

PPL has announced its 1HFY21 result where it posted the profit after tax of Rs26bn (EPS: Rs9.64) as compared to the profit after tax of Rs24.6bn (EPS: Rs9.02) in the same period last year, up by 6.9% YoY.

The company has posted the revenue of Rs75.5bn against Rs85.4bn in SPLY, recording a decline of 11.6% 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 squeezed to 55.9% as compared to 60.2% in SPLY owing to higher operating costs which has increased by 3% YoY.

The admin costs have been increased by 32.2% YoY while a decrease of 73.2% in exploration costs eased the bottom line.

Other income has declined by 24.6% owing to lower exchange gains. Finance cost has been increased by 11.8% YoY on account of higher provision for decommissioning cost.

PPL is currently trading at a FY21E PE of 4.49x. Furthermore, the scrip is also trading at FY21E PB of 0.63x which provides a discount of 44% relative to its 5-year average of 1.11x. Going forward, we have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs 120 which provides an upward potential of 33%.

Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	36,313	43,651	16.8% ▼	75,539	85,410	11.6% ▼
Operating Cost	-12,636	-12,128	4.2% ▲	-21,972	-21,339	3.0% ▲
<b>Gross Profit</b>	<b>18,266</b>	<b>24,982</b>	<b>26.9% ▼</b>	<b>42,210</b>	<b>51,390</b>	<b>17.9% ▼</b>
Exploration Cost	-873	-8,878	90.2% ▼	-3,147	-11,742	73.2% ▼
Administrative Expenses	-991	-725	36.8% ▲	-1,767	-1,336	32.2% ▲
Finance costs	-289	-248	16.3% ▲	-581	-519	11.8% ▲
Other Charges	-1,754	-2,967	40.9% ▼	-3,886	-7,323	46.9% ▼
Other Income	1,111	1,585	29.9% ▼	1,859	2,467	24.6% ▼
Profit Before Taxation	15,469	13,749	12.5% ▲	34,689	32,936	5.3% ▲
Taxation	-3,583	-3,432	4.4% ▲	-8,452	-8,382	0.8% ▲
<b>Profit After Taxation</b>	<b>11,886</b>	<b>10,317</b>	<b>15.2% ▲</b>	<b>26,237</b>	<b>24,554</b>	<b>6.9% ▲</b>
<b>Earnings Per Share</b>	<b>4.37</b>	<b>3.79</b>	<b>15.2% ▲</b>	<b>9.64</b>	<b>9.02</b>	<b>6.9% ▲</b>
<b>Dividend</b>	<b>1.50</b>	<b>0.00</b>		<b>1.50</b>	<b>0.00</b>	
<b>Bonus</b>	<b>0%</b>	<b>0%</b>		<b>0%</b>	<b>0%</b>	

Closing Period: 13 Apr 2021 - 19 Apr 2021

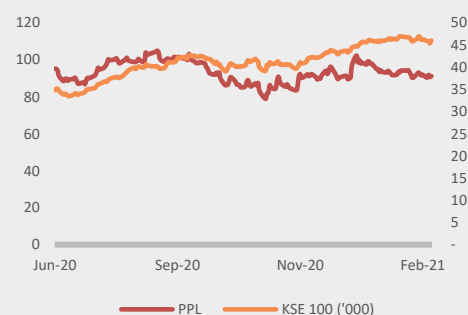
	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Gross Margin	50.3%	57.2%	6.9% ▼	55.9%	60.2%	4.3% ▼
Exploration Cost to Sales	-2.4%	-20.3%	17.9% ▼	-4.2%	-13.7%	9.6% ▼
Admin Cost to Sales	-2.7%	-1.7%	1.1% ▲	-2.3%	-1.6%	0.8% ▲
Other Charges to Sales	-4.8%	-6.8%	2.0% ▼	-5.1%	-8.6%	3.4% ▼
Other Income to Sales	3.1%	3.6%	0.6% ▼	2.5%	2.9%	0.4% ▼
Effective Taxation	-23.2%	-25.0%	1.8% ▼	-24.4%	-25.4%	1.1% ▼
<b>Net Margin</b>	<b>32.7%</b>	<b>23.6%</b>	<b>9.1% ▲</b>	<b>34.7%</b>	<b>28.7%</b>	<b>6.0% ▲</b>

