

POL

1QFY22 Result Review: BUY Stance Maintained

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POL has announced its 1QFY22 result where it posted a profit after tax of Rs5.3bn (EPS: Rs18.52) as compared to profit after tax of Rs3.6bn (EPS: Rs12.78) in the same period last year, up by 45% YoY.

The company has posted a revenue of Rs11bn against Rs9.3bn in SPLY, recording a positive growth of 19% YoY. We note that this surge is attributed to the increase in the production of oil and gas.

The gross margin has been improved to 64.2% as compared to 57.1% in SPLY owing to an increase in oil prices. Exploration and admin cost have been increased by 496% YoY and 16% YoY respectively.

Other income has been increased by 792% YoY to Rs2.7bn as compared to Rs303mn during SPLY owing to higher exchange gains.

Lastly, finance cost has been increased by 1602% YoY to Rs 1.5bn as compared to Rs 86mn during SPLY.

POL is currently trading at an FY22E PE of 4.87x. Furthermore, the scrip is also trading at FY22E PB of 2.47x which provides a discount of 9.2% relative to its 3-year average of 2.72x. Going forward, we have a **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 467 which provides an upside potential of 21%. Furthermore, it also offers an attractive dividend yield of 15% which makes a total return of 36%.

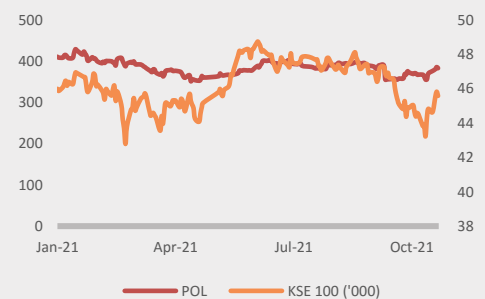
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	11,077	9,289	19.3% ▲	36,314	38,475	5.6% ▼
Operating Cost	-2,014	-2,351	14.3% ▼	-8,289	-9,408	11.9% ▼
Gross Profit	7,116	5,305	34.1% ▲	21,633	22,368	3.3% ▼
Exploration Cost	-451	-76	495.8% ▲	-494	-1,405	64.8% ▼
Administrative Expenses	-66	-57	15.8% ▲	-195	-192	1.1% ▲
Operating Profit	6,184	4,818	28.3% ▲	19,399	19,388	0.1% ▲
Other Income	2,700	303	792.1% ▲	1,539	4,558	66.2% ▼
Finance costs	-1,462	-86	1601.8% ▲	-260	-2,212	88.3% ▼
Profit Before Taxation	7,421	5,035	47.4% ▲	20,678	21,734	4.9% ▼
Taxation	-2,163	-1,406	53.9% ▲	-7,296	-5,359	36.2% ▲
Profit After Taxation	5,258	3,629	44.9% ▲	13,382	16,376	18.3% ▼
Earnings Per Share	18.52	12.78	44.9% ▲	47.14	57.69	18.3% ▼
Dividend	0.00	0.00		50.00	50.00	
Bonus	0%	0%		0%	0%	
Gross Margin	64.2%	57.1%	7.1% ▲	59.6%	58.1%	1.4% ▲
Exploration Cost to Sales	-4.1%	-0.8%	3.3% ▲	-1.4%	-3.7%	2.3% ▼
Admin Cost to Sales	-0.6%	-0.6%	0.0% ▼	-0.5%	-0.5%	0.0% ▲
Other Income to Sales	24.4%	3.3%	21.1% ▲	4.2%	11.8%	7.6% ▼
Effective Taxation	-29.2%	-27.9%	1.2% ▲	-35.3%	-24.7%	10.6% ▲
Net Margin	47.5%	39.1%	8.4% ▲	36.9%	42.6%	5.7% ▼

Source: ACPL Research, Company Financials

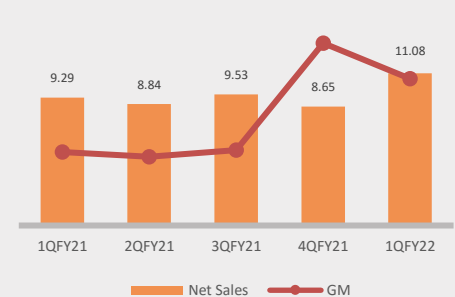
Key Statistics

Symbol	POL
TP - Jun 22	467
LDPC	385
Upside (%)	21
Free Float ('mn)	130
Market Cap. (Rs.'mn)	108,574

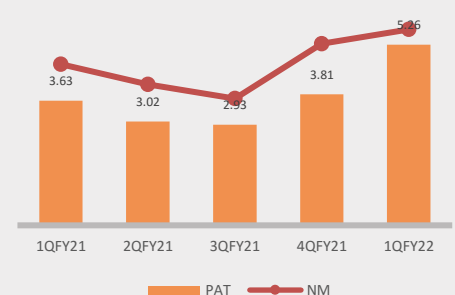
POL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Nauman Naeem

