

Apr 27, 2022

- ◆ Pakistan Petroleum Limited (PPL) has unveiled its financial results, wherein; the company has reported PAT of PKR 20.46 bn (EPS: PKR 7.5/share), surpassing our expectations.
- ◆ During 3QFY22, company clocked in PAT of 20.46 bn (EPS: PKR 7.5/share) vs PKR 12 bn (EPS: PKR 4.42/share), up by 70% YoY (+43% QoQ). For 9MFY22, company has reported PAT of PKR 51.53 bn (EPS: PKR 18.94/share) up by 35%YoY against PAT of PKR 38.12 bn (EPS: PKR 14.01/share) SPLY.
- ◆ For 3QFY22 sales booked at PKR 51.09 bn against PKR 36.91 bn up by 38% YoY primarily due to improved volumetric sales, surge in international oil prices (+60%), coupled with favorable USD-PKR parity (+12% YoY).
- ◆ The cost of sales has surged by 6% YoY, recorded at PKR 17.1 bn as against PKR 16.07 bn, on account of surge in royalty expenditure by 38%YoY during 3QFY22. However, field expenses has declined by 10% YoY, recorded at PKR 9.7 bn vs. PKR 10.7 bn SPLY.
- ◆ Moreover, the company's gross profit has surged by 63%/12% YoY/QoQ. During 3QFY22, gross margin has improved by 10bps arrived at 67%.
- ◆ Moreover, other income has showed positive impact on bottom-line, up by 1.98x due to exchange gains on account of currency devaluation.

PKR MN	3QFY22E	3QFY21A	YoY	2QFY22A	QoQ	9MFY22	9MFY21	YoY
Net Sales	51,090	36,906	38%	46,823	9%	141,509	112,718	26%
Roaylty	(7,409)	(5,361)	38%	(6,942)	7%	(20,788)	(16,756)	24%
Field Expenditure	(9,688)	(10,709)	-10%	(9,533)	2%	(29,653)	(32,897)	-10%
Cost of Sales	(17,097)	(16,070)	6%	(16,475)	4%	(50,441)	(49,653)	2%
Gross Profit	33,993	20,836	63%	30,348	12%	91,068	63,065	44%
Exploration Expense	(1,644)	(602)	173%	(4,185)	-61%	(10,686)	(3,872)	176%
Administration expense	(1,131)	(924)	22%	(1,062)	6%	(3,075)	(2,712)	13%
Other income	3,129	1,051	1.98	2,735	14%	10,407	2,927	256%
Other operating expenses	(3,236)	(3,309)	-2%	(3,536)	-8%	(8,885)	(7,200)	23%
Finance Cost	(324)	(282)	15%	(312)	4%	(932)	(885)	5%
PBT	30,786	16,771	84%	21,614	42%	75,493	51,323	47%
Taxation	(10,326)	(4,757)	117%	(7,335)	41%	(23,967)	(13,204)	82%
PAT	20,460	12,014	70%	14,279	43%	51,526	38,119	35%
EPS	7.5	4.42		5.25		18.94	14.01	
Gross Margin	67%	56%		65%		64%	56%	
Net Profit Margin	40%	33%		30%		36%	34%	

Source: Company Accounts, WE Research

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WE Financial Services Ltd. uses three rating categories, depending upon return form current market price, with Target period as December 2018 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Potential to target price	
Buy Upside	More than +15% from last closing price
HOLD	In between -15% and +15% from last closing price
SELL	Less than -15% from last closing price

Equity Valuation Methodology

WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

Risks

The following risks may potentially impact our valuations of subject security(ies);

- Market Risk
- Interest Rate Risk
- Exchange rate risk