

Flash Note

Monday, 15 August 2016

Oil & Gas Marketing Companies

PSO: Inventory Gains and Higher other Income in 4QFY16 pushes up FY16 earnings to PKR 37.81/share

- Pakistan State Oil's (PSO) earning augmented by +48%YoY to PKR 10.3bn (EPS PKR 37.81) in FY16 as compared to PKR 6.9bn (EPS PKR 25.53) in the corresponding period last year. Earnings for 4QFY16 stand at PKR 5.7bn (EPS PKR 20.9) as compared to PKR 3.7bn (EPS PKR 13.59) in the same period last year.
- Company announced cash dividend of PKR 7.50/share along with the result, taking cumulative dividends for FY16 to PKR 12.50/share.
- Company's revenues dropped by 19%YoY to PKR 906bn in FY16 primarily attributable to drop in international oil prices resulting in lower POL prices locally.
- Other income declined by 9%YoY in FY16 owing to lower interest rate, however on quarterly basis increased by +25%YoY to PKR 5.9bn likely owing to interest income on PIBs and higher markup on delayed payments.
- Finance Costs declined by 35%YoY to PKR 7.2bn on the back of drop in interest rates and lower mark-up on delayed payments.
- Operating cost increased by +12%YoY likely owing to incline in salary costs.
- Effective tax rate for FY16 dropped by 500bps to 37%.

Recommendation

Based on overall change in volumetric assumptions as well as enhanced margins, we are currently revising our investment case for PSO.

Exhibit: Financial Highlights

PKRmn	4QFY16	4QFY15	YoY	FY16	FY15	YoY
Gross Sales	255,456	290,716	-12%	906,204	1,114,411	-19%
Net Sales	189,380	230,877	-18%	677,967	913,094	-26%
Gross Profit	9,222	9,427	-2%	22,863	23,579	-3%
Operating Costs	4,547	3,101	47%	12,835	11,419	12%
Other Income	5,870	4,712	25%	12,798	14,024	-9%
EBIT	11,694	10,102	16%	22,826	22,671	1%
Finance Cost	2,135	2,334	-9%	7,150	11,017	-35%
PBT	9,558	8,146	17%	16,289	12,034	35%
PAT	5,679	3,694	54%	10,273	6,936	48%
EPS (PKR)	20.90	13.59		37.81	25.53	
DPS (PKR)	7.50	4.00		12.50	10.00	

Source: IGI Research and Company Financials

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