

PPL has announced its FY22 result where in the last quarter of the year, it posted a profit after tax of Rs1.21bn (EPS: Rs0.45) as compared to the profit after tax of Rs14.31bn (EPS: Rs5.26) in the same period last year, reduced by 91.5% YoY owing to an increase in exploration cost as well as effective taxation due to the imposition of super tax by the government.

The company has posted a revenue of 61.77bn against 36.19bn in SPLY, recording a growth of 70.7%. However, the gross margin has increased only by 1.8%. We note that this is attributed to an increase in operating cost. Further, the exploration and admin expenses have increased by 110.4% YoY and 48% YoY respectively.

Moreover, other income has increased by 225% owing to higher exchange gains. Lastly, an increase in effective taxation to 94.4% has dampened the profitability.

PPL is currently trading at a FY23E PE of 2.42x. Furthermore, the scrip is also trading at FY23E PB of 0.34x which provides a discount of 21% relative to its 3-year average of 0.48x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs 90 which provides an upward potential of 49%. Further, the scrip also provides a dividend yield of 4% which makes the total return of 53%.

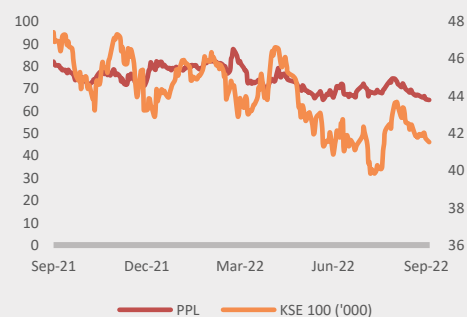
Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	61,766	36,193	70.7% ▲	202,199	148,429	36.2% ▲
Operating Cost	-11,067	-7,624	45.2% ▲	-40,091	-40,077	0.0% ▲
<b>Gross Profit</b>	<b>40,671</b>	<b>23,182</b>	<b>75.4% ▲</b>	<b>131,608</b>	<b>86,294</b>	<b>52.5% ▲</b>
Exploration Cost	-13,909	-6,610	110.4% ▲	-23,735	-10,227	132.1% ▲
Administrative Expenses	-1,570	-1,061	48.0% ▲	-4,601	-3,741	23.0% ▲
Finance costs	-352	-257	37.1% ▲	-1,249	-1,107	12.8% ▲
Other Charges	-6,747	848	695.6% ▲	-18,037	-6,693	169.5% ▲
Other Income	3,740	1,151	225.0% ▲	14,144	4,056	248.7% ▲
Profit Before Taxation	21,834	17,253	26.5% ▲	98,131	68,582	43.1% ▲
Taxation	-20,617	-2,940	601.3% ▲	-44,585	-16,150	176.1% ▲
<b>Profit After Taxation</b>	<b>1,217</b>	<b>14,313</b>	<b>91.5% ▼</b>	<b>53,546</b>	<b>52,431</b>	<b>2.1% ▲</b>
Earnings Per Share	0.45	5.26	91.5% ▼	19.68	19.27	2.1% ▲
Dividend	0.50	2.00		2.00	3.50	42.9% ▼
Bonus	0%	0%		0%	0%	
Closing Period: Oct 19 <sup>th</sup> , 2022 to Oct 26 <sup>th</sup> , 2022						
Gross Margin	65.8%	64.0%	1.8% ▲	65.1%	58.1%	6.9% ▲
Exploration Cost to Sales	-22.5%	-18.3%	4.3% ▲	-11.7%	-6.9%	4.8% ▲
Admin Cost to Sales	-2.5%	-2.9%	0.4% ▼	-2.3%	-2.5%	0.2% ▼
Other Charges to Sales	-10.9%	2.3%	8.6% ▲	-8.9%	-4.5%	4.4% ▲
Other Income to Sales	6.1%	3.2%	2.9% ▲	7.0%	2.7%	4.3% ▲
Effective Taxation	-94.4%	-17.0%	77.4% ▲	-45.4%	-23.5%	21.9% ▲
Net Margin	2.0%	39.5%	37.6% ▼	26.5%	35.3%	8.8% ▼

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	PPL
TP - Jun 23	90
LDCP	60.68
Upside (%)	49
Free Float ('mn)	667
Market Cap. (Rs.'mn)	165,108

