

# Flash Note

Thursday, 18 February 2021

Oil & Gas - Marketing Companies

## Pakistan State Oil Company Limited (PSO)

### Higher volumes and lower finance cost lifts 2QFY21 EPS to PKR 9.32, up by +51%y/y

- Pakistan State Oil Company Limited (PSO) announced financial results for 2QFY21 with un-consolidated earnings clocking in at PKR 4.38bn (EPS: PKR 9.32), up by +51%y/y, compared to PKR 2.91bn (EPS: PKR 6.19) in the same period last year. This brings 1HFY21 profitability to PKR 9.52bn (EPS PKR 20.28) up by +48%y/y.
- The Company announced a surprise cash dividend of PKR 5/share along with the result.
- We attribute this substantial growth in earnings during 2QFY21 to a) +13%y/y growth in total volumes led by +24%/+21%/+15%y/y rise in FO/HSD/MS sales, b) 85%y/y drop in finance cost amid decline in interest rates and likely decline in short term borrowing and, c) lower effective tax rate.
- **Net Revenue** dropped by 8%y/y to PKR 287bn during 2QFY21, likely on the back of decline in MS, HSD, FO and LNG prices despite +13%y/y growth in total volumes.
- **Gross profit** recorded growth of +29%y/y to PKR 9.0bn during 2QFY21 as against PKR 6.97bn in similar period last year likely owing to increase in total volumes and inventory gains despite drop in margins for FO and LNG due to decline in oil prices.
- **Other income** declined by 43%y/y to PKR 3.18bn during 2QFY21 compared to PKR 5.53bn in the corresponding period last year likely owing to lower penal interest income booked during the quarter, however on q/q basis other income is up by +2.6x/q likely on account of higher penal income.
- **Finance cost** plummeted by 85%y/y to PKR 0.58bn during 2QFY21 against PKR 3.93bn in the same period last year likely owing to lower short term borrowings and drop in interest rates.
- **Effective tax rate** stood at 33.4% during 2QFY21 (1QFY21: 33.0%) compared to 40.0% in the similar period last year, bringing total effective tax rate to 33.2% for 1HFY21 against 41.8% in the corresponding period last year.

#### Exhibit: PSO Financial Highlights

PKRmn	2QFY21	2QFY20	y/y	1QFY21	q/q	1HFY21	1HFY20	y/y
Net Sales	286,667	312,556	-8%	280,765	2%	567,432	642,339	-12%
Gross Profit	8,993	6,970	29%	11,496	-22%	20,489	17,677	16%
S&D Expense	3,238	3,198	1%	2,536	28%	5,774	5,763	0%
Admin Expense	705	731	-3%	775	-9%	1,480	1,455	2%
Provision/Reversal of impairment on financial assets	743	45	16.6x	478	55%	1,221	(173)	n/a
Other Charges	474	(75)	n/a	561	n/a	1,035	888	17%
Other Income	3,175	5,533	-43%	1,236	2.6x	4,412	7,591	-42%
EBIT	7,008	8,605	-19%	8,383	-16%	15,391	17,335	-11%
Finance Cost	579	3,931	-85%	859	-33%	1,437	6,589	-78%
Profit Before Taxation	6,573	4,842	36%	7,676	-14%	14,249	11,058	29%
Taxation	2,196	1,935	13%	2,532	-13%	4,727	4,623	2%
Profit After Taxation	4,378	2,906	51%	5,144	-15%	9,522	6,435	48%
<b>EPS (PKR)</b>	9.32	6.19		10.96		20.28	13.71	
DPS (PKR)	5.00	-		-		5.00	-	

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

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