

HTL - FY21 earnings to clock in at PKR 6.0/share, up 4.76x YoY, 4Q EPS PKR 1.66

- HTL's board meeting is scheduled on September 10, 2021 to consider FY21 financial results. We expect the company to post an EPS of PKR 6.0, as compared to an EPS of PKR 1.0 in FY20, depicting 4.76x growth in the bottomline.
- Along with the result, we expect the company to announce a final dividend of PKR 2.0/share, in addition to an interim dividend of PKR 2.0/share, taking the cumulative dividend payout in FY21 to PKR 4/share.
- HTL's FY21 topline is likely to come at PKR 9.5bn, up 69% YoY, primarily driven by recovery in the volumes. We expect volumetric sales to grow ~65% YoY supported by strong growth in automobile sector and resolution of documentation issues of buyers which adversely affected company's earnings during FY20.
- We expect operating expenses to increase by 16% YoY to PKR 1.4bn, mainly due to inflationary pressures and increase in marketing and promotional activities.
- Other income during the year is expected to increase 28% YoY to PKR 167mn which will further support the bottomline growth.
- On quarterly basis, HTL is expected to post net earnings of PKR 1.66/share, down 10% YoY in 4QFY21. This can mainly be attributed to PKR 98mn tax reversal booked in 4QFY20.
- We have a 'BUY' stance on the script with the Dec-21 PT of PKR 83/share. Our price target indicates an upside of 11% along with a dividend yield of 5%.

Key Data

PSX Ticker	HTL
Target Price (PKR)	83
Current Price (PKR)	75
Upside/(Downside) (%)	+ 11%
Dividend Yield (%)	5%
Total Return (%)	+ 17%
12-month High (PKR)	99
12-month Low (PKR)	37
Outstanding Shares (mn)	116
Market Cap (PKR mn)	8,701
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	4QFY20	4QFY21E	YoY	FY20	FY21E	YoY
Net Sales	1,916	2,262	18%	5,629	9,516	69%
Cost of Sales	1,464	1,524	4%	4,214	7,089	68%
Gross Profit	452	738	63%	1,415	2,426	71%
Operating Expense	317	364	15%	1,234	1,436	16%
Other Income	24	83	246%	130	167	28%
Finance cost	44	204	368%	236	281	19%
Profit before tax	116	253	118%	76	876	10.6x
Taxation	(98)	60	NM	(46)	175	NM
Net Income	214	193	-10%	122	701	4.76x
EPS/ (LPS)	1.85	1.66	-10%	1.05	6.04	4.76x
DPS	0.90	2.00		0.90	4.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
EPS	6.5	0.4	1.0	6.0	6.7	7.8
EPS Growth	2%	-95%	196%	476.4%	11.3%	16.6%
DPS	3.5	0.3	0.9	4.0	4.0	4.0
PER	11.5	NM	NM	12.4	11.2	9.6
Dividend Yield	4.7%	0.3%	1.2%	5.3%	5.3%	5.3%
P/B	7.2	15.5	23.5	8.6	6.9	6.0
ROE	2.1	2.2	2.2	2.1	1.9	1.7

Source: Company Accounts, Akseer Research

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Valuation Basis

Our PT for Hi tech Lubricants limited (HTL) has been computed using Free cash flow to firm (FCFF) method. We have used a risk free rate of 11.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 17.0% and weighted average cost of capital of 13.9%

Investment Thesis

We have a "BUY" stance on the script with the Dec-21 PT of PKR 83/share. Our price target indicates an upside of 11%, along with a dividend yield of 5%. We believe that the stock is attractive on current levels. Successful penetration in OMCs business and increase in market share may provide another upside trigger for the company going forward.

Risks

Key downside risks to our investment thesis are: 1) significant devaluation of PKR against USD, 2) unexpected increase in prices of international base oil/lubricants & 3) prolonged economic slowdown which may hinder volumetric recovery.

Company Description

The principal activity of the HTL is to import and distribute petroleum products. OGRA has granted license to the Holding Company to establish an OMC, subject to some conditions. Hi-Tech Blending (Pvt) Ltd. ("the Subsidiary Company") principal activity is to construct, own and operate lubricating oil blending plant.

Financial Highlights - HTL

Income Statement (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
Net Sales	9,255	9,431	5,629	9,516	11,100	13,219
Cost of Sales	6,860	7,362	4,214	7,089	7,992	9,518
Gross Profit	2,395	2,069	1,415	2,426	3,108	3,701
SG & A	1,081	1,344	1,174	1,383	1,776	2,113
Operating Profit	1,315	725	241	1,043	1,332	1,588
Other Income	71	82	130	167	161	172
Other Charges	108	192	60	53	61	102
Finance Cost	127	314	236	281	363	428
Profit Before Tax	1,151	301	76	876	1,069	1,230
Taxation	391	259	(46)	175	289	320
Profit After Tax	760	41	122	701	780	910

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
PPE	2,955	3,130	3,192	3,106	3,113	3,102
Other LT assets	41	28	284	283	283	283
Non-Current Assets	2,997	3,159	3,476	3,389	3,395	3,385
Total current assets	3,612	3,952	3,002	4,411	4,933	6,065
Total Assets	6,608	7,110	6,478	7,800	8,328	9,450
Total non-Current liabilities	213	118	240	240	240	240
Total current liabilities	2,308	3,095	2,249	3,334	3,546	4,222
Total Liabilities	2,522	3,214	2,489	3,574	3,785	4,461
Equity	4,087	3,897	3,989	4,226	4,543	4,989
Total Equity & liabilities	6,608	7,110	6,478	7,800	8,328	9,450

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
Net Income	760	41	122	701	780	910
Non-cash Charges	136	157	230	229	226	226
Operating Cash flows	1,360	(493)	1,368	(169)	755	732
FCFF	854	(606)	1,241	(87)	788	833
Net Borrowings	(18)	799	(1,169)	1,022	271	458
FCFE	752	(26)	(93)	710	793	974
Net Change in Cash	346	(258)	(122)	246	329	510
Closing cash	567	309	188	434	763	1,273

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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