

PSO | PPL | FFBL | FFC | ENGRO

PSO: Earnings are expected to swell up by 15x YoY

Pakistan State Oil (PSO) is scheduled to announce its 1QFY24 result on 20th Oct'23, where we estimate the company to post a profit after tax of PKR 17.7bn (EPS: PKR 37.68), augmenting by 15x YoY. Net revenue of the company is projected to climb up by 10% YoY on the back of i) a higher average retail price of petroleum products, and ii) a jump in MS and HSD volumes by 7% and 8% YoY due to low base impact from last year. Meanwhile, FO volumes dwindled by 87% YoY. Gross margins are expected to settle at 5.47% in 1QFY24 compared to 0.78% in SPLY owed to massive inventory gains of ~PKR 30bn during the period under review. However, the finance cost is expected to increase by 3x YoY owed to higher short-term borrowings. On a sequential basis, the company is expected to book healthy profitability compared to a loss of PKR 4.6bn (LPS: PKR 9.85) in 4QFY23, which is due to i) inventory gains during the quarter compared to inventory losses in 4QFY23, and ii) 5% QoQ growth in overall sales volumes (MS and FO offtake up by 8% and 3x QoQ, respectively).

Exhibit: Financial Highlights

(PKR mn)	1QFY24e	1QFY23a	YoY	4QFY23a	QoQ
Sales	948,198	862,264	10%	874,159	8%
Gross Profit	51,834	6,720	671%	16,621	212%
Gross Margin	5.47%	0.78%		1.90%	
Other income	2,111	6,449	-67%	1,963	8%
Finance Cost	15,131	4,796	216%	15,192	0%
PAT	17,692	1,198	15x	(4,623)	nm
EPS (PKR)	37.68	2.55		(9.85)	

Source (s): Company Financials, AHL Research

PPL: Profitability to grow by 7% YoY in 1QFY24

Pakistan Petroleum Limited (PPL) is scheduled to announce its 1QFY24's financial result on 30th Oct'23, where we anticipate the company's profitability to clock-in at PKR 28,418mn (EPS: PKR 10.44) during the quarter compared to PKR 26,614mn (EPS: PKR 9.78) in 1QFY23, up by 7% YoY. The growth in earnings during 1QFY24 is anticipated on account of i) 4% YoY increase in Sui wellhead price, ii) 23% YoY depreciation of Pak Rupee against greenback. Meanwhile, oil and gas production witnessed a drop of 4.9% and 5.1% YoY, respectively. Furthermore, we expect the exploration expense to come down by 43% YoY in 1QFY24 to PKR 842mn amid absence of dry well during the quarter. On a sequential basis, the net profit depicted a surge 76% QoQ, which is owed to i) 18% and 3% QoQ growth in oil and gas production, respectively, ii) appreciation of USD against PKR, and iii) higher other exploration expense charged during 4QFY23.

Exhibit: Financial Highlights

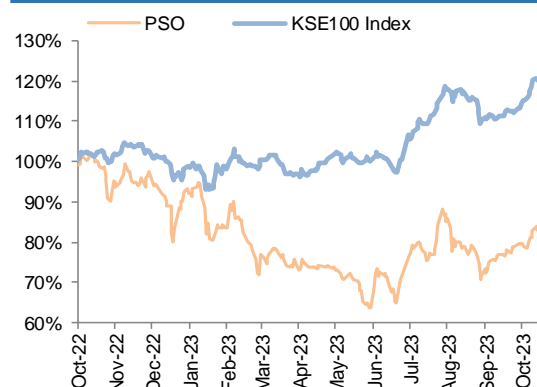
(PKR mn)	1QFY24e	1QFY23a	YoY	4QFY23a	QoQ
Net Sales	76,563	72,611	5%	72,305	6%
Operating Expense	14,135	11,476	23%	12,379	14%
Gross Profit	49,059	48,602	1%	48,197	2%
Exploration Expenses	842	1,480	-43%	8,679	-90%
Profit after taxation	28,418	26,614	7%	16,103	76%
EPS (PKR)	10.44	9.78		5.92	

Source (s): Company Financials, AHL Research

BUY

Target Price	202.79
Last Closing	121.64
Upside	66.7%
PSX Code	PSO
Bloomberg Code	PSO POA

Relative Performance

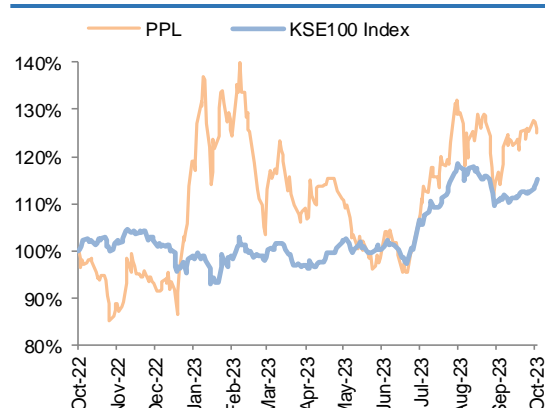


Source (s): PSX, AHL Research

BUY

Target Price	108.67
Last Closing	77.48
Upside	40.3%
PSX Code	PPL
Bloomberg Code	PPL PA

