

Flash Note

Tuesday, 18 February 2020

Oil & Gas - Marketing Companies

Pakistan State Oil Company Limited (PSO)

Lower inventory losses, increased volumes and higher other income lifts 2QFY20 EPS to PKR 6.19 despite elevated ST borrowings

- Pakistan State Oil Company Limited (PSO) announced financial results for 2QFY20 with un-consolidated earnings clocking in at PKR 2.91bn (EPS: PKR 6.19) up by +42xYoY compared to PKR 0.07bn (EPS: PKR 0.15) in the same period last year. On a sequential basis, earnings are down by 18%QoQ on account of inventory losses and higher finance cost.
- This brings total profitability for 1HFY20 to PKR 6.44bn (EPS PKR 13.71) compared to PKR 4.25bn (EPS PKR 9.05) in the same period last year.
- We attribute this incline in earnings during 2QFY20 to a) +9%YoY increase in total volumes led by +19/+12%YoY jump in MS/HSD sales, b) other income in the absence of exchange losses, c) higher other income likely owing to elevated Late Payment Surcharge (LPS) income and, d) lower inventory losses of nearly ~PKR 2.3bn compared to PKR 4.9bn in the same period last year.
- Net Revenue increased by +7%YoY to PKR 312.56bn during 2QFY20, likely on the back of increase in domestic MS and HSD prices due to PKR depreciation and +9%YoY rise in total volumes led by +19/+12%YoY jump in MS/HSD sales.
- Gross profit leaped up by +37%YoY to PKR 6.97bn during 2QFY20 as against PKR 5.09bn in similar period last year likely owing to lower inventory losses and rise in total volumes.
- The Company booked other income of PKR 0.14bn during 2QFY20 against other charge of PKR 1.03bn in the same period last year likely owing to exchange gains booked compared to exchange losses last year.
- Other income leaped up by +3.2xYoY to PKR 5.40bn during 2QFY20 compared to PKR 1.68bn in the corresponding period last year likely owing to higher penal interest income booked during the quarter.
- Finance cost surged by +92%YoY to PKR 3.90bn during 2QFY20 against PKR 2.03bn in the same period last year likely owing to elevated mark-up cost on short term borrowings. This is likely due to shift in ST borrowing from FE-25 to local which carries higher mark-up rate.
- Effective tax rate clocked in at 40.0% during 2QFY20 compared to 88.7% (1QFY20: 43.2%) reported in the corresponding period last year, bringing total effective tax rate to 41.8% for 1HFY20 compared to 40.9% in the same period last year.

Exhibit: Financial Highlights

PKRmn	2QFY20	2QFY19	YoY	1QFY20	QoQ	1HFY20	1HFY19	YoY
Net Sales	312,556	291,825	7%	329,783	-5%	642,339	571,853	12%
Gross Profit	6,970	5,090	37%	10,706	-35%	17,677	15,996	11%
S&D Expense	3,198	2,360	36%	2,565	25%	5,763	4,428	30%
Admin Expense	731	565	29%	725	1%	1,455	1,286	13%
Other Charges/(Income)	(138)	1,027	n/m	289	n/m	151	1,819	-92%
Other Operating Income	5,395	1,680	3.2x	1,584	3.4x	6,979	2,650	2.6x
EBIT	8,574	2,818	3.0x	8,712	-2%	17,286	11,114	56%
Finance Cost	3,900	2,029	92%	2,640	48%	6,540	3,855	70%
Profit Before Taxation	4,842	604	8.0x	6,216	-22%	11,058	7,194	54%
Taxation	1,935	535	3.6x	2,688	-28%	4,623	2,944	57%
Profit After Taxation	2,906	68	42.6x	3,528	-18%	6,435	4,249	51%
EPS (PKR)	6.19	0.15		7.52		13.71	9.05	
DPS (PKR)	-	-		-		-	-	

Source: IGI Research, Company Financials No of Shares: 469.47mn

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