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Foundation Alert

PPL: Analyst Briefing Takeaways

Event

- Pakistan Petroleum Limited (PPL PA) management conducted its analyst briefing today to discuss its operational and financial performance for FY21 along with outlook of the company. Following are the key takeaways of the briefing.

Impact

- Management covered the following in their presentation including (1) brief corporate history, (2) operational achievements, (3) financial performance and (4) outlook of the company.
- Company's current exploration and production portfolio is spread across Pakistan with international presence in Iraq, Yemen and Abhu Dhabi. PPL also holds mineral rights in Balochistan province through Bolan Mining Enterprise (BME), a joint venture with government of Balochistan.
- PPL current portfolio contains 22 producing fields and 44 exploration blocks. Out of these, nine fields are company operated in producing portfolio and twenty six exploration blocks are company operated.
- Partner operated exploration block also contains 2 offshore blocks in Pakistan and 1 onshore Yemen block. While Iraq well and Abu Dhabi offshore Block 5 is company operated exploration block.
- During FY21 company has spud six exploratory wells and nine development wells.
- A PPL led Consortium comprising of PPL, MPCL, OGDCL and GHPL awarded the contract of Offshore Bloc 5 in Abu Dhabi,
- Offshore Block 5 covers an area of 6,223 square kilometers and is located 100 kilometers north-east of Abu Dhabi city.
- Nine development wells were spud in during the year to maintain the production profile of existing fields.
- Company is planning to drill 5 exploratory and 9 development wells during the year FY22.
- Company overall production decline to 0.8bcfde in FY21 given lower offtake from GENCO-II.
- During the year, company has "farm in" ShakarGanj West and Punjab Block while "farm out" from (1) Punjab and Musakhel in order to better management of risk.
- Suleiman Block has been awarded to PPL with 50% working interest. OGDCL will be the operator with equal interest.
- Three tight gas discoveries i.e., Naushahro Firoz, Hadi and Hab are planned to be appraised. Inversion study is in progress to decide appraisal of Hadi X-1A Tight Gas. PPL will revisit its shale gas options after review of OGDCL's shale gas well results.
- As per management, flows of Sui and Kandhkot forms 48% (47% in FY20) and 15% (18% in FY20) of company's total gas production of 757mmcfd during the fiscal year. Gambat South accounts for just 10% (8% in FY20) of company's gas flows.
- During the year gas production from Kandhkot remained below its production capacity of ~250mmcfd given lower offtake from GENCO-II. Company is in discussion with government for selling these flows to third party or convert it into pipeline quality gas which requires installation of processing plant in order to reduce current carbon content of 7% to 3%.

- Company recorded liquid production of ~14.1k bpd during FY21 majority of which contributed by fields of Nashpa (33%) and TAL (36%). Adhi accounts for 24% of company's oil production.
- Management still believes that Dhok Sultan has the potential to hit production plateau of 10k bpd. So far only one well has been drilled which commenced production at a rate of ~600bpd of oil and 1mmcfd of gas. However, the production was stopped in Apr'20 due to gas offtake issues. Full scale EWT production from Dhok Sultan X-1, after installation of a new oil handling facility and gas processing through Pakistan Oilfields Limited Meyal plant. The gas will be sold to SNGPL.
- Gambat South GPF-IV, Phase-II was commissioned in Jan'21 and production was enhanced by 35 mmcfd.
- Construction of 40 km feeder-line of Carbon Steel Pipeline for well Hadaf X-1 has been completed and the well was commissioned through GPF-IV.
- Liquidity position of the company improved during the year given significant reduction in pace of circular debt build up. The trade debts of the company have reached Rs282bn against Rs264bn at the end of Jun'20.
- As per management, company has outstanding receivable of Rs161bn, Rs110bn and Rs6bn in FY21 against Rs153bn, Rs97bn and Rs52bn in FY20 from SNGPL, SSGC and GENCO-II, respectively.

Outlook

- Hydrocarbon growth along with the pricing of new discoveries at lucrative rates would provide significant uptick in profitability. Cash flow improvement due to resolution of circular debt, a key reform agenda of IMF program, would help to expedite exploration and development activities. Subsequently, this would help to exploit potential of Sui, Gambat South and kandhkot fields.

Fig 1: 4QFY20 Financial Highlights

Rs mn	4QFY21	4QFY20	YoY	QoQ	FY21	FY20	YoY
Sales	35,620	31,365	14%	-3%	148,429	157,593	-6%
Field expenditures	8,735	10,622	-18%	-23%	43,869	45,833	-4%
Royalties	5,387	4,912	10%	1%	22,057	23,799	-7%
EBITDAX	25,743	19,264	34%	1%	102,428	108,781	-6%
Exploration expense	6,660	972	585%	1316%	10,277	14,734	-30%
Other income	1,151	2,358	-51%	10%	4,056	6,465	-37%
Other operating expenses	(948)	980	na	-126%	6,593	8,138	-19%
Finance cost	257	282	-9%	-5%	1,107	1,070	3%
PBT	16,679	15,954	5%	0%	68,582	70,485	-3%
Taxation	2,940	4,927	-40%	-38%	16,150	20,228	-20%
PAT	13,739	11,027	25%	16%	52,431	50,256	4%
EPS	5.0	4.1			19.3	18.5	

Source: Company Reports, Foundation Research, November 2021

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If

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