

Earning Review

PSO: 4QFY21 profit clocked in at Rs23.2/sh

Event

- Pakistan State Oil (PSO PA) announced its 4QFY21 financial result with an unconsolidated profit of Rs23.2/sh, against loss of Rs20.2/sh in 4QFY20. This resulted in FY21 profit of Rs62.1/sh vs loss of Rs13.8/sh in FY20.
- The result is accompanied with a dividend of Rs10.0/sh which takes FY21 payout to Rs15.0/sh.

Impact

- We attribute increase in company's profitability to (1) increased volumes due to recovery in economic activity, (2) higher inventory gain and (3) higher other income of Rs13.7bn.
- PSO net sales increased by 59/23% YoY/QoQ. We attribute this increase to (1) significant increase in volumes given low base effect amid lockdown last year, and (2) ~157/14% YoY/QoQ higher international average oil prices.
- MS, HSD and FO volumes of PSO recorded increase of 85% YoY, 68% YoY and 648% YoY, respectively.
- The company recorded a gross profit of Rs16.9bn in 4QFY21 against gross loss of Rs7.9bn in 4QFY20 due to (1) inventory gains during the quarter under review and (2) 94% higher YoY volumes with enhanced contribution of furnace oil.
- Other income increased by 675% YoY due to (1) higher penal income and (2) exchange gain.
- In 4QFY21, operating expense increased by 58% YoY due to higher provisioning booked for WPPF/WWF given higher profitability, in our view.
- Finance cost inclined by 172% YoY due to higher penal cost paid to refineries.
- Effective tax rate clocked in at 35.5% in 4QFY20 against a 25.7% in the same period last year.

Outlook

- Increasing profitability of white oil segment given robust demand and easing of cash flows due to resolution of circular debt would bode well for company's profitability.

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Fig1: PSO 4QFY21 Financial Highlights

Rs (mn)	4QFY21	4QFY20	YoY	QoQ	FY21	FY20	YoY
Sales - net	351,286	221,027	59%	23%	1,204,247	1,108,358	9%
COGS	334,416	228,942	46%	25%	1,149,638	1,096,131	5%
Gross profit	16,869	(7,915)	N/A	-2%	54,609	12,227	347%
Other Income	13,674	1,765	675%	1747%	18,826	10,210	84%
Operating expenses	6,073	3,838	58%	47%	19,719	14,689	34%
Operating profit	24,471	(9,988)	N/A	77%	53,717	7,749	593%
Finance cost	7,741	2,848	172%	627%	10,242	13,427	-24%
Sh of profit from associates	152	88	73%	13%	581	544	7%
Profit before tax	16,882	(12,749)	N/A	31%	44,056	(5,134)	N/A
Taxation	5,985	(3,275)	N/A	42%	14,917	1,332	1020%
Profit after tax	10,897	(9,474)	N/A	25%	29,139	(6,466)	N/A
EPS	23.2	(20.2)			62.1	(13.8)	
GP margins	4.80%	-3.58%			4.53%	1.10%	
NP margins	3.10%	-4.29%			2.42%	-0.58%	
Effective tax rate	35.45%	25.69%			33.86%	-25.94%	

Source: PSX, Company Accounts, Foundation Research, August 2021

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If	
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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.