

Flash Note

Thursday, 19 October 2017

Oil & Gas Exploration Companies

PPL to receive PKR 4.2bn from Tal Block post notification of gas price by OGRA for Mamikhel, Maramzai & Makori East

- According to notice issued on PSX by Pakistan Petroleum Limited (PPL), the operator of Tal block (MOL) has notified the company to receive a one-time amount of PKR 4.2bn 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).
- To highlight, the amount stated by MOL in a notice published by Oil & Gas Development Limited (OGDC) on 18th Oct-17, the amount net of tax was PKR 3.62bn and inclusive of sales tax was PKR 4.2bn ([click here to view the notice](#)). As a result the amount of PKR 4.2bn will be adjusted for sales tax, 12.5% royalty and corporate tax.
- PPL holds 27.76% working interest in Tal Block along with OGDC (27.76% stake) and POL (21.05% stake), while MOL (operator) holds 8.4%.
- As per our initial estimate, as stated in our Flash note titled “Flash Note - October 17, 2017 - Oil & Gas Exploration Companies - PPL to receive PKR 4.2bn in respect of gas price notification for Mamikhel, Maramzai & Makori East” ([click here to view the note](#)), the amount to be received by PPL is close to what we projected.
- Based on our estimates, we expect one-time incremental earnings impact of PKR 1.3/share for PPL which is likely to be realized during 2QFY18 or 3QFY18.
- As a result, we foresee PPL’s FY18F earnings to accrete by +7% to PKR 20.2/share leading to an attractive forward P/E of 8.6x.

Exhibit:

Earnings Impact on PPL

Company	Stake in Tal Block	Block	Amt. Received (PKRbn)	Additional EPS Impact (PKR/share)	EPS FY18E		P/E (x)	
					Pre	Post	Pre	Post
PPL	27.8%	Ikhlas	3.62	1.3	18.9	20.3	9.2	8.6

Source: IGI Research, PSX

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