

POL

1HFY22 Result Review: BUY Stance Maintained

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POL has announced its 1HFY22 result where it posted a profit after tax of Rs10.92bn (EPS: Rs38.48) as compared to profit after tax of Rs6.64bn (EPS: Rs23.42) in the same period last year, up by 64.3% YoY.

The company has posted a revenue of Rs23.75bn against Rs18.13bn in SPLY, recording a growth of 31% 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 65.7% as compared to 56.9% in SPLY owing to an increase in oil prices. Exploration and admin cost have been increased by 411% YoY and 3.3% YoY respectively.

Other income has been increased by 766% YoY to Rs4.72bn as compared to Rs545mn during SPLY owing to higher exchange gains.

Lastly, finance cost has been increased by 2240% YoY to Rs 2.39bn as compared to Rs 102mn during SPLY.

POL is currently trading at an FY22E PE of 5.11x. Furthermore, the scrip is also trading at FY22E PB of 2.88x. Going forward, we have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 470 which provides an upside potential of 20%. Furthermore, it also offers an attractive dividend yield of 18% which makes a total return of 38%.

Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	12,671	8,843	43.3% ▲	23,749	18,132	31.0% ▲
Operating Cost	-2,178	-2,150	1.3% ▲	-4,192	-4,501	6.9% ▼
Gross Profit	8,489	5,011	69.4% ▲	15,605	10,316	51.3% ▲
Exploration Cost	-108	-34	221.0% ▲	-559	-109	411.3% ▲
Administrative Expenses	-55	-61	8.5% ▼	-121	-118	3.3% ▲
Operating Profit	7,786	4,525	72.1% ▲	13,970	9,342	49.5% ▲
Other Income	2,018	242	733.4% ▲	4,718	545	766.0% ▲
Finance costs	-935	188	396.2% ▲	-2,397	102	2240.1% ▲
Profit Before Taxation	8,869	4,955	79.0% ▲	16,290	9,990	63.1% ▲
Taxation	-3,204	-1,935	65.6% ▲	-5,368	-3,341	60.7% ▲
Profit After Taxation	5,665	3,021	87.6% ▲	10,923	6,649	64.3% ▲
Earnings Per Share	19.96	10.64	87.6% ▲	38.48	23.42	64.3% ▲
Dividend	20.00	20.00		20.00	20.00	
Bonus	0%	0%		0%	0%	

Closing Period: 14 Feb 2022 – 16 Feb 2022

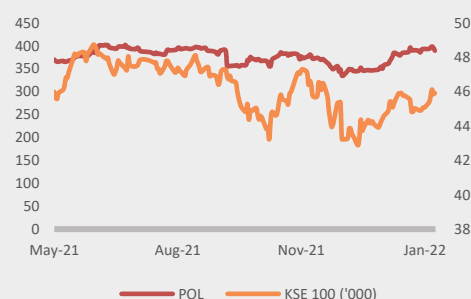
	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Gross Margin	67.0%	56.7%	10.3% ▲	65.7%	56.9%	8.8% ▲
Exploration Cost to Sales	-0.9%	-0.4%	0.5% ▲	-2.4%	-0.6%	1.7% ▲
Admin Cost to Sales	-0.4%	-0.7%	0.2% ▼	-0.5%	-0.6%	0.1% ▼
Other Income to Sales	15.9%	2.7%	13.2% ▲	19.9%	3.0%	16.9% ▲
Effective Taxation	-36.1%	-39.0%	2.9% ▼	-32.9%	-33.4%	0.5% ▼
Net Margin	44.7%	34.2%	10.6% ▲	46.0%	36.7%	9.3% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	POL
TP - Dec 22	470.00
LDCP	391.25
Upside (%)	20
Free Float ('mn)	130
Market Cap. (Rs. 'mn)	111,058

