

Pakistan State Oil Company Limited

KATS: PSO
Bloomberg: PSO PA

Price: PKR 167
Fair value: PKR 250

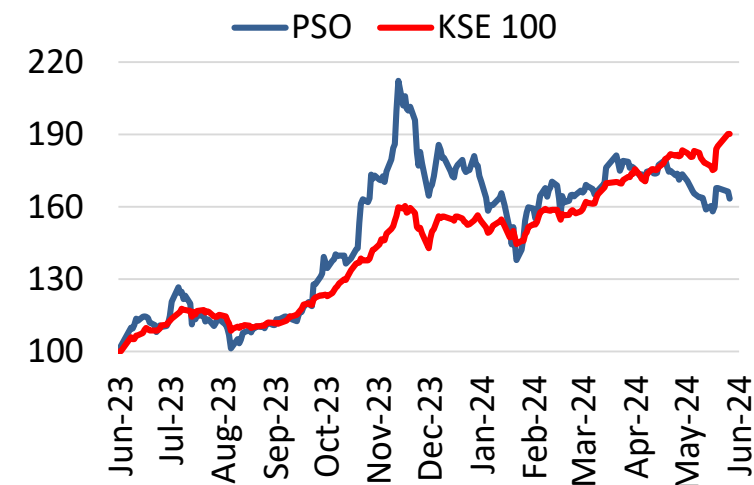
OUTPERFORM

Corporate Briefing Session 9MFY24 – Key Takeaways

24 June 2024

- **9MFY24 results.** EPS: PKR 28.54 (+30% Y/Y) | DPS: Nil
- **Retail footprint further enhanced.** PSO currently has total storage capacity of ~1.23 MMTs and over 3,500 retail sites (30 of which are company operated), capturing the largest market share in the industry.
- **Long standing CD issue.** As per management, company's trade debts (including LPS) currently stand at ~PKR 810 BN, out of which over ~PKR 500 BN is due from SNGPL alone. PSO doesn't expect any further debt accumulation from SNGP, in line with discussions held between the two companies & ministry in Feb-24, stating that PSO will not allow further debt to accumulate on RLNG provided moving forward.
- **PRL's FEED to complete soon.** The company quoted the cost of PRL's FEED study at ~PKR 12 BN, which is to be completed by Oct-24. Additionally, it announced the USD 1.5 to 2 BN investment required for refinery upgradation to be majorly financed through foreign borrowing.
- **PSO's white oil segment fell lower than the industry.** During the period, PSO increased its white oil market share to 52.4% (9MFY23: 51.1%), while facing a 2.4% reduction in sales, whereas the industry volumes declined to 10,501 KMT (down 5%) in 9MFY24.
- **High margins on lubricants.** The company also mentioned that the margins in lubricants vary as per product, however they generally earn PKR 100 to 200/ltr.
- **Sinopec not formally out.** The management also mentioned that Sinopec was never formally engaged or disengaged in the Greenfield refinery project, in fact PSO is currently performing a market review to assess demand.

Total Return Comparison



Source: Zakheera, Optimus Research

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Earnings Snapshot

PKR MN	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23	Q/Q	Y/Y	9MFY24	9MFY23	Y/Y
Net sales	843,487	907,189	920,081	874,159	811,689	-7%	4%	2,670,758	2,516,953	6%
Cost of products sold	818,813	910,419	861,632	857,538	765,025	-10%	7%	2,590,864	2,458,727	5%
Gross profit	24,673	(3,229)	58,450	16,621	46,665	n.m	-47%	79,894	58,226	37%
Distribution & marketing expenses	4,982	4,704	4,021	4,836	4,444	6%	12%	13,707	10,399	32%
Administrative expenses	1,410	1,738	1,288	1,417	1,027	-19%	37%	4,436	3,825	16%
Operating Profit	18,282	(9,672)	53,141	10,367	41,194	n.m	-56%	61,751	44,002	40%
Other income	2,181	7,761	3,348	1,963	1,938	-72%	13%	13,290	11,545	15%
Other expenses	319	(353)	3,784	(207)	2,221	n.m	-86%	3,750	2,524	49%
Finance cost	15,039	15,086	10,283	15,192	12,682	0%	19%	40,408	25,143	61%
Share of associates' profit	294	328	441	153	(1,486)	-10%	n.m	1,064	(1,012)	n.m
Pre-tax profit	5,399	(16,315)	42,863	(2,502)	26,742	n.m	-80%	31,946	26,868	19%
Taxation	(248)	(2,177)	20,975	2,121	13,096	-89%	n.m	18,549	16,583	12%
Profit for the period	5,647	(14,138)	21,888	(4,623)	13,646	n.m	-59%	13,397	10,285	30%
EPS	12.03	(30.12)	46.62	(9.85)	29.07			28.54	21.91	
DPS	-	-	-	7.50	-			-	-	
Gross Margin	2.9%	-0.4%	6.4%	1.9%	5.7%			3.0%	2.3%	
Net Margin	0.7%	-1.6%	2.4%	-0.5%	1.7%			0.5%	0.4%	
Effective Tax Rate	n.m	n.m	48.9%	n.m	49.0%			58.1%	61.7%	

Source: Company Financials, Optimus Research

Analyst Certification

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