

**Pakistan Oilfields Limited**  
Result Review

PSX: POL Bloomberg: POL:PA Reuters: PKOL: KA

Pakistan Research

**POL: 2QFY24 earnings clocked in at PKR 27.7/share, DPS at PKR 25.0**

- POL announced its 2QFY24 financial results today, where in the company reported an EPS of PKR 27.7, up 32% YoY compared to an EPS of PKR 21.0 in SPLY. This takes 1HFY24 earnings to PKR 61.9/share, up 22% YoY.
- Along with the result, POL announced an interim cash dividend of PKR 25/share.
- Company profitability increased due to higher dollar indexation despite lower production and slightly lower oil prices.
- Dollar appreciated 27.1% YoY to average PKR 283 in 2QFY24 against PKR 222 in the same period last year.
- Arab Light averaged USD 87.5/bbl in 2QFY24, down 1% YoY, against an average of USD 88.31/bbl in 2QFY23.
- Company Oil/Gas/LPG production declined by 5/2/11% YoY during 2QFY24.
- Field expenditures went up by 20% YoY to PKR 3.7bn during 2Q on the back of higher inflationary pressures. Other income increased by 37% YoY to PKR 2.9bn vs PKR 2.1bn in SPLY, owing to higher interest income on cash and short-term investments.
- We have a 'BUY' stance on POL. Our Dec-24 price target (PT) of PKR 533/share provides an upside of 22% along with a dividend yield of 18%.

**Key Data**

PSX Ticker	POL
Target Price (PKR)	533
Current Price (PKR)	438
Upside/(Downside) (%)	+ 22%
Dividend Yield (%)	18%
Total Return (%)	+ 40%
12-month High (PKR)	456
12-month Low (PKR)	388
Outstanding Shares (mn)	284
Market Cap (PKR mn)	124,189
Year End	June

Source: Company Accounts, Akseer Research

**Financial Highlights (PKR mn)**

	2QFY23	2QFY24	YoY	1HFY23	1HFY24	YoY
Sales net	14,021	17,418	24%	29,998	34,100	14%
Field Expenditures	3,084	3,706	20%	5,193	6,226	20%
Royalties	1,557	1,869	20%	3,331	3,903	17%
<b>Gross Profit</b>	<b>8,378</b>	<b>11,742</b>	<b>40%</b>	<b>19,967</b>	<b>23,696</b>	<b>19%</b>
Other income	2,104	2,881	37%	8,739	7,773	-11%
Other operating expenses	662	908	37%	1,154	1,816	57%
Finance costs	(486)	325	-167%	2,349	1,597	-32%
<b>Profit before Tax</b>	<b>9,297</b>	<b>12,899</b>	<b>39%</b>	<b>19,544</b>	<b>26,730</b>	<b>37%</b>
Taxation	3,344	5,029	50%	5,191	9,151	76%
<b>Net income (loss)</b>	<b>5,954</b>	<b>7,871</b>	<b>32%</b>	<b>14,353</b>	<b>17,579</b>	<b>22%</b>
EPS	21.0	27.7	32%	50.6	61.9	22%
DPS	20.0	25.0		20.0	25.0	

Source: Company Accounts, Akseer Research

**Key Financial Ratios**

	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
EPS	47.1	91.4	128.4	122.7	148.2	148.9
EPS Growth	-18.3%	93.8%	40.6%	-4.5%	20.8%	0.5%
DPS	50.0	70.0	80.0	80.0	90.0	104.0
PER	9.3	4.8	3.4	3.6	3.0	2.9
Dividend Yield	11.4%	16.0%	18.3%	18.3%	20.6%	23.8%
EV/EBITDA	3.1	1.5	1.5	0.8	0.4	0.0
P/B	3.2	2.4	1.8	1.6	1.3	1.1
ROE	33.6%	57.4%	61.4%	47.2%	47.8%	41.2%

Source: Company Financials, Akseer Research

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### Valuation Basis

Our PT for Pakistan Oilfields Limited (POL) has been computed using the reserve-based Free cash flow to equity (FCFE) method. We have used a risk-free rate of 15% beta of 1.0 & a market risk premium of 6% to arrive at the cost of equity of 21%.

