

# Flash Note

Monday, 18 February 2019

## Oil & Gas - Marketing Companies

### Pakistan State Oil Company Limited (PSO)

#### EPS drags down by 98%YoY to PKR 0.17 during 2QFY19 backed by likely inventory losses and lower volumes

- Pakistan State Oil Company Limited (PSO) announced financial results for 2QFY19 with earnings clocking in at PKR 68mn (EPS: PKR 0.17) down by 98%YoY compared to PKR 3.49bn (EPS: PKR 8.93) in the same period last year. This brings total profitability for 1HFY19 to PKR 4.25bn (EPS: PKR 10.86) down by 50%YoY. On quarterly basis, earnings are down by 98%QoQ during 2QFY19.
- We attribute this decline in earnings during 2QFY19 to likely a) inventory losses of PKR 2.5-3.0bn mostly on HSD, b) 72%/37%/15%YoY drop in FO/HSD/MS sales, c) likely exchange losses and, d) higher effective tax of 88.7%.
- Net Revenues increased by +12%YoY to PKR 291.83bn, likely on the back of increase in domestic MS, HSD and FO prices due to surge in international oil prices and PKR depreciation despite drop in volumes.
- Gross profit plummeted by 47%YoY to PKR 5.09bn during 2QFY19 as against PKR 9.54bn in similar period last year likely owing to hefty inventory losses on HSD and lower lubes sales and margin.
- Operating costs increased by +8%YoY to PKR 3.95bn during 2QFY19 compared to PKR 3.67bn in the corresponding period last year likely owing to exchange losses.
- Finance cost also leaped up by +98%YoY to PKR 2.03bn during 2QFY19 as against PKR 1.02bn in the same period last year owing to rise in interest rates and short term borrowings.
- Effective tax rate stood at 88.7% during 2QFY19 compared to 38.3% reported in the corresponding period last year bringing total effective tax rate for 1HFY19 to 40.9% as against 34.8% in the same period last year.

Exhibit:

#### PSO Financial Highlights

PKRmn	2QFY19	2QFY18	YoY	1QFY19	QoQ	1HFY19	1HFY18	YoY
Net Sales	291,825	259,708	12%	280,028	4%	572,543	522,491	10%
Gross Profit	5,090	9,540	-47%	10,906	-53%	15,996	18,700	-14%
Operating Costs	3,951	3,665	8%	3,581	10%	7,532	7,021	7%
Other Op. Income	1,680	756	122%	970	73%	2,650	2,969	-11%
EBIT	2,818	6,631	-57%	8,296	-66%	11,114	14,649	-24%
Finance Cost	2,029	1,023	98%	1,826	11%	3,855	1,779	117%
Profit Before Taxation	604	5,660	-89%	6,590	-91%	7,194	13,080	-45%
Taxation	535	2,168	-75%	2,409	-78%	2,944	4,558	-35%
Profit After Taxation	68	3,493	-98%	4,181	-98%	4,249	8,522	-50%
<b>EPS (PKR)</b>	<b>0.17</b>	<b>8.93</b>		<b>10.69</b>		<b>10.86</b>	<b>21.78</b>	
DPS (PKR)	-	-		-		-	-	

Source: IGI Research, Company Financials

No of Shares: 391.23mn

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