

POL

1QFY23 Result Review: BUY Stance Maintained

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POL has announced its 1QFY23 result where it posted a profit after tax of Rs8.4bn (EPS: Rs29.59) as compared to a profit after tax of Rs5.26bn (EPS: Rs18.52) in the same period last year, up by 59.8% YoY amid an increase in the price of Arab Light.

The company has posted a revenue of Rs15.98bn against Rs11.08bn in SPLY, recording a growth of 44.2% YoY. The gross margin has improved to 72.5% as compared to 64.2% during SPLY.

Furthermore, exploration and admin costs have increased by 904.3% YoY and 87.3% YoY respectively. In addition, other income has increased by 145.8% YoY to Rs6.63bn as compared to Rs2.7bn during SPLY amid higher exchange and inventory gains. Moreover, finance costs have increased by 93.9% to Rs2.83bn as compared to Rs1.46bn due to higher interest rates.

Lastly, effective taxation has decreased to 18% as compared to 29.2% during SPLY.

POL is currently trading at an FY23E PE of 3.26x. Furthermore, the scrip is also trading at FY23E PB of 1.90x which offers a discount of 27% relative to its historical 3-year average of 2.61x. Going forward, we have a **BUY** stance on the scrip with a DCF based Jun-23 dividend adjusted TP of Rs480 which provides an upside potential of 25%. Furthermore, it also offers an attractive dividend yield of 23% which makes a total return of 48%.

Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	15,976	11,077	44.2% ▲	51,945	36,042	44.1% ▲
Operating Cost	-2,109	-2,014	4.7% ▲	-9,115	-8,289	10.0% ▲
Gross Profit	11,589	7,116	62.9% ▲	34,012	21,633	57.2% ▲
Exploration Cost	-4,526	-451	904.3% ▲	-877	-494	77.4% ▲
Administrative Expenses	-124	-66	87.3% ▲	-206	-195	5.7% ▲
Operating Profit	6,447	6,184	4.3% ▲	30,903	19,399	59.3% ▲
Other Income	6,635	2,700	145.8% ▲	11,697	1,539	660.1% ▲
Finance costs	-2,835	-1,462	93.9% ▲	-5,549	-260	2037.3% ▲
Profit Before Taxation	10,246	7,421	38.1% ▲	37,052	20,678	79.2% ▲
Taxation	-1,847	-2,163	14.6% ▼	-11,052	-7,296	51.5% ▲
Profit After Taxation	8,400	5,258	59.8% ▲	26,000	13,382	94.3% ▲
Earnings Per Share	29.59	18.52	59.8% ▲	91.59	47.14	94.3% ▲
Dividend	0.00	0.00		70.00	50.00	
Bonus	0%	0%		0%	0%	
Gross Margin	72.5%	64.2%	8.3% ▲	65.5%	60.0%	5.5% ▲
Exploration Cost to Sales	-28.3%	-4.1%	24.3% ▲	-1.7%	-1.4%	0.3% ▲
Admin Cost to Sales	-0.8%	-0.6%	0.2% ▲	-0.4%	-0.5%	0.1% ▼
Other Income to Sales	41.5%	24.4%	17.2% ▲	22.5%	4.3%	18.2% ▲
Effective Taxation	-18.0%	-29.2%	11.1% ▼	-29.8%	-35.3%	5.5% ▼
Net Margin	52.6%	47.5%	5.1% ▲	50.1%	37.1%	12.9% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	POL
TP - Jun 23	480
LDCP	383
Upside	25%
Free Float ('mn)	130
Market Cap. (Rs. 'mn)	118,716

