

## Earning Review

### PSO: 1QFY22 profit clocked in at Rs25.55/sh, up 133% YoY

#### Event

- Pakistan State Oil (PSO PA) announced its 1QFY22 financial result with an unconsolidated profit of Rs25.55/sh, against Rs10.96/sh in 1QFY21.

#### Impact

- We attribute increase in company's profitability to (1) increased volumes and (2) higher inventory gain.
- PSO net sales increased by 64/31% YoY/QoQ. We attribute this increase to (1) 34/23% YoY/QoQ increase in volumes as economic growth accelerates and (2) ~70/9% YoY/QoQ higher international average oil prices.
- MS, HSD and FO volumes of PSO recorded increase of 21% YoY, 26% YoY and 66% YoY, respectively in 1QFY22.
- The company recorded a gross profit of Rs22.1bn in 1QFY22 against Rs11.5bn in 1QFY21 due to (1) inventory gains during the quarter under review and (2) 34% YoY higher volumes with enhanced contribution of furnace oil.
- Other income increased by 44% YoY. Whereas, finance cost declined by 27% YoY.
- In 1QFY22, operating expense increased by 27% YoY due to higher provisioning booked for WPPF/WWF given higher profitability, in our view.
- Effective tax rate clocked in at 32.6% in 4QFY20 against a 33.0% 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 1QFY22 Financial Highlights

Rs (mn)	1QFY22	1QFY21	YoY	QoQ
Sales - net	459,224	280,765	64%	31%
COGS	437,170	269,269	62%	31%
<b>Gross profit</b>	<b>22,054</b>	<b>11,496</b>	<b>92%</b>	<b>31%</b>
Other Income	1,786	1,236	44%	-87%
Operating expenses	5,525	4,350	27%	-9%
<b>Operating profit</b>	<b>18,314</b>	<b>8,383</b>	<b>118%</b>	<b>-25%</b>
Finance cost	626	859	-27%	-92%
Sh of profit from associates	113	152	-25%	-25%
<b>Profit before tax</b>	<b>17,802</b>	<b>7,676</b>	<b>132%</b>	<b>5%</b>
Taxation	5,808	2,532	129%	-3%
<b>Profit after tax</b>	<b>11,994</b>	<b>5,144</b>	<b>133%</b>	<b>10%</b>
<b>EPS</b>	<b>25.55</b>	<b>10.96</b>		
GP margins	4.8%	4.1%		
NP margins	2.6%	1.8%		
Effective tax rate	32.6%	33.0%		

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

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### Recommendations definitions

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