

# Flash Note

Monday, 22 April 2019

## Oil & Gas - Marketing Companies

### Pakistan State Oil Company Limited (PSO)

#### Higher effective tax rate and lower volumes dragged down EPS by 64%YoY to PKR 4.29 during 3QFY19

- Pakistan State Oil Company Limited (PSO) announced financial results for 3QFY19 with earnings clocking in at PKR 1.68bn (EPS: PKR 4.29) down by 64%YoY compared to PKR 4.70bn (EPS: PKR 12.02) in the same period last year. This brings total profitability for 9MFY19 to PKR 5.93bn (EPS: PKR 15.15) down by 55%YoY. On a quarterly basis, earnings are up by +24.6xQoQ during 3QFY19.
- We attribute this decline in earnings during 3QFY19 to 14%YoY drop in total volumes led by 29%/17%YoY decline in FO/HSD sales, +53%YoY rise in finance cost and 52.1% effective tax rate.
- Net Revenues increased by +9%YoY to PKR 246.66bn during 3QFY19, on the back of increase in domestic MS, HSD and FO prices due to surge in international oil prices despite 14%YoY drop in total volumes.
- Gross profit declined by 23%YoY to PKR 7.89bn during 3QFY19 as against PKR 10.18bn in similar period last year likely owing to substantial decline in volumes, however increased margins on yearly basis and likely inventory gains kept a lid on decline in gross margins.
- Operating costs dropped by 17%YoY to PKR 2.56bn during 3QFY19 compared to PKR 3.09bn in the corresponding period last year likely owing to lower exchange losses.
- Finance cost jumped up by +53%YoY to PKR 2.92bn compared to PKR 1.91bn in the same period last year likely owing to higher mark up on short term borrowings amid rise in interest rates and increased borrowings.
- Effective tax rate leaped up to 52.1% during 3QFY19 compared to 36.0% reported in the corresponding period last year bringing total effective tax rate for 9MFY19 to 44.6% as against 35.2% in the same period last year.

Exhibit:

#### PSO Financial Highlights

PKRmn	3QFY19	3QFY18	YoY	2QFY19	QoQ	9MFY19	9MFY18	YoY
Net Sales	246,656	226,286	9%	291,825	-15%	818,508	744,639	10%
Gross Profit	7,887	10,182	-23%	5,090	55%	23,884	28,894	-17%
Operating Costs	2,557	3,089	-17%	3,951	-35%	10,089	10,139	0%
Other Op. Income	942	2,112	-55%	1,680	-44%	3,592	5,081	-29%
EBIT	6,272	9,204	-32%	2,818	2.23x	17,387	23,836	-27%
Finance Cost	2,920	1,907	53%	2,029	44%	6,776	3,686	84%
Profit Before Taxation	3,500	7,353	-52%	604	5.80x	10,693	20,416	-48%
Taxation	1,823	2,651	-31%	535	3.40x	4,767	7,209	-34%
Profit After Taxation	1,677	4,703	-64%	68	24.61x	5,926	13,225	-55%
<b>EPS (PKR)</b>	<b>4.29</b>	<b>12.02</b>		<b>0.17</b>		<b>15.15</b>	<b>33.80</b>	
DPS (PKR)	-	7.77		-		-	7.77	

Source: IGI Research, Company Financials

No of Shares: 391.23mn

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