

## Pakistan State Oil (PSO)

- PSO schedule its 1QFY19 analyst briefing today where management give detail brief on result
- PSO posted 1QFY19 PAT of Rs4.18bn (EPS: Rs10.69) as compared to profit after tax of Rs5.02bn (EPS: Rs12.86) in same period last year, down by 17% YoY. The decline in earning is mainly due to absence of penal income from PIA and power sector.
- PSO overall sale volume decline by 54%. Major decline witnessed in FO and HSD volume which down by 83% and 33% respectively. PSO market share also decline to 40.3% in 1QFY19 as compared to 55.8% in SPLY.
- Gross profit increase by 19% YoY owing to increase in petroleum margins (HSD and MS) and net inventory gain of Rs1.5bn (HSD Rs2bn) as compared to loss of Rs0.8bn in SPLY
- Finance cost increase by 142% due to increase in interest rate
- PSO overall receivable stood at around Rs321bn at end of Sep 2018 as compared to Rs325.6bn at the end of June 2018

Rs in Mn	1QFY19	1QFY18	YoY % Δ
<b>Sales net</b>	<b>280,028</b>	<b>258,645</b>	8%
Cost of products sold	(269,122)	(249,455)	8%
<b>Gross profit</b>	<b>10,906</b>	<b>9,190</b>	19%
Other operating income	970	2,213	-56%
Operating Cost	(3,581)	(3,385)	6%
<b>Operating profit</b>	<b>8,296</b>	<b>8,018</b>	3%
Finance cost	(1,826)	(756)	142%
Share of profit of associates	120	158	-24%
<b>Profit before taxation</b>	<b>6,590</b>	<b>7,420</b>	-11%
Taxation	(2,409)	(2,390)	1%
<b>Profit after taxation</b>	<b>4,181</b>	<b>5,029</b>	-17%
EPS (Rs)	10.69	12.86	
Gross profit margin	3.89%	3.55%	
Effective tax rate	36.56%	32.22%	
Net profit margin	1.49%	1.94%	

Source: Co. Financials, AS Research

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**Valuation Methodology**

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method ( P/E, P/B etc.)
- Discounted Cash flow Method
- Equity and Asset based valuation

**Rating**

BUY	Total return more than 20% from last closing of market price
HOLD	Total return is in between 10% and 20% from last closing of market price
REDUCE	Total return is less than 10% from last closing market price