

PPL has announced its FY21 result where it posted the profit after tax of Rs52bn (EPS: Rs19.27) as compared to the profit after tax of Rs50bn (EPS: Rs18.47) in the same period last year, up by 4.3% YoY.

The company has posted a revenue of Rs148bn against Rs158bn in SPLY, recording a decline of 5.8% YoY. We note that this decline is attributed to the drop in the production of oil and gas. The gross margin has been improved slightly to 58.1% as compared to 57.8% in SPLY owing to lower operating costs.

The admin costs have been increased by 21.8% YoY while a decrease of 30.6% in exploration costs eased the bottom line.

Other income has declined by 37.3%. Furthermore, the finance cost has been increased by 3.5% YoY on account of higher provision for decommissioning costs.

PPL is currently trading at a FY22E PE of 3.08x. Furthermore, the scrip is also trading at FY22E PB of 0.049x which provides a discount of 35% relative to its 5-year average of 0.75x. Going forward, we have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs 140 which provides an upward potential of 78%.

Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	36,193	31,365	15.4% ▲	148,429	157,593	5.8% ▼
Operating Cost	-7,624	-9,713	21.5% ▼	-40,077	-42,760	6.3% ▼
<b>Gross Profit</b>	<b>23,182</b>	<b>16,740</b>	<b>38.5% ▲</b>	<b>86,294</b>	<b>91,034</b>	<b>5.2% ▼</b>
Exploration Cost	-6,610	-972	580.0% ▲	-10,227	-14,734	30.6% ▼
Administrative Expenses	-1,061	-908	16.7% ▲	-3,741	-3,073	21.8% ▲
Finance costs	-257	-282	9.1% ▼	-1,107	-1,070	3.5% ▲
Other Charges	848	-980	186.6% ▲	-6,693	-8,138	17.8% ▼
Other Income	1,151	2,358	51.2% ▼	4,056	6,465	37.3% ▼
Profit Before Taxation	17,253	15,955	8.1% ▲	68,582	70,485	2.7% ▼
Taxation	-2,940	-4,927	40.3% ▼	-16,150	-20,228	20.2% ▼
<b>Profit After Taxation</b>	<b>14,313</b>	<b>11,028</b>	<b>29.8% ▲</b>	<b>52,431</b>	<b>50,256</b>	<b>4.3% ▲</b>
Earnings Per Share	5.26	4.05	29.8% ▲	19.27	18.47	4.3% ▲
Dividend	2.00	1.00	100.0% ▲	3.50	1.00	250.0% ▲
Bonus	0%	0%		0%	0%	

Closing Period: 19 Oct 2021 – 25 Oct 2021

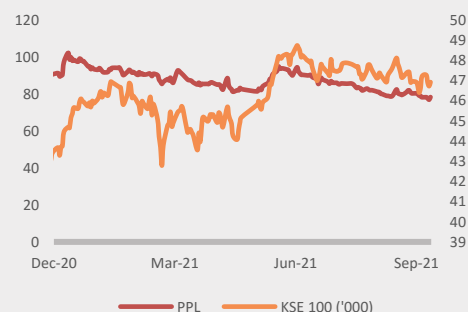
	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Gross Margin	64.0%	53.4%	10.7% ▲	58.1%	57.8%	0.4% ▲
Exploration Cost to Sales	-18.3%	-3.1%	15.2% ▲	-6.9%	-9.3%	2.5% ▼
Admin Cost to Sales	-2.9%	-2.9%	0.0% ▲	-2.5%	-1.9%	0.6% ▲
Other Charges to Sales	2.3%	-3.1%	0.8% ▼	-4.5%	-5.2%	0.7% ▼
Other Income to Sales	3.2%	7.5%	4.3% ▼	2.7%	4.1%	1.4% ▼
Effective Taxation	-17.0%	-30.9%	13.8% ▼	-23.5%	-28.7%	5.2% ▼
Net Margin	39.5%	35.2%	4.4% ▲	35.3%	31.9%	3.4% ▲

