

PPL has announced its 1QFY22 result where it posted the profit after tax of Rs16.99bn (EPS: Rs6.24) as compared to the profit after tax of Rs14.35bn (EPS: Rs5.27) in the same period last year, up by 18.4% YoY.

The company has posted a revenue of Rs43bn against Rs39bn in SPLY, recording a surge of 10% YoY. We note that this surge is attributed to the increase in international crude oil prices and the increase in the production of oil and gas.

The gross margin has increased slightly to 61.8% as compared to 61% in SPLY. Further, the admin and exploration costs have been increased by 12.3% YoY and 107.6% YoY respectively.

Other income has increased by 506.7% owing to higher exchange gains. Furthermore, the finance cost has been decreased slightly by 2.7% YoY on account of lower provision for decommissioning cost.

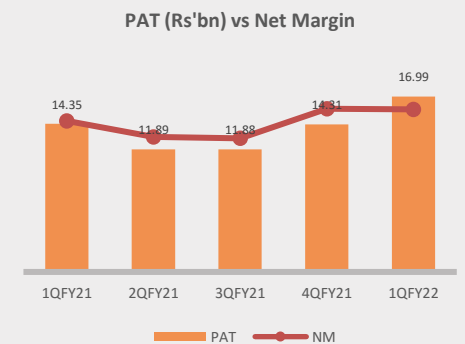
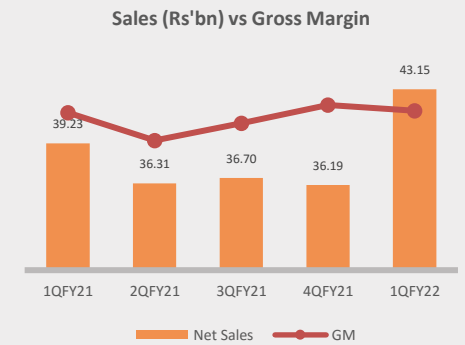
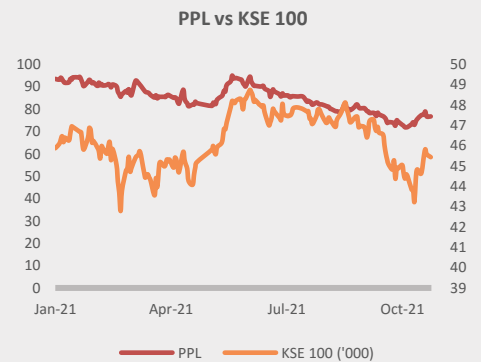
PPL is currently trading at a FY22E PE of 3.15x. Furthermore, the scrip is also trading at FY22E PB of 0.48x which provides a discount of 22% relative to its 3-year average of 0.62x. Going forward, we have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs 140 which provides an upward potential of 81%. Further, the scrip also provides a dividend yield of 5% which makes the total return of 85%.

Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	43,154	39,226	10.0% ▲	148,429	157,593	5.8% ▼
Operating Cost	-10,166	-9,337	8.9% ▲	-40,077	-42,760	6.3% ▼
Gross Profit	26,678	23,945	11.4% ▲	86,294	91,034	5.2% ▼
Exploration Cost	-4,719	-2,273	107.6% ▲	-10,227	-14,734	30.6% ▼
Administrative Expenses	-871	-776	12.3% ▲	-3,741	-3,073	21.8% ▲
Finance costs	-284	-292	2.7% ▼	-1,107	-1,070	3.5% ▲
Other Charges	-2,068	-2,132	197.0% ▲	-6,693	-8,138	17.8% ▼
Other Income	4,536	748	506.7% ▲	4,056	6,465	37.3% ▼
Profit Before Taxation	23,272	19,220	21.1% ▲	68,582	70,485	2.7% ▼
Taxation	-6,282	-4,869	29.0% ▲	-16,150	-20,228	20.2% ▼
Profit After Taxation	16,991	14,351	18.4% ▲	52,431	50,256	4.3% ▲
Earnings Per Share	6.24	5.27	18.4% ▲	19.27	18.47	4.3% ▲
Dividend	0.00	0.00		3.50	1.00	250.0% ▲
Bonus	0%	0%		0%	20%	
Gross Margin	61.8%	61.0%	0.8% ▲	58.1%	57.8%	0.4% ▲
Exploration Cost to Sales	-10.9%	-5.8%	5.1% ▲	-6.9%	-9.3%	2.5% ▼
Admin Cost to Sales	-2.0%	-2.0%	0.0% ▲	-2.5%	-1.9%	0.6% ▲
Other Charges to Sales	-4.8%	-5.4%	0.6% ▼	-4.5%	-5.2%	0.7% ▼
Other Income to Sales	10.5%	1.9%	8.6% ▲	2.7%	4.1%	1.4% ▼
Effective Taxation	-27.0%	-25.3%	1.7% ▲	-23.5%	-28.7%	5.2% ▼
Net Margin	39.4%	36.6%	2.8% ▲	35.3%	31.9%	3.4% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	PPL
TP - Jun 22	140.00
LDCP	77.25
Upside (%)	81
Free Float ('mn)	666
Market Cap. (Rs.'mn)	210,467



