

**Pakistan Oilfields Limited**  
Result Review

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

Pakistan Research

**POL: 3QFY24 earnings clocked in at PKR 43.5/share, down 24% YoY**

- POL announced its 3QFY24 financial results today, wherein the company reported an EPS of PKR 43.5, down 24% YoY as compared to an EPS of PKR 57.2 in 3QFY23, taking the cumulative 9MFY24 earnings to PKR 105.5/share, down 2% YoY.
- The result is above our expectations given the lower-than-expected tax expense due to the provision reversal in respect of depletion allowance post SC decision, we believe.
- The company's net sales increased by 3% YoY to PKR 16.3bn during 3QFY24 as PKR depreciation and a slight increase in oil prices offset decline in production.
- POL's oil, gas and LPG production declined by 3%, 1% and 2% YoY respectively owing to lower flows from Adhi, Jhandial fields and TAL block.
- Rupee averaged 277.9 in 3QFY24, down 6% YoY, while oil prices slightly increased by 1.6% YoY during the quarter to average at USD 83.7/barrel.
- Despite earning a higher return on domestic deposits, other income decreased by 72% YoY to PKR 4.0bn during 3QFY24 due to translation loss incurred on FCY financial assets. To highlight, the company booked an exchange gain of PKR 10.8bn in 3QFY23 as PKR depreciated by 20.2% during the quarter.
- Finance cost of POL declined by 88% YoY to PKR 665mn due to exchange gains as rupee appreciated 1.3% between the reporting dates.
- We have a 'BUY' stance on POL. Our Dec-24 price target (PT) of PKR 593/share provides an upside of 29% along with a dividend yield of 17%.

**Key Data**

PSX Ticker	POL
Target Price (PKR)	593
Current Price (PKR)	460
Upside/(Downside) (%)	+ 29%
Dividend Yield (%)	17%
Total Return (%)	46%
12-month High (PKR)	460
12-month Low (PKR)	381
Outstanding Shares (mn)	284
Market Cap (PKR mn)	130,426
Year End	June

Source: Company Accounts, Akseer Research

**Financial Highlights (PKR mn)**

	3QFY23	3QFY24	YoY	9MFY23	9MFY24	YoY
Sales net	15,874	16,343	3%	45,871	50,443	10%
Field Expenditures	2,800	2,590	-8%	7,993	8,816	10%
Royalties	1,807	1,820	1%	5,139	5,722	11%
<b>Gross Profit</b>	<b>10,483</b>	<b>11,716</b>	<b>12%</b>	<b>30,450</b>	<b>35,411</b>	<b>16%</b>
Other income	14,330	3,980	-72%	23,069	11,753	-49%
Other operating expenses	503	921	83%	1,657	2,738	65%
Finance costs	5,436	665	-88%	7,785	2,262	-71%
<b>Profit before Tax</b>	<b>17,945</b>	<b>13,703</b>	<b>-24%</b>	<b>37,489</b>	<b>40,433</b>	<b>8%</b>
Taxation	1,710	1,343	-21%	6,901	10,494	52%
<b>Net income (loss)</b>	<b>16,235</b>	<b>12,361</b>	<b>-24%</b>	<b>30,588</b>	<b>29,939</b>	<b>-2%</b>
EPS	57.2	43.5	-24%	107.8	105.5	-2%
DPS	0.0	0.0	-	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	138.0	154.5	154.6
EPS Growth	-18.3%	93.8%	40.6%	7.4%	12.0%	0.1%
DPS	50.0	70.0	80.0	80.0	90.0	108.0
PER	9.7	5.0	3.6	3.3	3.0	3.0
Dividend Yield	10.9%	15.2%	17.4%	17.4%	19.6%	23.5%
EV/EBITDA	3.4	1.7	1.7	0.9	0.3	0.0
P/B	3.3	2.6	1.9	1.6	1.3	1.1
ROE	33.6%	57.4%	61.4%	51.6%	47.0%	40.2%

Source: Company Financials, Akseer Research

**Muhammad Awais Ashraf, CFA**  
[awais.ashraf@akseerresearch.com](mailto:awais.ashraf@akseerresearch.com)

### 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 a cost of equity of 21%.

### Investment Thesis

We have a 'BUY' recommendation on POL. Our Dec-24 price target (PT) of PKR 593/share provides an upside of 29% along with a dividend yield of 17%. Our investment case on POL is based on (1) higher oil prices and (2) currency devaluation.

