

Pakistan State Oil (PSO)

3QFY18 EPS of Rs14.4, up 14% YoY; 9MFY18 EPS Rs41, down 7%
In-line with expectations

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Inventory gains help PSO post 14% earnings growth

PSO: Financial Highlights

Rsmn	3Q2018	3Q2017	YoY	QoQ	9M2018	9M2017	YoY
Sales	226,286	218,160	4%	-13%	744,639	629,498	18%
Cost of goods sold	216,104	208,929	3%	-14%	715,727	602,457	19%
Gross Profit	10,182	9,232	10%	7%	28,912	27,041	7%
Other income	2,112	1,703	24%	179%	5,081	8,019	-37%
Other operating expenses	3,089	2,904	6%	-16%	10,139	9,587	6%
Operating Profit	9,204	8,031	15%	39%	23,853	25,472	-6%
Finance cost	1,907	1,485	28%	86%	3,686	4,331	-15%
Share of profit from associates	56	170	-67%	6%	266	536	-50%
Profit before tax	7,353	6,716	9%	30%	20,433	21,677	-6%
Taxation	2,651	2,574	3%	22%	7,209	7,521	-4%
Profit after tax	4,703	4,141	14%	35%	13,225	14,156	-7%
EPS	14.4	12.7			40.6	43.4	

Source: PSX, Topline Research

- PSO announced 3QFY18 earnings of Rs14.4/share, up 14% YoY and in line with market expectations. Net sales of the company improved by 4% to Rs226bn primarily on account of higher oil prices. Gross profits of the company also increased by 7% to Rs10bn as gross margins improved to 4.5% (+20bps) led by higher sales and inventory gains on MOGAS and FO sales.
- Volumetric sales of the company clocked in at 2.1mn tons in 3QFY18, down 32% YoY due to lower FO sales during the quarter.

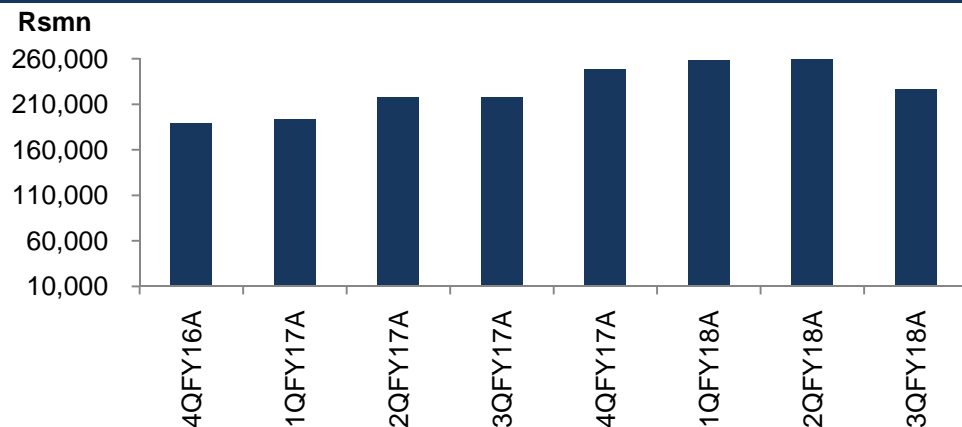
Inventory gains help PSO post 14% earnings growth

- Other income of PSO surged by 24% YoY to Rs2.1bn due to higher income from late payment surcharge, we believe. On the other hand, other expenses were up 6% to Rs3bn.
- Finance cost continue to grow increasing by 28% to Rs1.9bn likely due to higher short term borrowing amid cash flow constraints.
- On QoQ basis, earnings were up 35% primarily on the back of strong growth in other income on QoQ basis.
- Key risks to the stock includes: 1) volatility in oil prices and inventory losses, 2) rupee depreciation & exchange losses and 3) sharp pile up in circular debt.

