

Flash Note

Tuesday, 30 April 2019

Oil & Gas - Exploration Companies

Pakistan Petroleum Limited (PPL)

PKR depreciation along with improved oil/LPG flows lifts 3QFY19 EPS by 27%YoY to PKR 6.27; No cash dividend

- Pakistan Petroleum Limited (PPL) announced its financial results for 3QFY19 with earnings clocking in at PKR 14.21bn (EPS PKR 6.27) as compared to PKR 11.17bn (EPS PKR 4.93) in the same period last year, up by +27%YoY. This brings total earnings for 9MFY19 to PKR 45.25bn (EPS PKR 19.96) compared to PKR 33.19bn (EPS PKR 14.64) in the similar period last year.
- The Company withheld cash payout during 3QFY19 likely owing to cash constraints amid substantial rise in receivables.
- We attribute this substantial growth in earnings during 3QFY19 to a) 25%YoY PKR depreciation against USD, b) higher oil and LPG production and; c) lower effective tax rate.
- Net Revenues increased by +31%YoY to PKR 40.39bn during 3QFY19, likely on the back of PKR depreciation and +2%/+19%YoY rise in Oil/LPG production owing increased flows from Adhi and Nashpa.
- However earnings growth was limited as exploration expense leaped up by +58%YoY to PKR 4.45bn during 3QFY19 compared to PKR 2.82bn in the corresponding period last year likely owing to only dry well cost incurred at Misrial X-01 (Hisal Block) with estimated cost of PKR 2.8-3.0bn in our view.
- Other income dropped by 38%YoY to PKR 1.30bn during 3QFY19 compared to PKR 2.09bn in the similar period last year likely owing to lower exchange gains realized on foreign currency investments.
- Effective tax rate stood at 24.0% during 3QFY19 as against 26.1% in the same period last year (2QFY19: 21.4%). This brings total effective tax for 9MFY19 to 24.1% compared to 30.8% during 9MFY18.

Exhibit:

PPL Financial Highlights

PKRmn	3QFY19	3QFY18	YoY	2QFY19	QoQ	9MFY19	9MFY18	YoY
Net Sales	40,391	30,849	31%	40,594	-1%	119,201	91,823	30%
Field Expenditure	14,991	12,301	22%	15,728	-5%	43,523	33,425	30%
Royalty	6,048	4,516	34%	5,974	1%	17,659	13,478	31%
Gross Profit	19,352	14,032	38%	18,891	2%	58,019	44,919	29%
Other Income	1,303	2,088	-38%	4,883	-73%	8,171	6,571	24%
Other Operating Expense	1,748	799	119%	2,201	-21%	6,050	3,092	96%
Finance Cost	235	211	11%	130	81%	499	450	11%
PBT	18,672	15,110	24%	21,443	-13%	59,641	47,948	24%
PAT	14,214	11,169	27%	16,851	-16%	45,254	33,193	36%
EPS (PKR)	6.27	4.93		7.43		19.96	14.64	
DPS (PKR)	-	-		-		-	4.00	

Source: IGI Research and Company Financials

No of Shares: 2,267.49mn

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