

Flash Note

Wednesday, 30 October 2019

Oil & Gas - Exploration Companies

Pakistan Petroleum Limited (PPL)

Lower oil production and higher other expense along with exchange losses led to flat EPS of PKR 5.23 despite PKR depreciation

- Pakistan Petroleum Limited (PPL) announced its financial results for 1QFY20 with earnings clocking in at PKR 14.24bn (EPS PKR 5.23) as compared to PKR 14.19bn (EPS PKR 5.21) in the same period last year. On a sequential basis, earnings are down by 13%QoQ.
- We attribute flat earnings during 1QFY20 to a) lower oil production, b) higher other expense and, c) lower other income despite 28%YoY PKR depreciation and lower exploration cost.
- Net Revenues increased by +9%YoY to PKR 41.76bn during 1QFY20, likely on the back of PKR depreciation and higher Gas/LPG production.
- Operating cost increased by +1%YoY to PKR 9.21bn during 1QFY20 likely owing to lower amortization cost amid revision in reserve life of major fields as at Jun-19.
- Exploration cost dropped by 10%YoY to PKR 2.86bn during 1QFY20 compared to PKR 3.19bn in the same period last year likely due to dry well cost incurred in 3 blocks namely Kotri, Nashpa and Sadiqabad. However, prospecting expense remained low during the quarter in our view due to lower seismic activity.
- Other income dropped by 56%YoY to PKR 0.88bn during 1QFY20 compared to PKR 1.99bn in the similar period last year likely owing to exchange losses realized on foreign currency investments.
- Other expense leaped up by +2.1xYoY to PKR 4.36bn during 1QFY20 likely owing to impairment booked on PPLA (PPL Asia) and higher provision for windfall levy on oil/condensate.
- Total effective tax rate stood at 25.8% during 1QFY20 against 27.3% (4QFY19: 22.7%) in the same period last year.

Exhibit:

PPL Financial Highlights

PKRmn	1QFY20	1QFY19	YoY	4QFY19	QoQ
Net Sales	41,759	38,217	9%	44,689	-7%
Operating Expense	9,211	9,086	1%	10,581	-13%
Royalty & Other Levies	6,140	5,637	9%	6,670	-8%
Gross Profit	26,409	23,493	12%	27,437	-4%
Exploration Expense	2,864	3,187	-10%	12,413	-77%
Administrative Expense	612	530	15%	(166)	n/m
Other Income	882	1,985	-56%	8,357	-89%
Other Expense	4,357	2,100	107%	2,116	106%
EBIT	19,458	19,661	-1%	21,432	-9%
Finance Cost	271	134	102%	242	12%
PBT	19,187	19,527	-2%	21,190	-9%
PAT	14,237	14,189	0%	16,379	-13%
EPS (PKR)	5.23	5.21	0%	6.02	-13%
DPS (PKR)	-	-		2.00	

Source: IGI Research and Company Financials

No of Shares: 2,720.97mn

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