

Earning Review

PSO: 3QFY23 EPS clocked in at Rs29.07/sh

Event

- Pakistan State Oil (PSO PA) announced its 3QFY23 financial result with an unconsolidated earnings of Rs29.07/sh compared to profit of Rs69.40/sh in 3QFY22. This cumulated into EPS of Rs21.91 in 9MFY23 against EPS of Rs137.96 in 9MFY22.

Impact

- We attribute decrease in company's profitability to lower volumes of MS/HSD/FO.
- PSO net sales surged by 43% YoY in 3QFY23 attributable to higher MS/HSD/FO prices by 63/80/44% YoY. However, MS/HSD/FO volumes declined by 11/28/87% YoY as demand declined amid higher prices and economic slowdown.
- The company recorded a gross profit of Rs46.7bn in 3QFY23 (up by 6% YoY) against Rs43.9bn in 3QFY22 due to higher OMC distribution margins of MS/HSD (up 59/50% YoY) being somewhat offset by lower volumes.
- Other income declined by 83% YoY due to lower penal income.
- In 3QFY23, other operating expense decreased by 8% YoY as other expenses declined to Rs2.0bn (down by 57% YoY) in 3QFY23 vs Rs4.6bn in 3QFY22. We believe this is due to lower Workers Profit Participation Fund/Workers Welfare Fund amid lower profitability.
- Finance cost increased by 10.0x YoY to Rs12.7bn in 3QFY23 due to (1) higher domestic interest rates and LIBOR, (2) higher debt servicing as ST Debt increased by 65% YoY as of Dec'31, 2022 amid higher foreign currency borrowing and (3) higher late payment surcharges, in our view.
- Effective Tax Rate clocked in at 49.0% YoY in 3QFY23, up by 19.4ppts YoY, given imposition of super tax.

Outlook

- We have an "Outperform" stance on the stock as revision in OMC margins and lower buildup of receivables amid circular debt management plan would bode well for company's profitability.

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Fig1: PSO 3QFY23 Financial Highlights

Rs (mn)	3QFY23	3QFY22	YoY	QoQ	9MFY23	9MFY22	YoY
Sales - net	811,689	567,950	43%	-4%	2,516,953	1,549,923	62%
COGS	765,025	524,041	46%	-9%	2,458,727	1,457,298	69%
Gross profit	46,665	43,909	6%	864%	58,226	92,625	-37%
Other Income	1,938	11,620	-83%	-39%	11,545	22,328	-48%
Operating expenses	7,692	8,316	-8%	73%	16,748	19,401	-14%
Operating profit	40,911	47,213	-13%	1055%	53,023	95,551	-45%
Finance cost	12,682	1,271	898%	65%	25,143	2,681	838%
Sh of profit from associates	(1,486)	299	-596%	-714%	(1,012)	560	-281%
Profit before tax	26,742	46,242	-42%	-789%	26,868	93,430	-71%
Taxation	13,096	13,661	-4%	1833%	16,583	28,661	-42%
Profit after tax	13,646	32,580	-58%	-399%	10,285	64,769	-84%
EPS	29.07	69.40			21.91	137.96	
GP margins	5.7%	7.7%			2.3%	6.0%	
NP margins	1.7%	5.7%			0.4%	4.2%	
Effective tax rate	49.0%	29.5%			61.7%	30.7%	

Source: PSX, Company Accounts, Foundation Research, April 2023

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