Report to Shareholders

For the nine months ended March 31, 2024

The Board of Management of Pakistan State Oil Company Limited (PSO) is pleased to present the condensed unconsolidated and consolidated interim financial statements for the nine months ended March 31, 2024 (9MFY24) of the company and the group.

PSO continued to display remarkable buoyancy in challenging conditions, recording a net profit of PKR 13.4 billion for 9MFY24 (9MFY23: net profit of PKR 10.3 billion), translating into earnings per share of PKR 28.5 (9MFY23: EPS of PKR 21.9). The company attained gross sales of PKR 2.8 trillion (9MFY23: PKR 2.7 trillion).

In totality, the group recorded a net profit of PKR 16.6 billion for 9MFY24, a substantial increase from PKR 11.8 billion profit in 9MFY23. This commendable performance resulted in earnings per share of PKR 35.5 (9MFY23: EPS of PKR 25.1).

Global GDP growth is on an upward trajectory, now projected at 3.2%, a slight increase from the initial forecast of 3.1% earlier this year. This adjustment reflects improved growth expectations in several key economies. Concurrently, there has been a noticeable decline in global inflation rates, dropping from 8.7% in CY22 to 6.8% in CY23, with projections indicating a further decrease to 5.9% in CY24. However, heightened geopolitical tensions have introduced uncertainties, potentially affecting the supply-demand dynamics for the remainder of the year.

In the midst of these developments, the oil market remained notably volatile. Average oil prices surged to US$83 per barrel during Q3FY24, up from US$81 per barrel in the preceding quarter, contributing to an upward pressure on oil prices. To address this, OPEC+ has opted to extend and expand their voluntary production cuts which are expected to mitigate fluctuations in oil prices, providing a stabilizing effect on the market.

Pakistan's stock market rebounded, boosting economic activity despite a sluggish overall expansion. Key indicators showed improvement: GDP growth surged to 2.1% in Q3FY24 after two quarters of decline, driven by a 5% growth in agriculture and 2.5% in manufacturing. CPI-based inflation averaged 27.1% in 9MFY24, slightly lower than last year's 27.3%. The central bank has held the policy rate at 22% since June 2023. However, the automobile sector faced significant headwinds, with passenger car sales plummeting by 37% year-on-year (YoY) and motorbike/three-wheeler sales declining by 10%.

Pakistan's Large-Scale Manufacturing Industries (LSMI) witnessed a 0.5% contraction compared to the same period last year. However, the GDP is expected to increase in the subsequent quarters with the IMF projecting a modest real GDP growth rate of around 2% for Pakistan in CY24.

Despite significant challenges in the petroleum sector, PSO maintained the lion's share of the white oil market with a share of 52.4% as of period end, achieving a noteworthy increase of 1.3%. This growth was predominantly driven by a 2.1% increase in gasoline market share, soaring to 46.4% in 9MFY24. Furthermore, PSO maintained its dominant position in the diesel market with a market share of 54.5%.

The company retained its leading position in the black oil market, selling 247 KMT during the period, despite a 74.6% decline in sales YoY due to reduced furnace oil-based power generation. PSO continued to lead the jet fuel industry, securing an unprecedented market share of 99.4%.

PSO has been working diligently to enhance its storage infrastructure to optimize capacity and reliability. During the period, the company completed the construction of 7 new storage tanks with a combined capacity of 91 KMT across Faisalabad, Faqirabad, and Mehmoodkot. Furthermore, storage tanks totaling 26.6 KMT in capacity were successfully rehabilitated at Sihala, Pipri Marshalling Yard (PMY), Buffer Oil Terminal (BOT), Habibabad and Sahiwal. A total of 21.4 KMT of storage capacity is also being further enhanced at Zulfiqarabad, Sihala, and Mehmoodkot terminals.

On the retail front, PSO expanded its presence by developing 37 new retail outlets, taking the total nationwide footprint to 3,555, further solidifying the company's focus to providing accessible and reliable energy solutions to its customers.

In a significant development, CERISMA (Private) Limited, PSO's Fintech arm, was granted the in-principle approval for Electronic Money Institution (EMI) by the State Bank of Pakistan (SBP). This achievement is poised to revolutionize financial inclusion and empowerment, harnessing a digital framework to enable nationwide financial accessibility.

As part of PSO's state-of-the-art Fuel Management System solution, the national flag bearers - PSO and Pakistan Railways (PR) inaugurated the recently upgraded Railways Filling and Storage Facilities at Karachi and Lahore, representing a significant step in bringing in operational efficiencies while further strengthening over 4 decades of relationship between the two entities.

In a strategic bid to fortify Pakistan's fuel supply chain, the company in collaboration with Frontier Works Organization (FWO) and Inter State Gas Systems (Pvt) Limited (ISGS) is set to transform the energy landscape with a visionary White Oil Pipeline (WOP) initiative in northern Pakistan, aiming to expand the pipeline network from Machike (Lahore) to Tarujabba (Peshawar). The initiative promises enhanced efficiency in transporting large fuel volumes over extended distances with more safety, reduced cost, decreased road congestion while significantly reducing the nation's carbon footprint.

As part of its ongoing efforts to reduce plastic waste and promote eco-friendly infrastructure, the company launched the ECO street initiative which repurposed 5,000 kg of recycled plastic waste from its Lubricant Manufacturing Terminal (LMT) in Karachi. The effort transformed approximately 49,428 square feet of traditional road into a symbol of green living, not only reducing waste but also enhancing the durability of the road, setting a new standard for environmentally responsible construction.

Rooted in its core value of Caring and Giving, PSO, through its CSR Trust, continued to make significant contributions towards the community. The Trust spearheaded a nationwide ration distribution drive worth PKR 100 million in the Holy month of Ramadan. PKR 201 million were contributed to initiatives in healthcare, education, youth development, social enterprise advancement, and community building through various charitable organizations.

To enhance financial and operational performance, PSO is actively pursuing various avenues, including digitization and automation, process optimization, and bolstering operational reliability and capacity. The company aims to enrich customer experience through value-added services and generate shareholder value through strategic long-term projects.

The circular debt crisis remained a challenge for the company. By March 31, 2024, PSO had outstanding trade receivables totaling PKR 528 billion (excluding late payment surcharges), with PKR 368 billion owed by SNGPL. Furthermore, heightened average borrowing levels contributed to a 61% surge in finance costs compared to the previous year. Collaborative efforts with the government are underway to explore solutions and ease the strain on PSO's financial standing caused by the circular debt predicament.

As economic indicators strengthen and the circular debt issue is resolved, the company, driven by its robust business strategies aims to significantly increase shareholder value and ensure top-tier business performance in the foreseeable future.

The Board and the Management extend their gratitude to the company's shareholders, customers, business partners, and employees for their continued trust, and also thank the Government of Pakistan, especially the Ministry of Energy (Petroleum Division) for their guidance and support.

Syed Muhammad Taha
Managing Director & CEO

Asif Baigmohamed
Chairman – Board of Management

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Karachi