

POL has announced its FY22 result where it posted a profit after tax of Rs25.94bn (EPS: Rs91.37) as compared to a profit after tax of Rs13.38bn (EPS: Rs47.14) in the same period last year, up by 93.8% YoY.

The company has posted a revenue of Rs51.94bn against Rs36.04bn in SPLY, recording a growth of 44% YoY. The gross margin has been improved to 65.4% as compared to 60% in SPLY owing to an increase in oil prices.

Exploration and admin costs have been increased by 77% YoY and 5.7% YoY respectively.

Other income has been increased by 660% YoY to Rs11.7bn as compared to Rs1.54Bn during SPLY owing to higher exchange and inventory gains.

Lastly, finance cost has been increased to Rs 5.55bn as compared to finance the cost of Rs 260mn during SPLY.

POL is currently trading at an FY23E PE of 1.8x. Furthermore, the scrip is also trading at FY23E PB of 2.67x which offers a discount of 12% relative to its historical 3-year average of 3.03x. Going forward, we have a **BUY** stance on the scrip with a DCF based Jun-23 dividend adjusted TP of Rs 480 which provides an upside potential of 30%. Furthermore, it also offers an attractive dividend yield of 17% which makes a total return of 47%.

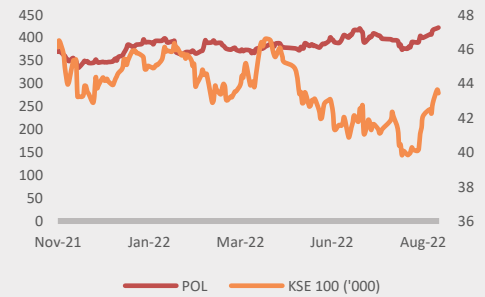
Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	15,188	8,651	75.6% ▲	51,945	36,042	44.1% ▲
Operating Cost	-2,520	-1,350	86.7% ▲	-9,115	-8,289	10.0% ▲
Gross Profit	9,629	5,855	64.5% ▲	33,947	21,633	56.9% ▲
Exploration Cost	-191	-313	39.0% ▼	-877	-494	77.4% ▲
Administrative Expenses	-31	-27	15.0% ▲	-206	-195	5.7% ▲
Operating Profit	8,929	5,137	73.8% ▲	30,838	19,399	59.0% ▲
Other Income	4,892	1,366	458.1% ▼	11,697	1,539	660.1% ▲
Finance costs	-2,363	-682	446.8% ▼	-5,549	-260	2237.3% ▼
Profit Before Taxation	11,458	5,822	96.8% ▲	36,987	20,678	78.9% ▲
Taxation	-2,833	-2,016	40.6% ▲	-11,052	-7,296	51.5% ▲
Profit After Taxation	8,625	3,806	126.6% ▲	25,935	13,382	93.8% ▲
Earnings Per Share	30.38	13.41	126.6% ▲	91.37	47.14	93.8% ▲
Dividend	50.00	30.00		70.00	50.00	
Bonus	0%	0%		0%	0%	
Closing Period: Sep 14, 2022 - Sep 20, 2022						
Gross Margin	63.4%	67.7%	4.3% ▼	65.4%	60.0%	5.3% ▲
Exploration Cost to Sales	-1.3%	-3.6%	2.4% ▼	-1.7%	-1.4%	0.3% ▲
Admin Cost to Sales	-0.2%	-0.3%	0.1% ▼	-0.4%	-0.5%	0.1% ▼
Other Income to Sales	32.2%	15.8%	16.4% ▲	22.5%	4.3%	18.2% ▲
Effective Taxation	-24.7%	-34.6%	9.9% ▼	-29.9%	-35.3%	5.4% ▼
Net Margin	56.8%	44.0%	12.8% ▲	49.9%	37.1%	12.8% ▲

Source: ACPL Research, Company Financials

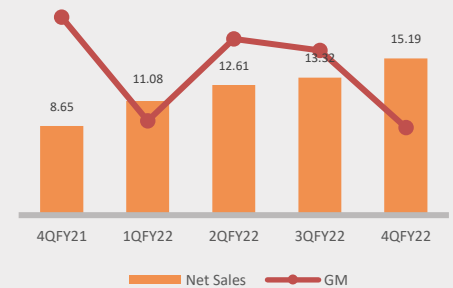
Key Statistics

Symbol	POL
TP - Jun 23	480
LDGP	319
Upside (Ex-Price)	30%
Free Float ('mn)	130
Market Cap. (Rs. 'mn)	118,790

