

## Pakistan Petroleum Limited

### Performance During The Year :

Pakistan Petroleum Limited posted profit after tax of Rs.22,317 million EPS Rs.13.58 HY13 as compared to profit after tax of Rs.20,113 million EPS Rs.12.24 in HY12. Profitability during the current HY has improved by 11% as compared to corresponding period last year, This increased is due to increased in oil sales volume, impact of higher international oil prices and depreciation of Pakistani Rupee against US Dollar.

PPLs profits during HY13 were also significantly pushed up by 12.80% increase in company other income to Rs3.8 billion as against Rs3.4 billion last year. Mainly due to increase in income from financial assets by Rs.506 million during the current period as a result of comparatively higher investment.

### The Exploration and Production :

The profitability of the company and the E&P sectors in HY13 has been the combination of higher oil production and 8% YoY rupee depreciation versus the dollar. Amid the entire clamour about rupee losing its value, the depreciation of the currency has been acting as a cushion for the profitability of the company.

The PPL exploration and production (E&P) sector gained 8% YOY from a combination of prices and production flows. On the production front, Nashpa and Makori East played a major role in pushing up oil flows. The E&P sector of PPL has become increasingly competitive over the last few years due to depleting reserves, regulatory refinements, macro-economic factors and fluctuating oil prices.

### Volatility in Oil Price

After a period of some stability, the oil price in the last two months has shown extreme volatility. From as high as \$117 per barrel in February 2013 to as low as \$106 per barrel, the Arab light crude oil has become a source of concern for the investors who seem bewildered about the future price direction.

Moreover, the ECC has approved to increase the cap on Qadirpur gas price from 2.5618 dollars per mmbtu to 3.0116 dollars per mmbtu which is good news particularly for OGDC and PPL.

### Overview

Overall, the company and the E&P sector benefited massively from the high international oil prices as well as depreciating currency. The expectations for FY13 seem realistic as most of the profitability during HY13 hinged upon production accretion.

The HY13 was fair period for the company. We rate PPL Outperform based on sound fundamentals and an attractive valuation (12% potential upside to our target price). At current trading levels, the stock is trading at a PER of 6.9x and 6.40x. We expect FY13 EPS of Rs 26 along with cash dividend of 60% and 10% bonus.

**ARSLAN ABDUS SAMAD**

0343-2890374

[arslan@difs.com.pk](mailto:arslan@difs.com.pk)

[www.difs.com.pk/Research](http://www.difs.com.pk/Research)

**KATS Code:** PPL  
**Sector:** Energy  
**Industry:** Oil & Gas  
**Face Value:** Rs.10  
**Year End:** June

**Current Price** Rs. 174.39  
**Target price** Rs. 195

**Paid up Capital 16,430.95 million.**

**Free float shares 247.66 million**

**Avg Volume 52 weeks: 709,940**

**12-month High/low**

229.75 / 170.10

Earning Per Share				
2010	2011	2012	HY 2013	E-FY13
23.42	26.31	31.13	13.58	26
Annual Payout				
2010	2011	2012	HY 2013	E-FY13
90% D	120% D	115% D	50% D	60% D
20% B	10% B	25% B	-	10% B

### RECOMMENDATION (BUY)

In view of the strong future outlook we maintained over "BUY" stance on the stock based on our target price of Rs.195 till year ended June.

On the Technical ground (MACD, RSI and STS indicator) are not as good as it should be, it show some downfall with minor decline. On the fundamental basis company has still lot to gain. We will recommend Avg. buying at Rs.171.