

Flash Note

Wednesday, 21 February 2018

Oil & Gas - Marketing Companies

PSO: Earnings down by 38%YoY during 2QFY18, likely due to lower inventory gains, exchange losses and higher tax

- Pakistan State Oil Company Limited (PSO) announced financial results for 2QFY18 with earnings clocking in at PKR 3.49bn (EPS PKR 10.71) as compared to PKR 5.64bn (EPS PKR 17.30) in the same period last year. This brings 1HFY18 total earnings to PKR 8.52bn (EPS PKR 26.14) down by 15%YoY.
- Revenues increased by +19%YoY to PKR 260bn on the back of a) +17%/13%YoY rise in MS/HSD prices, b) +13% increase in FO prices resulting in higher profit contribution from FO and, c) increase in LNG and lubricant sales.
- Gross profit declined by +17%YoY to PKR 9.54bn during 2QFY18 likely owing to inventory gains.
- Operating costs increased by +19%YoY to PKR 7.05bn during 2QFY18 as compared to PKR 6.77bn in the corresponding period last year likely owing to exchange losses booked in Dec-17 as a result of 4.5% PKR depreciation.
- Other income declined by 83%YoY to PKR 0.76bn in 2QFY18 as compared PKR 4.41bn in the same period last year likely owing to lower Late Payment Surcharge (LPS) income amid rising receivables and absence of PIB income.
- Finance costs plummeted by 35%YoY to PKR 1.02bn during 2QFY18 likely on the back of lower markup on FE-25 loans to cash requirement amid rising circular debt.
- Effective tax rate stood at 38.3% during 2QFY18 compared to 31.0% in the same period last year, further denting profitability during the quarter.

Exhibit:

Financial Highlights

PKRmn	2QFY18	2QFY17	YoY	1HFY18	1HFY17	YoY
Net Sales	259,708	217,836	19%	518,353	411,348	26%
Gross Profit	9,540	8,186	17%	18,730	17,892	5%
Operating Costs	3,665	3,086	19%	7,050	6,766	4%
Other Op. Income	756	4,407	-83%	2,969	6,316	-53%
EBIT	6,631	9,506	-30%	14,649	17,441	-16%
Finance Cost	1,023	1,567	-35%	1,779	2,846	-37%
Profit Before Taxation	5,660	8,175	-31%	13,080	14,961	-13%
Taxation	2,168	2,536	-15%	4,558	4,946	-8%
Profit After Taxation	3,493	5,639	-38%	8,522	10,015	-15%
EPS (PKR)	10.71	17.30		26.14	30.72	
DPS (PKR)	-	-		-	-	

Source: IGI Research, Company Financials

Shares mn: 326.02

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 912

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Syed Daniyal Adil	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 973	daniyal.adil@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Tanweer Kabbeer	Research/Fund Select	Tel: (+92-21) 111-234-234 Ext: 966	tanweer.kabbeer@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	umesh.solanki@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Ejaz Rana	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	ejaz.rana@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780

Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, PSX Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Tel: (92-992) 408243 - 44

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Peshawar Cantt.
Tel: (92-91) 5253035, 5278448

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area, Islamabad
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah Shopping Center, Opp. Rad
Station, Mansehra Road, Abbottabad
Tel: (+92-99) 2408243 - 44

Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,
Mubarak Pura, Sialkot.
Tel: (+92-52) 3258437, 3258762