Source: ACPL Research, Company Financials

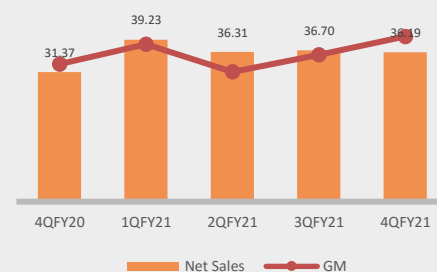
## Key Statistics

Symbol	PPL
TP - Jun 22	140.00
LDCP	78.30
Upside (%)	78
Free Float ('mn)	666
Market Cap. (Rs.'mn)	220,398

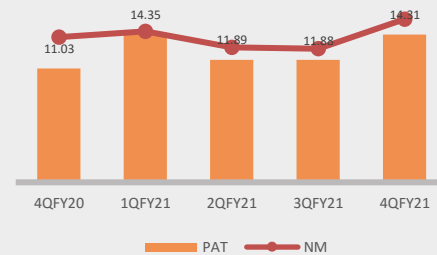
## PPL vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	104,838	80,151	116,986	126,210	163,890	157,593	148,429	195,989	195,253
Operating Expenses	-42,289	-44,952	-31,247	-33,482	-40,152	-42,760	-40,077	-43,118	-42,956
Royalty	-12,227	-9,219	-21,257	-18,512	-24,329	-23,799	-22,057	-27,438	-27,335
<b>Gross profit</b>	<b>50,322</b>	<b>25,980</b>	<b>64,482</b>	<b>74,215</b>	<b>99,408</b>	<b>91,034</b>	<b>86,294</b>	<b>125,433</b>	<b>124,962</b>
Exploration and prospecting expenditure	0	0	-10,788	-11,164	-24,858	-14,734	-10,227	-27,438	-19,681
General and administration expenses	0	0	-2,772	-2,560	-2,240	-3,073	-3,741	-4,940	-4,922
Finance Cost	-554	-659	-461	-444	-741	-1,070	-1,107	-1,048	-1,128
Other Charges	-4,063	-4,032	-7,137	-5,931	-8,166	-8,138	-6,693	-6,860	-6,834
Other income	7,611	5,418	4,804	9,319	16,528	6,465	4,056	5,396	5,396
<b>Profit before income tax</b>	<b>53,315</b>	<b>26,707</b>	<b>48,129</b>	<b>63,436</b>	<b>79,931</b>	<b>70,485</b>	<b>68,582</b>	<b>90,542</b>	<b>97,793</b>
Income tax expense	-14,916	-9,465	-12,450	-17,749	-18,299	-20,228	-16,150	-21,322	-23,029
<b>Profit for the year</b>	<b>38,399</b>	<b>17,242</b>	<b>35,679</b>	<b>45,688</b>	<b>61,632</b>	<b>50,256</b>	<b>52,431</b>	<b>69,221</b>	<b>74,764</b>
EPS	14.11	6.34	13.11	16.79	22.65	18.47	19.27	25.44	27.48
EBITDA	63,223	38,148	63,654	79,535	102,455	92,753	86,576	109,819	118,605

