

PPL has announced its 1QFY21 result where it posted the profit after tax of Rs14.4bn (EPS: Rs5.27) as compared to the profit after tax of Rs14.2bn (EPS: Rs5.23) in the same period last year, up by 0.8% YoY.

The company has posted the revenue of Rs39bn against Rs42bn in SPLY, recording a decline of 6.1% YoY. We note that this decline is attributed to the slowdown in the economy caused by the COVID-19.

Gross margin has been squeezed to 61% as compared to 63.2% in SPLY owing to higher operating costs which has increased by 1.4% YoY.

The admin costs have been increased by 26.8% YoY. While a decrease of 20.6% in exploration costs eased the bottom line.

Other income has declined by 15.2% owing to lower exchange gains. Finance cost has been increased by 7.8% YoY on account of higher provision for decommissioning cost.

PPL is currently trading at a FY21E PE of 4.17x. Furthermore, the scrip is also trading at FY21E PB of 0.60x which provides a discount of 44% relative to its 5-year average of 1.06x. Going forward, we have a **BUY** stance on the script with a DCF based Jun-21 TP of Rs 120 as the demand for crude oil is set to bounce back next year at a historically quick pace. However, the liquidity crunch owing to the accumulation of circular debt is the major issue for the company right now. We have assumed the Arab Light price at \$40 in FY21, \$45 in FY22, and \$50 thereafter till FY25, in our working.

Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	39,226	41,759	6.1% ▼	157,593	163,890	3.8% ▼
Operating Cost	-9,337	-9,211	1.4% ▲	-42,760	-40,152	6.5% ▲
Gross Profit	23,945	26,409	9.3% ▼	91,034	99,408	8.4% ▼
Exploration Cost	-2,273	-2,864	20.6% ▼	-14,734	-24,858	40.7% ▼
Administrative Expenses	-776	-612	26.8% ▲	-3,073	-2,240	37.2% ▲
Finance costs	-292	-271	7.8% ▲	-1,070	-741	44.4% ▲
Other Charges	-2,132	-4,357	51.1% ▼	-8,138	-8,166	0.3% ▼
Other Income	748	882	15.2% ▼	6,465	16,528	60.9% ▼
Profit Before Taxation	19,220	19,187	0.2% ▲	70,485	79,931	11.8% ▼
Taxation	-4,869	-4,949	1.6% ▼	-20,228	-18,299	10.5% ▲
Profit After Taxation	14,351	14,237	0.8% ▲	50,256	61,632	18.5% ▼
Earnings Per Share	5.27	5.23	0.8% ▲	18.47	22.65	18.5% ▼
Dividend	0.00	0.00		1.00	2.00	
Bonus	0%	0%		0%	20%	
Gross Margin	61.0%	63.2%	2.2% ▼	57.8%	60.7%	2.9% ▼
Exploration Cost to Sales	-5.8%	-6.9%	1.1% ▼	-9.3%	-15.2%	5.8% ▼
Admin Cost to Sales	-2.0%	-1.5%	0.5% ▲	-1.9%	-1.4%	0.6% ▲
Other Charges to Sales	-5.4%	-10.4%	5.0% ▼	-5.2%	-5.0%	0.2% ▲
Other Income to Sales	1.9%	2.1%	0.2% ▼	4.1%	10.1%	6.0% ▼
Effective Taxation	-25.3%	-25.8%	0.5% ▼	-28.7%	-22.9%	5.8% ▲
Net Margin	36.6%	34.1%	2.5% ▲	31.9%	37.6%	5.7% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	PPL
TP - Jun 21	120.00
LDGP	86.19
Upside (%)	39
Free Float ('mn)	666
Market Cap. (Rs.'mn)	234,520

