

Flash Note

Friday, 23 September 2016

Oil & Gas Exploration

PPL and MARI; Discovery of Gas at Bashar X-1 ST (Hala Block)

- Pakistan Petroleum Limited (PPL) has made a gas discovery from exploratory well Bashar X-1 ST (Hala Block) to the tune of 8.7mmcf/d.
- PPL and Mari Petroleum Company (MARI) hold 65% and 35% stake, respectively in Hala Block.
- The well is expected to qualify for higher price under Petroleum Policy 2012 (PP12) as Hala block has been converted to PP12.
- Based on our initial estimates, we expect annualized earnings impact of PKR 0.19/share (0.97% of FY18 earnings) for PPL and PKR 1.81/share (1.57% of FY18 earnings) for MARI.
- At current prices we have a **“BUY”** recommendation on PPL and MARI with respective Dec-16 based target prices of PKR 179/share and PKR 1,286/share, offering +12% and +36% upside from its last closing price.

Exhibit: EPS Impact

	EPS Impact	% of FY17 earnings
PPL	0.19	0.97%
MARI	1.81	1.57%

Source: IGI Research

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Time Horizon: Dec - 2016

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

(Reserve Based DCF Valuation)

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