

Flash Note

Tuesday, 27 April 2021

Oil & Gas - Exploration Companies

Pakistan Oilfields Limited (POL)

Lower production and exchange losses drag 3QFY21 EPS down by 46%y/y to PKR 10.31

- Pakistan Oilfields Limited (POL) announced its financial results for 3QFY21 with earnings clocking in at PKR 2.93bn (EPS: PKR 10.31) as compared to PKR 5.38bn (EPS: PKR 18.95) in the same period last year, down by 46% Y/y. On sequential basis, earnings are down by 3%q/q. This brings total profitability for 9MFY21 to PKR 9.58bn (EPS PKR 33.74) down by 31% y/y.
- We attribute this decline in earnings during 3QFY21 to a) lower oil and gas production, b) exchange losses incurred due to PKR appreciation and, c) higher effective tax rate. On sequential basis earnings dropped on account of PKR appreciation and lower production despite incline in oil prices.
- **Net revenues** declined by 11% y/y to PKR 9.53bn during 3QFY21, likely on the back of lower oil/gas production despite higher oil prices.
- **Exploration expense** dropped by 80% y/y to PKR 0.07bn during 3QFY21 compared to PKR 0.36bn in the corresponding period last year likely owing to lower prospecting expense and no dry well expense incurred.
- The Company reported **other loss** of PKR 0.37bn during 3QFY21 compared to other income of PKR 2.52bn likely owing to lower interest income on bank deposits and higher exchange losses in our view.
- **Effective tax rate** stood at 39.9% during 3QFY21 against 19.6% (2QFY21: 39.0%) in the similar period last year bringing total effective tax rate to 35.5% for 9MFY21 compared to 25.2% in the same period last year.

Exhibit: POL Financial Highlights

PKRmn	3QFY21	3QFY20	YoY	2QFY21	QoQ	9MFY21	9MFY20	YoY
Net Sales	9,531	10,737	-11%	8,843	8%	27,663	32,450	-15%
Operating Costs	2,438	2,660	-8%	2,150	13%	6,939	7,709	-10%
Royalty	987	1,080	-9%	934	6%	2,919	3,420	-15%
Amortization of D&D Cost	577	653	-12%	678	-15%	1,818	1,899	-4%
Gross Profit	5,462	6,267	-13%	5,011	9%	15,778	19,199	-18%
Exploration Costs	72	362	-80%	34	114%	181	1,152	-84%
Finance Cost	(320)	1,240	n/m	(188)	n/m	(422)	1,688	n/m
Other Income	(372)	2,523	n/m	242	n/m	173	3,698	-95%
PBT	4,867	6,690	-27%	4,955	-2%	14,856	18,643	-20%
PAT	2,927	5,379	-46%	3,021	-3%	9,576	13,947	-31%
EPS (PKR)	10.31	18.95		10.64		33.74	49.13	
DPS (PKR)	-	-		20.00		20.00	20.00	

Source: IGI Research and Company Financials

No of Shares: 283.86mn

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