

# Flash Note

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Securities

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## Oil & Gas - Marketing Companies

### Pakistan State Oil Company Limited (PSO)

#### Hefty inventory losses, depressed volumes and higher finance cost drags 3QFY20 LPS to PKR 7.30

- ✓ Pakistan State Oil Company Limited (PSO) announced financial results for 3QFY20 with un-consolidated loss clocking in at PKR 3.43bn (LPS: PKR 7.30) compared to profitability of PKR 1.68bn (EPS: PKR 3.57) in the same period last year.
- ✓ This brings total profitability for 9MFY20 to PKR 3.01bn (EPS PKR 6.41) compared to PKR 5.93bn (EPS PKR 12.62) in the same period last year.
- ✓ We attribute this decline in earnings during 3QFY20 to a) hefty inventory losses likely to the tune of PKR 4-5bn, b) 26% YoY drop in total volumes, c) higher finance cost amid elevated borrowings and, d) higher admin and selling expenses.
- ✓ **Net Revenue** dropped by 1% YoY to PKR 245.0bn during 3QFY20, likely on the back of 26% YOY drop in total volumes and substantial decline in FO prices, despite higher MS and HSD prices.
- ✓ **Gross profit** plummeted by 69% YoY to PKR 2.47bn during 3QFY20 as against PKR 7.89bn in similar period last year likely owing to hefty inventory losses, decline in total volumes and lower margin on FO.
- ✓ The Company booked **other charge** of PKR 0.03bn during 3QFY20 against other income of PKR 0.61bn in the same period last year likely owing to lower exchange losses realized during the quarter as ECC allowed adjustment of exchange rate movement over 60 day period.
- ✓ **Other income** leaped up by +38% YoY to PKR 1.30bn during 3QFY20 compared to PKR 0.94bn in the corresponding period last year likely owing to higher penal interest income booked during the quarter.
- ✓ **Finance cost** surged by +36% YoY to PKR 3.97bn during 3QFY20 against PKR 2.92bn 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.

#### Exhibit: Financial Highlights

PKRmn	3QFY20	3QFY19	YoY	2QFY20	QoQ	9MFY20	9MFY19	YoY
Net Sales	244,992	246,656	-1%	312,556	-22%	887,331	819,199	9%
Gross Profit	2,465	7,887	-69%	6,970	-65%	20,142	23,884	6%
S&D Expense	2,315	2,179	6%	3,198	-28%	8,078	6,607	36%
Admin Expense	1,040	992	5%	731	42%	2,495	2,277	-2%
Other Charges/(Income)	34	(614)	n/m	(138)	n/m	186	1,205	-44%
Other Income	1,303	942	38%	5,395	-76%	8,282	3,592	210%
EBIT	380	6,272	-94%	8,574	-96%	17,666	17,387	42%
Finance Cost	3,968	2,920	36%	3,900	2%	10,508	6,776	54%
Profit Before Taxation	(3,443)	3,500	n/m	4,842	n/m	7,615	10,693	37%
Taxation	(17)	1,823	n/m	1,935	n/m	4,606	4,767	27%
Profit After Taxation	(3,426)	1,677	n/m	2,906	n/m	3,008	5,926	45%
<b>EPS (PKR)</b>	<b>(7.30)</b>	<b>3.57</b>		<b>6.19</b>		<b>6.41</b>	<b>12.62</b>	
DPS (PKR)	-	-		-		-	-	

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

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