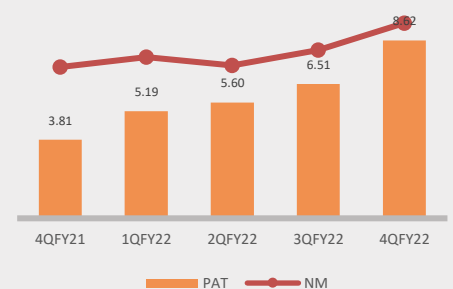
POL vs KSE 100



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	FY22A	FY23E	FY24E	FY25E
Revenue	43,977	38,475	36,314	52,190	65,910	61,737	54,622
Operating Cost	-10,393	-9,408	-8,289	-9,115	-11,512	-10,783	-9,540
Excise Duty	-309	-279	-272	-245	-310	-290	-257
Royalty	-4,554	-4,010	-3,908	-5,563	-7,026	-6,581	-5,823
Amortization of development and decommissioning costs	-3,312	-2,410	-2,212	-3,319	-3,456	-3,055	-2,792
Gross profit	25,410	22,368	21,633	33,947	43,607	41,029	36,210
Exploration Cost	-2,049	-1,405	-494	-877	-829	-777	-687
Administrative Expenses	-181	-192	-195	-206	-135	-126	-112
Other Charges	-1,728	-1,383	-1,545	-2,026	-2,072	-1,941	-1,717
Profit from operations	21,452	19,388	19,399	30,838	40,570	38,184	33,694
Other income	7,177	4,558	1,539	11,697	11,351	11,077	10,542
Finance cost	-3,774	-2,212	-260	-5,549	-5,129	-2,509	-2,509
Profit before income tax	24,855	21,734	20,678	36,987	46,792	46,752	41,727
Income tax expense	-7,983	-5,359	-7,296	-11,052	-18,717	-16,363	-14,605
Profit for the year	16,872	16,376	13,382	25,935	28,075	30,389	27,123
EPS	59.44	57.69	47.14	91.37	98.91	107.06	95.55
EBITDA	19,953	17,921	18,038	29,577	39,400	37,099	32,687

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	34.6%	-12.5%	-5.6%	43.7%	26.3%	-6.3%	-11.5%
Operating Cost	22.9%	-9.5%	-11.9%	10.0%	26.3%	-6.3%	-11.5%
Excise Duty	0.5%	-9.8%	-2.4%	-10.0%	26.3%	-6.3%	-11.5%
Royalty	20.5%	-11.9%	-2.6%	42.4%	26.3%	-6.3%	-11.5%
Amortization of development and decommissioning costs	10.9%	-27.2%	-8.2%	50.1%	4.1%	-11.6%	-8.6%
Gross profit	48.3%	-12.0%	-3.3%	56.9%	28.5%	-5.9%	-11.7%
Exploration Cost	-31.5%	-31.4%	-64.8%	77.4%	-5.4%	-6.3%	-11.5%
Administrative Expenses	6.9%	6.1%	1.1%	5.7%	-34.5%	-6.3%	-11.5%
Other Charges	78.8%	-20.0%	11.7%	31.1%	2.3%	-6.3%	-11.5%
Profit from operations	64.9%	-9.6%	0.1%	59.0%	31.6%	-5.9%	-11.8%
Other income	120.0%	-36.5%	-66.2%	660.1%	-3.0%	-2.4%	-4.8%
Finance cost	96.6%	-41.4%	-88.3%	2037.3%	-7.6%	-51.1%	0.0%
Profit before income tax	73.2%	-12.6%	-4.9%	78.9%	26.5%	-0.1%	-10.7%
Income tax expense	168.9%	-32.9%	36.2%	51.5%	69.3%	-12.6%	-10.7%
Profit for the year	48.2%	-2.9%	-18.3%	93.8%	8.3%	8.2%	-10.7%
EPS	48.2%	-2.9%	-18.3%	93.8%	8.3%	8.2%	-10.7%
EBITDA		-10.2%	0.7%	64.0%	33.2%	-5.8%	-11.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	57.78	58.14	59.57	65.05	66.16	66.46	66.29
NP Margin	%	38.36	42.56	36.85	49.69	42.60	49.22	49.66
OP Margin	%	48.78	50.39	53.42	59.09	61.55	61.85	61.69
ROE	%	44.32	40.67	34.00	67.27	62.93	57.30	43.64
ROA	%	20.70	17.88	14.18	24.60	23.45	22.05	19.02
Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	2.02	1.95	1.87	2.36	2.42	2.50	2.79
Quick	x	1.75	1.46	1.61	1.99	2.04	2.19	2.50
Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Receivables Days		73.94	72.42	73.76	73.76	73.76	80.00	80.00
Payables Days		379.98	530.49	638.84	482.86	490.77	646.19	674.87
Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
DPS		50.00	50.00	50.00	70.00	70.00	75.00	65.00
Div. Yield	%	11.93	11.93	11.93	16.71	16.71	17.90	15.51
Dividend Cover	x	1.19	1.15	0.94	1.31	1.41	1.43	1.47
Retention	%	15.88	13.33	-6.06	23.39	30.00	30.00	30.00
Payout	%	84.12	86.67	106.06	76.61	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	91.37	98.91	107.06	95.55
BVPS		134.12	141.86	138.67	135.81	157.18	186.85	218.97
P/E	x	7.05	7.26	8.89	4.59	4.24	3.91	4.39
Sales per share		154.93	135.54	127.93	183.86	232.20	217.50	192.43
P/BV	x	3.12	2.95	3.02	3.09	2.67	2.24	1.91
P/S	x	2.70	3.09	3.28	2.28	1.80	1.93	2.18
Gearing Ratios		FY19A	FY20A	FY21A	FY22A	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	5.56	7.91	15.22	13.43

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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