### Investment Thesis

We have a 'BUY' recommendation on POL. Our Dec-24 price target (PT) of PKR 533/share provides an upside of 22% along with a dividend yield of 18%. Our investment case on POL is based on (1) higher oil prices, (2) currency devaluation (3) incremental production from discoveries.

### Risks

Key downside risks to our investment thesis are 1) decrease in oil prices 2) lower than expected reserve life of Jhandial discovery and 3) lower than estimated currency devaluation.

### Company Description

Pakistan Oilfields Limited engages in the exploration, drilling, development, and production of crude oil and gas in Pakistan. The company operates nine development and production leases. It also produces liquefied petroleum gas (LPG), solvent oil, and sulphur. In addition, it is involved in the marketing of LPG under the POLGAS brand; and the operation of a network of pipelines for the transportation of crude oil. The company was incorporated in 1950 and is headquartered in Rawalpindi, Pakistan. Pakistan Oilfields Limited is a subsidiary of The Attock Oil Company Limited.

### Financial Highlights - POL

Income Statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net sales	36,042	51,945	60,952	66,858	70,656	77,502
Field Expenditures	12,929	15,242	21,197	19,493	19,911	22,885
Royalties	3,908	5,563	6,880	7,418	8,326	9,081
<b>Gross Profit</b>	<b>21,633</b>	<b>33,947</b>	<b>41,737</b>	<b>44,422</b>	<b>46,874</b>	<b>50,465</b>
<b>Operating Profit</b>	<b>20,944</b>	<b>32,865</b>	<b>34,705</b>	<b>41,768</b>	<b>44,018</b>	<b>46,967</b>
Other income	1,539	11,697	27,062	22,262	22,134	20,856
Other charges	1,545	2,026	2,489	3,368	3,433	3,933
Finance cost	260	5,549	9,619	5,775	7,329	4,934
<b>Profit before tax</b>	<b>20,678</b>	<b>36,987</b>	<b>49,659</b>	<b>54,886</b>	<b>55,389</b>	<b>58,955</b>
Taxation	7,296	11,052	13,206	20,064	13,314	16,680
<b>Profit after tax</b>	<b>13,382</b>	<b>25,935</b>	<b>36,453</b>	<b>34,823</b>	<b>42,074</b>	<b>42,275</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
PPE	6,129	6,220	5,417	4,558	3,863	3,296
Other LT assets	24,389	23,357	19,723	19,865	20,091	20,535
Non-Current Assets	30,518	29,577	25,141	24,423	23,954	23,831
Current assets	63,826	88,477	133,898	156,618	174,210	192,046
<b>Total Assets</b>	<b>94,344</b>	<b>118,054</b>	<b>159,039</b>	<b>181,041</b>	<b>198,164</b>	<b>215,877</b>
Non-Current liabilities	20,852	25,866	31,686	37,183	37,477	37,785
Current liabilities	34,130	41,125	59,666	64,056	64,358	69,008
<b>Total Liabilities</b>	<b>54,982</b>	<b>66,990</b>	<b>91,351</b>	<b>101,240</b>	<b>101,835</b>	<b>106,793</b>
Equity	39,362	51,063	67,687	79,802	96,329	109,083
<b>Total Equity &amp; liabilities</b>	<b>94,344</b>	<b>118,054</b>	<b>159,039</b>	<b>181,041</b>	<b>198,164</b>	<b>215,877</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Income	13,382	25,935	36,453	34,823	42,074	42,275
Non-cash Charges	4,803	6,057	5,383	6,085	6,055	5,885
<b>Operating Cash flows</b>	<b>25,698</b>	<b>31,107</b>	<b>32,106</b>	<b>41,056</b>	<b>30,457</b>	<b>34,616</b>
<b>FCFF</b>	<b>23,002</b>	<b>30,718</b>	<b>38,133</b>	<b>40,903</b>	<b>24,868</b>	<b>28,850</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>23,002</b>	<b>30,718</b>	<b>38,133</b>	<b>40,903</b>	<b>24,868</b>	<b>28,850</b>
Net change in cash	10,892	20,150	2,573	21,188	15,775	15,362
<b>Closing cash</b>	<b>47,572</b>	<b>67,723</b>	<b>70,296</b>	<b>91,484</b>	<b>107,259</b>	<b>122,621</b>

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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