

Flash Note

Friday, 23 October 2020

Oil & Gas - Exploration Companies

Pakistan Petroleum Limited (PPL)

Lower exploration cost and other charges lead to marginal EPS growth to PKR 5.27 during 1QFY21 despite lower oil prices and production

- Pakistan Petroleum Limited (PPL) announced its financial results for 1QFY21 with earnings clocking in at PKR 14.35bn (EPS PKR 5.27) as compared to PKR 15.24bn (EPS PKR 5.23) in the same period last year, up by +1% YoY. On a sequential basis, earnings are up by +30% QoQ.
- We attribute this slight growth in earnings during 1QFY21 due to a) 5% YoY PKR depreciation against greenback, b) lower exploration cost amid 1 dry well cost as compared to 3 in the same period last year and, c) lower exchange losses and impairment on subsidiaries in our view. However, earnings growth was limited by 31% YoY decline in average oil prices and drop in oil/gas production.
- Net Revenues declined by 6% YoY to PKR 39.23bn during 1QFY21, likely on the back of lower oil prices and oil/gas production.
- Operating costs inched up by +1% YoY to PKR 9.34bn during 1QFY21 as against PKR 9.21bn in the same period last year.
- Exploration expense plummeted by 21% YoY to PKR 2.27bn during 1QFY21 compared to PKR 2.86bn in the corresponding period last year likely owing only one dry well cost booked during the quarter against 3 dry wells incurred in similar period last year.
- Other Charges dropped by 51% YoY to PKR 2.13bn during 1QFY21 against PKR 4.36bn in the same period last year likely owing to lower exchange losses and impairment on subsidiaries.
- Effective tax rate stood at 25.3% during 1QFY21 as against 25.8% in the corresponding period last year (4QFY20: 27.1%)

Exhibit: PPL Financial Highlights

PKRmn	1QFY21	1QFY20	YoY	4QFY20	QoQ
Net Sales	39,226	41,759	-6%	31,365	25%
Operating Expense	9,337	9,211	1%	10,690	-13%
Royalty & Other Levies	5,945	6,140	-3%	4,912	21%
Gross Profit	23,945	26,409	-9%	15,763	52%
Exploration Expense	2,273	2,864	-21%	972	134%
Administrative Expense	776	612	27%	768	1%
Other Income	748	882	-15%	2,358	-68%
Other Charges	2,132	4,357	-51%	980	118%
EBIT	19,512	19,458	0%	15,401	27%
Finance Cost	292	271	8%	282	4%
PBT	19,220	19,187	0%	15,119	27%
PAT	14,351	14,237	1%	11,028	30%
EPS (PKR)	5.27	5.23		4.05	
DPS (PKR)	-	-		-	

Source: IGI Research and Company Financials

No of Shares: 2,720.97mn

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