

POL has announced its FY21 result where it posted a profit after tax of Rs13.4bn (EPS: Rs47.14) as compared to profit after tax of Rs16.4bn (EPS: Rs57.69) in the same period last year, down by 18.3% YoY.

The company has posted a revenue of Rs36.3bn against Rs38.5bn in SPLY, recording a negative growth of 5.6% YoY. We note that this decline is attributed to the drop in the production of oil and gas.

The gross margin has been improved to 59.6% as compared to 58.1% in SPLY owing to lower operating costs. Exploration cost has been declined by 64.8 YoY and admin costs have been increased by 1.1% YoY respectively during the year.

Other income has declined by 66.2% YoY to Rs1.6bn as compared to Rs4.6bn during SPLY owing to lower exchange gains.

Lastly, higher effective taxation of 35.3% as compared to 24.7% during SPLY caused the bottom line to plunge further.

POL is currently trading at an FY22E PE of 5.37x. Furthermore, the scrip is also trading at FY22E PB of 2.61x which provides a discount of 15% relative to its 5-year average of 3.25x. Going forward, we have a **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 490 which provides an upside potential of 25%. Furthermore, it also offers an attractive dividend yield of 16% which makes a total return of 41%.

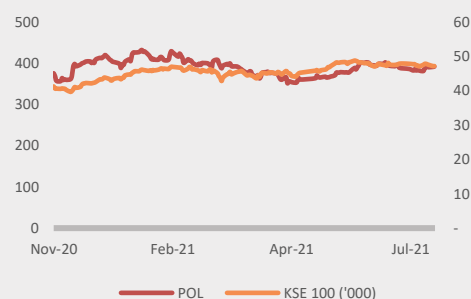
Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	8,651	6,025	43.6% ▲	36,314	38,475	5.6% ▼
Operating Cost	-1,350	-1,699	20.5% ▼	-8,289	-9,408	11.9% ▼
Gross Profit	5,855	3,169	84.7% ▲	21,633	22,368	3.3% ▼
Exploration Cost	-313	-253	23.8% ▲	-494	-1,405	64.8% ▼
Administrative Expenses	-27	-18	54.2% ▲	-195	-192	1.1% ▲
Operating Profit	5,137	2,754	86.5% ▲	19,399	19,388	0.1% ▲
Other Income	1,366	861	58.7% ▲	1,539	4,558	66.2% ▼
Finance costs	-682	-524	30.2% ▲	-260	-2,212	88.3% ▼
Profit Before Taxation	5,822	3,092	88.3% ▲	20,678	21,734	4.9% ▼
Taxation	-2,016	-663	204.1% ▲	-7,296	-5,359	36.2% ▲
Profit After Taxation	3,806	2,429	56.7% ▲	13,382	16,376	18.3% ▼
Earnings Per Share	13.41	8.56	56.7% ▲	47.14	57.69	18.3% ▼
Dividend	30.00	30.00		50.00	50.00	
Bonus	0%	0%		0%	0%	
Gross Margin	67.7%	52.6%	15.1% ▲	59.6%	58.1%	1.4% ▲
Exploration Cost to Sales	-3.6%	-4.2%	0.6% ▼	-1.4%	-3.7%	2.3% ▼
Admin Cost to Sales	-0.3%	-0.3%	0.0% ▲	-0.5%	-0.5%	0.0% ▲
Other Income to Sales	15.8%	14.3%	1.5% ▲	4.2%	11.8%	7.6% ▼
Effective Taxation	-34.6%	-21.4%	13.2% ▲	-35.3%	-24.7%	10.6% ▲
Net Margin	44.0%	40.3%	3.7% ▲	36.9%	42.6%	5.7% ▼

Source: ACPL Research, Company Financials

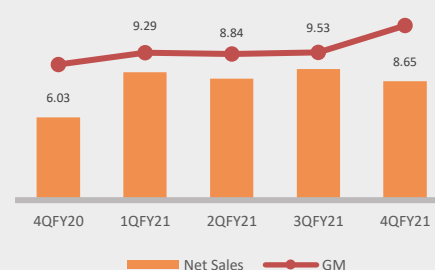
Key Statistics

Symbol	POL
TP - Jun 22	490
LDCP	391
Upside (%)	25
Free Float ('mn)	130
Market Cap. (Rs.'mn)	110,987