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	-12.50%	-23.55%	45.96%	7.88%	29.86%	-3.84%	-5.82%	32.04%	-0.38%
Operating Expenses	28.86%	6.30%	-30.49%	7.15%	19.92%	6.49%	-6.27%	7.59%	-0.38%
Royalty	-14.50%	-24.60%	130.58%	-12.91%	31.42%	-2.18%	-7.32%	24.40%	-0.38%
<b>Gross profit</b>	<b>-30.78%</b>	<b>-48.37%</b>	<b>148.20%</b>	<b>15.09%</b>	<b>33.95%</b>	<b>-8.42%</b>	<b>-5.21%</b>	<b>45.35%</b>	<b>-0.38%</b>
Exploration and prospecting expenditure	0.00%	0.00%	0.00%	3.49%	122.66%	-40.73%	-30.59%	168.29%	-28.27%
General and administration expenses	0.00%	0.00%	0.00%	-7.65%	-12.49%	37.18%	21.77%	32.04%	-0.38%
Finance Cost	30.26%	18.89%	-30.03%	-3.80%	67.06%	44.38%	3.47%	-5.35%	7.61%
Other Charges	-0.96%	-0.76%	76.98%	-16.90%	37.69%	-0.34%	-17.76%	2.49%	-0.38%
Other income	19.27%	-28.81%	-11.33%	93.97%	77.35%	-60.88%	-37.27%	33.04%	0.00%
<b>Profit before income tax</b>	<b>-28.48%</b>	<b>-49.91%</b>	<b>80.21%</b>	<b>31.81%</b>	<b>26.00%</b>	<b>-11.82%</b>	<b>-2.70%</b>	<b>32.02%</b>	<b>8.01%</b>
Income tax expense	-35.51%	-36.55%	31.54%	42.56%	3.10%	10.55%	-20.16%	32.02%	8.01%
<b>Profit for the year</b>	<b>-25.32%</b>	<b>-55.10%</b>	<b>106.93%</b>	<b>28.05%</b>	<b>34.90%</b>	<b>-18.46%</b>	<b>4.33%</b>	<b>32.02%</b>	<b>8.01%</b>
EPS	-25.32%	-55.10%	106.93%	28.05%	34.90%	-18.46%	4.33%	32.02%	8.01%
EBITDA	-24.23%	-39.66%	66.86%	24.95%	28.82%	-9.47%	-6.66%	26.85%	8.00%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
GP Margin	%	48.00	32.41	55.12	58.80	60.66	57.77	58.14	64.00	64.00
NP Margin	%	36.63	21.51	30.50	36.20	37.61	31.89	35.32	35.32	38.29
ROE	%	20.40	8.95	16.51	19.01	20.64	14.58	13.37	15.91	15.11
ROA	%	15.74	6.33	11.00	12.44	13.45	9.27	8.95	10.84	10.40
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Current	x	4.28	2.88	2.89	2.72	2.66	2.65	2.93	3.47	3.61
Quick	x	3.88	2.61	2.69	2.59	2.59	2.57	2.84	3.37	3.53
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Receivables Days		229.09	276.94	318.97	417.95	511.78	730.44	730.90	728.97	729.00
Payables Days		153.44	213.39	335.35	432.09	498.62	632.44	677.48	556.96	634.83
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
DPS		8.50	5.75	9.00	5.50	2.00	1.00	3.50	3.50	4.00
Div. Yield	%	10.86	7.34	11.49	7.02	2.55	1.28	4.47	4.47	5.11
Dividend Cover	x	1.66	1.10	1.46	3.05	11.33	18.47	5.51	7.27	6.87
Retention	%	39.77	9.26	31.36	67.24	91.17	94.59	81.84	86.24	85.44
Payout	%	60.23	90.74	68.64	32.76	8.83	5.41	18.16	13.76	14.56
No. of Shares	('m)	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72
EPS		14.11	6.34	13.11	16.79	22.65	18.47	19.27	25.44	27.48
BVPS		69.19	70.80	79.41	88.35	109.74	126.65	144.12	159.88	181.82
P/E	x	5.55	12.36	5.97	4.66	3.46	4.24	4.06	3.08	2.85
Sales per share		38.53	29.46	42.99	46.38	60.23	57.92	54.55	72.03	71.76
P/BV	x	1.13	1.11	0.99	0.89	0.71	0.62	0.54	0.49	0.43
P/S	x	2.03	2.66	1.82	1.69	1.30	1.35	1.44	1.09	1.09
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Total Debt to Equity	x	0.00	0.00	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	0.00	0.00
Interest Cover	x	90.79	39.43	110.44	136.37	97.58	68.44	65.33	88.81	89.00

Source: ACPL Research, Company Financials

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

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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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