

Flash Note

Tuesday, 20 October 2020

Oil & Gas - Exploration Companies

Pakistan Oilfields Limited (POL)

Lower production and oil prices drag 1QFY21 EPS to PKR 12.78 despite PKR depreciation

- Pakistan Oilfields Limited (POL) announced its financial results for 1QFY21 with earnings clocking in at PKR 3.63bn (EPS: PKR 12.78) as compared to PKR 4.01bn (EPS: PKR 14.12) in the same period last year, down by 9% YoY. On sequential basis, earnings are up by +49% QoQ.
- We attribute this decline in earnings during 1QFY21 to a) 31% YoY drop in average oil prices despite 5% YoY PKR depreciation, b) 3%/4% YoY drop in oil/gas production and, c) higher operating costs. On sequential basis earnings improved on account of recovery in oil prices and higher oil/gas production.
- Net revenues declined by 9% YoY to PKR 9.30bn during 1QFY21, likely on the back of 31% YoY drop in average oil prices and lower oil/gas production.
- Exploration expense dropped by 80% YoY to PKR 0.08bn during 1QFY21 compared to PKR 0.38bn in the corresponding period last year likely owing to lower prospecting expense and no dry well expense incurred.
- Other income declined by 35% YoY to PKR 0.30bn during 1QFY21 likely owing to lower interest income on bank deposits despite lower exchange losses in our view.
- Effective tax rate stood at 27.9% during 1QFY21 against 30.8% (4QFY20: 21.4%) in the similar period last year.

Exhibit: POL Financial Highlights

PKRmn	1QFY21	1QFY20	YoY	4QFY20	QoQ
Net Sales	9,289	10,251	-9%	6,025	54%
Operating Costs	2,351	2,251	4%	1,699	38%
Royalty	998	1,118	-11%	590	69%
Amortization of D&D Cost	564	513	10%	511	10%
Gross Profit	5,305	6,295	-16%	3,169	67%
Exploration Costs	76	376	-80%	253	-70%
Administration Expenses	57	55	5%	18	226%
Finance Cost	86	139	-38%	524	-84%
Other Income	303	467	-35%	861	-65%
PBT	5,035	5,793	-13%	3,092	63%
PAT	3,629	4,008	-9%	2,429	49%
EPS (PKR)	12.78	14.12		8.56	
DPS (PKR)	-	-		30.00	

Source: IGI Research and Company Financials No of Shares: 283.86mn

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