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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	38,475	36,314	52,190	63,929	62,995	56,870	45,035
Operating Cost	-9,408	-8,289	-9,115	-8,441	-8,318	-7,509	-5,946
Excise Duty	-279	-272	-245	-227	-223	-202	-160
Royalty	-4,010	-3,908	-5,563	-7,100	-6,811	-6,149	-4,869
Amortization of development and decommissioning costs	-2,410	-2,212	-3,319	-2,018	-2,795	-6,042	-17,475
Gross profit	22,368	21,633	33,947	46,144	44,848	36,969	16,586
Exploration Cost	-1,405	-494	-877	-18,111	-5,128	-4,629	-3,666
Administrative Expenses	-192	-195	-206	-495	-488	-441	-349
Other Charges	-1,383	-1,545	-2,026	-1,971	-1,942	-1,753	-1,388
Profit from operations	19,388	19,399	30,838	25,566	37,291	30,146	11,183
Other income	4,558	1,539	11,697	26,439	19,054	18,301	16,411
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	40,661	48,637	40,740	19,887
Income tax expense	-5,359	-7,296	-11,052	-7,329	-16,050	-13,444	-6,563
Profit for the year	16,376	13,382	25,935	33,332	32,587	27,296	13,324
EPS	57.69	47.14	91.37	117.42	114.80	96.16	46.94
EBITDA	17,921	17,919	29,337	24,042	35,745	28,577	9,591

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-12.5%	-5.6%	43.7%	22.5%	-1.5%	-9.7%	-20.8%
Operating Cost	-9.5%	-11.9%	10.0%	-7.4%	-1.5%	-9.7%	-20.8%
Excise Duty	-9.8%	-2.4%	-10.0%	-7.6%	-1.5%	-9.7%	-20.8%
Royalty	-11.9%	-2.6%	42.4%	27.6%	-4.1%	-9.7%	-20.8%
Amortization of development and decommissioning costs	-27.2%	-8.2%	50.1%	-39.2%	38.5%	116.2%	189.2%
Gross profit	-12.0%	-3.3%	56.9%	35.9%	-2.8%	-17.6%	-55.1%
Exploration Cost	-31.4%	-64.8%	77.4%	1965.1%	-71.7%	-9.7%	-20.8%
Administrative Expenses	6.1%	1.1%	5.7%	141.0%	-1.5%	-9.7%	-20.8%
Other Charges	-20.0%	11.7%	31.1%	-2.7%	-1.5%	-9.7%	-20.8%
Profit from operations	-9.6%	0.1%	59.0%	-17.1%	45.9%	-19.2%	-62.9%
Other income	-36.5%	-66.2%	660.1%	126.0%	-27.9%	-4.0%	-10.3%
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%	9.9%	19.6%	-16.2%	-51.2%
Income tax expense	-32.9%	36.2%	51.5%	-33.7%	119.0%	-16.2%	-51.2%
Profit for the year	-2.9%	-18.3%	93.8%	28.5%	-2.2%	-16.2%	-51.2%
EPS	-2.9%	-18.3%	93.8%	28.5%	-2.2%	-16.2%	-51.2%
EBITDA	-10.2%	0.0%	63.7%	-18.0%	48.7%	-20.1%	-66.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	58.14	59.57	65.05	72.18	71.19	65.01	36.83
NP Margin	%	42.56	36.85	49.69	52.14	51.73	48.00	29.59
OP Margin	%	50.39	53.42	59.09	39.99	59.20	53.01	24.83
ROE	%	40.67	34.00	50.79	58.34	50.19	37.63	16.88
ROA	%	17.88	14.18	21.97	21.44	13.24	5.12	0.90
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.95	1.87	2.15	2.80	4.08	7.63	18.10
Quick	x	1.46	1.61	1.89	2.51	3.77	7.29	17.66
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	637.35	609.01	566.59	434.67
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		50.00	50.00	70.00	90.00	90.00	75.00	35.00
Div. Yield	%	13.05	13.05	18.28	23.50	23.50	19.58	9.14
Dividend Cover	x	1.15	0.94	1.31	1.30	1.28	1.28	1.34
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	117.42	114.80	96.16	46.94
BVPS		141.86	138.67	179.89	201.26	228.72	255.57	278.06
P/E	x	6.64	8.12	4.19	3.26	3.34	3.98	8.16
Sales per share		135.54	127.93	183.86	225.22	221.93	200.35	158.66
P/BV	x	2.70	2.76	2.13	1.90	1.67	1.50	1.38
P/S	x	2.83	2.99	2.08	1.70	1.73	1.91	2.41
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	2.25	4.84	3.91	1.45

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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