

Earning Review

PSO: 3QFY22 profit clocked in at Rs69.4/sh, up 3.7x YoY

Event

- Pakistan State Oil (PSO PA) announced its 3QFY22 financial result with an unconsolidated profit of Rs69.4/sh, against Rs18.57/sh in 3QFY21. This cumulates into 9MFY22 profit of Rs137.96/sh compared to Rs38.86/sh in 9MFY21.

Impact

- We attribute increase in company's profitability to (1) increased volumes, (2) higher inventory gain and (3) higher other income of Rs11.6bn.
- PSO net sales increased by 99% YoY in 3QFY22 attributable to (1) 26% YoY increase in volumes as economic growth continues and (2) 36/27% YoY higher MS/HSD prices.
- MS, HSD and FO volumes of PSO recorded increase of 15/44/5% YoY in 3QFY22.
- The company recorded a gross profit of Rs43.9bn in 3QFY22 (up by 155% YoY) against Rs17.3bn in 3QFY21 due to (1) inventory gains during the quarter under review, (2) 26% YoY higher volumes and (3) revision of OMC margin of MS/HSD from mid-Dec'21.
- Other income increased by 15.7x YoY due to higher penal income, in our view.
- In 3QFY22, operating expense increased by 2.0x YoY as other expenses clocked in at Rs4.6bn in 3QFY22 vs Rs937mn in 3QFY21, up by 4.9x YoY. We await clarity from management on this front.
- Effective tax rate clocked in at 29.5% in 3QFY22 against 32.5% 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 3QFY22 Financial Highlights

Rs (mn)	3QFY22	3QFY21	YoY	QoQ	9MFY22	9MFY21	YoY
Sales - net	567,950	285,529	99%	9%	1,549,923	852,962	82%
COGS	524,041	268,279	95%	6%	1,457,298	815,222	79%
Gross profit	43,909	17,251	155%	65%	92,625	37,740	145%
Other Income	11,620	740	1470%	30%	22,328	5,152	333%
Operating expenses	8,316	4,136	101%	50%	19,401	13,646	42%
Operating profit	47,213	13,855	241%	57%	95,551	29,246	227%
Finance cost	1,271	1,064	19%	62%	2,681	2,502	7%
Sh of profit from associates	299	134	123%	104%	560	429	30%
Profit before tax	46,242	12,925	258%	57%	93,430	27,174	244%
Taxation	13,661	4,205	225%	49%	28,661	8,932	221%
Profit after tax	32,580	8,720	274%	61%	64,769	18,242	255%
EPS	69.40	18.57			137.96	38.86	
GP margins	7.73%	6.04%			5.98%	4.42%	
NP margins	5.74%	3.05%			4.18%	2.14%	
Effective tax rate	29.54%	32.53%			30.68%	32.87%	

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

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