

Flash Note

Friday, 11 September 2020

Oil & Gas - Exploration Companies

Pakistan Petroleum Limited (PPL)

Lower oil prices and production drags EPS down by 33%YoY to PKR 4.05 during 4QFY20, DPS PKR 1.0

- Pakistan Petroleum Limited (PPL) announced its financial results for 4QFY20 with earnings clocking in at PKR 11.03bn (EPS PKR 4.05) as compared to PKR 16.38bn (EPS PKR 6.02) in the same period last year, down by 33% YoY. On a sequential basis, earnings are down by 25%QoQ. This brings total profitability for FY20 to PKR 50.26bn (EPS PKR 18.47) down by 18% YoY compared to PKR 61.63bn (EPS PKR 22.65) last year.
- The Company announced cash dividend of PKR 1.0/share along with the result.
- We attribute this decline in earnings during 4QFY20 due to a) 61% YoY drop in average oil prices despite 11% YoY average PKR depreciation against greenback, b) lower oil/gas production down by 32%/15% YoY and, c) lower other income in the absence of exchange gains. However, earnings decline was limited by substantial drop in exploration cost as Kekra-1 dry well cost was booked in the same period last year.
- Net Revenues declined by 30% YoY to PKR 31.37bn during 4QFY20, likely on the back of lower oil prices and oil/gas production.
- Operating costs dropped by 8% YoY to PKR 9.71bn during 4QFY20 as against PKR 10.58bn in the same period last year.
- Exploration expense plummeted by 92% YoY to PKR 0.97bn during 4QFY20 compared to PKR 12.41bn in the corresponding period last year likely owing only one dry well cost booked during the quarter against Kekra-1 dry well cost booked in similar period last year.
- Other income declined by 72% YoY to PKR 2.36bn during 4QFY20 likely in the absence of exchange gains.
- Effective tax rate stood at 30.9% during 4QFY20 as against 19.3% in the same period last year (3QFY20: 32.0%), bringing total effective tax rate for FY20 to 28.7% compared to 22.9% in the corresponding period last year.

Exhibit: Financial Highlights

PKRmn	4QFY20	4QFY19	YoY	3QFY20	QoQ	FY20	FY19	YoY
Net Sales	31,365	44,689	-30%	40,818	-23%	157,593	163,890	-4%
Operating Expense	9,713	10,581	-8%	11,708	-17%	42,760	40,152	6%
Royalty & Other Levies	4,912	6,670	-26%	6,206	-21%	23,799	24,329	-2%
Gross Profit	16,740	27,437	-39%	22,904	-27%	91,034	99,408	-8%
Exploration Expense	972	12,413	-92%	2,020	-52%	14,734	24,858	-41%
Administrative Expense	908	734	24%	828	10%	3,073	2,240	37%
Other Income	2,358	8,357	-72%	1,641	44%	6,465	16,528	-61%
Other Charges	980	2,116	-54%	(165)	n/m	8,138	8,166	0%
EBIT	16,237	20,532	-21%	21,862	-26%	71,555	80,672	-11%
Finance Cost	282	242	17%	268	5%	1,070	741	44%
PBT	15,955	20,290	-21%	21,594	-26%	70,485	79,931	-12%
PAT	11,028	16,379	-33%	14,674	-25%	50,256	61,632	-18%
EPS (PKR)	4.05	6.02		5.39		18.47	22.65	
DPS (PKR)	1.00	2.00		-		1.00	2.00	

Source: IGI Research and Company Financials

No of Shares: 2,720.97mn

Analyst

Abdullah Farhan

Abdullah.Farhan@igi.com.pk

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

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to subject company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

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)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

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.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2020 IGI Finex Securities Limited



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

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
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@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

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

<p>Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559</p>	<p>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</p>
<p>Faisalabad Office Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815</p>	<p>Rahim Yar Khan Office Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651</p>
<p>Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183</p>	

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2020 IGI Finex Securities Limited