

Earning Review

POL: 1QFY22 EPS clocked at Rs18.5, up 45% YoY

Event

- Pakistan Oilfields Limited (POL) profitability clocked in at Rs18.5/sh, up 45% YoY in 1QFY22 against profitability of Rs12.8/sh in 1QFY21.

Impact

- We attribute increase in profitability to higher Arab Light prices and LPG production.
- However, lower oil and gas production along with reduced dollar indexation and higher exploration expense has restricted growth in profitability.
- Arab Light averaged ~US\$74/bbl in 1QFY22, up 70.2% YoY, due to uptick in global economic activity amid a restrained global oil supply.
- Company's oil and gas production is down by 8.5% and 9.6% YoY primarily because of lower production from TAL block.
- Oil, Gas and LPG production of TAL Block is down by 15.8% YoY, 9.7% YoY and 2% YoY, respectively, in 1QFY22.
- LPG production is up by a mere 1.1% YoY during 1QFY22 due to higher production from Pindori.
- Exploration cost clocked in at Rs451mn in 1QFY22 against Rs76mn booked in 1QFY21.
- Other income increased by ~9x YoY primarily because of exchange gains on financial assets.

Outlook

- Stock provides lucrative dividend yield besides providing hedge to dollar appreciation amid recovery in oil prices.

Table 1: 1QFY22 Result Review

	1QFY22	1QFY21	YoY	QoQ
Sales	11,077	9,289	19%	31%
Operating cost	2,014	2,351	-14%	49%
SC&A	66	57	16%	145%
Royalty	1,173	998	18%	19%
EBITDAX	7,824	5,883	33%	29%
D&A	685	564	22%	533%
Exploration cost	451	76	496%	44%
EBIT	6,665	5,229	27%	19%
Other income	2,700	303	792%	98%
Fin. Cost	1,462	86	1602%	115%
Other charges	416	354	17%	10%
Pre-tax profit	7,421	5,035	47%	26%
Taxation	2,163	1,406	54%	7%
PAT	5,258	3,629	45%	35%
EPS	18.5	12.8		

Source: PSX, Foundation Research, October 2021

Analyst

Muhammad Awais Ashraf, CFA
+92 21 3561 2290-94

m.awais@fs.com.pk
Ext 338

Important disclosures:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.