Relative Performance



Source (s): PSX, AHL Research

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FFBL: Bottom-line expected to settle at PKR 3.42/share in 3QCY23

Fauji Fertilizer Bin Qasim Limited (FFBL) is scheduled to announce its financial result for 9MCY23 on 24th Oct'23, where we expect the company to post a loss after tax of PKR 533mn (LPS: PKR 0.41) compared to a profit after tax of PKR 1,714mn (EPS: PKR 1.33) in SPLY due to massive exchange loss of PKR 4,620mn during 1QCY23. On a quarterly basis, the profitability is estimated to be PKR 4,418mn (EPS: PKR 3.42) vis-à-vis loss of PKR 1,696mn (LPS: PKR 1.31) owed to massive jump in DAP offtake by 5.0x YoY coupled with 48% YoY higher urea price. Meanwhile, the urea sales declined by 31% YoY during the quarter. Gross margins are forecasted to settle at 17.0% during 3QCY23 (up by 40bps) owed to higher DAP sales tagged with a decline in phosphoric acid price. The exchange losses are expected to arrive at ~PKR 84mn compared to PKR 4,166mn in SPLY. Other income is set to grow by 26% YoY given the expectation of higher income from cash and cash balances. Furthermore, financial charges are expected to climb by 2x YoY due to the jump in interest rates and short-term borrowings.

Exhibit: Financial Highlights

(PKR mn)	9MCY23e	9MCY22a	YoY	3QCY23e	3QCY22a	YoY	QoQ
Net Sales	146,766	93,501	57%	80,008	22,568	255%	127%
Gross Profit	20,424	17,934	14%	13,634	3,754	263%	200%
Exchange loss/(gain)	4,769	7,216	-34%	84	4,166	-98%	30%
Other Income	4,654	5,330	-13%	1,215	964	26%	-52%
Financial Charges	8,094	2,806	189%	2,769	1,193	132%	-2%
Net Profit/(Loss)	(533)	1,714	nm	4,418	(1,696)	nm	822%
EPS/(LPS) (PKR)	(0.41)	1.33		3.42	(1.31)		

Source (s): Company Financials, AHL Research

FFC: Net Profit expected to ascend by 78% YoY in 3QCY23

Fauji Fertilizer Company Limited is expected to disclose its 9MCY23's financial result on 25th Oct'23, where we expect earnings to clock-in at PKR 22,427mn (EPS: PKR 17.63), up by 51% YoY on account of jump in urea and DAP offtake by 6% and 37% YoY, respectively. On a quarterly basis, the net profit is anticipated to surge by 78% YoY, settling at PKR 9,348mn (EPS: PKR 7.35) in 3QCY23. The massive growth in profitability comes amid increase in urea and DAP sales by 27% and 3.8x YoY, respectively tagged with higher urea prices. Gross margins are expected at 43.8% in 3QCY23 versus 38.6% in 3QCY22 due to higher urea sales. Furthermore, the other income is expected to ascend by 19% YoY in 3QCY23, arriving at PKR 3,415mn amid higher income from cash and cash balances. Furthermore, financial charges are expected to arrive at PKR 1,319mn, up by 9% YoY on account of higher interest rates. Alongside this, the company is expected to announce a cash dividend of PKR 6.00/share in 3QCY23 (9MCY23: PKR 13.41/share).

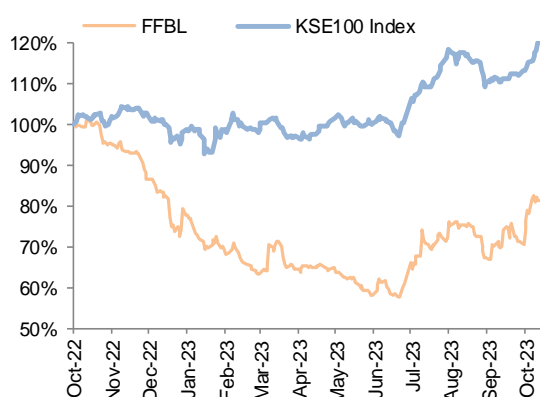
Exhibit: Financial Highlights

(PKR mn)	9MCY23e	9MCY22a	YoY	3QCY23e	3QCY22a	YoY	QoQ
Net Sales	113,957	79,180	44%	41,999	24,474	72%	18%
Gross Profit	49,612	30,340	64%	18,384	9,440	95%	10%
Other Income	9,710	10,288	-6%	3,415	2,879	19%	24%
Financial Charges	3,976	3,228	23%	1,319	1,210	9%	11%
Net Profit	22,427	14,843	51%	9,348	5,244	78%	75%
EPS (PKR)	17.63	11.67		7.35	4.12		
DPS (PKR)	13.41	8.98		6.00	3.18		

