

POL has announced its 9MFY22 result where it posted a profit after tax of Rs17.49bn (EPS: Rs61.64) as compared to profit after tax of Rs9.58bn (EPS: Rs33.74) in the same period last year, up by 82.7% YoY.

The company has posted a revenue of Rs37bn against Rs27bn in SPLY, recording a growth of 33.8% YoY. The gross margin has been improved to 66.2% as compared to 57% in SPLY owing to an increase in oil prices.

Exploration and admin cost have been increased by 279% YoY and 4.2% YoY respectively.

Other income has been increased by 3835% YoY to Rs6.8bn as compared to Rs173mn during SPLY owing to higher exchange gains.

Lastly, finance cost has been increased by 654% YoY to Rs 3.18bn as compared to finance income of Rs 422mn during SPLY.

POL is currently trading at an FY22E PE of 3.54x. Furthermore, the scrip is also trading at FY22E PB of 2.80x. Going forward, we have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 470 which provides an upside potential of 23%. Furthermore, it also offers an attractive dividend yield of 18% which makes a total return of 41%.

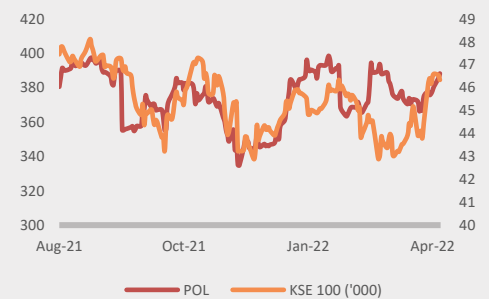
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	13,315	9,531	39.7% ▲	37,002	27,663	33.8% ▲
Operating Cost	-2,403	-2,438	1.5% ▼	-6,595	-6,939	5.0% ▼
Gross Profit	8,899	5,462	62.9% ▲	24,504	15,778	55.3% ▲
Exploration Cost	-127	-72	77.5% ▲	-686	-181	279.0% ▲
Administrative Expenses	-53	-50	6.4% ▲	-175	-168	4.2% ▲
Operating Profit	8,125	4,919	65.2% ▲	22,095	14,262	54.9% ▲
Other Income	2,088	-372	461.5% ▲	6,806	173	3835.8% ▲
Finance costs	-788	320	146.6% ▲	-3,185	422	654.9% ▲
Profit Before Taxation	9,425	4,867	93.7% ▲	25,715	14,856	73.1% ▲
Taxation	-2,852	-1,940	47.0% ▲	-8,219	-5,280	55.7% ▲
Profit After Taxation	6,573	2,927	124.6% ▲	17,496	9,576	82.7% ▲
Earnings Per Share	23.16	10.31	124.6% ▲	61.64	33.74	82.7% ▲
Dividend	0.00	0.00		20.00	20.00	
Bonus	0%	0%		0%	0%	
Gross Margin	66.8%	57.3%	9.5% ▲	66.2%	57.0%	9.2% ▲
Exploration Cost to Sales	-1.0%	-0.8%	0.2% ▲	-1.9%	-0.7%	1.2% ▲
Admin Cost to Sales	-0.4%	-0.5%	0.1% ▼	-0.5%	-0.6%	0.1% ▼
Other Income to Sales	15.7%	-3.9%	11.8% ▲	18.4%	0.6%	17.8% ▲
Effective Taxation	-30.3%	-39.9%	9.6% ▼	-32.0%	-35.5%	3.6% ▼
Net Margin	49.4%	30.7%	18.7% ▲	47.3%	34.6%	12.7% ▲

Source: ACPL Research, Company Financials

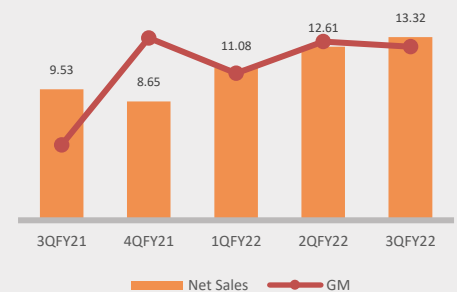
Key Statistics

Symbol	POL
TP - Dec 22	470.00
LDCP	380.51
Upside (%)	23
Free Float ('mn)	129
Market Cap. (Rs. 'mn)	109,142

