

Flash Note

Thursday, 29 April 2021

Oil & Gas - Marketing Companies

Pakistan State Oil Company Limited (PSO)

Inventory gains, higher sales and lower finance cost lifts 3QFY21 EPS to PKR 18.57

- Pakistan State Oil Company Limited (PSO) announced financial results for 3QFY21 with un-consolidated earnings clocking in at PKR 8.72bn (EPS: PKR 18.57) compared to loss of PKR 3.43bn (LPS: PKR 7.30) in the same period last year. This brings 9MFY21 profitability to PKR 18.24bn (EPS PKR 38.86) up by +6.1xy/y.
- We attribute this substantial growth in earnings during 3QFY21 to a) +53%y/y growth in total volumes led by +3.6x/+50%/+28%y/y rise in FO/HSD/MS sales, b) 73%y/y drop in finance cost amid decline in interest rates and likely decline in short term borrowing and, c) hefty inventory gains recorded during the quarter.
- **Net Revenue** increased by +17%y/y to PKR 285.53bn during 3QFY21, likely on the back of increase in MS, HSD and FO sales despite lower price of MS and HSD.
- **Gross profit** recorded growth of +7.0xy/y to PKR 17.25bn during 3QFY21 as against PKR 2.47bn in similar period last year likely owing to increase in total volumes and inventory gains. Furthermore, higher FO sales (+3.6xy/y) and increased margin led to elevated gross margins of 6.0%.
- **Other income** declined by 13%y/y to PKR 0.74bn during 3QFY21 compared to PKR 0.85bn in the corresponding period last year likely owing to lower penal interest income booked during the quarter. Similarly, on sequential basis other income is down by 77%q/q.
- **Finance cost** plummeted by 73%y/y to PKR 1.06bn during 3QFY21 against PKR 3.99bn in the same period last year likely owing to lower short term borrowings and drop in interest rates.
- **Effective tax rate** stood at 32.5% during 3QFY21 (2QFY21: 33.4%), bringing total effective tax rate to 32.9% for 9MFY21 against 60.5% in the corresponding period last year.

Exhibit: PSO Financial Highlights

PKRmn	3QFY21	3QFY20	YoY	2QFY21	QoQ	9MFY21	9MFY20	YoY
Net Sales	285,529	244,992	17%	286,667	0%	852,962	887,331	-4%
Gross Profit	17,251	2,465	600%	8,993	92%	37,740	20,142	87%
S&D Expense	2,287	2,315	-1%	3,238	-29%	8,061	8,078	0%
Admin Expense	1,004	1,040	-3%	705	42%	2,484	2,495	0%
Other Charges	937	(263)	n/m	474	98%	1,971	625	216%
(Provision)/Reversal of impairment on financial assets	(92)	(173)	n/m	743	n/m	1,130	(347)	n/m
Other Op. Income	740	854	-13%	3,175	-77%	5,152	8,445	-39%
EBIT	13,855	402	34.5x	7,008	98%	29,246	17,736	65%
Finance Cost	1,064	3,990	-73%	579	84%	2,502	10,579	-76%
Profit Before Taxation	12,925	(3,444)	n/m	6,573	97%	27,174	7,614	257%
Profit After Taxation	8,720	(3,427)	n/m	4,378	99%	18,242	3,008	506%
EPS (PKR)	18.57	(7.30)		9.32		38.86	6.41	
DPS (PKR)	-	-		-		-	-	

Source: IGI Research, Company Financials

No of Shares: 469.47mn

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