

## PSO | EFERT – Result Previews

### PSO: Earnings expected to arrive at PKR 30.39/share in 1HFY24

Pakistan State Oil Company Ltd (PSO) is scheduled to announce its 1HFY24 financial result on 15th Feb'24, where we expect the company to post a profit after tax of PKR 14,269mn (EPS: PKR 30.39) versus loss of PKR 3,361mn (LPS: PKR 7.16) in 1HFY23. The gross margins are forecasted to climb up by 274bps YoY to 3.42% amid inventory gains during 1HFY24. Meanwhile, sales volume of petroleum products reduced by 17% YoY (MS, HSD, and FO down by 1%, 6%, and 86% YoY, respectively). On a quarterly basis, the company is expected to register a loss of PKR 7,619mn (LPS: PKR 16.23) compared to a loss of PKR 4,559mn (LPS: PKR 9.71) owed to i) higher inventory losses, and ii) jump in finance cost. Gross margins are anticipated to settle at 0.54% in 2QFY24 against 0.57% in SPLY given lower offtake of MS and FO coupled with inventory losses (clocking in at ~PKR 18bn during the quarter). The overall sales volume climbed up by 6% YoY in 2QFY24 owed to 23% YoY jump in HSD sales. The finance cost is expected to ascend by a 24% YoY owed a surge in short term borrowings.

#### Exhibit: Financial Highlights

(PKR mn)	1HFY24e	1HFY23a	YoY	2QFY24e	2QFY23a	YoY	QoQ
Sales	1,856,004	1,705,264	9%	935,923	843,000	11%	2%
Gross Profit	63,545	11,561	450%	5,095	4,841	5%	-91%
<b>Gross Margin</b>	<b>3.42%</b>	<b>0.68%</b>		<b>0.54%</b>	<b>0.57%</b>		
Other income	6,550	9,607	-32%	3,203	3,158	1%	-4%
Finance Cost	19,822	12,460	59%	9,539	7,665	24%	-7%
PAT	14,269	(3,361)	nm	(7,619)	(4,559)	nm	nm
EPS (PKR)	30.39	(7.16)		(16.23)	(9.71)		

Source (s): Company Financials, AHL Research

### EFERT: Profitability to clock in at PKR 18.56/share CY23

The management of Engro Fertilizer Limited (EFERT) is expected to announce financial result for CY23 on 15<sup>th</sup> Feb'24, where we expect the net profit to arrive at PKR 24,782mn (EPS: PKR 18.56), swelling up by 55% YoY. The surge in bottom-line comes on account of 20% and 6% YoY growth in urea and DAP offtake along with a jump in urea prices. On a quarterly basis, the profitability is expected to settle at PKR 15,963mn (EPS: PKR 7.29), depicting a hefty jump of 3x YoY, which is mainly attributable to massive surge in urea and DAP sales of 45% and 15% YoY, respectively followed by hike in urea prices. Gross margins are forecasted to settle at 28.15% in 4QCY23 vis-à-vis 22.85% in SPLY owed to higher sales volumes of urea. Furthermore, finance costs are estimated to decline by 47% YoY due to a decrease in short term borrowings. Other income is anticipated to climb up by 50% YoY, owed to higher income from cash and cash balances. Alongside the result, we expect the company to announce a cash dividend of PKR 7.00/share (PKR 19.50/share in CY23).

#### Exhibit: Financial Highlights

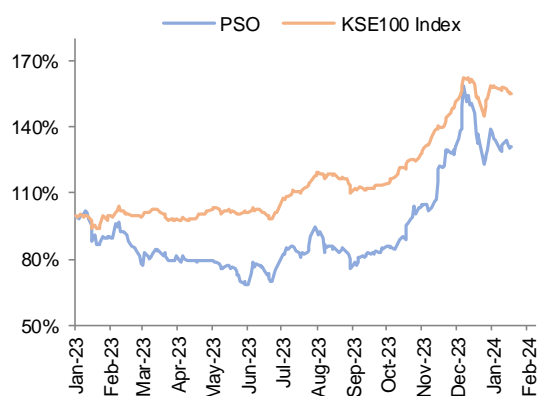
(PKR mn)	CY23e	CY22a	YoY	4QCY23e	4QCY22a	YoY	QoQ
Net Sales	219,377	157,017	40%	70,846	46,141	54%	7%
Gross Profit	63,133	42,847	47%	19,945	10,543	89%	-5%
Other Income	3,430	2,325	48%	1,529	1,021	50%	108%
Finance Cost	2,161	2,622	-18%	524	982	-47%	5%
PAT	24,782	16,003	55%	15,963	5,521	189%	1%
EPS (PKR)	18.56	11.98		7.29	4.80		
DPS (PKR)	19.50	13.50		7.00	5.00		

Source (s): Company Financials, AHL Research

## BUY

Target Price	258.81
Last Closing	164.39
Upside	57.4%
PSX Code	PSO
Bloomberg Code	PSO PA

### Relative Performance

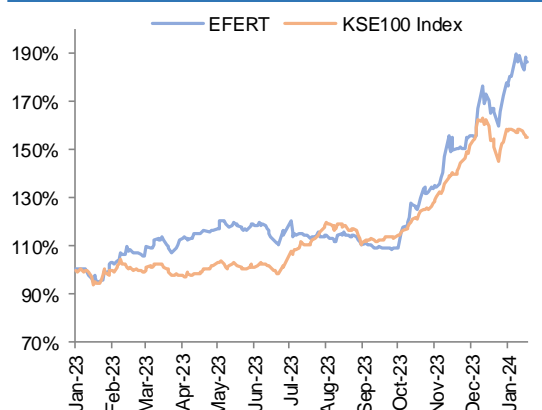


Source (s): PSX, AHL Research

## HOLD

Target Price	110.21
Last Closing	124.81
Upside	-11.7%
PSX Code	EFERT
Bloomberg Code	EFERT PA

### Relative Performance



Source (s): PSX, AHL Research

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### Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2024 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -15% and +15% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -15% from last closing of market price(s)

### Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

### Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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