

# Flash Note

Wednesday, 27 January 2021

Oil & Gas - Exploration Companies

## Pakistan Oilfields Limited (POL)

### Lower production and oil prices drags 2QFY21 EPS down by 34%y/y to PKR 10.64; DPS PKR 20

- Pakistan Oilfields Limited (POL) announced its financial results for 2QFY21 with earnings clocking in at PKR 3.02bn (EPS: PKR 10.64) as compared to PKR 4.56bn (EPS: PKR 16.07) in the same period last year, down by 34% Y/y. On sequential basis, earnings are down by 17%q/q. This brings total profitability for 1HFY21 to PKR 6.65bn (EPS PKR 12.78) down by 22%y/y.
- The Company announced cash dividend of PKR 20/share along with the result.
- We attribute this decline in earnings during 2QFY21 to a) 33%y/y drop in average oil prices despite 3%y/y PKR depreciation, b) 4%/9%y/y drop in oil/gas production and, c) 66%y/y drop in other income. On sequential basis earnings dropped on account of PKR appreciation and lower production whereas oil prices remained flat.
- Net revenues declined by 23%y/y to PKR 8.84bn during 2QFY21, likely on the back of 33%y/y drop in average oil prices and lower oil/gas production.
- Exploration expense dropped by 92%y/y to PKR 0.03bn during 2QFY21 compared to PKR 0.42bn in the corresponding period last year likely owing to lower prospecting expense and no dry well expense incurred.
- Other income declined by 66%y/y to PKR 0.24bn during 2QFY21 likely owing to lower interest income on bank deposits and higher exchange losses in our view.
- Effective tax rate stood at 39.0% during 2QFY21 against 26.0% (1QFY21: 27.9%) in the similar period last year bringing total effective tax rate to 33.4% for 1HFY21 compared to 28.3% in the same period last year.

#### Exhibit: POL Financial Highlights

PKRmn	2QFY21	2QFY20	y/y	1QFY21	y/y	1HFY21	1HFY20	y/y
Net Sales	8,843	11,461	-23%	9,289	-5%	18,132	21,712	-16%
Operating Costs	2,150	2,798	-23%	2,351	-9%	4,501	5,049	-11%
Royalty	934	1,221	-24%	998	-6%	1,932	2,339	-17%
Amortization of D&D Cost	678	732	-7%	564	20%	1,241	1,246	0%
Gross Profit	5,011	6,637	-24%	5,305	-6%	10,316	12,932	-20%
Exploration Costs	34	415	-92%	76	-56%	109	791	-86%
Finance Cost	(188)	309	n.m.	86	n.m.	(102)	448	n.m.
Other Income	242	707	-66%	303	-20%	545	1,174	-54%
PBT	4,955	6,160	-20%	5,035	-2%	9,990	11,953	-16%
PAT	3,021	4,560	-34%	3,629	-17%	6,649	8,568	-22%
EPS (PKR)	10.64	16.07		12.78		23.42	30.19	
DPS (PKR)	20.00	20.00		-		20.00	20.00	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

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IGI Finex Securities Limited

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