

PPL has announced its 1HFY23 result where it posted a profit after tax of Rs48.94bn (EPS: Rs17.98) as compared to the profit after tax of Rs31.71bn (EPS: Rs11.65) in the same period last year, up by 54.3% YoY amid an increase in the price of Arab Light coupled with the depreciation of PKR.

The company has posted a revenue of Rs137.66bn against Rs89.53bn in SPLY, recording a growth of 53.8%. The gross margin increased by 2.7% to 66.3% as compared to 63.6% during same period last year.

Furthermore, the exploration costs went up by 7.3% to Rs9bn as compared to Rs8.4bn due to an increase in exploration cost in the second quarter. Admin expenses and other income decreased by 6.7% and 8.4% respectively while finance costs surged by 20.5% to Rs705mn owing to higher interest rates. Lastly, the effective taxation increased to 37.5% as compared to 30.1% during SPLY.

PPL is currently trading at a FY23E PE of 1.69x. Furthermore, the scrip is also trading at FY23E PB of 0.37x which provides a discount of 20% relative to its 3-year average of 0.46x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs85 which provides an upward potential of 30%. Further, the scrip also provides a dividend yield of 6% which makes the total return of 36%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	65,046	46,374	40.3% ▲	137,657	89,528	53.8% ▲
Operating Cost	-12,014	-9,318	28.9% ▲	-23,490	-19,484	20.6% ▲
<b>Gross Profit</b>	<b>42,697</b>	<b>30,280</b>	<b>41.0% ▲</b>	<b>91,300</b>	<b>56,959</b>	<b>60.3% ▲</b>
Exploration Cost	-7,527	-3,677	104.7% ▲	-9,007	-8,396	7.3% ▲
Administrative Expenses	-599	-1,048	42.8% ▼	-1,790	-1,919	6.7% ▼
Finance costs	-367	-301	22.1% ▲	-705	-585	20.5% ▲
Other Charges	-3,612	-5,912	161.1% ▲	-8,179	-7,981	2.5% ▲
Other Income	1,820	2,736	33.5% ▼	6,663	7,272	8.4% ▼
Profit Before Taxation	32,412	22,078	46.8% ▲	78,282	45,350	72.6% ▲
Taxation	-10,089	-7,360	37.1% ▲	-29,346	-13,641	115.1% ▲
<b>Profit After Taxation</b>	<b>22,323</b>	<b>14,719</b>	<b>51.7% ▲</b>	<b>48,936</b>	<b>31,709</b>	<b>54.3% ▲</b>
Earnings Per Share	8.20	5.41	51.7% ▲	17.98	11.65	54.3% ▲
Dividend	1.00	1.50	33.3% ▼	1.00	1.50	33.3% ▼
Bonus	0%	0%		0%	0%	

Closing Date: March 14, 2023 to March 16, 2023

	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Gross Margin	65.6%	63.6%	2.0% ▲	66.3%	63.6%	2.7% ▲
Exploration Cost to Sales	-11.6%	-7.9%	3.6% ▲	-6.5%	-9.4%	2.8% ▼
Admin Cost to Sales	-0.9%	-2.3%	1.3% ▼	-1.3%	-2.1%	0.8% ▼
Other Charges to Sales	-5.6%	-12.7%	7.2% ▼	-5.9%	-8.9%	3.0% ▼
Other Income to Sales	2.8%	5.9%	3.1% ▼	4.8%	8.1%	3.3% ▼
Effective Taxation	-31.1%	-33.3%	2.2% ▼	-37.5%	-30.1%	7.4% ▲
Net Margin	34.3%	31.7%	2.6% ▲	35.5%	35.4%	0.1% ▲

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	PPL
TP - Dec 23	85
LDCP	65.45
Upside (%)	30
Free Float ('mn)	667
Market Cap. (Rs.'mn)	178,087

