

Pakistan State Oil (PSO)

PSO- 9MFY19 Result Analyst Briefing Takeaways

PSO held its 9MFY19 result briefing today. Key takeaways of briefing are:

- PSO posted 9MFY19 profit after tax of Rs5.92bn (EPS: Rs15.15) as compared to profit after tax of Rs13.22bn (EPS: Rs33.80) in the same period last year, down by 55% YoY mainly due inventory loss. PSO also announced dividend of Rs5/share along with 9MFY19 result.
- PSO overall liquid sale volume declined by 66.5% YoY in 9MFY19 (white oil declined by 18.8% and black oil declined by 66.5%) while its market share declined to 40.8% as compared to 50.6% in last year.
- PSO posted inventory loss of Rs3.2bn in 9MFY19 (Rs105mn in 3QFY19) as compared to inventory loss of Rs327mn in SPLY.
- Finance cost increased by 84% in 9MFY19 due to increase in interest rate while other income declined by 29% due to lower penal income from power sector and PIA.
- PSO overall receivable stand at Rs318bn (including Late Payment Surcharge (LPS) of Rs103bn).
- PSO received Rs60bn from the 1st tranche of Sukuk issued by Govt. of Rs200bn to reduce the circular debt.
- On question regarding expansion of storage facility, the management is working to expand both MOGAS and HSD storage capacity while management also planning to convert the FO storage capacity to use it for the storage of MOGAS.

Yousuf Saeed
yousuf.saeed@darsononline.com
+92-21-32467224

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- | | |
|---|---------------------|
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| • Expected return >15% | - Buy Call |
| • Expected Return is in between 0% to 15% | - Neutral/Hold Call |
| • Expected Return <0% | - Sell Call |

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: www.JamaPunji.pk

Contact Details

Karachi Office:

Room # 808, Business & Finance Centre,
I.I. Chundrigar Road, Karachi
UAN: 92-21 111 900 400
Fax: 92-21 32471088

Lahore Office:

102, 1st Floor, Lahore Stock Exchange,
Aiwan-e-Iqbal Road, Lahore
Tel: 92-42 36366655, 36317111
Fax: 92-42 36314293

Email: info@darsononline.com

Website: www.darsononline.com