

# Flash Note

Monday, 13 August 2018

## Oil & Gas - Marketing Companies

### Pakistan State Oil Company Limited (PSO)

#### EPS reported at PKR 6.86 during 4QFY18 marred by higher tax and inventory/exchange losses; 20% bonus accompanied with the result

- Pakistan State Oil Company Limited (PSO) announced financial results for 4QFY18 with earnings clocking in at PKR 2.24bn (EPS PKR 6.86) down by 45%YoY compared to PKR 4.07bn (EPS PKR 12.48) in the same period last year. The company announced cash dividend of PKR 5/share, along with a bonus issue of 20%. This brings FY18 earnings to PKR 15.46bn (EPS: PKR 47.42) down by 15%YoY compared to PKR 18.23bn (EPS: PKR 55.90) in the similar period last year.
- We attribute this decline in earnings during 4QFY18 likely on the back of inventory losses, exchange losses, lower Furnace Oil (FO) sales and higher effective tax rate.
- Net Revenues increased by +26%YoY to PKR 312.26bn, likely on the back of increase in domestic MS, HSD, FO and LNG prices due to surge in international oil prices and PKR depreciation. As a result of higher domestic prices and increased sales, total revenues are up by +20%YoY to PKR 1,056.90bn in FY18.
- Gross profit increased by +6%YoY to PKR 10.72bn during 4QFY18 as against PKR 10.08bn in similar period last year likely owing to rise in MS sales and hike in MS margins.
- Operating costs leaped up by +42%YoY to PKR 5.12bn during 4QFY18 compared to PKR 3.61bn in the corresponding period last year likely owing to exchange loss incurred due to 5% PKR depreciation in Jun-18. As a result of heavy exchange losses, operating costs are up by +15%YoY in FY18 to PKR 15.26bn.
- Finance cost dropped by 10%YoY to PKR 1.44bn during 4QFY18 likely owing to lower late payment surcharges.
- Effective tax rate stood at 67% during 4QFY18 compared to 47% reported in the corresponding period last year likely due to application of super tax and minimum turnover tax, bringing total effective tax rate for FY18 to 43% compared to 38% last year.

Exhibit:

#### PSO Financial Highlights

PKRmn	4QFY18	4QFY17	YoY	3QFY18	QoQ	FY18	FY17	YoY
Net Sales	312,261	248,638	26%	226,286	38%	1,056,901	878,147	20%
Gross Profit	10,724	10,075	6%	10,182	5%	39,636	37,199	7%
Operating Costs	5,124	3,612	42%	3,089	66%	15,263	13,282	15%
Other Income	2,416	2,726	-11%	2,112	14%	7,497	10,745	-30%
EBIT	8,017	9,189	-13%	9,204	-13%	31,870	34,662	-8%
Finance Cost	1,437	1,592	-10%	1,907	-25%	5,123	5,923	-14%
PBT	6,727	7,670	-12%	7,353	-9%	27,160	29,347	-7%
PAT	2,237	4,069	-45%	4,703	-52%	15,461	18,226	-15%
EPS (PKR)	6.86	12.48		14.42		47.42	55.90	
EPS (PKR) Bonus Adjusted - (391.22mn shares)	5.72	10.40		12.02		39.52	46.59	
DPS (PKR)	5.00	15.00		10.00		15.00	25.00	
Bonus	20%	20%		-		20%	20%	

Source: IGI Research, Company Financials

No of Shares: 326.02mn

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**Time Horizon:** Dec – 2018

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