



## Pakistan State Oil: Increased sales & profits on the cards in 4QFY15.....HOLD @361.5/sh

Pakistan State Oil (PSO) reported financial result pertaining to 9MFY15; PSO's profitability was affected due to inventory losses incurred during this period. Company reported PAT of Rs 3.24bn (EPS Rs 11.93) in 9MFY15 against Rs 19.4bn (Rs 71.41) in same period last year. Despite shrinking bottom-line, PSO gave payout of Rs 6/sh.

Furthermore, decrease in petroleum product prices also affected PSO's top-line ~ decreased by 20% to Rs 824bn in 9MFY15 against Rs 1.02 trn reported in same period last year.

- Prices of fuel oil (FO) has decreased by around 30% during this fiscal year which affected the gross margin of company wherein industry witnesses growth in volumetric sales of FO due to lower prices and scares liquidity available with independent power producers (IPPs).
- Economic Advisory Council (EAC) have proposed to exempt turnover tax from 0.5%; if this is imposed then PSO will be benefited as corporate tax is also expected to decrease by 1% i.e. 32%.
- In the fresh saga of imported LNG, individual gas station owners are asked to import LNG through PSO, as PSO has resources to handle the LNG business and shall attain benefit.

### Volumetric sales to surge

The government is more focused to resolve chronic energy crisis and thus more power projects are being added to grid which will increase FO consumption in coming days. Moreover growth in automobile sales alongside increase in generator sales will propel MOGAS sales.

### Future Outlook

We expect final quarter earnings to swell given

- growing sales;
- noticeable OMC margin;
- global oil prices rebounded given unrest in Middle East;
- we expect PSO to post full year EPS of Rs 21/sh – Rs 25/sh. The EVA price stands at Rs386.57/sh. Hold PSO

### Pakistan State Oil Profit and Loss Account

In million Rs	9MFY15	9MFY14	Change
Sales	823,695	1,023,266	-19.5%
Sales tax & IFEM	141,477	161,809	-12.6%
Net sales	682,217	861,457	-20.8%
COGS	668,065	831,914	-19.7%
Gross profit	14,152	29,543	-52.1%
Other income	9,312	17,565	-47.0%
Operating expenses	10,895	10,876	0.2%
Profit from operation	12,569	36,232	-65.3%
Finance cost	8,683	7,413	17.1%
PBT	3,888	29,242	-86.7%
PAT	3,242	19,400	-83.3%
<b>EPS</b>	<b>11.93</b>	<b>71.41</b>	<b>-83.3%</b>
<b>DPS</b>	<b>6.00</b>	<b>4.00</b>	<b>50.0%</b>

Source: Company books

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