

Flash Note

Wednesday, 18 October 2017

Oil & Gas Exploration Companies

OGDC to receive PKR 3.62bn from Tal Block post notification of gas price by OGRA for Mamikhel, Maramzai & Makori East

- According to notice issued on PSX by Oil & Gas Development Limited (OGDC), the operator of Tal block (MOL) has notified the company to receive a one-time amount of PKR 3.62bn 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).
- OGDC holds 27.76% working interest in Tal Block along with PPL (27.76% stake) and POL (21.05% stake).
- As per our initial estimate, as stated in our Flash note titled "*Flash Note - October 17, 2017 - Oil & Gas Exploration Companies - POL to receive PKR 2.9bn in respect of gas price notification for Mamikhel, Maramzai & Makori East*" ([click here to view the note](#)), the amount to be received by OGDC is close to what we projected.
- Based on our estimates, we expect one-time incremental earnings impact of PKR 0.6/share for OGDC which is likely to be realized during 2QFY18 or 3QFY18.
- We highlight that during FY17, the company received PKR 64.294mn in respect of conversion of Sheikhan, Gopang and Pakhro to Petroleum Policy 2012 (PP12) post notification by OGRA. Although the amount is not substantial, we estimate this amount to have contributed nearly PKR 0.01/share towards total earnings in FY17.
- As a result, we foresee OGDC's FY18F earnings to accrete by +3% to PKR 19.8/share leading to an attractive forward P/E of 7.5x.

Exhibit:

Earnings Impact on OGDC

Company	Stake in Tal Block		Amt. Received (PKRbn)	Additional EPS Impact (PKR/share)	EPS FY18E		P/E (x)	
	Block	Block			Pre	Post	Pre	Post
OGDC	27.8%	Ikhlas	3.62	0.6	19.2	19.8	7.7	7.5

Source: IGI Research, PSX

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