

# Flash Note

Tuesday, 17 October 2017

## Oil & Gas Exploration Companies

### POL to receive PKR 2.9bn in respect of gas price notification for Mamikhel, Maramzai & Makori East

- According to notice issued on PSX by Pakistan Oilfields Limited (POL), the operator of Tal block (MOL) has notified the company to receive a one-time amount of PKR 2.9bn in respect of notification of gas price for Mamikhel, Maramzai & Makori East for conversion to Petroleum Policy 2007, 2009 and 2012 according to the terms of Supplemental Agreement signed with Government of Pakistan (GoP).
- Based on our estimates, we expect one-time incremental earnings impact of PKR 7-8/share for POL which is likely to be realized during 2QFY18 or 3QFY18.
- We highlight that the total amount as notified by the company in its financial statements stood at USD 34.39mn (PKR 3.6bn assuming exchange rate of PKR 105/USD) in respect of Mamikhel, Maramzai & Makori East in Tal block and Domial in Ikhlas block.
- As the company has only received the amount in respect of Tal block of PKR 2.9bn, we expect the difference of PKR 0.7-0.8bn in respect of Domial discovery to be notified soon having additional earnings impact of PKR 1.7-1.9/share.
- For POL this one-time amount will likely result in earnings accretion of +13% in FY18 to PKR 61.92/share (inclusive of Jhandial discovery) and a target price upside of 1.4% to PKR 628.24/share. Based on earnings of PKR 61.92/share, POL is currently trading at FY18E/19F P/E of 9.2x/8.8x with a dividend yield of 10.2%.

Exhibit:

#### Earnings Impact on POL

Company	Stake in Tal Block	Block	Amt. Received (PKRbn)	Additional EPS Impact (PKR/share)	EPS FY18E		P/E (x)	
					Pre	Post	Pre	Post
POL	21.1%	Tal Block	2.90	7.0	54.9	61.9	10.7	9.5
	80.0%	Ikhlas	0.70	1.7	54.9	63.6	10.7	9.2
<b>Total</b>			<b>3.60</b>	<b>8.7</b>	<b>54.9</b>	<b>63.6</b>	<b>10.7</b>	<b>9.2</b>

Source: IGI Research, PSX

### OGDC and PPL likely to receive amount in respect of Tal block

- It is pertinent to mention that Pakistan Petroleum Limited (PPL) and Oil & Gas Development Company Limited (OGDC) also hold a 27.76% working interest in Tal Block.
- Although the amount to be received by PPL and OGDC is yet to be notified, we expect one-time incremental impact of PKR 1.36/share and PKR 0.62/share for OGDC and PPL, respectively.

Exhibit:

#### Earnings Impact on OGDC and PPL

Company	Stake in Tal Block	Block	Amt. Received (PKRbn)	Additional EPS Impact (PKR/share)	EPS FY18E		P/E (x)	
					Pre	Post	Pre	Post
PPL	27.8%	Tal Block	3.8	1.4	19.0	20.4	9.0	8.4
OGDC	27.8%	Ikhlas	3.8	0.6	19.2	19.8	7.7	7.5

Source: IGI Research, PSX

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