September 19, 2025
REP 019

PPL 4QFY25 Result Review — Lower hydrocarbon production softens bottom-line

AKD Securities Limited

Pakistan Petroleum Limited (PPL) reported 4QFY25 financial results earlier today, with consolidated earnings clocking in at PkR18.1bn for the final quarter (EPS: PkR6.65), up 1% YoY — slightly below expectations. Alongside the earnings, company also announced a final cash dividend of PkR2.5/sh, taking FY25 cash payout to PkR7.5/sh (payout ratio: 23%), compared to PkR6.0/sh in FY24.

- Net Sales stood at PkR52.4bn during 4QFY25, down 19%YoY, largely led by reduced hydrocarbon production alongside lower average oil prices (Arab light: US$69/bbl during 4Q, down 22%YoY).
- Regarding hydrocarbon production, PPL's estimated oil and gas output fell by 11%/19% YoY during 4QFY25, reaching 9.5k bpd of oil and 423mmcfd of gas, respectively.
- Operating expenses for the quarter amounted PkR13.5bn, marking a 22%YoY decline. Additionally, exploration expenses totaled PkR5.7bn for 4QFY25 (up 24%YoY), as the company was involved in the drilling of Lal X-1 in Kandhkot alongside 2D seismic activity in Khuzdar E.L.
- Other income clocked in at PkR4.7bn, down 16%YoY. The decline is possibly due to lower investment yields alongside reduced cash and short-term investment balances during the outgoing quarter (PkR85bn during 4QFY25, down 27%YoY), as company chose to retire outstanding working capital liabilities during the period (trade payables: PkR82bn during 4QFY25, down 37%YoY).
- The sharp decline in trade payables may be related to the payment of the lease extension bonus on Sui D&PL during the period; however, clarity on this matter is still awaited.
- Effective tax rate for 4QFY25 stood at 33%, taking full-year ETR to 34% for FY25.
- For the full year, company's earnings cumulated to PkR90bn (EPS: 33.06), down by 22% YoY. The annual decline in profitability was due to i) lower hydrocarbon production due to supply curtailments, and ii) lower oil and wellhead prices.
- We reiterate our 'BUY' stance on PPL with a Dec'25 target price of PkR281/sh, alongside a DY of 6.5% during the same period. Our outlook is strengthened on the back of: i) higher future exploration prospects given improving liquidity situation, ii) 8.33% stake in highly prospective Reko Diq Mining Project, and iii) offshore working interests in Abu Dhabi Block-5, along with consortium partners and iv) improvement in cash payouts.

PPL: Income Statement

(PKRmn)	4QFY25	4QFY24	YoY	3QFY25	QoQ	FY25	FY24	YoY
Net Sales	52,416	64,717	-19%	64,486	-19%	244,977	291,241	-16%
Royalty	7,580	10,567	-28%	10,167	-25%	37,663	45,450	-17%
Op. Exp.	13,487	17,272	-22%	13,581	-1%	54,701	55,892	-2%
Exploration Exp.	5,667	4,586	24%	2,126	167%	11,188	12,510	-11%
Other Income	4,685	5,563	-16%	4,319	8%	24,186	17,527	38%
Other charges	2,113	4,559	-54%	2,731	-23%	11,763	18,327	-36%
Tax	8,899	9,893	-10%	13,098	-32%	46,919	44,802	5%
PAT	18,098	17,852	1%	21,897	-17%	89,949	115,477	-22%
EPS (PkR)	6.65	6.56	1%	8.05	-17%	33.06	42.44	-22%
DPS (PkR)	2.50	2.50	-	1.00	-	7.50	6.00	25%

Source: PSX & AKD Research

Muhammad Ali
ali.muhammad@akdsl.com
+92-21-111253111 EXT:637

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AKD Securities Limited
602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsl.com