

Flash Note

Monday, 25 September 2017

Oil & Gas Exploration Companies

OGDC: Discovery of Hydrocarbons in Exploratory Well Tando Allah Yar South West-01 (Tando Allah Yar)

- According to notice issued on PSX by Oil & Gas Development Company Limited (OGDC), the company (operator of Tando Allah Yar Block) has discovered oil and gas reserves in exploratory well Tando Allah Yar South West-01 (Tando Allah Yar Block) to the tune of 10 mmcf of gas and 72 bopd of condensate.
- Production from well will be priced under Petroleum Policy 2012 (PP12) as Tando Allah Yar block has been converted to PP12.
- OGDC holds 77.5% stake in the block, while Government Holdings Private Limited (GHPL) holds 22.5% stake.
- Based on our estimate, we expect annualized earnings impact of PKR 0.13/share (0.68% of FY18E earnings) for OGDC based on oil price assumption of USD 55/bbl.

Recommendation

We maintain "BUY" call on OGDC with our Dec-17 target price of PKR 196/share, offering +31% upside from its last closing. The company is currently trading at FY18F P/E of 7.3x and offers a dividend yield of 4.7%.

Exhibit:

Aqeeq-1 Annualized EPS Impact

Company	Exploratory Well	Block	Stake	Discovery	Qty (gas)	Qty (condensate)	Annualized EPS Impact (PKR)	% age of FY18F EPS
OGDC	Tand Allay Yar South West-01	Tando Allah Yar	77.5%	Gas / Condensate	10 mmcf	72 bopd	0.13	0.68%

Source: IGI Research, PSX

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Time Horizon: Dec – 2017

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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