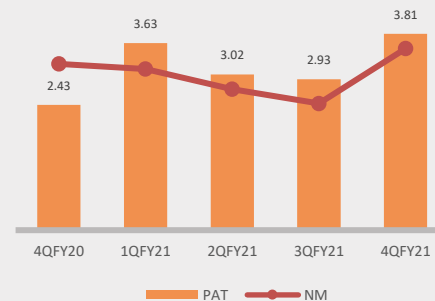
POL vs KSE 100



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	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	30,881	24,848	27,280	32,665	43,977	38,475	36,314	55,192	52,977	46,829
Operating Cost	-8,726	-8,872	-8,384	-8,456	-10,393	-9,408	-8,289	-8,289	-8,289	-8,289
Excise Duty	-251	-265	-272	-308	-309	-279	-272	-400	-384	-340
Royalty	-2,610	-2,021	-2,344	-3,778	-4,554	-4,010	-3,908	-5,752	-5,522	-4,881
Amortization of development and decommissioning costs	-3,027	-2,448	-2,209	-2,987	-3,312	-2,410	-2,212	-2,742	-2,999	-3,216
Gross profit	16,267	11,243	14,072	17,136	25,410	22,368	21,633	38,008	35,783	30,103
Exploration Cost	-4,729	-2,052	-1,468	-2,990	-2,049	-1,405	-494	-3,312	-3,179	-2,810
Administrative Expenses	-140	-140	-109	-170	-181	-192	-195	-359	-344	-304
Other Charges	-486	-560	-809	-967	-1,728	-1,383	-1,545	-2,329	-2,236	-1,976
Profit from operations	10,913	8,491	11,685	13,009	21,452	19,388	19,399	32,008	30,024	25,013
Other income	1,563	1,411	1,473	3,262	7,177	4,558	1,539	2,083	2,237	2,224
Finance cost	-987	-1,022	-746	-1,919	-3,774	-2,212	-260	-2,008	-2,008	-2,008
Profit before income tax	11,489	8,880	12,412	14,353	24,855	21,734	20,678	32,083	30,253	25,228
Income tax expense	-3,031	-1,646	-2,734	-2,969	-7,983	-5,359	-7,296	-11,402	-10,752	-8,966
Profit for the year	8,459	7,234	9,679	11,384	16,872	16,376	13,382	20,681	19,501	16,262
EPS	29.80	25.48	34.10	40.10	59.44	57.69	47.14	72.86	68.70	57.29
EBITDA	9,489	6,913	10,128	11,377	19,953	17,964	18,046	30,723	28,803	23,852

