

Pakistan Oilfields (POL)

3QFY18 EPS Rs13.1, +11% YoY (+46% QoQ); 9MFY18 EPS Rs33.3, +4% YoY
Below Expectations

ASIAMONEY

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Lower effective tax rate boosts earnings

POL: Consolidated Financial Highlights

Rs mn	3QFY18	3QFY17	YoY	QoQ	9MFY18	9MFY17	YoY
Net Sales	8,955	7,775	15%	44%	22,599	20,914	8%
Operating Costs	2,590	2,388	8%	10%	7,071	6,759	5%
Excise Duty	82	70	17%	8%	229	200	14%
Royalty	1,360	669	103%	218%	2,450	1,742	41%
Amort. of D&DE	802	543	48%	-18%	2,292	1,969	16%
Gross Profit	4,121	4,105	0%	73%	10,556	10,243	3%
Exploration Costs	275	246	12%	-41%	1,015	437	133%
Admin Expenses	58	39	49%	1%	158	123	28%
Finance Cost	543	195	178%	12%	1,219	585	108%
Other Charges	244	243	0%	63%	639	631	1%
Other Income	653	219	197%	-7%	1,606	617	160%
Share in profits of associates - net of impairment	89	85	4%	-83%	694	709	-2%
Profit before Tax	3,744	3,686	2%	53%	9,826	9,792	0%
Taxation	633	876	-28%	111%	1,933	2,212	-13%
Profit After Tax	3,111	2,811	11%	45%	7,893	7,580	4%
Attributable to:							
Owners of Holding Company	3,110	2,806	11%	46%	7,879	7,553	4%
Non-Controlling Interest	1	5			14	27	
EPS	13.1	11.9			33.3	31.9	

Source: PSX, Topline Research

- POL reported earnings of Rs13.1/sh, up 11% YoY in 3QFY18. Earnings fell short of our expectations as we were anticipating POL to book revenue on enhanced gas price that it had previously reversed in 2QFY18. Please see our result review note on the company, dated Jan 4, 2018.
- POL's revenues were up 15% YoY thanks to 1) higher Arab Light oil prices, 2) increased hydrocarbon production and currency devaluation.

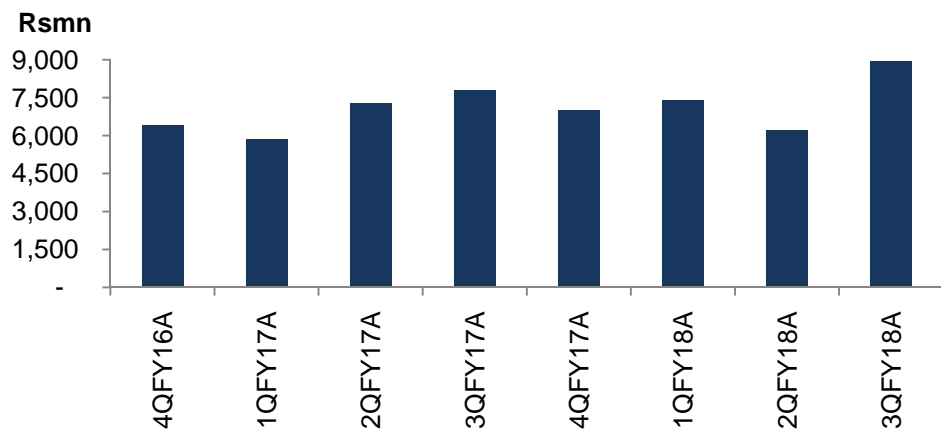
Lower effective tax rate boosts earnings

- Despite 19% YoY decline in oil production from Makori Deep (44% of POL's total oil production) in 3QFY18, POL's total oil production was up ~8%. This was due to oil addition from Jhandial well which contributed ~9% to the company's total oil volume during the outgoing quarter.
- POL's gas production recorded around 12% YoY growth in 3QFY18 mainly supported by additional flow from Jhandial well (around 7% of total production) and increased flow from Maramzai (around 4% of total production).
- While pretax earnings of the company grew by 2% in 3QFY18, lower effective tax rate, down 6.8ppts to 17% led to net earnings growth of 11%.
- We flag 1) inability to receive higher gas price incentive on TAL Block owing to WLO dispute (pending in the court), 2) lower than anticipated international oil prices, 2) significant exploration and development cost and 3) unexpected field shutdown as key risks for POL.

