

Earning Review

APL: 3QFY23 EPS clocked in at Rs34.5

Event

- Attock Petroleum Limited (APL PA) profitability during 3QFY23 clocked in at Rs4.3bn (EPS Rs34.5), down/up by 7/244% YoY/QoQ, compared to profit of Rs4.6bn (EPS Rs37.3) in 3QFY22. This cumulates into 9MFY23 profitability of Rs9.8bn (EPS Rs79.1), down 13% YoY.

Impact

- Profitability decreased by 7% YoY during 3QFY23 due to lower volumes of MS/HSD/FO.
- Company's MS/HSD/FO sales decreased by 15/29/24% YoY as demand declined amid higher prices and economic slowdown.
- Gross margins decreased by 2.9ppts YoY to 6.9% in 3QFY23 given much lower inventory gains compared to 3QFY22, in our view, despite higher OMC distribution margins of MS/HSD (up by 59/50% YoY).
- Other operating income increased by 40% YoY to Rs527mn in 3QFY23.
- Finance income increased by 3.0x YoY to Rs1.4bn in 3QFY23 given (1) higher cash and short term investments of Rs21.3bn (up 56% YoY) as of Dec'31, 2022 and (2) higher interest rates.

Outlook

- We have an outperform stance on the scrip with Dec'23 TP of Rs371 due to sustainable earnings growth (given higher margins and increased investment in supply chain and retail network), higher payout and strong balance sheet.

Fig 1: 3QFY23 Earning Review

Rs (mn)	3QFY23	3QFY22	YoY	QoQ	9MFY23	9MFY22	YoY
Net Sales	113,057	86,760	30%	-1%	350,835	241,036	46%
COGS	105,225	78,219	35%	-6%	331,058	219,943	51%
Gross Profit	7,832	8,541	-8%	301%	19,777	21,093	-6%
Other Operating Income	527	377	40%	23%	1,313	1,219	8%
Operating Expense	2,157	2,014	7%	50%	7,331	5,133	43%
Operating Profit	6,202	6,903	-10%	558%	13,759	17,179	-20%
Finance Income	1,385	469	195%	-1%	3,515	1,149	206%
Finance cost	573	334	72%	1%	1,630	1,073	52%
Net Finance Income/(Cost)	811	135	500%	-2%	1,886	76	2370%
Share of Profit from Associates	2	(26)	na	na	193	(166)	na
Other charges	481	483	0%	296%	1,074	1,185	-9%
Profit before Tax	6,534	6,530	0%	267%	14,764	15,904	-7%
Provision for Taxation	2,236	1,892	18%	322%	4,928	4,657	6%
Net Profit	4,298	4,638	-7%	244%	9,836	11,247	-13%
EPS@124.416mn shares	34.54	37.28			79.06	90.40	
DPS	-	-			12.5	15.0	
Gross margins	6.9%	9.8%			5.6%	8.8%	
Net margins	3.8%	5.3%			2.8%	4.7%	
Effective tax rate	34.2%	29.0%			33.4%	29.3%	

Source: PSX, Company Accounts, Foundation Research, April 2023

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Recommendations definitions

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