

Flash Note

Wednesday, September 20, 2023

IGI
Securities

SERVING YOU SINCE 1994

Oil & Gas Exploration Companies

Pakistan Petroleum Limited (PPL)

Earnings: Pakistan Petroleum Limited (PPL) announced its 4QFY23 result. The Company reported 4QFY23 unconsolidated earnings of PKR 16.10bn (EPS PKR 5.92), up by +13.2x/y compared to PKR 1.22bn (EPS PKR 0.45) in the similar period last year. On a quarterly basis, profitability is down by 51%/y. This brings total FY23 profitability to PKR 97.94bn (EPS PKR 35.99), up by +83%/y.

Dividend/Payout: The Company announced a cash dividend of PKR 1.5/share along with the result bringing total cash payout for FY23 to PKR 2.0/share.

Operating Performance: During the period under review, PPL reported a +17%/y increase in revenue during 4QFY23 on the back of PKR depreciation and higher oil & gas production despite lower oil prices. Exploration cost increased by +12%/y to PKR 8.68bn during 4QFY23 likely owing to higher prospecting expense and dry well cost. Operating expenses increased by +12%/y to PKR 12.38bn during 4QFY23 compared to PKR 11.07bn in the same period last year. Other income declined by 29%/y during 4QFY23 likely owing to exchange loss despite higher interest income. On a quarterly basis, earnings dropped by 51%/y mainly due to lower oil prices, other income and higher tax rate despite PKR depreciation. Effective tax stood at 56.3% during 4QFY23 (3QFY23: 34.8%) compared to 95.8% in the same period last year bringing total effective tax rate for FY23 to 40.9% compared to 49.0% in the corresponding period last year.

Exhibit: PPL Financial Highlights								
For the period 4QFY23								
PKRmn	4QFY23	3QFY22	y/y	3QFY23	q/q	FY23	FY22	y/y
Net Sales	72,305	61,766	17%	76,518	-6%	286,480	202,199	42%
Operating Expense	12,379	11,067	12%	12,584	-2%	48,453	40,091	21%
Royalty	11,730	10,028	17%	11,882	-1%	46,478	30,500	52%
Gross Profit	48,197	40,671	19%	52,053	-7%	191,549	131,608	46%
Exploration Expense	8,679	7,729	12%	3,942	2.2x	21,628	17,555	23%
Administrative Expense	1,133	886	28%	996	14%	3,919	3,917	0%
Other Income	2,640	3,740	-29%	8,235	-68%	17,539	14,144	24%
Other Expense	3,302	6,587	-50%	4,426	-25%	15,771	15,472	2%
Share of loss from associate	458	160	2.9x	89	5.2x	683	2,607	-74%
EBIT	37,265	29,049	28%	50,834	-27%	167,086	106,243	57%
Finance Cost	432	352	23%	348	24%	1,485	1,249	19%
PBT	36,832	28,697	28%	50,486	-27%	165,601	104,994	58%
PAT	16,103	1,217	13.2x	32,898	-51%	97,937	53,546	83%
EPS (PKR)	5.92	0.45		12.09		35.99	19.68	
DPS (PKR)	1.50	0.50		0.00		2.50	2.00	
Source: IGI Research, PSX						No of Shares: 2,720.97mn		

Analyst

Abdullah Farhan

Abdullah.Farhan@igi.com.pk

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation Rating System

Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)

Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)

Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2023 IGI Finex Securities Limited

Contact Details

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |

Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
 Stock Exchange Road, Karachi.
 Tel: (+92-21) 32429613-4, 32462651-2
 Fax: (+92-21) 32429607

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The
 Regency International 949, The Mall
 Faisalabad
 Tel: (+92-41) 2540843-45

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2023 IGI Finex Securities Limited