

Flash Note

Thursday, 29 April 2021

Oil & Gas - Exploration Companies

Pakistan Petroleum Limited (PPL)

Lower production and hefty exchange losses drag 3QFY21 EPS to PKR 4.37, down by 19%/y

- Pakistan Petroleum Limited (PPL) announced its financial results for 3QFY21 with earnings clocking in at PKR 11.88bn (EPS PKR 4.37) as compared to PKR 14.67bn (EPS PKR 5.40) in the same period last year, down by 19% y/y. On a sequential basis, remained flat at PKR 4.37/share. This brings total profitability for 9MFY21 to PKR 38.12bn (EPS PKR 14.01), down by 3% y/y, against PKR 39.23bn (EPS PKR 14.42) recorded in the corresponding period last year.
- We attribute this decline in earnings during 3QFY21 due to a) drop in oil/gas/LPG production, b) hefty exchange losses booked due to PKR appreciation against greenback during the quarter and, c) higher effective tax rate. However, earnings decline was limited by rise in average oil prices, PKR appreciation and decline in exploration cost.
- **Net revenues** declined by 10% y/y to PKR 36.70bn during 3QFY21, likely on the back of lower oil/gas/LPG production despite 11% y/y rise in oil prices and 2% y/y PKR appreciation.
- **Operating costs** declined by 10% y/y to PKR 10.48bn during 3QFY21 as against PKR 11.71bn in the same period last year.
- **Exploration expense** plummeted by 77% y/y to PKR 0.47bn during 3QFY21 compared to PKR 2.02bn in the corresponding period last year likely owing only one dry well cost booked during the quarter and lower prospecting expense.
- **Other income** declined by 36% y/y to PKR 1.05bn during 3QFY21 compared to PKR 1.64bn in the corresponding period last year likely in the absence of exchange gain and drop in markup income on deposits amid substantial drop in interest rates
- **Other charges** leaped up substantially to PKR 3.66bn during 3QFY21 against other income of PKR 0.17bn in the same period last year likely owing to hefty exchange losses booked during the quarter as PKR appreciated against the greenback.
- **Effective tax rate** stood at 28.6% during 3QFY21 as against 32.0% (2QFY21: 23.2%) in the corresponding period last year, bringing total effective tax rate for 9MFY21 to 25.6% compared to 28.1% reported in the similar period last year.

Exhibit: Financial Highlights

PKRmn	3QFY21	3QFY20	y/y	2QFY21	q/q	9MFY21	9MFY20	y/y
Net Sales	36,696	40,818	-10%	36,313	1%	112,235	126,228	-11%
Operating Expense	10,480	11,708	-10%	12,636	-17%	32,453	33,047	-2%
Royalty & Other Levies	5,314	6,206	-14%	5,412	-2%	16,670	18,887	-12%
Gross Profit	20,902	22,904	-9%	18,266	14%	63,113	74,294	-15%
Exploration Expense	470	2,020	-77%	873	-46%	3,617	13,762	-74%
Administrative Expense	914	828	10%	991	-8%	2,781	2,164	29%
Other Income	1,046	1,641	-36%	1,111	-6%	2,905	4,107	-29%
Other Expense	3,655	(165)	n/m	1,754	108%	7,541	7,159	5%
EBIT	16,909	21,862	-23%	15,758	7%	52,079	55,318	-6%
Finance Cost	270	268	1%	289	-7%	851	788	8%
PBT	16,639	21,594	-23%	15,469	8%	51,228	54,530	-6%
PAT	11,881	14,674	-19%	11,886	0%	38,118	39,229	-3%
EPS (PKR)	4.37	5.40		4.37		14.01	14.42	
DPS (PKR)	-	-		1.50		1.50	-	

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

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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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
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Areesha Ishrat	Trainee Analyst	Tel: (+92-21) 111-234-234 Ext: 810	areesha.ishrat@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

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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>	

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Research Identity Number: BRP009

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