

Foundation Alert

PSO: Analyst Briefing Takeaways

Event

- Pakistan State Oil (PSO PA) held its 9MFY23 Analyst Briefing today. Key takeaways are as follows:

Impact

- Company reported profit of Rs10.3bn in 9MFY23 as compared Rs64.8bn in 9MFY22, with an unconsolidated EPS of Rs21.91/sh in 9MFY23 compared to Rs137.96/sh in 9MFY22. Moreover, quarterly EPS clocked in at Rs29.07/sh in 3QFY23 against Rs69.4/sh in 3QFY22.
- PSO net sales surged by 62% YoY in 9MFY23 attributable to higher MS/HSD/FO prices by 74/86/56% YoY. However, MS/HSD/FO volumes declined by 15/19/45% YoY as demand declined amid higher prices and economic slowdown.
- Overall, oil industry volumes declined by 21.7% YoY in 9MFY23 on the back of fall in White Oil (↓ 19.6% YoY) and Black Oil demand (↓ 32.1% YoY). Whereas, PSO's volumes decreased by 19.8% YoY.
- The company recorded a gross profit of Rs58.2bn in 9MFY23 (down by 37% YoY) against Rs92.6bn in 9MFY22 given inventory losses amid decline in crude oil prices during the period.
- PSO market share of MS/HSD increased by 0.7/4.0ppts YoY to 44.2/54.4% in 9MFY23. Whereas, PSO's market shares in black oil decreased 0.2ppt YoY to 56.3% in 9MFY23.
- Other expenses declined 14% YoY during 9MFY23 due to lower WPPF/WWF amid lower profit.
- Finance cost increased by 9.4x YoY during 9MFY23 amid higher borrowing to cover losses on RLNG sales given that its sales prices is lower than cost price when RLNG is diverted to domestic sector. Company has no FX exposure on loans as SBP bears this risk and PSO only pays in Rupees.
- PSO added 32 new fuel outlets during the period and rehabilitated 79KT of existing storage to ensure continuous supply of liquid fuels across the country. Cost of new storage is Rs25-30K per ton with economies of scale if larger capacity is added.
- Company currently has 4 EV charging stations.
- PSO maintains 20-25 days of inventory.
- Receivables of the company stand at Rs540bn with additional Rs180bn as Late Payment Surcharge.
- Management mentioned PRL would be upgraded with cost estimate of US\$1.0-1.2bn and its feasibility study is complete.

Outlook

- We expect that further buildup of RLNG receivables would continue to hurt cash flows of the company. However, we have an "Outperform" stance on the stock as revision in OMC margins would bode well for company's profitability.

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, June 2023

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