

Flash Note

Tuesday, 28 June 2016

Oil & Gas Exploration

OGDC; Discovery at Thal West-1 (Thal Block)

- According to media reports, Oil and Gas Development Company (OGDC) has made an oil and gas discovery at Thal West-1 (Thal Block) to the tune of 17.2mmcf of gas.
- OGDC holds 100% stake of both discoveries in Thal Block.
- The well is probable to qualify for higher price under Petroleum Policy 2012 (PP12) as Thal block has been converted to PP12.
- Based on our initial estimates, we expect annualized earnings impact of PKR 0.26/share, 1.6% of FY17 anticipated earnings.
- At current prices we have a “**BUY**” recommendation on OGDC with respective Dec-16 based Target Price of PKR 160/share, offering +20% upside from its last closing price.

Exhibit: Earnings Impact on OGDC

	EPS Impact	% of FY17 earnings
OGDC	0.26	1.6%

Source: IGI Research

Analyst

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Analyst Certification

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

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- Asset Based Valuation

Time Horizon

- Dec-16

Risk

- Changes in State Bank of Pakistan Policy Rate
- Changes in USD/PKR
- Change in Oil price

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