## PPL vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116  
Email: salman@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	157,593	148,429	202,199	275,314	265,338	253,240	238,524
Operating Expenses	-42,760	-40,077	-40,091	-46,980	-45,278	-50,810	-57,399
Royalty	-23,799	-22,057	-30,500	-45,734	-44,077	-42,067	-39,623
<b>Gross profit</b>	<b>91,034</b>	<b>86,294</b>	<b>131,608</b>	<b>182,599</b>	<b>175,983</b>	<b>160,362</b>	<b>141,503</b>
Exploration and prospecting expenditure	-14,734	-10,227	-23,735	-18,013	-22,899	-21,855	-20,585
General and administration expenses	-3,073	-3,741	-4,601	-3,580	-5,392	-5,146	-4,847
Finance Cost	-1,070	-1,107	-1,249	-1,409	-1,561	-1,649	-1,742
Other Charges	-8,138	-6,693	-18,037	-16,358	-15,765	-15,046	-14,172
Other income	6,465	4,056	14,144	13,327	14,782	16,529	18,625
<b>Profit before income tax</b>	<b>70,485</b>	<b>68,582</b>	<b>98,131</b>	<b>156,566</b>	<b>145,148</b>	<b>133,194</b>	<b>118,782</b>
Income tax expense	-20,228	-16,150	-44,585	-50,979	-47,899	-43,954	-39,198
<b>Profit for the year</b>	<b>50,256</b>	<b>52,431</b>	<b>53,546</b>	<b>105,587</b>	<b>97,249</b>	<b>89,240</b>	<b>79,584</b>
EPS	18.47	19.27	19.68	38.80	35.74	32.80	29.25
EBITDA	92,753	87,511	116,431	172,752	162,913	152,634	140,066

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-3.84%	-5.82%	36.23%	36.16%	-3.62%	-4.56%	-5.81%
Operating Expenses	6.49%	-6.27%	0.03%	17.18%	-3.62%	12.22%	12.97%
Royalty	-2.18%	-7.32%	38.28%	49.95%	-3.62%	-4.56%	-5.81%
<b>Gross profit</b>	<b>-8.42%</b>	<b>-5.21%</b>	<b>52.51%</b>	<b>38.74%</b>	<b>-3.62%</b>	<b>-8.88%</b>	<b>-11.76%</b>
Exploration and prospecting expenditure	-40.73%	-30.59%	132.08%	-24.11%	27.12%	-4.56%	-5.81%
General and administration expenses	37.18%	21.77%	22.96%	-22.18%	50.60%	-4.56%	-5.81%
Finance Cost	44.38%	3.47%	12.80%	12.83%	10.79%	5.64%	5.62%
Other Charges	-0.34%	-17.76%	169.49%	-9.31%	-3.62%	-4.56%	-5.81%
Other income	-60.88%	-37.27%	248.74%	-5.78%	10.92%	11.82%	12.68%
<b>Profit before income tax</b>	<b>-11.82%</b>	<b>-2.70%</b>	<b>43.09%</b>	<b>59.55%</b>	<b>-7.29%</b>	<b>-8.24%</b>	<b>-10.82%</b>
Income tax expense	10.55%	-20.16%	176.06%	14.34%	-6.04%	-8.24%	-10.82%
<b>Profit for the year</b>	<b>-18.46%</b>	<b>4.33%</b>	<b>2.13%</b>	<b>97.19%</b>	<b>-7.90%</b>	<b>-8.24%</b>	<b>-10.82%</b>
EPS	-18.46%	4.33%	2.13%	97.19%	-7.90%	-8.24%	-10.82%
EBITDA	-9.47%	-5.65%	33.05%	48.37%	-5.70%	-6.31%	-8.23%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	57.77	58.14	65.09	66.32	66.32	63.32	59.32
NP Margin	%	31.89	35.32	26.48	38.35	36.65	35.24	33.37
ROE	%	14.58	13.43	12.31	21.86	16.83	13.42	10.68
ROA	%	10.18	9.77	8.57	15.12	12.08	10.24	8.48
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	4.03	4.42	3.57	4.43	4.46	5.31	5.85
Quick	x	3.94	4.33	3.50	4.35	4.38	5.21	5.73
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		618.74	701.76	665.10	663.83	723.96	794.14	864.37
Payables Days		367.99	387.49	449.98	342.61	440.96	375.19	349.39
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		1.00	3.50	2.00	4.00	3.50	3.50	3.00
Div. Yield	%	1.53	5.35	3.06	6.11	5.35	5.35	4.58
Dividend Cover	x	18.47	5.51	9.84	9.70	10.21	9.37	9.75
Retention	%	94.59	81.84	89.84	89.84	89.84	89.84	89.84
Payout	%	5.41	18.16	10.16	10.16	10.16	10.16	10.16
No. of Shares	('m)	2.72	2.72	2.72	2.72	2.72	2.72	2.72
EPS		18.47	19.27	19.68	38.80	35.74	32.80	29.25
BVPS		126.65	143.53	159.82	177.50	212.36	244.47	273.94
P/E	x	3.54	3.40	3.33	1.69	1.83	2.00	2.24
Sales per share		57.92	54.55	74.31	101.18	97.52	93.07	87.66
P/BV	x	0.52	0.46	0.41	0.37	0.31	0.27	0.24
P/S	x	1.13	1.20	0.88	0.65	0.67	0.70	0.75
Solvency 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	68.44	65.33	82.70	114.27	94.61	80.87	66.64

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