Phone: (+92) 42 38302028; Ext: 116

Email: nauman@abbasiandcompany.com

Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	43,977	38,475	36,314	55,150	52,824	41,010	37,377
Operating Cost	-10,393	-9,408	-8,289	-8,289	-8,289	-8,289	-8,289
Excise Duty	-309	-279	-272	-400	-383	-297	-271
Royalty	-4,554	-4,010	-3,908	-5,748	-5,506	-4,274	-3,896
Amortization of development and decommissioning costs	-3,312	-2,410	-2,212	-2,742	-2,999	-3,216	-3,397
Gross profit	25,410	22,368	21,633	37,971	35,647	24,933	21,524
Exploration Cost	-2,049	-1,405	-494	-1,930	-1,849	-1,435	-1,308
Administrative Expenses	-181	-192	-195	-358	-343	-267	-243
Other Charges	-1,728	-1,383	-1,545	-1,655	-1,585	-1,230	-1,121
Profit from operations	21,452	19,388	19,399	34,027	31,870	22,001	18,851
Other income	7,177	4,558	1,539	6,093	6,351	6,426	6,533
Finance cost	-3,774	-2,212	-260	-5,012	-5,012	-5,012	-5,012
Profit before income tax	24,855	21,734	20,678	35,109	33,209	23,415	20,372
Income tax expense	-7,983	-5,359	-7,296	-12,478	-11,802	-8,322	-7,240
Profit for the year	16,872	16,376	13,382	22,631	21,406	15,093	13,132
EPS	59.44	57.69	47.14	79.73	75.41	53.17	46.26
EBITDA	19,953	17,964	18,046	32,742	30,649	20,840	17,749

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	34.6%	-12.5%	-5.6%	51.9%	-4.2%	-22.4%	-8.9%
Operating Cost	22.9%	-9.5%	-11.9%	0.0%	0.0%	0.0%	0.0%
Excise Duty	0.5%	-9.8%	-2.4%	46.9%	-4.2%	-22.4%	-8.9%
Royalty	20.5%	-11.9%	-2.6%	47.1%	-4.2%	-22.4%	-8.9%
Amortization of development and decommissioning costs	10.9%	-27.2%	-8.2%	24.0%	9.4%	7.2%	5.6%
Gross profit	48.3%	-12.0%	-3.3%	75.5%	-6.1%	-30.1%	-13.7%
Exploration Cost	-31.5%	-31.4%	-64.8%	290.5%	-4.2%	-22.4%	-8.9%
Administrative Expenses	6.9%	6.1%	1.1%	84.3%	-4.2%	-22.4%	-8.9%
Other Charges	78.8%	-20.0%	11.7%	7.1%	-4.2%	-22.4%	-8.9%
Profit from operations	64.9%	-9.6%	0.1%	75.4%	-6.3%	-31.0%	-14.3%
Other income	120.0%	-36.5%	-66.2%	296.0%	4.2%	1.2%	1.7%
Finance cost	96.6%	-41.4%	-88.3%	1830.7%	0.0%	0.0%	0.0%
Profit before income tax	73.2%	-12.6%	-4.9%	69.8%	-5.4%	-29.5%	-13.0%
Income tax expense	168.9%	-32.9%	36.2%	71.0%	-5.4%	-29.5%	-13.0%
Profit for the year	48.2%	-2.9%	-18.3%	69.1%	-5.4%	-29.5%	-13.0%
EPS	48.2%	-2.9%	-18.3%	69.1%	-5.4%	-29.5%	-13.0%
EBITDA		-10.0%	0.5%	81.4%	-6.4%	-32.0%	-14.8%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	57.78	58.14	59.57	68.85	67.48	60.80	57.59
NP Margin	%	38.36	42.56	36.85	41.04	40.52	36.80	35.13
OP Margin	%	48.78	50.39	53.42	61.70	60.33	53.65	50.44
ROE	%	44.32	40.67	31.52	51.16	45.30	30.12	25.20
ROA	%	20.70	17.88	13.16	19.48	17.04	11.89	10.07
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	2.02	1.95	2.79	3.57	3.53	3.56	3.87
Quick	x	1.75	1.46	2.27	2.92	2.96	3.04	3.33
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Receivables Days		73.94	72.42	70.00	70.00	70.00	70.00	70.00
Payables Days		379.98	530.49	438.84	341.83	400.05	427.36	405.65
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		50.00	50.00	40.86	60.00	55.00	46.08	40.10
Div. Yield	%	12.99	12.99	10.61	15.58	14.29	11.97	10.41
Dividend Cover	x	1.19	1.15	1.15	1.33	1.37	1.15	1.15
Retention	%	15.88	13.33	13.33	13.33	13.33	13.33	13.33
Payout	%	84.12	86.67	86.67	86.67	86.67	86.67	86.67
No. of Shares	('m)	283.86	283.86	283.86	283.86	283.86	283.86	283.86
EPS		59.44	57.69	47.14	79.73	75.41	53.17	46.26
BVPS		134.12	141.86	149.55	155.83	166.46	176.52	183.60
P/E	x	6.48	6.67	8.17	4.83	5.11	7.24	8.32
Sales per share		154.93	135.54	127.93	194.29	186.10	144.48	131.68
P/BV	x	2.87	2.71	2.57	2.47	2.31	2.18	2.10
P/S	x	2.49	2.84	3.01	1.98	2.07	2.66	2.92
Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	5.68	8.77	74.73	6.79	6.36	4.39	3.76

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- III. Relative Valuation Model
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SELL	Less than and equal to -5%

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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com