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	163,890	157,593	148,429	195,945	193,141	200,182	201,279
Operating Expenses	-40,152	-42,760	-40,077	-50,946	-50,217	-52,047	-40,256
Royalty	-24,329	-23,799	-22,057	-25,473	-25,108	-26,024	-26,166
Gross profit	99,408	91,034	86,294	119,526	117,816	122,111	134,857
Exploration and prospecting expenditure	-24,858	-14,734	-10,227	-25,473	-18,824	-19,776	-21,889
General and administration expenses	-2,240	-3,073	-3,741	-4,939	-4,869	-5,046	-5,074
Finance Cost	-741	-1,070	-1,107	-1,048	-1,128	-1,214	-1,306
Other Charges	-8,166	-8,138	-6,693	-6,858	-6,760	-7,006	-7,045
Other income	16,528	6,465	4,056	6,056	6,056	6,056	6,056
Profit before income tax	79,931	70,485	68,582	87,264	92,291	95,125	105,599
Income tax expense	-18,299	-20,228	-16,150	-20,550	-21,734	-22,401	-24,867
Profit for the year	61,632	50,256	52,431	66,714	70,558	72,724	80,731
EPS	22.65	18.47	19.27	24.52	25.93	26.73	29.67
EBITDA	102,455	92,753	86,576	106,540	113,103	117,601	129,878

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	29.86%	-3.84%	-5.82%	32.01%	-1.43%	3.65%	0.55%
Operating Expenses	19.92%	6.49%	-6.27%	27.12%	-1.43%	3.65%	-22.66%
Royalty	31.42%	-2.18%	-7.32%	15.49%	-1.43%	3.65%	0.55%
Gross profit	33.95%	-8.42%	-5.21%	38.51%	-1.43%	3.65%	10.44%
Exploration and prospecting expenditure	122.66%	-40.73%	-30.59%	149.07%	-26.10%	5.05%	10.69%
General and administration expenses	-12.49%	37.18%	21.77%	32.01%	-1.43%	3.65%	0.55%
Finance Cost	67.06%	44.38%	3.47%	-5.35%	7.61%	7.62%	7.62%
Other Charges	37.69%	-0.34%	-17.76%	2.47%	-1.43%	3.65%	0.55%
Other income	77.35%	-60.88%	-37.27%	49.31%	0.00%	0.00%	0.00%
Profit before income tax	26.00%	-11.82%	-2.70%	27.24%	5.76%	3.07%	11.01%
Income tax expense	3.10%	10.55%	-20.16%	27.24%	5.76%	3.07%	11.01%
Profit for the year	34.90%	-18.46%	4.33%	27.24%	5.76%	3.07%	11.01%
EPS	34.90%	-18.46%	4.33%	27.24%	5.76%	3.07%	11.01%
EBITDA		-9.47%	-6.66%	23.06%	6.16%	3.98%	10.44%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	60.66	57.77	58.14	61.00	61.00	61.00	67.00
NP Margin	%	37.61	31.89	35.32	34.05	36.53	36.33	40.11
ROE	%	20.64	14.58	13.37	15.34	14.33	13.18	13.15
ROA	%	13.45	9.27	8.95	10.31	9.60	9.15	9.28
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	2.66	2.65	2.93	3.23	3.17	3.52	3.79
Quick	x	2.59	2.57	2.84	3.14	3.10	3.45	3.73
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Receivables Days		511.78	730.44	730.90	506.00	506.09	505.88	505.85
Payables Days		498.62	632.44	677.48	569.16	710.16	675.38	822.76
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		2.00	1.00	3.50	3.50	4.00	4.00	4.00
Div. Yield	%	2.59	1.29	4.53	4.53	5.18	5.18	5.18
Dividend Cover	x	11.33	18.47	5.51	7.01	6.48	6.68	7.42
Retention	%	91.17	94.59	81.84	85.73	84.57	85.03	86.52
Payout	%	8.83	5.41	18.16	14.27	15.43	14.97	13.48
No. of Shares	('m)	2.72	2.72	2.72	2.72	2.72	2.72	2.72
EPS		22.65	18.47	19.27	24.52	25.93	26.73	29.67
BVPS		109.74	126.65	144.12	159.88	180.90	202.83	225.56
P/E	x	3.41	4.18	4.01	3.15	2.98	2.89	2.60
Sales per share		60.23	57.92	54.55	72.01	70.98	73.57	73.97
P/BV	x	0.70	0.61	0.54	0.48	0.43	0.38	0.34
P/S	x	1.28	1.33	1.42	1.07	1.09	1.05	1.04
Solvency 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	97.58	68.44	65.33	85.05	83.47	80.17	82.61

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%

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