

Hi-Tech Lubricant Ltd: Top gear...

- Hi-Tech (HTL) applied for OMC license from OGRA_(as per notice at PSX)
- We see some boost in the business model
- We expect FY16 EPS of Rs 6 – Rs 7 for the lubricant supplier (taking EPS of Rs3.36/sh as 1HFY16 as proxy)
- We consider HTL a growth model now
- We have checked that globally lubricant companies yield PE range of 15x-20x
- At present we estimate HTL PE of 8x-9x

Wherein, HTL is a small sized company, supplying lubricants with flag brand of ZIC to key OMCs in the country. There is a growing competition among local players for lubricant space. We see brand loyalty in some of HTL lubricants among car drivers. However, the main attraction is high margin business. HTL as per last company report reported 5.5% market share, so obviously it has the room to grow in the local market.

At present, we see management of HTL have passed on dividend in the first reported quarter after the IPO; which we take as a positive sign. HTL holds inventory of nearly Rs1.2bn as per latest 1HFY16.

Case for OMC license is strong...HTL is vying for forward-integration model which will mainly focus on retail outlets across Pakistan. We see one shop model which will give customers ease. HTL will handle petroleum products (if granted license by OGRA). We already see room in OMC petroleum demand (keeping in mind last year shortage situation in populated Punjab province) wherein this time government may be mindful to give license to potential entrants. But beyond OMC, we still see margins in the existing lubricant model.

Post IPO reported accounts - PKR

	HTL 1HFY16 P8	1HFY16	1HFY15
Sales		3,432,475,102	2,395,790,033
COGS		2,438,798,156	1,822,837,229
GP		993,676,946	572,952,804
Other Income		2,644,639	46,324,207
Operating Profit		450,632,183	252,046,668
Finance Cost		9,324,947	13,461,375
PBT		441,307,236	238,585,293
Tax		148,567,464	59,872,335
PAT		292,739,772	178,712,958
EPS-adj.		3.36	2.05

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Hi-Tech Lubricants Ltd

Avg Volume (52 Weeks)	1,598,650
Close	56.39
52 Weeks High	61.5
52 Weeks Low	54.25
Market Capitalization	4.91bn
Beta	0.95
Total No of Shares	87mn
Free-Float Shares	4.81mn

Source: www.scstrade.com

HTL passed on interim cash of Rs1.3/sh post IPO

Analyst

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Product consumption - portion in revenue

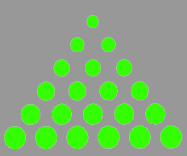
Passenger car motor oil	37%
Diesel engine oil	43%
Motor cycle oil	51%
Gear, hydraulic	15%

source HTL report

Stock-in-trade- PKR

	1HFY16	1HFY15
	1,206,347,496	508,480,910

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