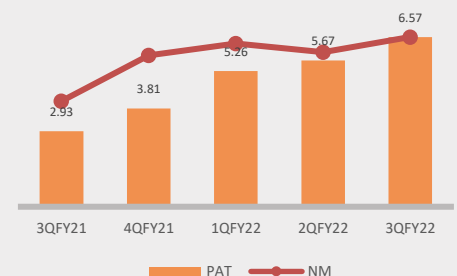
POL vs KSE 100



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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	43,977	38,475	36,314	62,884	55,840	52,921	47,159
Operating Cost	-10,393	-9,408	-8,289	-8,289	-8,289	-8,289	-8,289
Excise Duty	-309	-279	-272	-456	-405	-384	-342
Royalty	-4,554	-4,010	-3,908	-6,554	-5,820	-5,516	-4,915
Amortization of development and decommissioning costs	-3,312	-2,410	-2,212	-2,718	-2,577	-2,490	-2,465
Gross profit	25,410	22,368	21,633	44,866	38,748	36,242	31,147
Exploration Cost	-2,049	-1,405	-494	-1,446	-1,284	-1,217	-1,085
Administrative Expenses	-181	-192	-195	-314	-279	-265	-236
Other Charges	-1,728	-1,383	-1,545	-2,515	-2,234	-2,117	-1,886
Profit from operations	21,452	19,388	19,399	40,590	34,951	32,644	27,940
Other income	7,177	4,558	1,539	10,828	10,455	10,292	9,877
Finance cost	-3,774	-2,212	-260	-4,130	-4,130	-4,130	-4,130
Profit before income tax	24,855	21,734	20,678	47,288	41,277	38,805	33,687
Income tax expense	-7,983	-5,359	-7,296	-16,806	-14,670	-13,791	-11,972
Profit for the year	16,872	16,376	13,382	30,482	26,607	25,014	21,715
EPS	59.44	57.69	47.14	107.39	93.73	88.12	76.50
EBITDA	19,953	17,921	18,038	39,328	33,781	31,558	26,933

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	34.6%	-12.5%	-5.6%	73.2%	-11.2%	-5.2%	-10.9%
Operating Cost	22.9%	-9.5%	-11.9%	0.0%	0.0%	0.0%	0.0%
Excise Duty	0.5%	-9.8%	-2.4%	67.5%	-11.2%	-5.2%	-10.9%
Royalty	20.5%	-11.9%	-2.6%	67.7%	-11.2%	-5.2%	-10.9%
Amortization of development and decommissioning costs	10.9%	-27.2%	-8.2%	22.9%	-5.2%	-3.4%	-1.0%
Gross profit	48.3%	-12.0%	-3.3%	107.4%	-13.6%	-6.5%	-14.1%
Exploration Cost	-31.5%	-31.4%	-64.8%	192.6%	-11.2%	-5.2%	-10.9%
Administrative Expenses	6.9%	6.1%	1.1%	61.6%	-11.2%	-5.2%	-10.9%
Other Charges	78.8%	-20.0%	11.7%	62.8%	-11.2%	-5.2%	-10.9%
Profit from operations	64.9%	-9.6%	0.1%	109.2%	-13.9%	-6.6%	-14.4%
Other income	120.0%	-36.5%	-66.2%	603.6%	-3.4%	-1.6%	-4.0%
Finance cost	96.6%	-41.4%	-88.3%	1491.0%	0.0%	0.0%	0.0%
Profit before income tax	73.2%	-12.6%	-4.9%	128.7%	-12.7%	-6.0%	-13.2%
Income tax expense	168.9%	-32.9%	36.2%	130.3%	-12.7%	-6.0%	-13.2%
Profit for the year	48.2%	-2.9%	-18.3%	127.8%	-12.7%	-6.0%	-13.2%
EPS	48.2%	-2.9%	-18.3%	127.8%	-12.7%	-6.0%	-13.2%
EBITDA		-10.2%	0.7%	118.0%	-14.1%	-6.6%	-14.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	57.78	58.14	59.57	71.35	69.39	68.48	66.05
NP Margin	%	38.36	42.56	36.85	48.47	47.65	47.27	46.05
OP Margin	%	48.78	50.39	53.42	64.55	62.59	61.68	59.25
ROE	%	44.32	40.67	34.00	79.07	54.12	43.77	33.59
ROA	%	20.70	17.88	14.18	27.87	21.68	19.34	16.03
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	2.02	1.95	1.87	2.48	2.50	2.81	3.05
Quick	x	1.75	1.46	1.61	2.08	2.19	2.50	2.75
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Receivables Days		73.94	72.42	73.76	73.76	73.76	73.76	73.76
Payables Days		379.98	530.49	638.84	488.88	632.53	614.85	624.98
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		50.00	50.00	50.00	70.00	65.00	60.00	55.00
Div. Yield	%	13.14	13.14	13.14	18.40	17.08	15.77	14.45
Dividend Cover	x	1.19	1.15	0.94	1.53	1.44	1.47	1.39
Retention	%	15.88	13.33	-6.06	34.81	30.00	30.00	30.00
Payout	%	84.12	86.67	106.06	65.19	70.00	70.00	70.00
No. of Shares	('m)	283.86	283.86	283.86	283.86	283.86	283.86	283.86
EPS		59.44	57.69	47.14	107.39	93.73	88.12	76.50
BVPS		134.12	141.86	138.67	135.81	173.20	201.32	227.76
P/E	x	6.40	6.60	8.07	3.54	4.06	4.32	4.97
Sales per share		154.93	135.54	127.93	221.54	196.72	186.44	166.14
P/BV	x	2.84	2.68	2.74	2.80	2.20	1.89	1.67
P/S	x	2.46	2.81	2.97	1.72	1.93	2.04	2.29
Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
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	5.68	8.77	74.73	9.83	8.46	7.90	6.76

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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SELL	Less than and equal to -5%

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