

POL

9MFY23 Result Review: BUY Stance Maintained

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POL has announced its 9MFY23 result where it posted a profit after tax of Rs30.59bn (EPS: Rs107.76) as compared to a profit after tax of Rs17.50bn (EPS: Rs61.64) in the same period last year, up by 74.8% YoY amid elevated prices of crude oil and the depreciation of PKR.

The company has posted a revenue of Rs45.87bn against Rs37.00bn in SPLY, recording a growth of 24% YoY. The gross margin has slightly improved to 66.4% as compared to 66.2% during SPLY.

Exploration costs surged by 8.23x YoY to Rs6.33bn while admin expenses jumped up by 48.3% YoY to Rs0.26bn respectively. Other income has increased by 2.39x YoY to Rs23.07bn as compared to Rs6.81bn during SPLY on the back of higher exchange and inventory gains. Finance costs have increased by 1.44x to Rs7.78bn as compared to Rs3.18bn SPLY. Lastly, effective taxation has decreased to 13.6% as compared to 32.0% during SPLY.

POL is currently trading at an FY23E PE of 2.85x. Furthermore, the scrip is also trading at FY23E PB of 2.03x which offers a discount of 27% relative to its historical 3-year average of 2.79x. 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 17%. Furthermore, it also offers an attractive dividend yield of 27% which makes a total return of 44%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	15,874	13,315	19.2% ▲	45,871	37,002	24.0% ▲
Operating Cost	-2,800	-2,403	16.5% ▲	-7,993	-6,595	21.2% ▲
Gross Profit	10,483	8,899	17.8% ▲	30,450	24,504	24.3% ▲
Exploration Cost	-850	-127	566.9% ▲	-6,329	-686	822.8% ▲
Administrative Expenses	-80	-53	51.2% ▲	-259	-175	48.3% ▲
Operating Profit	9,051	8,125	11.4% ▲	22,205	22,095	0.5% ▲
Other Income	14,330	2,088	586.4% ▲	23,069	6,806	239.0% ▲
Finance costs	-5,436	-788	589.8% ▲	-7,785	-3,185	144.4% ▲
Profit Before Taxation	17,945	9,425	90.4% ▲	37,489	25,715	45.8% ▲
Taxation	-1,710	-2,852	40.0% ▼	-6,901	-8,219	16.0% ▼
Profit After Taxation	16,235	6,573	147.0% ▲	30,588	17,496	74.8% ▲
Earnings Per Share	57.19	23.16	147.0% ▲	107.76	61.64	74.8% ▲
Dividend	0.00	0.00	-	20.00	20.00	-
Bonus	0%	0%	-	0%	0%	-
Gross Margin	66.0%	66.8%	0.8% ▼	66.4%	66.2%	0.2% ▲
Exploration Cost to Sales	-5.4%	-1.0%	4.4% ▲	-13.8%	-1.9%	11.9% ▲
Admin Cost to Sales	-0.5%	-0.4%	0.1% ▲	-0.6%	-0.5%	0.1% ▲
Other Income to Sales	90.3%	15.7%	74.6% ▲	50.3%	18.4%	31.9% ▲
Effective Taxation	-9.5%	-30.3%	20.7% ▼	-18.4%	-32.0%	13.6% ▼
Net Margin	102.3%	49.4%	52.9% ▲	66.7%	47.3%	19.4% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	POL
TP - Dec 23	480
LDCP	409.23
Upside	17%
Free Float ('mn)	130
Market Cap. (Rs. 'mn)	116,162