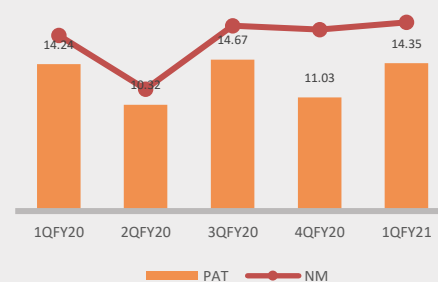
PPL vs KSE 100



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	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	104,838	80,151	116,986	126,210	163,890	157,593	163,807	177,074	183,068
Operating Expenses	-42,289	-44,952	-31,247	-33,482	-40,152	-42,760	-40,952	-44,268	-45,767
Royalty	-12,227	-9,219	-21,257	-18,512	-24,329	-23,799	-24,737	-26,741	-27,646
Gross profit	50,322	25,980	64,482	74,215	99,408	91,034	98,118	106,065	109,655
Exploration and prospecting expenditure	0	0	-10,788	-11,164	-24,858	-14,734	-13,105	-19,193	-17,201
General and administration expenses	0	0	-2,772	-2,560	-2,240	-3,073	-3,194	-3,452	-3,569
Finance Cost	-554	-659	-461	-444	-741	-1,070	-891	-956	-1,026
Other Charges	-4,063	-4,032	-7,137	-5,931	-8,166	-8,138	-8,459	-9,144	-9,454
Other income	7,611	5,418	4,804	9,319	16,528	6,465	6,465	6,465	6,465
Profit before income tax	53,315	26,707	48,129	63,436	79,931	70,485	78,935	79,784	84,870
Income tax expense	-14,916	-9,465	-12,450	-17,749	-18,299	-20,228	-22,654	-22,897	-24,357
Profit for the year	38,399	17,242	35,679	45,688	61,632	50,256	56,281	56,887	60,513
EPS	14.11	6.34	13.11	16.79	22.65	18.47	20.68	20.91	22.24
EBITDA	63,223	38,148	63,654	79,535	102,455	92,753	96,713	98,969	105,580

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%	3.94%	8.10%	3.39%
Operating Expenses	28.86%	6.30%	-30.49%	7.15%	19.92%	6.49%	-4.23%	8.10%	3.39%
Royalty	-14.50%	-24.60%	130.58%	-12.91%	31.42%	-2.18%	3.94%	8.10%	3.39%
Gross profit	-30.78%	-48.37%	148.20%	15.09%	33.95%	-8.42%	7.78%	8.10%	3.39%
Exploration and prospecting expenditure	0.00%	0.00%	0.00%	3.49%	122.66%	-40.73%	-11.06%	46.46%	-10.38%
General and administration expenses	0.00%	0.00%	0.00%	-7.65%	-12.49%	37.18%	3.94%	8.10%	3.39%
Finance Cost	30.26%	18.89%	-30.03%	-3.80%	67.06%	44.38%	-16.71%	7.32%	7.31%
Other Charges	-0.96%	-0.76%	76.98%	-16.90%	37.69%	-0.34%	3.94%	8.10%	3.39%
Other income	19.27%	-28.81%	-11.33%	93.97%	77.35%	-60.88%	0.00%	0.00%	0.00%
Profit before income tax	-28.48%	-49.91%	80.21%	31.81%	26.00%	-11.82%	11.99%	1.08%	6.37%
Income tax expense	-35.51%	-36.55%	31.54%	42.56%	3.10%	10.55%	11.99%	1.08%	6.37%
Profit for the year	-25.32%	-55.10%	106.93%	28.05%	34.90%	-18.46%	11.99%	1.08%	6.37%
EPS	-25.32%	-55.10%	106.93%	28.05%	34.90%	-18.46%	11.99%	1.08%	6.37%
EBITDA	-24.23%	-39.66%	66.86%	24.95%	28.82%	-9.47%	4.27%	2.33%	6.68%

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	59.90	59.90	59.90
NP Margin	%	36.63	21.51	30.50	36.20	37.61	31.89	34.36	32.13	33.05
ROE	%	20.40	8.95	16.51	19.01	20.64	14.58	14.35	12.69	11.98
ROA	%	15.74	6.33	11.00	12.44	13.45	9.27	9.54	8.81	8.45
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	2.96	3.35	3.57
Quick	x	3.88	2.61	2.69	2.59	2.59	2.57	2.87	3.26	3.48
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	730.15	729.62	729.40
Payables Days		153.44	213.39	335.35	432.09	498.62	632.44	640.82	585.06	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	%	9.86	6.67	10.44	6.38	2.32	1.16	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	20.68	20.91	22.24
BVPS		69.19	70.80	79.41	88.35	109.74	126.65	144.12	164.80	185.71
P/E	x	6.11	13.60	6.57	5.13	3.81	4.67	4.17	4.12	3.88
Sales per share		38.53	29.46	42.99	46.38	60.23	57.92	60.20	65.08	67.28
P/BV	x	1.25	1.22	1.09	0.98	0.79	0.68	0.60	0.52	0.46
P/S	x	2.24	2.93	2.00	1.86	1.43	1.49	1.43	1.32	1.28
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	91.82	87.23	86.61

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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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