

Earning Review

POL: 3QFY23 EPS clocked at Rs57.2, up 2.5x YoY

Event

- Pakistan Oilfields Limited (POL) profitability clocked in at Rs57.2/sh, up 147%/173% YoY/QoQ in 3QFY23 against profitability of Rs23.2/sh in 3QFY22. This cumulates into 9MFY23 profit of Rs107.8/sh, up 75% YoY.
- The result is above our expectation due to lower than expected taxation expense booked by the company.

Impact

- We attribute increase in profitability to increased Arab Light prices for gas flows, higher rupee depreciation, lower taxation rate and higher Other income.
- However, lower oil, gas and LPG production along with higher exploration and development expense and higher finance cost has restricted growth in profitability.
- Arab Light averaged ~US\$82/bbl in 3QFY23, down 17.7% YoY. However, dollar appreciated by ~46% YoY during 3QFY23.
- Company's oil, gas and LPG production is down by 8% YoY, 8% YoY and 6% YoY respectively, primarily because of lower production from TAL block.
- Oil and Gas production of TAL Block is down by 7.3% and 9.9% YoY respectively, in 3QFY23.
- LPG production is down by ~6% YoY during 3QFY23 primarily because of ~3.6% YoY reduction in production from TAL block and 5.2% YoY decline production from Adhi block.
- Exploration cost clocked in at Rs850mn in 3QFY23 against Rs127mn booked in 3QFY22.
- Company booked other income of Rs14.3bn in 3QFY23 due to exchange gains on dollar denominated assets as dollar appreciated 24.9% between the reporting rates and higher interest rates. Similarly, finance cost of the company increased by 6.9x YoY to Rs5.4bn primarily because of loss on dollar denominated liabilities.

Outlook

- Stock provides lucrative dividend yield besides providing hedge to dollar appreciation amid recovery in oil prices. Thus, we have "Outperform" stance on the stock with Dec'23 TP of 515.

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Fig 1: Financial highlights 3QFY23

	3QFY23	3QFY22	YoY	QoQ	9MFY23	9MFY22	YoY
Sales	15,930	13,375	19%	13%	46,041	37,123	24%
Operating cost	2,800	2,403	17%	-9%	7,993	6,595	21%
SC&A	80	53	51%	47%	259	175	48%
Royalty	1,807	1,425	27%	16%	5,139	3,913	31%
EBITDAX	11,242	9,494	18%	20%	32,651	26,441	23%
D&A	783	589	33%	-22%	2,289	1,902	20%
Exploration cost	850	127	567%	-11%	6,329	686	823%
EBIT	9,634	8,771	10%	30%	24,121	23,818	1%
Other income	14,330	2,088	586%	581%	23,069	6,806	239%
Fin. Cost	5,436	788	590%	1218%	7,785	3,185	144%
Other charges	503	593	-15%	-24%	1,657	1,549	7%
Pre-tax profit	17,945	9,425	90%	93%	37,489	25,715	46%
Taxation	1,710	2,852	-40%	-49%	6,901	8,219	-16%
PAT	16,235	6,573	147%	173%	30,588	17,496	75%
EPS	57.2	23.2			107.8	61.6	

Source: PSX, Foundation Research, April 2023

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