

Flash Note

Wednesday, 25 September 2019

Oil & Gas - Marketing Companies

Pakistan State Oil Company Limited (PSO)

Earnings up by almost two folds to PKR 11.91/share during 4QFY19 on account of hefty inventory gains and other income; DPS PKR 5.0 along with 20% bonus shares

- Pakistan State Oil Company Limited (PSO) announced financial results for 4QFY19 with un-consolidated earnings clocking in at PKR 4.66bn (EPS: PKR 11.91) up by +2.1xYoY compared to PKR 2.24bn (EPS: PKR 5.72) in the same period last year. This brings total profitability for FY19 to PKR 10.59bn (EPS: PKR 27.06) down by 32%YoY. On quarterly basis, earnings are up by +2.8xQoQ during 4QFY19.
- The Company announced cash dividend on PKR 5/share for 4QFY19 taking total cash payout for FY19 to PKR 10/share. PSO also announced bonus issue of 20% along with the result.
- We attribute this growth in earnings during 4QFY19 to likely inventory gains of PKR 2.5-3.0bn primarily on HSD and 54%YoY rise in other income despite drop in total volumes. Cumulatively FY19 earnings are down by 30%YoY owing to substantial drop in MS/FO/HSD sales on account of lower demand and change in power generation mix.
- Net Revenue increased by +8%YoY to PKR 335.79bn during 4QFY19, likely on the back of increase in domestic MS, HSD and FO prices due to surge in international oil prices and PKR depreciation.
- Gross profit augmented by +13%YoY to PKR 12.13bn during 4QFY19 as against PKR 10.74bn in similar period last year likely owing to hefty inventory gains.
- Operating costs augmented by +37%YoY to PKR 7.02bn during 4QFY19 as against PKR 5.12bn in similar period last year likely owing to exchange losses.
- Effective tax rate remained flat at 31.3% during 4QFY19 compared to 66.6% reported in the corresponding period last year bringing total effective tax rate for FY19 to 39.4% as against 43.1% last year.
- Key highlight of the result included consolidation of Pakistan Refinery Limited (PRL) as PSO acquired further stake in PRL in Dec-18 to increase its shareholding in PRL to 52.7% making it a subsidiary. Major difference in Consolidated and Unconsolidated account is the difference in other income which most likely pertains to PRL and we await further clarity by management on this matter.

Exhibit:

PSO Financial Highlights (Un-Consolidated)

PKRmn	4QFY19	4QFY18	YoY	3QFY19	QoQ	FY19	FY18	YoY
Net Sales	335,790	312,261	8%	246,656	36%	1,153,453	1,056,901	9%
Gross Profit	12,133	10,742	13%	7,887	54%	35,094	39,636	-11%
Operating Cost	7,024	5,124	37%	2,557	175%	17,113	15,263	12%
Other Income	3,713	2,416	54%	942	294%	7,305	7,497	-3%
EBIT	8,823	8,035	10%	6,272	41%	26,209	31,870	-18%
Finance Cost	2,163	1,437	51%	2,920	-26%	8,939	5,123	74%
Profit Before Taxation	6,784	6,745	1%	3,500	94%	17,477	27,160	-36%
Taxation	2,123	4,491	-53%	1,823	17%	6,890	11,699	-41%
Profit After Taxation	4,660	2,237	108%	1,677	178%	10,587	15,461	-32%
EPS (PKR)	11.91	5.72		4.29		27.06	39.52	
DPS (PKR)	5.00	5.00		-		10.00	15.00	
Bonus Issue	20%	20%		-		20%	20%	

Source: IGI Research, Company Financials

No of Shares: 391.23mn

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 912