

Day Break

Wednesday, 26 April 2017

COMPANY UPDATE

PAKISTAN PETROLEUM LIMITED

OIL & GAS EXPLORATION COMPANIES

Recommendation	BUY
Target Price:	205.4
Last Closing:	25-Apr-17 167.9
Upside:	22.4
Valuation Methodology:	Reserve based - Discounted Cash Flow (DCF)
Time Horizon:	Dec-17

Market Data

Bloomberg Tkr.	PPL PA
Shares (mn)	1,971.7
Free Float Shares (mn)	481.3
Free Float Shares (%)	24.4%
Market Cap (PKRbn USDmn)	331.0 3,157.2
Exchange	KSE 100
Price Info.	90D 180D 365D
Abs. Return	(17.7) (5.4) (12.8)
Lo	152.5 152.5 152.5
Hi	193.3 163.7 177.6

Key Company Financials

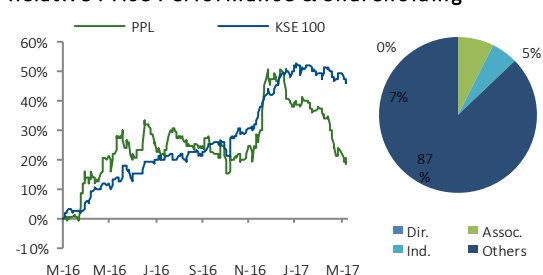
Period End: Jun

PKRbn	FY16A	FY17E	FY18F	FY19F
Total Revenue	80.2	93.0	109.8	106.4
Net Income	17.24	27.9	34.3	32.1
EPS (PKR)	8.7	14.2	17.4	16.3
DPS (PKR)	5.8	6.3	7.8	7.3
Total Assets	272.5	284.6	304.4	322.9
Total Equity	272.5	284.6	304.4	322.9

Key Financial Ratios

ROE (%)	6.3	9.8	11.3	10.0
P/E (x)	19.2	11.9	9.6	10.3
P/B (x)	1.2	1.2	1.1	1.0
DY (%)	3.4	3.7	4.6	4.3

Relative Price Performance & Shareholding



About the Company

The Company was incorporated in Pakistan in 1950 with the main objectives of conducting exploration, prospecting, development and production of oil and natural gas resources.

Source: Bloomberg, KSE 100 & IGI Research

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Oil & Gas – Exploration Companies

PPL: Increased flows from Adhi/Nashpa to lift earnings by +87%YoY in 3QFY17

- Pakistan Petroleum Limited's (PPL) board meeting is scheduled on 27th Apr-17 to announce financial result for 3QFY17. We expect the company to report earnings of PKR 7.10bn (EPS PKR 3.60) up by +87%YoY in 3QFY17 as compared to PKR 3.81bn (EPS PKR 1.93).
- We attribute this substantial earnings growth to a) +37%YoY higher oil production to 17,858bopd led by increased production from Nashpa/Adhi field (up by +32%/+13%YoY), b) 27%YoY increase in gas production to 907mmcf led by higher flows from Nashpa/Adhi/Kandhkot (up by +17%/+32%/87%YoY), and c) +79%YoY increase in oil prices.
- We maintain our **"BUY"** call on PPL with our Dec-17 target price of PKR 205/share, offering +22% upside from its last closing.

Earnings to clock in at PKR 3.60/share in 3QFY17, up by +87%YoY

Pakistan Petroleum Limited's (PPL) board meeting is scheduled on 27th Apr-17 to announce financial result for 3QFY17. We expect the company to report earnings of PKR 7.10bn (EPS PKR 3.60) up by +87%YoY in 3QFY17 as compared to PKR 3.81bn (EPS PKR 1.93) in the same period last year. We attribute this substantial earnings growth to a) +37%YoY higher oil production to 17,858bopd led by increased production from Nashpa/Adhi field (up by +32%/+13%YoY), b) 27%YoY increase in gas production to 907mmcf led by higher flows from Nashpa/Adhi/Kandhkot (up by +17%/+32%/87%YoY), and c) +79%YoY increase in oil prices.

Cumulative earnings for 9MFY17 is anticipated to clock in at PKR 18.90bn (EPS PKR 9.58) as compared to PKR 15.70bn (EPS PKR 7.96) in the corresponding period last year.

Recommendation

We maintain our **"BUY"** call on PPL with our Dec-17 target price of PKR 205/share, offering +22% upside from its last closing. The company is currently trading at a FY17E P/E of 11.9x and offers a dividend yield of 4%.

Exhibit:

Financial Highlights

PKRmn	3QFY17E	3QFY16	YoY	9MFY17E	9MFY16	YoY
Net Sales	24,572	18,114	36%	64,597	59,426	9%
Field Expenditure	12,885	11,107	16%	32,988	31,150	6%
Royalty	2,826	2,037	39%	7,524	6,829	10%
Gross Profit	8,861	4,970	78%	24,086	21,447	12%
Other Income	1,345	1,152	17%	3,581	4,194	-15%
Finance Cost	174	165	6%	407	493	-18%
PBT	9,731	5,658	72%	26,091	21,792	20%
PAT	7,104	3,807	87%	18,901	15,704	20%
EPS (PKR)	3.60	1.93	87%	9.58	7.96	20%
DPS (PKR)	-	-	-	3.00	3.50	-

Source: IGI Research and Company Financials

No of Shares: 1,971.73 mn

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Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Time Horizon: Dec - 2017

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

(Reserve Based DCF Valuation)

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