

POL has announced its 3QFY20 result where it posted profit after tax of Rs13.9bn (EPS: Rs49.13) in 9MFY20 as compared to profit after tax of Rs11.2bn (EPS: Rs39.37) in same period last year, up by 24.8% YoY.

The company has posted the revenue of Rs32.5bn against Rs32.9bn in SPLY, recording a negative growth of 1.3% YoY. We note that this decline is attributed to the decline in international crude oil prices and the drop in the production of oil and gas.

Gross margin has been improved to 59.2% in 9MFY20 as compared to 55.3% in 9MFY19 owing to lower operating cost which has decline by 7.4% YoY. Exploration cost has been declined by 39.6% YoY while the admin costs has been increased by 13% YoY.

Other income has declined by 7% YoY to Rs3.7bn in 9MFY20 as compared to Rs4bn during SPLY owing to lower exchange gains. Finance cost has also been declined by 18.2% YoY due to lower provision of decommissioning cost. Lastly, lower effective taxation of 25.2% in 9MFY20 as compared to 33.5% during SPLY also contributed in the upsurge of the eps.

Going forward, we have a **HOLD** stance on the scrip with a DCF based Dec-20 TP of Rs 303 as the oil prices are near the 18-year low level of around \$18 after OPEC lowered its global oil demand forecast due to the "historic shock" delivered by the coronavirus outbreak. We expect the global crude oil demand to remain sluggish during next couple of quarters. However, we expect some recovery in demand by the end of this calendar year. We have assumed the Arab Light price at \$25 in FY21 and \$30 thereafter till FY25, in our working.

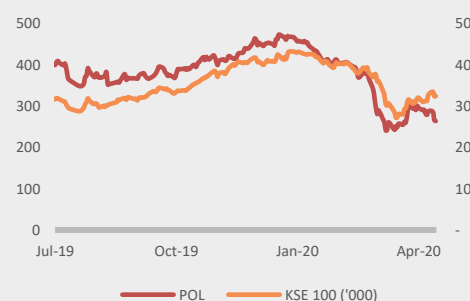
Rupees' millions	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	10,737	10,682	0.5% ▲	32,450	32,891	1.3% ▼
Operating Cost	-2,660	-2,822	5.7% ▼	-7,709	-8,326	7.4% ▼
Gross Profit	6,267	5,683	10.3% ▲	19,199	18,185	5.6% ▲
Exploration Cost	-362	-1,097	67.0% ▼	-1,152	-1,907	39.6% ▼
Administrative Expenses	-71	-47	49.6% ▲	-175	-155	13.0% ▲
Operating Profit	5,407	4,189	29.1% ▲	16,633	14,907	11.6% ▲
Other Income	2,523	849	197.3% ▲	3,698	3,975	7.0% ▼
Finance costs	-1,240	-315	293.1% ▲	-1,688	-2,064	18.2% ▼
Profit Before Taxation	6,690	4,722	41.7% ▲	18,643	16,819	10.8% ▲
Taxation	-1,311	-1,435	8.6% ▼	-4,696	-5,643	16.8% ▼
Profit After Taxation	5,379	3,287	63.6% ▲	13,947	11,176	24.8% ▲
Earnings Per Share	18.95	11.58	63.6% ▲	49.13	39.37	24.8% ▲
Dividend	0.00	0.00		20.00	20.00	
Bonus	0%	0%		0%	0%	
Gross Margin	58.4%	53.2%	5.2% ▲	59.2%	55.3%	3.9% ▲
Exploration Cost to Sales	-3.4%	-10.3%	6.9% ▼	-3.6%	-5.8%	2.2% ▼
Admin Cost to Sales	-0.7%	-0.4%	0.2% ▲	-0.5%	-0.5%	0.1% ▲
Other Income to Sales	23.5%	7.9%	15.6% ▲	11.4%	12.1%	0.7% ▼
Effective Taxation	-19.6%	-30.4%	10.8% ▼	-25.2%	-33.5%	8.4% ▼
Net Margin	50.1%	30.8%	19.3% ▲	43.0%	34.0%	9.0% ▲

Source: ACPL Research, Company Financials

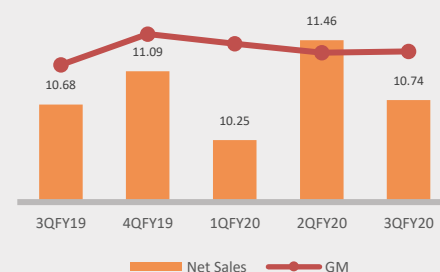
Key Statistics

Symbol	POL
TP - Dec 20	303.00
LDCP	263.99
Upside (%)	14.78
Free Float ('mn)	130
Market Cap. (Rs.'mn)	74,935

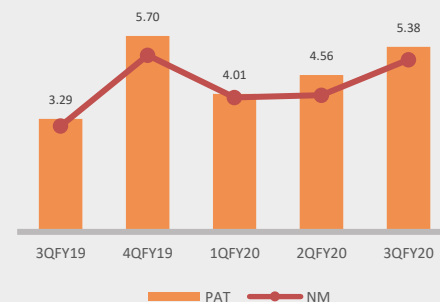
POL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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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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- II. Dividend Discount Model
- III. Relative Valuation Model
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BUY	Greater than 15%
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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