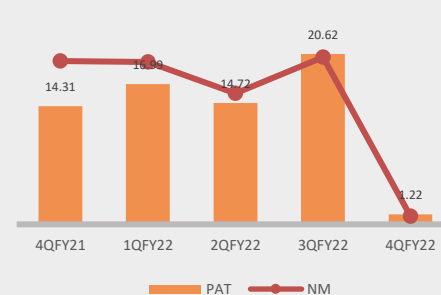
## PPL vs KSE 100



## 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	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	163,890	157,593	148,429	202,199	245,553	245,039	242,591
Operating Expenses	-40,152	-42,760	-40,077	-40,091	-61,383	-61,255	-60,643
Royalty	-24,329	-23,799	-22,057	-30,500	-39,853	-39,770	-39,372
<b>Gross profit</b>	<b>99,408</b>	<b>91,034</b>	<b>86,294</b>	<b>131,608</b>	<b>144,316</b>	<b>144,014</b>	<b>142,575</b>
Exploration and prospecting expenditure	-24,858	-14,734	-10,227	-23,735	-28,824	-28,764	-28,476
General and administration expenses	-2,240	-3,073	-3,741	-4,601	-6,237	-6,224	-6,162
Finance Cost	-741	-1,070	-1,107	-1,249	-1,401	-1,494	-1,593
Other Charges	-8,166	-8,138	-6,693	-18,037	-13,886	-13,857	-13,719
Other income	16,528	6,465	4,056	14,144	7,753	7,934	8,151
<b>Profit before income tax</b>	<b>79,931</b>	<b>70,485</b>	<b>68,582</b>	<b>98,131</b>	<b>101,721</b>	<b>101,610</b>	<b>100,777</b>
Income tax expense	-18,299	-20,228	-16,150	-44,585	-33,568	-33,531	-33,256
<b>Profit for the year</b>	<b>61,632</b>	<b>50,256</b>	<b>52,431</b>	<b>53,546</b>	<b>68,153</b>	<b>68,079</b>	<b>67,521</b>
EPS	22.65	18.47	19.27	19.68	25.05	25.02	24.81
EBITDA	102,455	92,753	87,935	114,373	118,714	119,155	118,902

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	29.86%	-3.84%	-5.82%	36.23%	21.44%	-0.21%	-1.00%
Operating Expenses	19.92%	6.49%	-6.27%	0.03%	53.11%	-0.21%	-1.00%
Royalty	31.42%	-2.18%	-7.32%	38.28%	30.66%	-0.21%	-1.00%
<b>Gross profit</b>	<b>33.95%</b>	<b>-8.42%</b>	<b>-5.21%</b>	<b>52.51%</b>	<b>9.66%</b>	<b>-0.21%</b>	<b>-1.00%</b>
Exploration and prospecting expenditure	122.66%	-40.73%	-30.59%	132.08%	21.44%	-0.21%	-1.00%
General and administration expenses	-12.49%	37.18%	21.77%	22.96%	35.57%	-0.21%	-1.00%
Finance Cost	67.06%	44.38%	3.47%	12.80%	12.22%	6.62%	6.62%
Other Charges	37.69%	-0.34%	-17.76%	169.49%	-23.01%	-0.21%	-1.00%
Other income	77.35%	-60.88%	-37.27%	248.74%	-45.18%	2.33%	2.74%
<b>Profit before income tax</b>	<b>26.00%</b>	<b>-11.82%</b>	<b>-2.70%</b>	<b>43.09%</b>	<b>3.66%</b>	<b>-0.11%</b>	<b>-0.82%</b>
Income tax expense	3.10%	10.55%	-20.16%	176.06%	-24.71%	-0.11%	-0.82%
<b>Profit for the year</b>	<b>34.90%</b>	<b>-18.46%</b>	<b>4.33%</b>	<b>2.13%</b>	<b>27.28%</b>	<b>-0.11%</b>	<b>-0.82%</b>
EPS	34.90%	-18.46%	4.33%	2.13%	27.28%	-0.11%	-0.82%
EBITDA		-9.47%	-5.19%	30.06%	3.80%	0.37%	-0.21%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	60.66	57.77	58.14	65.09	58.77	58.77	58.77
NP Margin	%	37.61	31.89	35.32	26.48	27.76	27.78	27.83
ROE	%	20.64	14.58	13.43	12.35	14.15	12.54	11.18
ROA	%	13.45	10.18	9.77	7.80	8.94	7.76	7.22
Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	2.66	4.03	4.42	3.98	4.06	3.51	3.79
Quick	x	2.59	3.94	4.33	3.91	3.99	3.45	3.73
Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Receivables Days		511.78	618.74	701.76	699.74	718.76	818.77	908.81
Payables Days		498.62	367.99	387.49	577.48	457.47	657.45	662.69
Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
DPS		2.00	1.00	3.50	2.00	2.50	2.50	2.50
Div. Yield	%	3.30	1.65	5.77	3.30	4.12	4.12	4.12
Dividend Cover	x	11.33	18.47	5.51	9.84	10.02	10.01	9.93
Retention	%	91.17	94.59	81.84	89.84	89.84	89.84	89.84
Payout	%	8.83	5.41	18.16	10.16	10.16	10.16	10.16
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	19.68	25.05	25.02	24.81
BVPS		109.74	126.65	143.53	159.29	176.97	199.48	221.95
P/E	x	2.68	3.29	3.15	3.08	2.42	2.43	2.45
Sales per share		60.23	57.92	54.55	74.31	90.24	90.06	89.16
P/BV	x	0.55	0.48	0.42	0.38	0.34	0.30	0.27
P/S	x	1.01	1.05	1.11	0.82	0.67	0.67	0.68
Solvency 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	97.58	68.44	65.33	82.70	77.96	72.96	67.75

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
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Market Weight	Neutral
Underweight	Negative

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