POL: Key Numbers					
	FY13A	FY14A	FY15A	FY16A	FY17A
EPS	45.8	54.5	34.8	42.6	50.2
Earnings Growth	-9%	19%	-36%	23%	18%
PE at Rs696.1	15.2	12.8	20.1	16.3	13.9
Dividend Yield	6%	8%	6%	5%	6%
ROE	33%	38%	25%	30%	33%
PBV	5.0	4.9	5.1	4.8	4.6

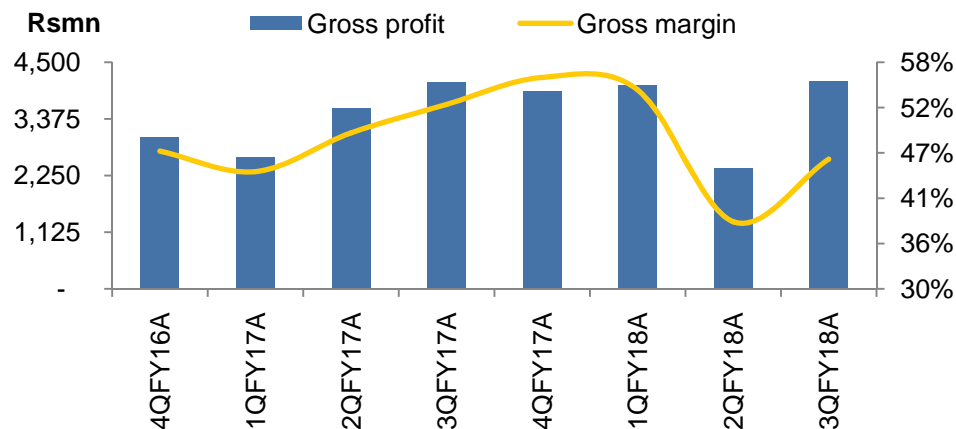
Source: Company Accounts, Topline Research

POL: Quarterly Sales



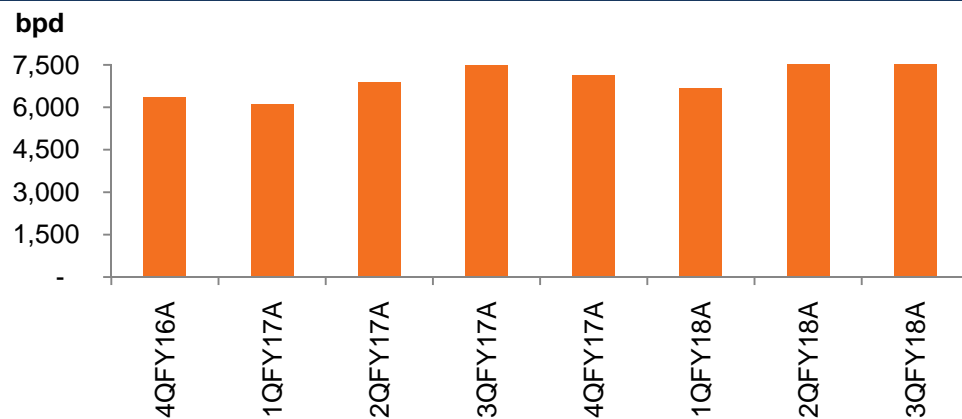
Source: Company Accounts, Topline Research

POL: Quarterly Gross Profit & Gross Margins



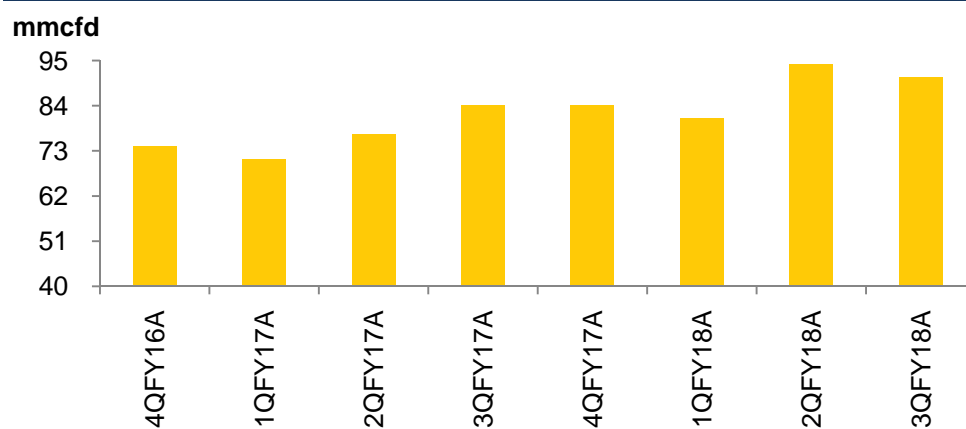
Source: Company Accounts, Topline Research

POL: Quarterly Oil Production



Source: Company Accounts, Topline Research

POL: Quarterly Gas Production



Source: Company Accounts, Topline Research

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