



AKD Securities Limited

TREC Holder & Registered Broker
Pakistan Stock Exchange

Equity Research / Pakistan



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Today's Daily

■ POL: 3QFY18F Result Preview

POL's BoD is scheduled to meet on Monday, Apr 16'18 to deliberate on its 3QFY18 accounts, where we anticipate the company to publish earnings of PkR3.75bn (EPS: PkR15.85) cumulating to 9MFY18 profitability of PkR8.51bn (EPS: PkR35.96), up 14.0% from last year's PkR7.47bn (EPS: PkR31.55). 9M profitability is higher on account of elevated oil prices (Arab Lite +22.0%YoY) and enhanced production by 4.8%YoY on BOE basis (majorly due to Jhandial's addition).

KSE100 - Index

Current 46,331.71
Previous 46,486.49
Chg. -0.33%

Mkt Cap. (PkRbn/US\$bn)

Current 9,481 / 82.01
Previous 9,500 / 82.17
Chg. -0.20%

■ APL: 3QFY18F Result Preview

For APL, we expect NPAT for 3QFY18 to amount to PkR1.41bn, up 17%YoY but down a muted 5%QoQ. Following on, a 3%QoQ hike in volumes and smooth upwards sailing of MS & HSD ex-refinery prices in Feb & March 18 could lead to inventory gains in the quarter (expected at ~PkR750mn). That said, exchange losses from PkR devaluations vs. the greenback are expected to deplete the bottom-line, resting at ~PkR226mn for the quarter.

Daily Turnover (mn)

Current 332.91
Previous 284.38
Chg. 17.1%

Value Traded (PkRmn/US\$m)

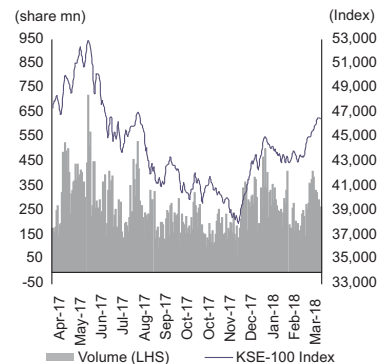
Current 10,216 / 88.37
Previous 11,263 / 97.42
Chg. -9.3%

AKD Daily

Friday, Apr 13, 2018

News and Views

- Supreme Court today in its verdict in the case regarding period of disqualification of members of the parliament under Article 62(1)(f) of the Constitution has disqualified Nawaz Sharif and Jahangir Tareen for the rest of their lives from contesting elections.
- The federal cabinet has given the formal consent on the decision of Cabinet Committee on Privatization (CCoP) for issuance of national security certificate for sale of KES power's 66.4% shares in KEL to Shanghai Electric Power.
- ECC in a meeting has allowed SSGC to reallocate PkR14.8bn from RLNG-II pipeline project to LPG air mix projects for their expeditious completion.
- As per the SBP data, the country's total FX reserves fell by US\$156.6mn during the previous week, standing at US\$17.64bn (-0.9%WoW). The reserves held by SBP recorded at US\$11.44bn (down US\$164mn) on account of external debt servicing.



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POL & APL: 3QFY18F Result Previews

POL's BoD is scheduled to meet on Monday, Apr 16'18 to deliberate on its 3QFY18 accounts, where we anticipate the company to publish earnings of Pkr3.75bn (EPS: Pkr15.85) cumulating to 9MFY18 profitability of Pkr8.51bn (EPS: Pkr35.96), up 14.0% from last year's Pkr7.47bn (EPS: Pkr31.55). While the 9M profitability is higher on account of elevated oil prices (Arab Lite +22.0%YoY) and enhanced production by 4.8%YoY on BOE basis (majorly due to Jhandial's addition), it is pertinent to note that the results incorporate older gas prices for TAL block fields considering that the decision in this regard is still pending. Recall, the company reversed enhanced revenues amounting to Pkr3.01bn in 2QFY18 earlier being accounted for TAL block fields from Jul 1'15 till Dec 31'17 prior to the Windfall levy issue (as discussed upon in our daily "Pakistan E&Ps: The looming Risk" dated Feb 27'18). Despite the absence of dry wells, exploration expenses in the period are expected to grow by 118%YoY as the company conducted seismic surveys on Balkassar lease & DG Khan concession along with processing data from Joyamair/Khaur North leases as well. Moreover, while other income can show an increment of 85%YoY on account of exchange gains on US\$ denominated financial assets, losses on account of US\$ denominated decommissioning costs can limit the net positive impact. In-line with its policy, we do not expect the company to declare a dividend in this quarter.

