

# Flash Note

Thursday, 11 August 2016



## Oil & Gas Exploration Companies

### PPL: Second Gas Processing Facility at Gambat South Underway

- According to PSX filing, Pakistan Petroleum Limited (PPL) has commissioned its second gas processing facility at Gambat South from Sharf X-1 in Shahdadpur field.
- Initial sale of 22mmcf of gas will be gradually raised to 33mmcf, along with 500-600bopd of condensate after reaching its design threshold.
- We expect PKR 0.33/share impact on PPL's earnings based on sale of 22mmcf gas sale in FY17. With gradual increase to 33mmcf and maximum capacity output of 500-600bopd we expect annualized impact of PKR 0.67/share on company's earning, assuming oil price of USD 45/bbl.
- Based on anticipated production output of 42mmcf of gas and 199bopd at the time of discovery, we estimate annualized earnings impact of PKR 0.69/share on company's earning. This has already been incorporated in our FY17 earnings.

#### Recommendation

We currently have a **“BUY”** call on PPL with our Dec-16 TP of PKR 179/share, offering +13% upside from its last closing of PKR 159/share. The company is currently trading at a FY17E P/E of 10.1x.

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### Analyst Certification

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Recommendation	Rating System
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Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

### 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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