

Flash Note

Friday, February 17, 2023



Oil & Gas Marketing Companies

Pakistan State Oil Company Limited (PSO)

Earnings: Pakistan State Oil Company Limited (PSO) announced its 2QFY23 result. The Company reported 2QFY23 loss of PKR 4.56bn (LPS PKR 9.71) compared to profit of PKR 20.20bn (EPS PKR 43.02) in the similar period last year. This brings total 1HFY23 loss to PKR 3.36bn (LPS PKR 7.16) compared to earnings of PKR 32.19bn (EPS PKR 68.56) in the same period last year.

Dividend/Payout: The Company did not announce any cash dividend along with the result.

Operating Performance: Loss incurred during 2QFY23 is mainly attributable to hefty inventory losses, lower volumes, lower other income and higher finance cost. However, earnings decline was limited due to higher margins on FO, LNG and 1-month impact of increased margin on MS and HSD. PSO reported +61%/y increase in revenue during 2QFY23 on the back of rise in domestic prices for MS, HSD and FO despite lower volumes. Company's gross margins dropped to 0.6% during 2QFY23 likely on the back of hefty inventory losses compared to 5.1% in 2QFY22 and 0.8% in 1QFY23. Finance cost increased by +9.8x/y to PKR 7.67bn during 2QFY23 mainly owing to higher interest rates and borrowings. Other income dropped by 65%/y to PKR 3.16bn during 2QFY23 compared to PKR 8.92bn in the similar period last year likely owing to lower penal income.

| Exhibit: PSO Financial Highlights | | | | | | | | |
|---|---------|---------|------|---------|------|------------------------|---------|-------|
| For the period 2QFY23 | | | | | | | | |
| PKRmn | 2QFY23 | 2QFY22 | y/y | 1QFY23 | q/q | 1HFY23 | 1HFY22 | y/y |
| Net Sales | 843,000 | 522,749 | 61% | 862,264 | -2% | 1,705,264 | 981,973 | 74% |
| Gross Profit | 4,841 | 26,663 | -82% | 6,720 | -28% | 11,561 | 48,716 | -76% |
| S&D Expense | 2,956 | 2,961 | 0% | 2,998 | -1% | 5,955 | 6,008 | -1% |
| Admin Expense | 1,716 | 626 | 2.7x | 1,082 | 59% | 2,799 | 1,534 | 82% |
| Other Charges / (Income) | (272) | 2,305 | n/m | 308 | n/m | 36 | 3,659 | -99% |
| Other Income | 3,158 | 8,921 | -65% | 6,449 | -51% | 9,607 | 10,707 | -10% |
| EBIT | 3,541 | 30,024 | -88% | 8,571 | -59% | 12,112 | 48,338 | -75% |
| Finance Cost | 7,665 | 784 | 9.8x | 4,796 | 60% | 12,460 | 1,410 | 8.8x |
| Profit Before Taxation | (3,881) | 29,386 | n/m | 4,008 | n/m | 126 | 47,188 | -100% |
| Taxation | 678 | 9,191 | -93% | 2,810 | -76% | 3,487 | 14,999 | -77% |
| Profit After Taxation | (4,559) | 20,195 | n/m | 1,198 | n/m | (3,361) | 32,189 | n/m |
| EPS (PKR) | (9.71) | 43.02 | | 2.55 | | (7.16) | 68.56 | |
| DPS (PKR) | - | - | | - | | - | - | |
| Source: IGI Research and Company Financials | | | | | | No of Shares: 469.47mn | | |

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