PSO: Key Numbers					
	FY13A	FY14A	FY15A	FY16A	FY17A
EPS	38.5	66.9	21.3	31.5	55.8
Earnings Growth	39%	74%	-68%	48%	77%
PE at Rs324.8	8.3	4.8	15.1	10.2	5.8
Dividend Yield	2%	2%	3%	4%	7%
ROE	21%	27%	8%	11%	18%
PBV	1.7	1.3	1.2	1.2	1.0

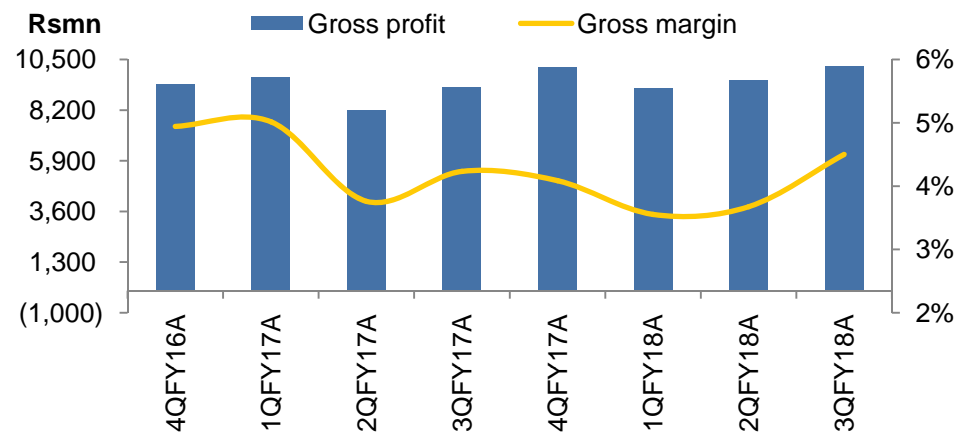
Source: Company Accounts, Topline Research

PSO: Quarterly Sales



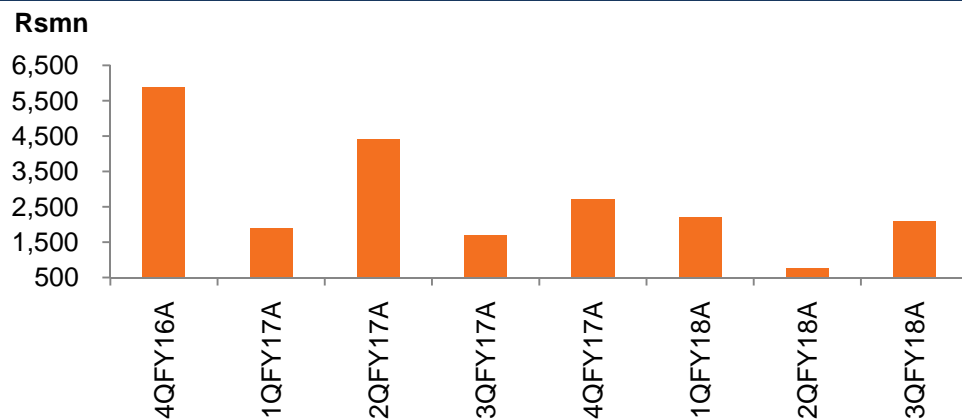
Source: Company Accounts, Topline Research

PSO: Quarterly Gross Profit & Gross Margins



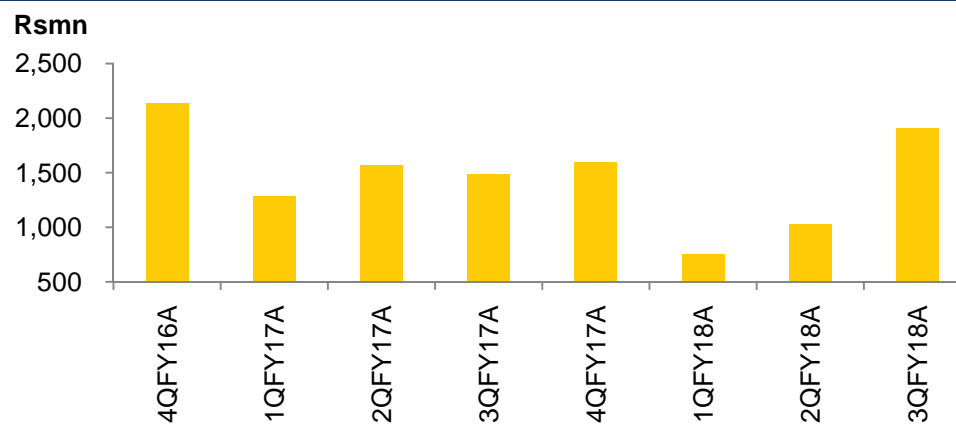
Source: Company Accounts, Topline Research

PSO: Quarterly Other Income



Source: Company Accounts, Topline Research

PSO: Quarterly Finance Charges



Source: Company Accounts, Topline Research

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