

POL

1HFY23 Result Review: BUY Stance Maintained

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POL has announced its 1HFY23 result where it posted a profit after tax of Rs14.35bn (EPS: Rs50.57) as compared to a profit after tax of Rs10.92bn (EPS: Rs38.48) in the same period last year, up by 31.4% YoY amid an increase in the price of crude oil.

The company has posted a revenue of Rs30bn against Rs23.69bn in SPLY, recording a growth of 26.6% YoY. The gross margin has slightly improved to 66.6% as compared to 65.9% during SPLY.

Exploration and admin costs have increased by 881.1% YoY and 47% YoY respectively. In addition, other income has increased by 85.2% YoY to Rs8.74bn as compared to Rs4.72bn during SPLY amid higher exchange and inventory gains. Finance costs have decreased by 2% to Rs2.35bn as compared to Rs2.4bn SPLY. Lastly, effective taxation has decreased to 26.6% as compared to 32.9% during SPLY.

POL is currently trading at an FY23E PE of 4.27x. Furthermore, the scrip is also trading at FY23E PB of 2.2x which offers a discount of 27% relative to its historical 3-year average of 3.02x. Going forward, we have a **BUY** stance on the scrip with a DCF based Dec-23 dividend adjusted TP of Rs480 which provides an upside potential of 9%. Furthermore, it also offers an attractive dividend yield of 18% which makes a total return of 27%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	14,021	12,610	11.2% ▲	29,998	23,687	26.6% ▲
Operating Cost	-3,084	-2,178	41.6% ▲	-5,193	-4,192	23.9% ▲
Gross Profit	8,378	8,489	1.3% ▼	19,967	15,605	27.9% ▲
Exploration Cost	-954	-108	784.2% ▲	-5,480	-559	881.1% ▲
Administrative Expenses	-55	-55	1.1% ▼	-179	-121	47.0% ▲
Operating Profit	6,708	7,786	13.9% ▼	13,155	13,970	5.8% ▼
Other Income	2,104	2,018	4.2% ▲	8,739	4,718	85.2% ▲
Finance costs	486	-935	48.0% ▼	-2,349	-2,397	2.0% ▼
Profit Before Taxation	9,297	8,869	4.8% ▲	19,544	16,290	20.0% ▲
Taxation	-3,344	-3,204	4.4% ▲	-5,191	-5,368	3.3% ▼
Profit After Taxation	5,954	5,665	5.1% ▲	14,353	10,923	31.4% ▲
Earnings Per Share	20.97	19.96	5.1% ▲	50.57	38.48	31.4% ▲
Dividend	20.00	20.00	-	20.00	20.00	-
Bonus	0%	0%	-	0%	0%	-

Closing Period: Mar 13, 2023 - Mar 15, 2023

Gross Margin	59.7%	67.3%	7.6% ▼	66.6%	65.9%	0.7% ▲
Exploration Cost to Sales	-6.8%	-0.9%	5.9% ▲	-18.3%	-2.4%	15.9% ▲
Admin Cost to Sales	-0.4%	-0.4%	0.0% ▼	-0.6%	-0.5%	0.1% ▲
Other Income to Sales	15.0%	16.0%	1.0% ▼	29.1%	19.9%	9.2% ▲
Effective Taxation	-36.0%	-36.1%	0.2% ▼	-26.6%	-32.9%	6.4% ▼
Net Margin	42.5%	44.9%	2.5% ▼	47.8%	46.1%	1.7% ▲

Source: ACPL Research, Company Financials

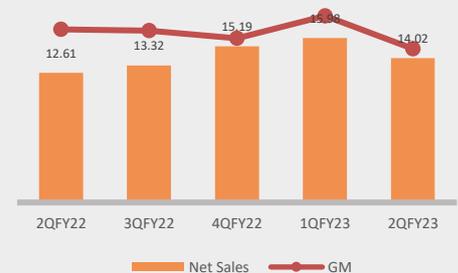
Key Statistics

Symbol	POL
TP - Dec 23	480
LDGP	442.37
Upside	9%
Free Float ('mn)	130
Market Cap. (Rs.'mn)	121,490

