

## Earning Review

### POL: 3QFY22 EPS clocked at Rs23.16, up 131% YoY

#### Event

- Pakistan Oilfields Limited (POL) profitability clocked in at Rs23.16/sh, up 131% YoY in 3QFY22 against profitability of Rs10.04/sh in 3QFY21. This cumulates into 9MFY22 profitability of Rs61.64/sh, up 84% YoY.

#### Impact

- We attribute increase in profitability to higher Arab Light prices and rupee depreciation.
- However, lower oil, gas and LPG production along with higher exploration expense has restricted growth in profitability.
- Arab Light averaged ~US\$100.2/bbl in 3QFY22, up 65% YoY, due to fear of supply disruptions on the back of Russia Ukraine war. Moreover, dollar appreciated by 11% YoY during 3QFY22.
- Company's oil and gas production is down by 16.4% YoY and 13.0% YoY primarily because of lower production from TAL block and Adhi Field.
- Oil and Gas production of TAL Block is down by 13% YoY and 11% YoY respectively, in 3QFY22.
- LPG production is down by 2.3% YoY during 3QFY22 primarily because of 14.5% YoY reduction in production from Adhi field. However, LPG production from TAL Block is up by 10.1% YoY in 3QFY22.
- Exploration cost clocked in at Rs127mn in 3QFY22 against Rs72mn booked in 3QFY21.
- Other income clocked in at Rs2.1bn in 3QFY22 against loss of Rs372mn 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.

**Fig 1: Financial highlights 3QFY22**

|                       | 3QFY22        | 3QFY21       | YoY         | QoQ        | 9MFY22        | 9MFY21        | YoY        |
|-----------------------|---------------|--------------|-------------|------------|---------------|---------------|------------|
| <b>Sales</b>          | <b>13,375</b> | <b>9,464</b> | <b>41%</b>  | <b>6%</b>  | <b>37,123</b> | <b>27,596</b> | <b>35%</b> |
| Operating cost        | 2,403         | 2,438        | -1%         | 10%        | 6,595         | 6,939         | -5%        |
| SC&A                  | 53            | 50           | 6%          | -4%        | 175           | 168           | 4%         |
| Royalty               | 1,425         | 987          | 44%         | 8%         | 3,913         | 2,919         | 34%        |
| D&A                   | 589           | 577          | 2%          | -6%        | 1,902         | 1,818         | 5%         |
| Exploration cost      | 127           | 72           | 78%         | 18%        | 686           | 181           | 279%       |
| <b>EBIT</b>           | <b>8,771</b>  | <b>5,315</b> | <b>65%</b>  | <b>5%</b>  | <b>23,818</b> | <b>15,521</b> | <b>53%</b> |
| Other income          | 2,088         | (372)        | -661%       | 3%         | 6,806         | 173           | 3836%      |
| Fin. Cost             | 788           | (320)        | na          | -16%       | 3,185         | (422)         | na         |
| Other charges         | 593           | 421          | 41%         | 10%        | 1,549         | 1,168         | 33%        |
| <b>Pre-tax profit</b> | <b>9,425</b>  | <b>4,791</b> | <b>97%</b>  | <b>6%</b>  | <b>25,715</b> | <b>14,781</b> | <b>74%</b> |
| Taxation              | 2,852         | 1,940        | 47%         | -11%       | 8,219         | 5,280         | 56%        |
| <b>PAT</b>            | <b>6,573</b>  | <b>2,851</b> | <b>131%</b> | <b>16%</b> | <b>17,496</b> | <b>9,500</b>  | <b>84%</b> |
| <b>EPS</b>            | <b>23.16</b>  | <b>10.04</b> |             |            | <b>61.64</b>  | <b>33.47</b>  |            |

Source: PSX, Foundation Research, April 2022

**Analyst**

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

m.awais@fs.com.pk  
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**Recommendations definitions**

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