Company Limited.
- As per recent data released by SBP, country's total foreign exchange reserves rose US\$105mn to US\$20.046bn during the week ended Aug 18'17, where reserves held by SBP slightly improved by US\$64mn to US\$14.375bn, while commercial banks reserves also inched up to US\$5.671bn.
- Competition Commission of Pakistan (CCP) has issued show cause notices to six fruit juice manufacturers -NESTLE, SHEZAN, CITROPAK, AF international, SUNLAND & MAAHER foods-- for misleading consumers and deceptive marketing practices.



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**2QCY17E result preview:** We expect the OMC to post 2QCY17E NPAT of PkR609mn (EPS:PkR5.05/sh) marking growth of 64%QoQ/49%YoY on the back of: 1) total volumetric sales climbing 20%QoQ/49%YoY led by retail segment fuels, 2) product prices remaining rising marginally over the quarter with HSD/MOGAS averaging PkR82.5/73.6/ltr vs. PkR79.1/70.3 during 1QCY17, and 3) product margins remaining at PkR2.41/ltr for MOGAS and HSD (since July'16) vs. PkR2.35/ltr for 4QCY16. Pickup in revenue from franchisees and other income from storage and handling are expected to firm-up margin stability, with GM/NM expected at 4.0/1.8% for 2QCY17E vs. 4.1/1.1% in 1QCY17 signifying some weakness (largely from higher HSD price for the fixed margin product). In addition to the results we expect the OMC to announce an interim payout of PkR3.0/sh maintaining its payout ratio of 60%

### HASCOL: Income Statement

((PkR mn))	1HCY17E	1HCY16	YoY%	2QCY17E	2QCY16	QoQ%	YoY%
Total Sales - Gross	95,878	59,331	62%	52,990	30,807	24%	72%
T. Sales (Sales Tax)	78,008	43,367	80%	43,113	23,015	24%	87%
Cost of Sales	(74,853)	(41,197)	82%	(41,387)	(21,607)	24%	92%
Gross Profit	3,155	2,170	45%	1,727	1,407	21%	23%
Selling & Dist. Exp.	(1,063)	(772)	38%	(523)	(414)	-3%	26%
Adm. Expenses	(325)	(258)	26%	(172)	(137)	12%	25%
Operating Profit	1,767	1,139	55%	1,032	856	40%	21%
Finance Cost	(225)	(211)	7%	(111)	(108)	-2%	3%
Ot. Inc. less ot. charges	88	58	52%	44	2	0%	2047%
Profit Before Taxation	1,629	986	65%	965	750	45%	29%
Taxation	(648)	(374)	73%	(355)	(340)	22%	4%
Profit After Taxation	981	612	60%	609	410	64%	49%
EPS (PkR)	8.13	5.07	-	5.05	3.40	-	-

Source: Co. Reports & AKD Research



**Operational update:** HASCOL added 9 pumps by 2QCY17 taking the total retail pump count to 459 pumps (35 pumps added CYTD). On growth prospects, HASCOL disclosed in a notice to the exchange the approval of license by OGRA to build LPG storage and filling facility, while initiating forays into RLNG, aviation fuels at select airports and storage facility near the BYCO plant in Mouza Kund, Balochistan. Additionally, developments on expanding the non-fuel retail business are in process, with the lubes segment expected to enhance profitability following the completion of ~US\$20mn oil blending and grease plant (expected COD in 1QCY19). Continued push by management to diversify revenue streams fuels our bullish thesis on continued bottom-line growth at the OMC.

**Investment Perspective:** Over the year, HASCOL has firmly positioned itself as the second largest OMC in the country beginning in Jan'17 with a total volumetric market share of 9.55% rising to an all-time high of 10.2% in May. For 2QCY17 the company sat on volumetric share of 9.9% vs. 6.8% during 2QCY16, a period during which the industry grew total volumes by ~1%YoY. While risks emanating from PkR weakness remain at the forefront, we believe HASCOL's efficient sourcing with low lead times, should limit any inventory impacts. Even so, higher finance costs and one-off pricing variations have the ability to pull earnings lower by ~2.1% for every 1% depreciation in the PkR vs. US\$. As for reduced incremental demand from higher POL prices following a devaluation, we believe the lack of tangible substitutes (particularly for transport) should keep volumetric growth intact. We re-iterate our bullish outlook on the stock, citing lucrative additional revenue sources, persistent CAPEX on retail network infrastructure. We have a BUY call on HASCOL with an FCFE based TP of PkR422.5/sh.



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