

## Foundation Alert

### SHEL: Analyst Briefing Takeaways

#### Event

- Shell Pakistan Limited (SHEL PA) held its Analyst briefing today to discuss its financial/operational performance for 3QCY21 and outlook of the company. Following are the key takeaways of the briefing.

#### Impact

- Shell Pakistan Limited (SHEL PA) profitability clocked in at Rs297mn (EPS 1.39) in 3QCY21 as compared to profit of Rs1.8bn (EPS 8.47) in 3QCY20, declining by 84% YoY. This accumulated profitability to Rs2.5bn (EPS 11.44) for 9MCY21, as compared to a loss of Rs6.2bn (LPS 28.85) in same period last year.
- Net sales for 9MCY21 clocked in at Rs169bn, increasing by 47% YoY. Management accredited increase in sales to volumetric growth due to uptick in large scale manufacturing.
- However, the profitability was restricted due to exchange loss booked as rupee depreciated by 7% QoQ against the greenback between reporting dates. Shel reported other expenses of Rs2.3bn in 9MCY21, ↑94% YoY.
- Management also discussed the right issues during CY21, which uplifted the balance sheet and retired long term financing.
- Management further discussed that standards to uphold quality of their products may increase expenses.
- The company lube base oil procurement is optimized given cost efficacies and safety measures.
- SHEL strategy to establish EV chargers is to indulge industry in alternative fuel consumption, and to pioneer the initiative.
- Management showed concerns regarding the smuggling in the industry and to strategize accordingly.
- SHEL also has sales tax and PDL refunds pertaining to zero rated exports to Afghanistan and PDC pending receivable pertaining to Mogas (9 tankers). The management is actively pursuing with the gov't for the processing and issuance of pending refunds.

#### Outlook

- We believe OMC sales to remain upbeat given higher demand from automobile sector and large-scale manufacturing to uplift profitability, however rupee depreciation would keep pressure on the bottom line.
- The stock is not in our formal coverage.

Fig1: SHEL 3QCY21 Financial Highlights (Rs mn)

Rs (mn)	3QFY21	3QCY20	YoY	2QCY21	QoQ	9MCY21	9MCY20	YoY
Sales - net	62,095	43,616	42%	55,890	28%	169,228	115,161	47%
COGS	55,630	38,788	34%	51,056	32%	153,940	111,585	38%
<b>Gross profit</b>	<b>6,465</b>	<b>4,828</b>	<b>34%</b>	<b>4,834</b>	0%	<b>15,287</b>	<b>3,576</b>	<b>328%</b>
Selling Expenses	3,638	2,731	33%	3,377	24%	10,053	8,556	17%
Other Expenses	2,368	63.94	3603%	1,058	1554%	2,298	1,188	94%
Other Income	111	52.97	110%	190.25	-42%	474	455	4%
<b>Operating profit</b>	<b>571</b>	<b>2,086</b>	<b>-73%</b>	<b>589</b>	-3%	<b>3,410</b>	<b>(5,713)</b>	<b>-160%</b>
Finance cost	(183)	(355)	-48%	(181)	1%	(638)	(1,214)	-47%
Sh of profit from associates	224	259	-14%	208	8%	618	809	-24%
<b>Profit before tax</b>	<b>612</b>	<b>1,990</b>	<b>-69%</b>	<b>616</b>	-1%	<b>3,389</b>	<b>(6,118)</b>	<b>-155%</b>
Taxation	315	178	77%	413.75	-24%	942	57	1550%
<b>Profit after tax</b>	<b>297</b>	<b>1,812</b>	<b>-84%</b>	<b>203</b>	46%	<b>2,447</b>	<b>(6,175)</b>	<b>-140%</b>
<b>EPS @214mn shares</b>	<b>1.39</b>	<b>8.47</b>		<b>0.95</b>		<b>11.44</b>	<b>(28.85)</b>	
GP margins	10.41%	11.07%		8.65%		9.03%	3.11%	
NP margins	0.48%	4.15%		0.36%		1.45%	-5.36%	
Effective tax rate	51.54%	8.94%		67.12%		27.79%	-0.93%	

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

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