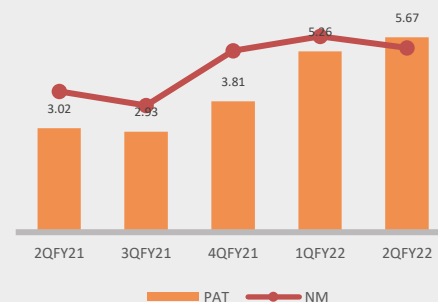
POL vs KSE 100



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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	43,977	38,475	36,314	47,960	46,992	36,583	33,590
Operating Cost	-10,393	-9,408	-8,289	-8,289	-8,289	-8,289	-8,289
Excise Duty	-309	-279	-272	-348	-341	-265	-244
Royalty	-4,554	-4,010	-3,908	-4,999	-4,898	-3,813	-3,501
Amortization of development and decommissioning costs	-3,312	-2,410	-2,212	-2,718	-2,577	-2,490	-2,465
Gross profit	25,410	22,368	21,633	31,606	30,887	21,726	19,091
Exploration Cost	-2,049	-1,405	-494	-1,103	-1,081	-841	-773
Administrative Expenses	-181	-192	-195	-240	-235	-183	-168
Other Charges	-1,728	-1,383	-1,545	-1,918	-1,880	-1,463	-1,344
Profit from operations	21,452	19,388	19,399	28,344	27,692	19,238	16,807
Other income	7,177	4,558	1,539	9,501	9,665	8,835	8,666
Finance cost	-3,774	-2,212	-260	-4,130	-4,130	-4,130	-4,130
Profit before income tax	24,855	21,734	20,678	33,715	33,227	23,943	21,343
Income tax expense	-7,983	-5,359	-7,296	-11,982	-11,809	-8,509	-7,585
Profit for the year	16,872	16,376	13,382	21,733	21,418	15,434	13,758
EPS	59.44	57.69	47.14	76.56	75.45	54.37	48.47
EBITDA	19,953	17,921	18,038	27,082	26,521	18,153	15,800

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	34.6%	-12.5%	-5.6%	32.1%	-2.0%	-22.2%	-8.2%
Operating Cost	22.9%	-9.5%	-11.9%	0.0%	0.0%	0.0%	0.0%
Excise Duty	0.5%	-9.8%	-2.4%	27.7%	-2.0%	-22.2%	-8.2%
Royalty	20.5%	-11.9%	-2.6%	27.9%	-2.0%	-22.2%	-8.2%
Amortization of development and decommissioning costs	10.9%	-27.2%	-8.2%	22.9%	-5.2%	-3.4%	-1.0%
Gross profit	48.3%	-12.0%	-3.3%	46.1%	-2.3%	-29.7%	-12.1%
Exploration Cost	-31.5%	-31.4%	-64.8%	123.2%	-2.0%	-22.2%	-8.2%
Administrative Expenses	6.9%	6.1%	1.1%	23.3%	-2.0%	-22.2%	-8.2%
Other Charges	78.8%	-20.0%	11.7%	24.1%	-2.0%	-22.2%	-8.2%
Profit from operations	64.9%	-9.6%	0.1%	46.1%	-2.3%	-30.5%	-12.6%
Other income	120.0%	-36.5%	-66.2%	517.4%	1.7%	-8.6%	-1.9%
Finance cost	96.6%	-41.4%	-88.3%	1491.0%	0.0%	0.0%	0.0%
Profit before income tax	73.2%	-12.6%	-4.9%	63.0%	-1.4%	-27.9%	-10.9%
Income tax expense	168.9%	-32.9%	36.2%	64.2%	-1.4%	-27.9%	-10.9%
Profit for the year	48.2%	-2.9%	-18.3%	62.4%	-1.4%	-27.9%	-10.9%
EPS	48.2%	-2.9%	-18.3%	62.4%	-1.4%	-27.9%	-10.9%
EBITDA		-10.2%	0.7%	50.1%	-2.1%	-31.6%	-13.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	57.78	58.14	59.57	65.90	65.73	59.39	56.84
NP Margin	%	38.36	42.56	36.85	45.31	45.58	42.19	40.96
OP Margin	%	48.78	50.39	53.42	59.10	58.93	52.59	50.04
ROE	%	44.32	40.67	34.00	56.37	52.59	36.00	30.98
ROA	%	20.70	17.88	14.18	21.60	20.19	15.02	13.44
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	2.02	1.95	1.87	2.21	2.22	2.18	2.32
Quick	x	1.75	1.46	1.61	1.88	1.93	1.92	2.06
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Receivables Days		73.94	72.42	73.76	73.76	73.76	73.76	73.76
Payables Days		379.98	530.49	638.84	538.61	609.29	650.39	614.81
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		50.00	50.00	50.00	70.00	70.00	50.00	45.00
Div. Yield	%	12.78	12.78	12.78	17.89	17.89	12.78	11.50
Dividend Cover	x	1.19	1.15	0.94	1.09	1.08	1.09	1.08
Retention	%	15.88	13.33	-6.06	10.00	10.00	10.00	10.00
Payout	%	84.12	86.67	106.06	90.00	90.00	90.00	90.00
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	76.56	75.45	54.37	48.47
BVPS		134.12	141.86	138.67	135.81	143.47	151.02	156.45
P/E	x	6.58	6.78	8.30	5.11	5.19	7.20	8.07
Sales per share		154.93	135.54	127.93	168.96	165.55	128.88	118.34
P/BV	x	2.92	2.76	2.82	2.88	2.73	2.59	2.50
P/S	x	2.53	2.89	3.06	2.32	2.36	3.04	3.31
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	6.86	6.70	4.66	4.07

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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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