

Flash Note

Tuesday, 21 January 2020

Oil & Gas - Exploration Companies

Pakistan Oilfields Limited (POL)

Lower tax rate and PKR depreciation lifts 2QFY20 EPS to PKR 16.07 despite lower production and oil prices; DPS PKR 20.0

- Pakistan Oilfields Limited (POL) announced its financial results for 2QFY20 with earnings clocking in at PKR 4.56bn (EPS: PKR 16.07) as compared to PKR 4.02bn (EPS: PKR 14.17) in the same period last year, up +13% YoY. On sequential basis, earnings are up by +14% QoQ. This brings total profitability for 1HFY20 to PKR 8.57bn (EPS PKR 30.19) up by +9% YoY compared to PKR 7.89bn (EPS PKR 27.79) in the similar period last year.
- POL announced cash dividend of PKR 20.0/share along with the result.
- We attribute this impressive growth in earnings during 2QFY20 to a) 16% YoY PKR depreciation despite 5% YoY drop in oil prices and lower oil/gas/LPG production, b) lower amortization cost and, c) effective tax rate of 26% compared to 42.2% in same period last year. However, earnings growth was limited by +5xYoY higher exploration cost amid higher seismic activity despite no dry well cost booked during the quarter.
- Net revenues dropped by 2% YoY to PKR 11.46bn during 2QFY20, likely on the back of 3%/5%/11% drop in gas/LPG/oil production and 5% YoY decline in oil prices despite 16% YoY PKR depreciation.
- Exploration expense augmented by +5.3xYoY to PKR 0.42bn during 2QFY20 compared to PKR 0.08bn in the corresponding period last year likely owing to higher prospecting expense booked during the quarter as POL acquired higher seismic data in Ikhlas block and increased activity was witnessed in Tal block operated by MOL. There was no dry well cost booked during the quarter, in our view.
- Finance cost dropped by 77% YoY to PKR 0.31bn during 2QFY20 likely on account of lower exchange losses.
- Other income also plummeted by 69% YoY to PKR 0.71bn during 2QFY20 likely in the absence of exchange gains.
- Effective tax rate dropped down to 26.0% during 2QFY20 compared to 42.2% (1QFY20: 30.8%) reported in the corresponding period last year, bringing total effective tax rate for 1HFY20 to 28.3% compared to 34.8% in the same period last year.

Exhibit:

POL Financial Highlights

PKRmn	2QFY20	2QFY19	YoY	1QFY20	QoQ	1HFY20	1HFY19	YoY
Net Sales	11,461	11,639	-2%	10,251	12%	21,712	22,209	-2%
Operating Costs	2,798	2,726	3%	2,251	24%	5,049	5,504	-8%
Royalty	1,221	1,160	5%	1,118	9%	2,339	2,245	4%
Amortization of D&D Cost	732	1,029	-29%	513	43%	1,246	1,803	-31%
Gross Profit	6,637	6,646	0%	6,295	5%	12,932	12,502	3%
Exploration Costs	415	79	426%	376	10%	791	810	-2%
Finance Cost	309	1,347	-77%	139	123%	448	1,749	-74%
Other Income	707	2,286	-69%	467	51%	1,174	3,127	-62%
PBT	6,160	6,962	-12%	5,793	6%	11,953	12,096	-1%
PAT	4,560	4,022	13%	4,008	14%	8,568	7,889	9%
EPS (PKR)	16.07	14.17		14.12		30.19	27.79	
DPS (PKR)	20.00	20.00		-		20.00	20.00	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

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

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

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

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

© Copyright 2019 IGI Finex Securities Limited


Jama Punji
 سرمایہ کاری سمجھداری کے ساتھ
<http://www.jamapunji.pk>