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	PPL
TP - Dec 21	120.00
LDCP	90.40
Upside (%)	33
Free Float ('mn)	666
Market Cap. (Rs.'mn)	245,975

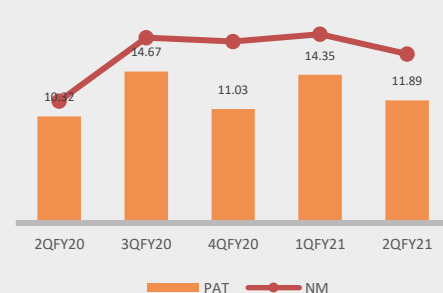
## PPL vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

M. Fawad Naveed

Phone: (+92) 42 38302028; Ext: 117  
Email: fawad@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	104,838	80,151	116,986	126,210	163,890	157,593	156,050	168,684	174,393
Operating Expenses	-42,289	-44,952	-31,247	-33,482	-40,152	-42,760	-43,694	-47,232	-48,830
Royalty	-12,227	-9,219	-21,257	-18,512	-24,329	-23,799	-22,627	-24,459	-25,287
<b>Gross profit</b>	<b>50,322</b>	<b>25,980</b>	<b>64,482</b>	<b>74,215</b>	<b>99,408</b>	<b>91,034</b>	<b>89,729</b>	<b>96,994</b>	<b>100,276</b>
Exploration and prospecting expenditure	0	0	-10,788	-11,164	-24,858	-14,734	-6,242	-16,035	-13,286
General and administration expenses	0	0	-2,772	-2,560	-2,240	-3,073	-3,042	-3,289	-3,400
Finance Cost	-554	-659	-461	-444	-741	-1,070	-974	-1,048	-1,128
Other Charges	-4,063	-4,032	-7,137	-5,931	-8,166	-8,138	-8,058	-8,711	-9,006
Other income	7,611	5,418	4,804	9,319	16,528	6,465	5,396	5,396	5,396
<b>Profit before income tax</b>	<b>53,315</b>	<b>26,707</b>	<b>48,129</b>	<b>63,436</b>	<b>79,931</b>	<b>70,485</b>	<b>76,808</b>	<b>73,307</b>	<b>78,852</b>
Income tax expense	-14,916	-9,465	-12,450	-17,749	-18,299	-20,228	-22,043	-21,038	-22,630
<b>Profit for the year</b>	<b>38,399</b>	<b>17,242</b>	<b>35,679</b>	<b>45,688</b>	<b>61,632</b>	<b>50,256</b>	<b>54,764</b>	<b>52,268</b>	<b>56,222</b>
EPS	14.11	6.34	13.11	16.79	22.65	18.47	20.13	19.21	20.66
EBITDA	63,223	38,148	63,654	79,535	102,455	92,753	94,668	92,584	99,665

