

Day Break

Friday, 26 July 2019

COMPANY UPDATE

Pakistan Oilfields Limited

Oil & Gas Exploration Companies

Recommendation		BUY
Target Price:	31-Dec-19	466.6
Last Closing:	25-Jul-19	393.3
Upside:		18.7
Valuation Methodology:	Reserve based - Discounted Cash Flow (DCF)	
Time Horizon:		5M

Market Data

Bloomberg Tkr.	POL PA		
Shares (mn)	283.9		
Free Float Shares (mn)	130.0		
Free Float Shares (%)	45.8%		
Market Cap (PKRbn USDmn)	111.6	697.9	
Exchange	KSE ALL		
Price Info.	90D	06M	12M
Abs. Return	(14.2)	(18.7)	(29.3)
Lo	368.1	368.1	368.1
Hi	459.7	482.1	558.9

Key Company Financials

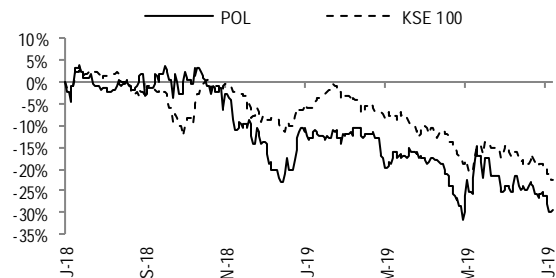
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	31.9	44.6	48.0	42.6
Net Income	11.4	15.6	18.6	17.2
EPS (PKR)	40.1	55.0	65.7	60.4
DPS (PKR)	42.5	50.0	62.5	47.5
Total Assets	70.2	78.2	77.0	79.3
Total Equity	32.8	34.7	35.6	39.2

Key Financial Ratios

ROE (%)	34.7	45.1	52.41	43.72
P/E (x)	9.8	7.1	6.0	6.5
P/B (x)	6.3	3.2	3.1	2.8
DY (%)	10.8	12.7	15.9	12.1

Relative Price Performance



About the Company

The Company is incorporated in Pakistan as a public limited company. The Company is principally engaged in exploration, drilling and production of crude oil and gas. The Company is a subsidiary of the Attock Oil Company Limited, UK and its ultimate parent is Bay View International Group, S.A.

Source: Bloomberg, PSX & IGI Research

Analyst

Abdullah Farhan

Senior Research Analyst

Tel: (+92-21) 111-234-234 Ext.: 912

Abdullah.farhan@igi.com.pk

Oil & Gas Exploration Companies

POL: PKR depreciation and lower exploration cost to lift 4QFY19 EPS to 15.65 up by +26%YoY

- Pakistan Oilfields Limited's (POL) board meeting is scheduled on 29th July-19 to announce financial result for 4QFY19, where we expect the company to post earnings of PKR 4.44bn (EPS PKR 15.65), up by +26%YoY. We forecast Company to payout cash dividend of PKR 30/share taking total cash payout for FY19 to PKR 50/share,
- We estimate incline in earnings on the back a) 26%YoY depreciation of PKR against greenback, b) lower exploration cost in the absence of dry well cost and, c) higher LPG production,
- This will bring total FY19 profitability to PKR 15.62bn (EPS PKR 55.02) up by +37%YoY compared to PKR 11.38bn (EPS PKR 40.10) in the same period last year,
- We recommend a 'BUY' stance on POL with our Dec-19 target price of PKR 466.6/share offering 18.7% upside from last close.

Earnings to clock in at PKR 15.65/share for 4QFY19, up by +26%YoY

Pakistan Oilfields Limited's (POL) board meeting is scheduled on 29th July-19 to announce financial result for 4QFY19, where we expect the company to post earnings of PKR 4.44bn (EPS PKR 15.65), up by +26%YoY, compared to PKR 3.52bn (EPS PKR 12.39) in the same period last year. We estimate incline in earnings on the back a) 26%YoY depreciation of PKR against greenback, b) lower exploration cost in the absence of dry well cost and, c) higher LPG production. We have not incorporated the IFRS 9 impact on earnings due to the nature of application of the standard. This will bring total FY19 profitability to PKR 15.62bn (EPS PKR 55.02) up by +37%YoY compared to PKR 11.38bn (EPS PKR 40.10) in the same period last year on the back of higher oil prices and PKR depreciation. We forecast Company to payout cash dividend of PKR 30/share taking total cash payout for FY19 to PKR 50/share.

On quarterly basis, earnings are expected to increase by +35%QoQ on the back of lower exploration cost amid no dry well and 5.4%QoQ depreciation of PKR against USD despite lower oil & gas production.

Exhibit:

Financial Highlights

PKRmn	4QFY19E	4QFY18	YoY	FY19E	FY18	YoY
Net Sales	11,735	10,678	10%	44,627	32,665	37%
Operating Costs	2,887	1,937	49%	11,213	8,456	33%
Royalty	1,186	1,328	-11%	4,518	3,778	20%
Amortization of D&D Cost	1,096	695	58%	3,912	2,987	31%
Gross Profit	6,478	6,640	-2%	24,663	17,136	44%
Exploration Costs	116	1,975	-94%	2,024	2,990	-32%
Finance Cost	1,373	700	96%	3,437	1,919	79%
Other Income	2,172	957	127%	6,147	3,262	88%
PBT	6,533	4,564	43%	23,352	14,353	63%
PAT	4,443	3,516	26%	15,619	11,384	37%
EPS (PKR)	15.65	12.39		55.02	40.10	
DPS (PKR)	30.00	25.00		50.00	42.50	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

Recommendation

We recommend a 'BUY' stance on POL with our Dec-19 target price of PKR 466.6/share offering 18.7% upside from last close. The company is currently trading at FY19/20 P/E of 7.1/6.0x and offers a dividend of 12.7%/15.9%.

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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)
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Time Horizon: Dec – 2019

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

(Reserve Based DCF Valuation)

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.

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

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
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@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

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
Website: www.igisecurities.com.pk

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

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

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

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Saddar Cantt.
Tel: (92-91) 5273035, 5223882

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

Abbottabad Office

Ground Floor, Al Fatah Shopping Center ,
Opp. Radio Station, Mansehra Road
Tel: (+92-99) 2408243 - 44

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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