Pakistan Petroleum Limited (PPL) – 1QFY26

Wednesday, October 29, 2025

Pakistan Petroleum Limited (PPL) reported earnings of PKR 20.1bn (EPS: PKR 7.38) for 1QFY26, coming in slightly below our expectation of PKR 8.00. The decline in profitability stemmed primarily from lower hydrocarbon production and subdued international oil prices, partially offset by reduced exploration and operating expenses. Alongside the result, the company announced an interim cash dividend of PKR 2.00/share, in line with our expectation, reaffirming PPL's commitment to shareholder returns despite a challenging price environment.

Key Highlights:

- **Topline Performance:** Net sales dropped 14% y/y to PKR 56.8bn, reflecting lower oil and gas volumes and weaker average realized prices during the quarter.
- **Cost Efficiency:** Operating expenses fell 8% y/y to PKR 13.6bn, indicating disciplined cost management and optimized field operations.
- **Gross Profit:** Declined 15% y/y to PKR 34.6bn, consistent with topline contraction.
- **Exploration Costs:** Decreased 58% y/y to PKR 633mn, as the company recorded fewer dry wells and maintained a stable success ratio in exploration activities.
- **Other Income:** Registered a sharp decline of 68% y/y to PKR 2.0bn, primarily due to the absence of one-off exchange and dividend gains recognized in the same period last year.
- **Bottom Line:** Profit after tax settled at PKR 20.1bn, down 15% y/y, translating into an EPS of PKR 7.38 compared to PKR 8.67 in 1QFY25.

Looking ahead, PPL's earnings trajectory is anticipated to improve on the back of production recovery from key fields and a gradual rebound in global oil prices. Continued focus on high-impact exploration wells is expected to enhance the company's reserve base and sustain long-term output growth. Furthermore, improved receivable collections and disciplined cost control are likely to provide support to margins, while exchange rate stability could moderate volatility in other income.

Financials (PKR in mn)	1QFY26	1QFY25	Y/Y
Rev. from contracts with customers	56,812	66,177	-14%
Operating expenses	(13,648)	(14,851)	-8%
Royalties & other levies	(8,611)	(10,536)	-18%
Gross Profit	**34,553**	**40,790**	**-15%**
Exploration expenses	(633)	(1,519)	-58%
Administrative expenses	(1,494)	(1,644)	-9%
Finance costs	(489)	(561)	-13%
Share of loss of associates	(99)	(618)	-84%
Other charges	(3,013)	(4,099)	-26%
Other Income	2,024	6,394	-68%
Profit Before Tax	**28,825**	**38,743**	**-26%**
Taxation	(10,761)	(15,166)	-29%
Profit After Tax	**20,088**	**23,578**	**-15%**
EPS (PKR)	**7.38**	**8.67**	**-15%**

Source: Company Financials, HMFS Research

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HMFS RATING GUIDE

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+92-21-32648442 www.hmfs.com.pk research@hmfs.com.pk