

# Flash Note

Wednesday, 24 August 2016

## Oil & Gas Exploration Companies

### OGDC Announces Oil/Gas Discovery at Nashpa Well 6 and 7

- According to PSX filing, Oil and Gas Development Company (OGDC) has made an oil and gas discovery at Nashpa concession from development well Nashpa-6 and Nashpa-7.
- The company expects Nashpa well-6 to come online by mid of Sep-2016, while Nashpa well-7 is anticipated to commence production within this week.
- OGDC and PPL hold 56.5% and 28.6% stake in Nashpa Development & Production Lease, respectively.
- Based on our initial estimates, we expect annualized earnings impact of PKR 0.67/share (4.0% of FY17 earnings) for OGDC and PKR 0.74 (4.3% of FY17 earnings) for PPL, assuming oil price of USD 45/bbl.

#### Recommendation

The scrip is currently trading at FY17 P/E multiple of 8.3x. With our Dec-16 TP of PKR 162/share, the stock offers upside of +15%, hence we maintain **'BUY'** call on the scrip.

#### Exhibit: EPS impact

PKR/share	EPS Impact	% of FY17 earnings
OGDC	0.67	4.0%
- Nashpa Well-6	0.35	2.1%
- Nashpa Well-7	0.32	1.9%
PPL	0.74	4.3%
- Nashpa Well-6	0.39	2.3%
- Nashpa Well-7	0.35	2.0%

Source: IGI Research & PSX

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### Analyst Certification

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### Valuation Methodology

The analyst<sup>^</sup> 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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