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	61,490	57,968	50,332	41,907
Operating Cost	-9,408	-8,289	-9,115	-10,715	-12,266	-8,781	-7,311
Excise Duty	-279	-272	-245	-234	-220	-191	-159
Royalty	-4,010	-3,908	-5,563	-6,888	-6,277	-5,450	-4,538
Amortization of development and decommissioning costs	-2,410	-2,212	-3,319	-3,053	-3,323	-5,848	-8,274
Gross profit	22,368	21,633	33,947	40,601	35,882	30,063	21,626
Exploration Cost	-1,405	-494	-877	-8,484	-7,998	-6,945	-5,782
Administrative Expenses	-192	-195	-206	-347	-327	-284	-237
Other Charges	-1,383	-1,545	-2,026	-2,221	-2,094	-1,818	-1,514
Profit from operations	19,388	19,399	30,838	29,549	25,463	21,016	14,093
Other income	4,558	1,539	11,697	30,758	25,628	20,213	16,689
Finance cost	-2,212	-260	-5,549	-10,380	-6,743	-6,743	-6,743
Profit before income tax	21,734	20,678	36,987	49,927	44,348	34,486	24,039
Income tax expense	-5,359	-7,296	-11,052	-9,190	-12,448	-9,680	-6,748
Profit for the year	16,376	13,382	25,935	40,736	31,900	24,806	17,291
EPS	57.69	47.14	91.37	143.51	112.38	87.39	60.92
EBITDA	17,921	17,919	29,337	28,025	23,917	19,447	12,501

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-12.5%	-5.6%	43.7%	17.8%	-5.7%	-13.2%	-16.7%
Operating Cost	-9.5%	-11.9%	10.0%	17.5%	14.5%	-28.4%	-16.7%
Excise Duty	-9.8%	-2.4%	-10.0%	-4.7%	-5.7%	-13.2%	-16.7%
Royalty	-11.9%	-2.6%	42.4%	23.8%	-8.9%	-13.2%	-16.7%
Amortization of development and decommissioning costs	-27.2%	-8.2%	50.1%	-8.0%	8.9%	76.0%	41.5%
Gross profit	-12.0%	-3.3%	56.9%	19.6%	-11.6%	-16.2%	-28.1%
Exploration Cost	-31.4%	-64.8%	77.4%	867.4%	-5.7%	-13.2%	-16.7%
Administrative Expenses	6.1%	1.1%	5.7%	68.8%	-5.7%	-13.2%	-16.7%
Other Charges	-20.0%	11.7%	31.1%	9.6%	-5.7%	-13.2%	-16.7%
Profit from operations	-9.6%	0.1%	59.0%	-4.2%	-13.8%	-17.5%	-32.9%
Other income	-36.5%	-66.2%	660.1%	162.9%	-16.7%	-21.1%	-17.4%
Finance cost	-41.4%	-88.3%	2037.3%	87.1%	-35.0%	0.0%	0.0%
Profit before income tax	-12.6%	-4.9%	78.9%	35.0%	-11.2%	-22.2%	-30.3%
Income tax expense	-32.9%	36.2%	51.5%	-16.8%	35.4%	-22.2%	-30.3%
Profit for the year	-2.9%	-18.3%	93.8%	57.1%	-21.7%	-22.2%	-30.3%
EPS	-2.9%	-18.3%	93.8%	57.1%	-21.7%	-22.2%	-30.3%
EBITDA	-10.2%	0.0%	63.7%	-4.5%	-14.7%	-18.7%	-35.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	58.14	59.57	65.05	66.03	61.90	59.73	51.60
NP Margin	%	42.56	36.85	49.69	66.25	55.03	49.28	41.26
OP Margin	%	50.39	53.42	59.09	48.05	43.93	41.75	33.63
ROE	%	40.67	34.00	50.79	71.31	47.86	33.47	21.64
ROA	%	17.88	14.18	21.97	25.17	12.72	4.61	1.15
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.95	1.87	2.15	2.98	3.75	6.70	18.01
Quick	x	1.46	1.61	1.89	2.67	3.45	6.41	17.68
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	542.64	587.70	677.08	621.00
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		50.00	50.00	70.00	110.00	85.00	65.00	45.00
Div. Yield	%	12.22	12.22	17.11	26.88	20.77	15.88	11.00
Dividend Cover	x	1.15	0.94	1.31	1.30	1.32	1.34	1.35
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	143.51	112.38	87.39	60.92
BVPS		141.86	138.67	179.89	201.26	234.82	261.10	281.54
P/E	x	7.09	8.68	4.48	2.85	3.64	4.68	6.72
Sales per share		135.54	127.93	183.86	216.63	204.22	177.32	147.64
P/BV	x	2.88	2.95	2.27	2.03	1.74	1.57	1.45
P/S	x	3.02	3.20	2.23	1.89	2.00	2.31	2.77
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	2.85	3.78	3.12	2.09

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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SELL	Less than and equal to -5%

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