POL: 3QFY18F Result Preview

(Pkrmn)	9MFY18F	9MFY17	YoY	3QFY18	QoQ
Net Sales	22,303	20,416	9.24%	9,235	53.92%
Royalty	1,833	1,742	5.21%	757	76.81%
Operating Exp.	6,411	6,362	0.76%	2,307	7.01%
Excise duty and development surcharge	238	200	18.77%	92	20.68%
Amortization & decommissioning	2,110	1,969	7.18%	620	-36.64%
Gross Profit	11,712	10,142	15.48%	5,459	131.21%
Exploration and Prospecting Exp.	953	437	118.28%	213	-54.54%
General and Admin Exp.	139	103	35.28%	49	-5.24%
Operating Profit	10,620	9,603	10.59%	5,197	182.26%
Other Income	2,328	1,260	84.80%	763	-42.02%
WPPF and WWF	772	625	23.59%	390	163.07%
EBIT	12,175	10,238	18.93%	5,570	85.11%
Finance Cost	1,224	585	109.33%	549	12.68%
Profit before Tax	10,951	9,653	13.45%	5,022	99.10%
Taxation	2,441	2,187	11.62%	1,184	301.20%
Profit after Tax	8,510	7,466	13.99%	3,838	72.33%
Earning Per Share @ 236.5mn shares	35.96	31.55	13.99%	16.22	72.33%

Source: Co Report & AKD Research

POL: Earnings for 9MFY18F

(PKR/sh)	Earnings for 9MFY18 Base case (older gas prices)	Earnings from enhanced gas prices and windfall levy ignored (similar to PPL and OGDC)
From revenues prior to Jul 1'15	-	5.99
From revenues from Jul 1'15 till Dec 31'17	-	7.16
From revenues for 3QFY18	-	1.35
Total	35.96	50.46

Source: AKD Research



APL: 3QFY18F Result Preview

For APL, we expect NPAT for 3QFY18 to amount to PkR1.41bn, up 17%YoY but down a muted 5%QoQ. Following on, a 3%QoQ hike in volumes and smooth upwards sailing of MS & HSD ex-refinery prices in Feb & March 18 could lead to inventory gains in the quarter (expected at ~PkR750mn). That said, exchange losses from PkR devaluations vs. the greenback are expected to deplete the bottom-line, resting at ~PkR226mn for the quarter. Looking ahead, growth from fuel farm venture with PSO at the Islamabad airport (expected to be inaugurated on Apr 20'18), expansion in storage facilities and irectail fuels are expected to supplement earnings in the medium term. We have a FCFE based TP of PkR725/sh, implying a BUY stance. Keeping in step with the OMCs bi-annual payout policy, no payout is expected to accompany results.

APL: 3QFY18F Result Preview

(PkRmn)	3QFY18F	3QFY17	YoY	QoQ
Net sales	40,952	34,679	18%	8%
CGS	38,459	32,871	17%	9%
Gross profit	2,211	1,808	22%	-9%
Gross margin	5.4%	4.3%	27%	-16%
Other income	220	231	-5%	6%
Operating expenses	590	506	17%	-12%
Operating profit	1,841	1,532	20%	-6%
Income on bank deposits	316	278	14%	2%
Profit from associates	32	29	8%	-7%
WPPF	97	86	12%	-10%
EBIT	2,092	1,753	19%	-5%
Finance Cost	112	89	27%	-18%
PBT	1,979	1,665	19%	-4%
Tax	574	463	24%	-1%
PAT	1,405	1,202	17%	-5%
EPS (PkR)	16.9	14.5		

Source: Co Report & AKD Research

Petroleum Products Volumes

000Tons	2QFY18	3QFY18	3QFY17
FO	135	130	146
HSD	201	203	197
MOGAS	142	159	134
HOBC (95/97RON)	3	2	1
JP	1	3	2
KERO	6	7	7
LDO	1	1	2
Others	-	-	-
Total	490	505	488

Source: OCAC & AKD Research



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Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



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