POL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Ahmed

Phone: (+92) 42 38302028; Ext: 118

Email: mahmed@abbasiandcompany.com

Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	38,475	36,314	52,190	60,174	58,804	51,866	42,817
Operating Cost	-9,408	-8,289	-9,115	-10,417	-10,180	-8,979	-7,412
Excise Duty	-279	-272	-245	-237	-232	-204	-169
Royalty	-4,010	-3,908	-5,563	-6,683	-6,358	-5,608	-4,629
Amortization of development and decommissioning costs	-2,410	-2,212	-3,319	-3,015	-3,324	-5,836	-8,221
Gross profit	22,368	21,633	33,947	39,823	38,711	31,239	22,386
Exploration Cost	-1,405	-494	-877	-10,992	-3,800	-3,352	-2,767
Administrative Expenses	-192	-195	-206	-358	-350	-309	-255
Other Charges	-1,383	-1,545	-2,026	-2,315	-2,262	-1,995	-1,647
Profit from operations	19,388	19,399	30,838	26,157	32,298	25,583	17,717
Other income	4,558	1,539	11,697	25,197	18,171	17,247	15,944
Finance cost	-2,212	-260	-5,549	-11,344	-7,707	-7,707	-7,707
Profit before income tax	21,734	20,678	36,987	40,010	42,762	35,123	25,954
Income tax expense	-5,359	-7,296	-11,052	-10,626	-14,111	-11,591	-8,565
Profit for the year	16,376	13,382	25,935	29,384	28,650	23,533	17,389
EPS	57.69	47.14	91.37	103.52	100.93	82.90	61.26
EBITDA	17,921	17,919	29,337	24,634	30,752	24,014	16,125

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-12.5%	-5.6%	43.7%	15.3%	-2.3%	-11.8%	-17.4%
Operating Cost	-9.5%	-11.9%	10.0%	14.3%	-2.3%	-11.8%	-17.4%
Excise Duty	-9.8%	-2.4%	-10.0%	-3.4%	-2.3%	-11.8%	-17.4%
Royalty	-11.9%	-2.6%	42.4%	20.1%	-4.9%	-11.8%	-17.4%
Amortization of development and decommissioning costs	-27.2%	-8.2%	50.1%	-9.2%	10.3%	75.6%	40.9%
Gross profit	-12.0%	-3.3%	56.9%	17.3%	-2.8%	-19.3%	-28.3%
Exploration Cost	-31.4%	-64.8%	77.4%	1153.3%	-65.4%	-11.8%	-17.4%
Administrative Expenses	6.1%	1.1%	5.7%	74.2%	-2.3%	-11.8%	-17.4%
Other Charges	-20.0%	11.7%	31.1%	14.2%	-2.3%	-11.8%	-17.4%
Profit from operations	-9.6%	0.1%	59.0%	-15.2%	23.5%	-20.8%	-30.7%
Other income	-36.5%	-66.2%	660.1%	115.4%	-27.9%	-5.1%	-7.6%
Finance cost	-41.4%	-88.3%	2037.3%	104.5%	-32.1%	0.0%	0.0%
Profit before income tax	-12.6%	-4.9%	78.9%	8.2%	6.9%	-17.9%	-26.1%
Income tax expense	-32.9%	36.2%	51.5%	-3.9%	32.8%	-17.9%	-26.1%
Profit for the year	-2.9%	-18.3%	93.8%	13.3%	-2.5%	-17.9%	-26.1%
EPS	-2.9%	-18.3%	93.8%	13.3%	-2.5%	-17.9%	-26.1%
EBITDA	-10.2%	0.0%	63.7%	-16.0%	24.8%	-21.9%	-32.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	58.14	59.57	65.05	66.18	65.83	60.23	52.28
NP Margin	%	42.56	36.85	49.69	48.83	48.72	45.37	40.61
OP Margin	%	50.39	53.42	59.09	43.47	54.92	49.33	41.38
ROE	%	40.67	34.00	50.79	51.43	44.77	33.28	22.82
ROA	%	17.88	14.18	21.97	19.52	11.75	4.43	1.16
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.95	1.87	2.15	2.70	3.67	7.03	17.68
Quick	x	1.46	1.61	1.89	2.41	3.38	6.71	17.36
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		72.42	73.76	69.71	69.71	80.00	90.00	100.00
Payables Days		530.49	638.84	621.37	556.99	629.36	605.31	627.31
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		50.00	50.00	70.00	80.00	75.00	65.00	45.00
Div. Yield	%	11.30	11.30	15.82	18.08	16.95	14.69	10.17
Dividend Cover	x	1.15	0.94	1.31	1.29	1.35	1.28	1.36
Retention	%	13.33	-6.06	23.39	23.39	23.39	23.39	23.39
Payout	%	86.67	106.06	76.61	76.61	76.61	76.61	76.61
No. of Shares	('m)	283.86	283.86	283.86	283.86	283.86	283.86	283.86
EPS		57.69	47.14	91.37	103.52	100.93	82.90	61.26
BVPS		141.86	138.67	179.89	201.26	225.47	249.07	268.46
P/E	x	7.67	9.38	4.84	4.27	4.38	5.34	7.22
Sales per share		135.54	127.93	183.86	211.99	207.16	182.72	150.84
P/BV	x	3.12	3.19	2.46	2.20	1.96	1.78	1.65
P/S	x	3.26	3.46	2.41	2.09	2.14	2.42	2.93
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
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	8.77	74.73	5.56	2.31	4.19	3.32	2.30

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

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Market Weight	Neutral
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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