

Flash Note

Thursday, 19 October 2017



Securities

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Oil & Gas – Exploration Companies

POL: Higher production and oil prices lift earnings by +9%YoY to PKR 10.71/share

- Pakistan Oilfields Limited (POL) announced financial results for 1QFY18 with earnings clocking in at PKR 2.5bn (EPS PKR 10.71) up by +9%YoY as compared to PKR 2.3bn (EPS PKR 9.80) last year. This increase in earnings is likely to be attributable to a) higher oil prices, b) increase oil and gas production from Tal block and, c) lower operating costs.
- Revenues increased by +26%YoY to PKR 7.2bn as compared to PKR 5.7bn in the same period last year, likely on the back of a) +17%YoY increase in oil prices and, b) +11%/+10%/+11%YoY rise in oil/gas/LPG production.
- Operating cost declined by 3%YoY to PKR 1.9bn during 1QFY18 as compared to PKR 2.0bn recorded in the corresponding period last year.
- Exploration cost increased by +4.2xYoY to PKR 0.3bn during 1QFY18, likely owing to higher prospecting expense.
- Other income declined by +65%YoY to PKR 0.3bn during 1QFY18 compared to PKR 0.7bn in the corresponding period last year likely on the back of exchange losses incurred during the period.
- Effective tax rate stood at 19.8% in 4QFY17 as compared to a 29.5% last year. However, during FY17 growth in earnings was diluted by increase in effective tax by 3.5ppts to stand at 22.0%.

Exhibit:

POL Financial Highlights

| PKRmn | 1QFY18 | 1QFY17 | YoY | 4QFY17 | QoQ |
|--------------------------|--------|--------|------|--------|------|
| Net Sales | 7,241 | 5,724 | 26% | 6,865 | 5% |
| Operating Costs | 1,973 | 2,025 | -3% | 2,021 | -2% |
| Royalty | 662 | 498 | 33% | 602 | 10% |
| Amortization of D&D Cost | 512 | 561 | -9% | 241 | 113% |
| Gross Profit | 4,023 | 2,579 | 56% | 3,929 | 2% |
| Exploration Costs | 272 | 64 | 322% | 1,032 | -74% |
| Administration Expenses | 38 | 38 | 1% | 6 | 489% |
| Finance Cost | 188 | 195 | -3% | 162 | 17% |
| Other Income | 249 | 717 | -65% | 213 | 17% |
| PBT | 3,528 | 2,827 | 25% | 2,759 | 28% |
| PAT | 2,534 | 2,317 | 9% | 2,213 | 15% |
| EPS (PKR) | 10.71 | 9.80 | | 9.35 | |
| DPS (PKR) | - | - | | 25.00 | |

Source: IGI Research and Company Financials

No of Shares: 236.55mn

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IGI Finex Securities Limited

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