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	-12.50%	-23.55%	45.96%	7.88%	29.86%	-3.84%	-0.98%	8.10%	3.38%
Operating Expenses	28.86%	6.30%	-30.49%	7.15%	19.92%	6.49%	2.18%	8.10%	3.38%
Royalty	-14.50%	-24.60%	130.58%	-12.91%	31.42%	-2.18%	-4.92%	8.10%	3.38%
<b>Gross profit</b>	<b>-30.78%</b>	<b>-48.37%</b>	<b>148.20%</b>	<b>15.09%</b>	<b>33.95%</b>	<b>-8.42%</b>	<b>-1.43%</b>	<b>8.10%</b>	<b>3.38%</b>
Exploration and prospecting expenditure	0.00%	0.00%	0.00%	3.49%	122.66%	-40.73%	-57.63%	156.88%	-17.14%
General and administration expenses	0.00%	0.00%	0.00%	-7.65%	-12.49%	37.18%	-0.98%	8.10%	3.38%
Finance Cost	30.26%	18.89%	-30.03%	-3.80%	67.06%	44.38%	-8.97%	7.62%	7.62%
Other Charges	-0.96%	-0.76%	76.98%	-16.90%	37.69%	-0.34%	-0.98%	8.10%	3.38%
Other income	19.27%	-28.81%	-11.33%	93.97%	77.35%	-60.88%	-16.54%	0.00%	0.00%
<b>Profit before income tax</b>	<b>-28.48%</b>	<b>-49.91%</b>	<b>80.21%</b>	<b>31.81%</b>	<b>26.00%</b>	<b>-11.82%</b>	<b>8.97%</b>	<b>-4.56%</b>	<b>7.56%</b>
Income tax expense	-35.51%	-36.55%	31.54%	42.56%	3.10%	10.55%	8.97%	-4.56%	7.56%
<b>Profit for the year</b>	<b>-25.32%</b>	<b>-55.10%</b>	<b>106.93%</b>	<b>28.05%</b>	<b>34.90%</b>	<b>-18.46%</b>	<b>8.97%</b>	<b>-4.56%</b>	<b>7.56%</b>
EPS	-25.32%	-55.10%	106.93%	28.05%	34.90%	-18.46%	8.97%	-4.56%	7.56%
EBITDA	-24.23%	-39.66%	66.86%	24.95%	28.82%	-9.47%	2.07%	-2.20%	7.65%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	48.00	32.41	55.12	58.80	60.66	57.77	57.50	57.50	57.50
NP Margin	%	36.63	21.51	30.50	36.20	37.61	31.89	35.09	30.99	32.24
ROE	%	20.40	8.95	16.51	19.01	20.64	14.58	13.97	11.70	11.26
ROA	%	15.74	6.33	11.00	12.44	13.45	9.27	9.31	8.16	7.95
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	4.28	2.88	2.89	2.72	2.66	2.65	2.95	3.29	3.47
Quick	x	3.88	2.61	2.69	2.59	2.59	2.57	2.86	3.20	3.39
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Receivables Days		229.09	276.94	318.97	417.95	511.78	730.44	730.51	729.95	729.72
Payables Days		153.44	213.39	335.35	432.09	498.62	632.44	634.71	585.07	611.74
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		8.50	5.75	9.00	5.50	2.00	1.00	0.00	0.00	0.00
Div. Yield	%	9.40	6.36	9.96	6.08	2.21	1.11	0.00	0.00	0.00
Dividend Cover	x	1.66	1.10	1.46	3.05	11.33	18.47	0.00	0.00	0.00
Retention	%	39.77	9.26	31.36	67.24	91.17	94.59	100.00	100.00	100.00
Payout	%	60.23	90.74	68.64	32.76	8.83	5.41	0.00	0.00	0.00
No. of Shares	('m)	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72
EPS		14.11	6.34	13.11	16.79	22.65	18.47	20.13	19.21	20.66
BVPS		69.19	70.80	79.41	88.35	109.74	126.65	144.12	164.24	183.45
P/E	x	6.41	14.27	6.89	5.38	3.99	4.89	4.49	4.71	4.38
Sales per share		38.53	29.46	42.99	46.38	60.23	57.92	57.35	61.99	64.09
P/BV	x	1.31	1.28	1.14	1.02	0.82	0.71	0.63	0.55	0.49
P/S	x	2.35	3.07	2.10	1.95	1.50	1.56	1.58	1.46	1.41
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Total Debt to Equity	x	0.00	0.00	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	0.00	0.00
Interest Cover	x	90.79	39.43	110.44	136.37	97.58	68.44	82.59	74.10	74.10

Source: ACPL Research, Company Financials

## DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

### VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

### DEFINITION OF TERMS

<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

### RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
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

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

### RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

### OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

#### 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

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com