

Earning Review

PSO: 2QFY22 profit clocked in at Rs43.02/sh, up 4.6x YoY

Event

- Pakistan State Oil (PSO PA) announced its 2QFY22 financial result with an unconsolidated profit of Rs43.02/sh, against Rs9.32/sh in 2QFY21. This cumulates into 1HFY22 profit of Rs68.56/sh compared to Rs20.28/sh in 1HFY21.

Impact

- We attribute increase in company's profitability to (1) increased volumes, (2) higher inventory gain and (3) higher other income of Rs8.9bn.
- PSO net sales increased by 82% YoY in 2QFY22 attributable to (1) 14% YoY increase in volumes as economic growth continues and (2) 32/31% YoY higher MS/HSD prices.
- MS, HSD and FO volumes of PSO recorded increase of 12/15/7% YoY in 2QFY22.
- The company recorded a gross profit of Rs26.7bn in 2QFY22 against Rs9.0bn in 2QFY21 due to (1) inventory gains during the quarter under review, (2) 14% YoY higher volumes and (3) revision of OMC margin of MS/HSD from mid-Dec'21.
- Other income increased by 2.8x YoY due to higher penal income, in our view. Whereas, finance cost inclined by 36% YoY during 2Q given (1) 1.1x YoY increase in short term borrowing and (2) higher interest rates.
- In 2QFY22, operating expense increased by 8% YoY.
- Effective tax rate clocked in at 31.3% in 2QFY22 against 33.4% 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. However, buildup of LNG receivables would drag profitability going forward.

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Fig1: PSO 2QFY22 Financial Highlights

Rs (mn)	2QFY22	2QFY21	YoY	QoQ	1HFY22	1HFY21	YoY
Sales - net	522,749	286,667	82%	14%	981,973	567,432	73%
COGS	496,086	277,675	79%	13%	933,257	546,943	71%
Gross profit	26,663	8,993	196%	21%	48,716	20,489	138%
Other Income	8,921	3,175	181%	399%	10,707	4,412	143%
Operating expenses	5,560	5,160	8%	1%	11,085	9,510	17%
Operating profit	30,024	7,008	328%	64%	48,338	15,391	214%
Finance cost	784	579	36%	25%	1,410	1,437	-2%
Sh of profit from associates	147	144	2%	30%	260	295	-12%
Profit before tax	29,386	6,573	347%	65%	47,188	14,249	231%
Taxation	9,191	2,196	319%	58%	14,999	4,727	217%
Profit after tax	20,195	4,378	361%	68%	32,189	9,522	238%
EPS	43.02	9.32			68.56	20.28	
GP margins	5.10%	3.14%			4.96%	3.61%	
NP margins	3.86%	1.53%			3.28%	1.68%	
Effective tax rate	31.28%	33.40%			31.79%	33.18%	

Source: PSX, Company Accounts, Foundation Research, February 2022

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