

# Flash Note

Monday, 19 February 2018

## Oil & Gas – Exploration Companies

### OGDC: Retrospective revenues of Tal Block lift 2QFY18 earnings by +28%YoY to PKR 4.57/share

- Oil & Gas Development Company Limited (OGDC) announced financial results for 2QFY18 with earnings clocking in at PKR 19.66bn (EPS PKR 4.57) up by +28%YoY as compared to PKR 15.38bn (EPS PKR 3.58) in the same period last year. This brings cumulative earnings for 1HFY18 to PKR 36.67bn (EPS PKR 8.52) compared to PKR 30.01bn (EPS PKR 6.98) in the corresponding period last year.
- The company announced cash dividend of PKR 3.00/share along with the result, taking 1HFY18 total cash dividend to PKR 4.75/share.
- Revenues leaped up by +25%YoY to PKR 52.00bn during 2QFY18 likely on the back of a) +25%YoY increase in oil prices and; b) retrospective amount of PKR 3.60bn in respect of Tal block due to enhanced gas price incentive offered by GoP under Supplemental Agreement for conversion of Tal block to Petroleum Policy 2012 (PP12) for the period Jul-15 to Dec-17.
- OGDC unlike POL, likely did not reverse the well head price benefit of Tal block decision. To note, POL reversed additional revenue realized for the period Jul-15 to Dec-17 relating to Tal block after Ministry of Finance (MoF) imposed Windfall Levy of oil/condensate through amendment in Petroleum Policy 2012 (PP12) in Dec-17 which is applicable retrospectively. We await further clarity on this matter once 1HFY18 financials are made available.
- The Company also booked +51%YoY rise to PKR 5.84bn in exploration expense during 2QFY18 on the back of 3 dry wells cost incurred during the quarter.
- OGDC also posted +2.68xYoY incline in share of profit from associates to PKR 0.99bn compared to PKR 0.37bn in the same period last year likely on the back of higher profit from Mari Petroleum Company Limited (MARI).
- Effective tax rate stood at 28.9% during 2QFY18 as compared to 21.8% in the corresponding period last year.

Exhibit:

#### Financial Highlights

PKRmn	2QFY18	2QFY17	YoY	1HFY18	1HFY17	YoY
Net Sales	51,998	41,516	25%	95,960	81,081	18%
Royalty	5,530	4,521	22%	9,962	8,828	13%
Operating Expenses	14,325	15,277	-6%	28,280	28,356	0%
Gross Profit	31,723	21,291	49%	56,883	43,061	32%
Other Income	3,633	4,248	-14%	6,744	9,309	-28%
Exploration and Prospecting	5,841	3,868	51%	7,365	8,189	-10%
Finance Cost	428	412	4%	847	815	4%
WPP Fund	1,455	1,035	41%	2,738	2,132	28%
Share of profit from associates	988	369	168%	1,445	922	57%
PBT	27,640	19,668	41%	52,029	40,503	28%
PAT	19,662	15,377	28%	36,672	30,008	22%
EPS (PKR)	4.57	3.58		8.52	6.98	
DPS (PKR)	3.00	1.00		4.75	2.50	

Source: IGI Research and Company Financials

No Shares: 4,300.9mn

#### Analyst

Abdullah Farhan

[abdullah.farhan@igi.com.pk](mailto:abdullah.farhan@igi.com.pk)

Tel: (+92-21) 111-234-234 Ext.: 912

## Important Disclaimer and Disclosures

**Research Analyst(s) Certification:** The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

**Disclaimer:** The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

**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)

**Risk:** Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

**Basic Definitions and Terminologies used:** **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

© Copyright 2017 IGI Finex Securities Limited

## Contact Details

### Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Syed Daniyal Adil	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 973	daniyal.adil@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Tanweer Kabbeer	Research/Fund Select	Tel: (+92-21) 111-234-234 Ext: 966	tanweer.kabbeer@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	umesh.solanki@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Ejaz Rana	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	ejaz.rana@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of  
Pakistan Stock Exchange Limited |  
Corporate member of Pakistan Mercantile Exchange Limited

#### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780

Website: [www.igisecurities.com.pk](http://www.igisecurities.com.pk)

#### Stock Exchange Office

Room # 719, 7th Floor, PSX Building, Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

#### Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,  
Gulberg II, Lahore  
Tel: (+92-42) 35777863-70, 35876075-76  
Fax: (+92-42) 35763542

#### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
Building, 2- Liaqat Road, Faisalabad  
Tel: (+92-41) 2540843-45  
Fax: (+92-41) 2540815

#### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road, Multan  
Tel: (92-992) 408243 - 44

#### Peshawar Office

2nd Floor, The Mall Tower,  
35 The Mall Peshawar Cantt.  
Tel: (92-91) 5253035, 5278448

#### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
Block- B, Jinnah Avenue, Blue Area, Islamabad  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

#### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road, Rahim Yar Khan  
Tel: (+92-68) 5871653-6, 5871652  
Fax: (+92-68) 5871651

#### Abbottabad Office

Ground Floor, Al Fatah Shopping Center, Opp. Rad  
Station, Mansehra Road, Abbottabad  
Tel: (+92-99) 2408243 - 44

#### Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,  
Mubarak Pura, Sialkot.  
Tel: (+92-52) 3258437, 3258762