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	-13.1%	-19.5%	9.8%	19.7%	34.6%	-12.5%	-5.6%	52.0%	-4.0%	-11.6%
Operating Cost	14.7%	1.7%	-5.5%	0.9%	22.9%	-9.5%	-11.9%	0.0%	0.0%	0.0%
Excise Duty	-11.1%	5.7%	2.6%	13.3%	0.5%	-9.8%	-2.4%	47.0%	-4.0%	-11.6%
Royalty	-24.1%	-22.6%	16.0%	61.2%	20.5%	-11.9%	-2.6%	47.2%	-4.0%	-11.6%
Amortization of development and decommissioning costs	-41.8%	-19.1%	-9.7%	35.2%	10.9%	-27.2%	-8.2%	24.0%	9.4%	7.2%
Gross profit	-14.4%	-30.9%	25.2%	21.8%	48.3%	-12.0%	-3.3%	75.7%	-5.9%	-15.9%
Exploration Cost	176.6%	-56.6%	-28.4%	103.6%	-31.5%	-31.4%	-64.8%	570.0%	-4.0%	-11.6%
Administrative Expenses	14.3%	0.0%	-21.9%	55.6%	6.9%	6.1%	1.1%	84.4%	-4.0%	-11.6%
Other Charges	-57.4%	15.4%	44.4%	19.5%	78.8%	-20.0%	11.7%	50.7%	-4.0%	-11.6%
Profit from operations	-32.0%	-22.2%	37.6%	11.3%	64.9%	-9.6%	0.1%	65.0%	-6.2%	-16.7%
Other income	-14.3%	-9.7%	4.4%	121.5%	120.0%	-36.5%	-66.2%	35.3%	7.4%	-0.6%
Finance cost	50.9%	3.5%	-27.0%	157.1%	96.6%	-41.4%	-88.3%	673.5%	0.0%	0.0%
Profit before income tax	-33.2%	-22.7%	39.8%	15.6%	73.2%	-12.6%	-4.9%	55.2%	-5.7%	-16.6%
Income tax expense	-29.8%	-45.7%	66.1%	8.6%	168.9%	-32.9%	36.2%	56.3%	-5.7%	-16.6%
Profit for the year	-34.4%	-14.5%	33.8%	17.6%	48.2%	-2.9%	-18.3%	54.5%	-5.7%	-16.6%
EPS	-34.4%	-14.5%	33.8%	17.6%	48.2%	-2.9%	-18.3%	54.5%	-5.7%	-16.6%
EBITDA	-35.7%	-27.2%	46.5%	12.3%	75.4%	-10.0%	0.5%	70.2%	-6.3%	-17.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
GP Margin	%	52.68	45.25	51.58	52.46	57.78	58.14	59.57	68.86	67.54	64.28
NP Margin	%	27.39	29.11	35.48	34.85	38.36	42.56	36.85	37.47	36.81	34.73
OP Margin	%	35.34	34.17	42.83	39.83	48.78	50.39	53.42	57.99	56.67	53.41
ROE	%	26.14	23.99	30.73	34.74	44.32	40.67	31.52	46.75	41.50	32.79
ROA	%	15.26	12.98	16.79	16.22	20.70	17.88	12.46	17.31	15.05	12.16
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Current	x	2.37	2.22	2.22	1.72	2.02	1.95	2.45	3.03	2.98	3.09
Quick	x	1.65	1.55	1.70	1.42	1.75	1.46	1.98	2.43	2.46	2.59
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Receivables Days		41.10	49.00	44.06	92.10	73.94	72.42	72.42	72.42	72.42	72.42
Payables Days		121.78	148.91	159.27	375.30	379.98	530.49	582.00	453.22	530.18	545.34
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
DPS		40.00	35.00	40.00	42.50	50.00	50.00	40.86	63.14	59.54	49.65
Div. Yield	%	10.23	8.95	10.23	10.87	12.79	12.79	10.45	16.15	15.23	12.70
Dividend Cover	x	0.74	0.73	0.85	0.94	1.19	1.15	1.15	1.15	1.15	1.15
Retention	%	-34.23	-37.34	-17.31	-5.97	15.88	13.33	13.33	13.33	13.33	13.33
Payout	%	134.23	137.34	117.31	105.97	84.12	86.67	86.67	86.67	86.67	86.67
No. of Shares	('m)	283.86	283.86	283.86	283.86	283.86	283.86	283.86	283.86	283.86	283.86
EPS		29.80	25.48	34.10	40.10	59.44	57.69	47.14	72.86	68.70	57.29
BVPS		114.02	106.23	110.96	115.44	134.12	141.86	149.55	155.83	165.55	174.70
P/E	x	13.12	15.34	11.47	9.75	6.58	6.78	8.29	5.37	5.69	6.82
Sales per share		108.79	87.54	96.11	115.08	154.93	135.54	127.93	194.44	186.63	164.98
P/BV	x	3.43	3.68	3.52	3.39	2.92	2.76	2.61	2.51	2.36	2.24
P/S	x	3.59	4.47	4.07	3.40	2.52	2.88	3.06	2.01	2.10	2.37
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Total Debt to Equity	x	0.00	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	0.00
Interest Cover	x	11.06	8.31	15.66	6.78	5.68	8.77	74.73	15.94	14.95	12.46

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

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
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