Result Review

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Pakistan Research | Oil marketing

PSO: Rs 10bn other income boosted earnings

Pakistan State Oil Company (PSO) announced financial results for 1QFY14. PSO reported net profit of Rs 7.8bn (EPS: Rs 31.6) showing massive increase by 83% as against Rs 4.26bn (EPS: Rs 17.3) in 1QFY13.Though company reported higher earnings but did not announce any interim dividend for 1Q. This earnings jump is mainly due to mark-up over receivables which could again come in following quarters since circular debt is still pilling up i.e. Rs98bn.

Financial highlights – break even if no jump taken into account under 'other income'

After deducting IFEM and sales taxes charges PSO reported net revenue of Rs 306.68bn in 1QFY14, 11% higher than the corresponding year's revenue of Rs 276bn. The Gross profit margin is slightly declined to 3.87% in this period against 4.11% in 1QFY13 and posted a gross profit of Rs 11.86bn for 1QFY14 against Rs 11.35bn in same period last year.

With a massive increase in other income boosted the company's earnings, company's other income is increased by 10 times than the corresponding period and stood at Rs 10.14bn in 1QFY14 against Rs 1.17bn in 1QFY13.

Whereas finance cost is increased by 9.7% to Rs 3.1bn in 1QFY14 against 2.871bn in 1QFY13

PSO- OMC margin increase on the cards

Overall company's earnings were as per our forecast and mentioned in our last detailed report of PSO on July 9. The company fundamentals are on break even and hence OMCs are anticipating increase in OMC margins from OGRA.

We believe that currently company is not in position to increase its payout and paying the higher dividend.

PSO yields FY14 PE of 5x – 5.5x (based on our pretext of Rs 50/sh EPS forecast). The only trigger is proposed increase in OMC margin and government's will to repay its receivables the way a huge chunk was cleared couple of months back.

PSO Statistics

As on	24-Oct-13
Avg Volume (52 Weeks)	1.94mn
Close	269.72
52 Weeks High	373.5
52 Weeks Low	183.65
Market Capitalization	66.6bn
Beta	1.46
Total No of Shares	246.98mn
Free-Float Shares	77.49mn

Source: www.scstrade.com

PSO -Financial Highlights

PKR mn	1QFY14	1QFY13	Change
Net Revenue	306,686	276,084	11.1%
Cost of sales	294,825	264,730	11.4%
Gross profit	11,862	11,354	4.5%
GP Margin	3.87%	4.11%	-0.2%
Other Income	10,141	1,174	763.9%
Operating expenses	7,249	3,249	123.2%
Operating Incom	14,753	9,279	59.0%
Finance cost	3,150	2,871	9.7%
PBT	11,741	6,590	78.2%
Taxation	3,943	2,322	69.8%
NPAT	7,798	4,268	82.7%
EPS(Rs)	31.6	17.3	82.7%

Source: Company announcement

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