### 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	67,658	74,061	80,367
Field Expenditures	12,929	15,242	21,197	15,824	20,684	23,474
Royalties	3,908	5,563	6,880	7,639	8,314	9,032
<b>Gross Profit</b>	<b>21,633</b>	<b>33,947</b>	<b>41,737</b>	<b>47,928</b>	<b>49,536</b>	<b>52,808</b>
<b>Operating Profit</b>	<b>20,944</b>	<b>32,865</b>	<b>34,705</b>	<b>46,016</b>	<b>46,670</b>	<b>49,299</b>
Other income	1,539	11,697	27,062	16,165	22,862	21,972
Other charges	1,545	2,026	2,489	3,729	3,375	3,811
Finance cost	260	5,549	9,619	3,012	7,741	5,348
<b>Profit before tax</b>	<b>20,678</b>	<b>36,987</b>	<b>49,659</b>	<b>55,440</b>	<b>58,416</b>	<b>62,113</b>
Taxation	7,296	11,052	13,206	16,280	14,575	18,236
<b>Profit after tax</b>	<b>13,382</b>	<b>25,935</b>	<b>36,453</b>	<b>39,161</b>	<b>43,841</b>	<b>43,877</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	21,093	21,330	21,781
Non-Current Assets	30,518	29,577	25,141	25,651	25,192	25,077
Current assets	63,826	88,477	133,898	154,567	181,360	198,940
<b>Total Assets</b>	<b>94,344</b>	<b>118,054</b>	<b>159,039</b>	<b>180,218</b>	<b>206,553</b>	<b>224,017</b>
Non-Current liabilities	20,852	25,866	31,686	37,183	37,477	37,785
Current liabilities	34,130	41,125	59,666	58,896	66,642	70,578
<b>Total Liabilities</b>	<b>54,982</b>	<b>66,990</b>	<b>91,351</b>	<b>96,079</b>	<b>104,119</b>	<b>108,363</b>
Equity	39,362	51,063	67,687	84,139	102,434	115,654
<b>Total Equity &amp; liabilities</b>	<b>94,344</b>	<b>118,054</b>	<b>159,039</b>	<b>180,218</b>	<b>206,553</b>	<b>224,017</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24E	FY25F	FY26F
Net Income	13,382	25,935	36,453	39,161	43,841	43,877
Non-cash Charges	4,803	6,057	5,383	5,218	6,457	6,292
<b>Operating Cash flows</b>	<b>25,698</b>	<b>31,107</b>	<b>32,106</b>	<b>39,173</b>	<b>39,843</b>	<b>35,092</b>
<b>FCFF</b>	<b>23,002</b>	<b>30,718</b>	<b>38,133</b>	<b>38,659</b>	<b>33,842</b>	<b>28,913</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>23,002</b>	<b>30,718</b>	<b>38,133</b>	<b>38,659</b>	<b>33,842</b>	<b>28,913</b>
Net change in cash	10,892	20,150	2,573	18,970	24,433	15,219
<b>Closing cash</b>	<b>47,572</b>	<b>67,723</b>	<b>70,296</b>	<b>89,266</b>	<b>113,698</b>	<b>128,917</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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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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**Contact Details****Akseer Research (Pvt) Limited**

1st Floor, Shaheen Chambers, KCHS block 7 & 8, off. Shahrah-e-Faisal  
 T: +92-21-34320359 -60  
 E: [info@akseerresearch.com](mailto:info@akseerresearch.com)

**Alpha Capital (Pvt) Limited** (Formerly: Alfa Adhi Securities (Pvt) Limited)

3<sup>rd</sup> Floor, Shaheen Chambers, A-4 Central Commercial Area,  
 KCH Society, Block 7 & 8, Near Virtual University, Karachi  
 T: +92-21-38694242  
 E: [info@alphacapital.com.pk](mailto:info@alphacapital.com.pk)