

Flash Note

Tuesday, 01 September 2020

Oil & Gas - Marketing Companies

Pakistan State Oil Company Limited (PSO)

Hefty inventory losses, depressed volumes and higher finance cost drags 4QFY20 LPS to PKR 20.18

- Pakistan State Oil Company Limited (PSO) announced financial results for 4QFY20 with un-consolidated loss clocking in at PKR 9.47bn (LPS: PKR 20.18) compared to profitability of PKR 4.66bn (EPS: PKR 9.93) in the same period last year.
- This brings total loss for FY20 to PKR 6.47bn (EPS PKR 13.77) compared to profitability of PKR 10.59bn (EPS PKR 22.55) in the same period last year.
- We attribute this substantial loss during 4QFY20 to a) hefty inventory losses and, b) 17% YoY drop in total volumes.
- Net Revenue dropped by 34% YoY to PKR 221.0bn during 4QFY20, likely on the back of 17% YoY drop in total volumes and substantial decline in product prices.
- The Company recorded Gross loss of PKR 7.92bn during 4QFY20 as against profit of PKR 12.13bn in similar period last year likely owing to hefty inventory losses and decline in total volumes.
- Other income also declined by 48% YoY to PKR 1.93bn during 4QFY20 compared to PKR 3.71bn in the corresponding period last year likely owing to lower penal interest income booked during the quarter.
- Finance cost surged by +35% YoY to PKR 2.92bn during 4QFY20 against PKR 2.16bn in the same period last year likely owing to higher short term borrowings despite drop in interest rates. This is also likely due to shift in ST borrowing from FE-25 to local which carries higher mark-up rate.

Exhibit: Financial Highlights

PKRmn	4QFY20	4QFY19	YoY	3QFY20	QoQ	FY20	FY19	YoY
Net Sales	221,027	335,790	-34%	244,992	-10%	1,108,358	1,154,298	-4%
Gross Profit	(7,915)	12,133	n/m	2,465	n/m	12,227	36,017	-66%
S&D Expense	3,412	3,305	3%	2,315	47%	11,490	9,912	16%
Admin Expense	653	225	190%	1,040	-37%	3,148	2,502	26%
Other Charges	34	3,188	n/m	34	n/m	220	4,393	-95%
Reversal/(provision) for impairment on financial asset	169	(306)	n/m	-	-	169	(306)	n/m
Other Op. Income	1,928	3,713	-48%	1,303	48%	10,210	7,305	40%
EBIT	(9,917)	8,823	n/m	380	n/m	7,749	26,209	-70%
Finance Cost	2,919	2,163	35%	3,968	-26%	13,427	8,939	50%
Profit Before Taxation	(12,749)	6,784	n/m	(3,443)	n/m	(5,134)	17,477	n/m
Taxation	(3,275)	2,123	n/m	(17)	n/m	1,332	6,890	-81%
Profit After Taxation	(9,474)	4,660	n/m	(3,426)	n/m	(6,466)	10,587	n/m
EPS (PKR)	(20.18)	9.93		(7.30)		(13.77)	22.55	
DPS (PKR)	-	5.00		-		-	10.00	

Source: IGI Research, Company Financials

No of Shares: 469.47mn

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

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

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Time Horizon: Dec – 2020

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Research Analyst(s)

Research Identity Number: BRP009

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 سرمایہ کاری سمجھداری کے ساتھ
<http://www.jamapunji.pk>

Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

IGI Finex Securities Limited

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Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

<p>Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559</p>	<p>Islamabad Office Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861</p>
<p>Faisalabad Office Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815</p>	<p>Rahim Yar Khan Office Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651</p>
<p>Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183</p>	

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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