

Earning Review

POL: 1QFY23 EPS clocked at Rs29.6, up 60% YoY

Event

- Pakistan Oilfields Limited (POL) profitability clocked in at Rs29.6/sh, up 60% YoY in 1QFY23 against profitability of Rs18.5/sh in 1QFY22.

Impact

- We attribute increase in profitability to increased Arab Light prices, higher rupee depreciation, lower taxation rate and increase in other income.
- However, lower oil, gas and LPG production along with higher exploration and development expense has restricted growth in profitability.
- Arab Light averaged ~US\$106/bbl in 1QFY23, up 43% YoY, due to fear of supply disruptions on the back of Russia Ukraine war. Moreover, dollar appreciated by 36% YoY during 1QFY23.
- Company's oil, gas and LPG production is down by 11% YoY, 13% YoY and 12% YoY respectively, primarily because of lower production from TAL block and Adhi Field.
- Oil and Gas production of TAL Block is down by 4% YoY and 11% YoY respectively, in 1QFY23.
- LPG production is down by ~12% YoY during 1QFY23 primarily because of ~11%/18% YoY reduction in production from TAL block and Adhi field.
- Exploration cost clocked in at Rs4.5bn in 1QFY23 against Rs451mn booked in 1QFY22.
- Other income clocked in at Rs6.6bn in 1QFY23 against Rs2.7bn primarily because of exchange gains on dollar denominated financial assets.

Outlook

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

Analyst

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

m.awais@fs.com.pk
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Fig 1: Financial highlights 1QFY23

	1QFY23	1QFY22	YoY	QoQ
Sales	16,033	11,077	45%	6%
Operating cost	2,109	2,014	5%	-16%
SC&A	124	66	87%	299%
Royalty	1,774	1,173	51%	8%
EBITDAX	12,025	7,824	54%	11%
D&A	503	685	-27%	-64%
Exploration cost	4,526	451	904%	2268%
EBIT	7,063	6,665	6%	-24%
Other income	6,635	2,700	146%	36%
Fin. Cost	2,835	1,462	94%	20%
Other charges	492	416	18%	3%
Pre-tax profit	10,246	7,421	38%	-9%
Taxation	1,847	2,163	-15%	-35%
PAT	8,400	5,258	60%	0%
EPS	29.6	18.5		

Source: PSX, Foundation Research, October 2022

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