Source (s): Company Financials, AHL Research

HOLD

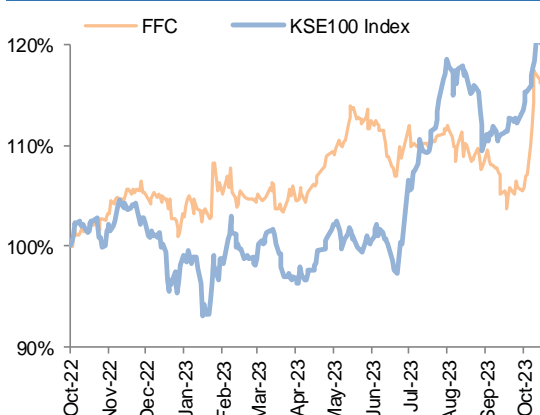
Target Price	15.16
Last Closing	16.21
Upside	-6.5%
PSX Code	FFBL
Bloomberg Code	FFBL PA

Relative Performance

Source (s): PSX, AHL Research

BUY

Target Price	136.23
Last Closing	101.97
Upside	33.6%
PSX Code	FFC
Bloomberg Code	FFC PA

Relative Performance

Source (s): PSX, AHL Research

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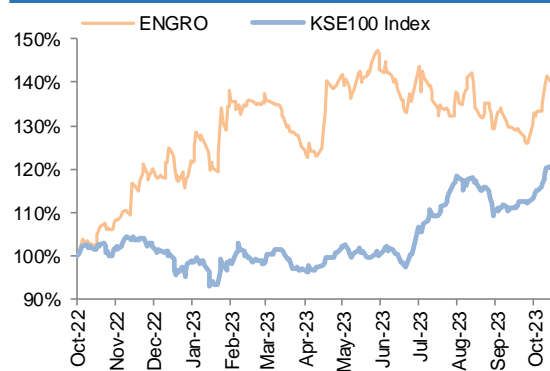
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ENGRO: Earnings expected to arrive at PKR 21.04/share in 3QCY23

Engro Corporation Limited (ENGRO) is expected to announce its 9MCY23 financial result on 23rd Oct'23, where we expect the company's consolidated earnings to clock in at PKR 21,866mn (EPS: PKR 40.75 @536mn shares), up by 42% YoY. On a quarterly basis, the company's profitability is forecasted to arrive at PKR 11,292mn (EPS: PKR 21.04 @536mn shares) in 3QCY23, depicting a jump of 41% YoY. On the fertilizer business front, EFERT's bottom-line clocked in at PKR 9,581mn (EPS: PKR 7.17) against PKR 4,182mn (EPS: PKR 3.13) in SPLY, up by 2x YoY given surge in urea and DAP dispatches by 63% and 58% YoY, respectively coupled with hike in urea prices. Meanwhile, earnings of Engro Polymer & Chemicals Limited (EPCL) arrived at PKR 2,642mn (EPS: PKR 2.91), up by 17% YoY, owed to higher volumetric sales. Whereas, Engro Powergen Qadirpur Pakistan Limited (EPQL) posted a Profit after Tax of PKR 1,221mn (EPS: PKR 3.77) in 3QCY23 versus PKR 971mn (EPS: PKR 3.00) during SPLY, up by 26% YoY owed to higher period weighting factor applied to capacity payments. Furthermore, the net profit of Frieslandcampina Engro Pakistan Ltd (FCEPL) arrived at PKR 249mn (EPS: PKR 0.33), down by 70% YoY on the back of i) fall in gross margins by 458bps to 12.74% owed higher power cost, and ii) higher interest rates. In addition to this, we expect the profitability of Elengy business to arrive at PKR 1,495mn, with an assumption of handling of ~662/mmcf of RLNG in 3QCY23, as per our estimates. Meanwhile, contribution from Thar business (EPTL & SECMC) during 3QCY23 is anticipated to be PKR 4,113mn. Alongside the result, we expect the company to announce a cash dividend of PKR 12.00/share in 3QCY23 (PKR 54.00/share in 9MCY23).

BUY

Target Price	366.83
Last Closing	266.13
Upside	37.8%
PSX Code	ENGRO
Bloomberg Code	ENGR PA

Relative Performance

Source (s): PSX, AHL Research

Source (s): PSX, AHL Research

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form the current market price, with the Target period as June 2024 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside of subject security(ies) is between -15% and +15% from last closing of market price(s)
SELL	Upside of subject security(ies) is less than -15% from last closing of market price(s)

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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