



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

Equity Research / Pakistan

REK-216  
www.jamapunji.pk

### Today's Daily

#### ■ OGDC/PPL/POL: FY17 Result Previews

We preview FY17 financial results for companies in our E&P universe where we expect OGDC/PPL/POL to post earnings of PkR63.32bn/25.65bn/9.90bn for FY17E, up 5.6%/48.8%/36.8% over the previous year. Improved earnings of the companies is attributable to 1) upward movement in Intl. oil prices (up 19%YoY) and 2) heightened oil production across the board (+9%/9%/8%YoY for OGDC/PPL/POL). Briefly commenting on their individual performances, OGDC lagged in comparison with its peers largely due to reduced revenues from Natural Gas (down 11.25%YoY) on the back of lower contribution from its JV fields: Bhit & Badhra, Miano and Kadanwari. PPL, on the other hand, benefitted from incremental gas volumes (320 BCF against 284BCF last year) by virtue of consistent spudding of wells in its flagship leases: Sui and Kandhkot; while for POL, lower exploration expense aided in the upliftment of its bottom-line. At current levels, we have an ACCUMULATE stance on PPL with a target price of PkR205/sh.

#### KSE100 - Index

Current 41,983.16  
Previous 42,153.38  
Chg. -0.40%

#### Mkt Cap. (PkRbn/US\$bn)

Current 8,777 / 83.28  
Previous 8,815 / 83.63  
Chg. -0.42%

#### Daily Turnover (mn)

Current 217.01  
Previous 153.16  
Chg. 41.7%

#### Value Traded (PkRmn/US\$m)

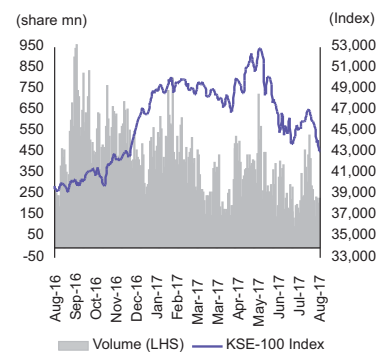
Current 12,152 / 115.29  
Previous 7,804 / 74.04  
Chg. 55.7%

AKD Daily

Wednesday, Aug 23, 2017

### News and Views

- The GoP is reportedly planning to raise US\$1bn through Eurobond/Islamic Sukuk issue aimed at financing widening current account deficit and support depleting foreign currency reserves. In this regard, preliminary work has just started to complete the issue by the end of Oct'17 or start of the Nov'17.
- As per recent data released by PBS, textile exports during Jul'17 registered marginal uptick of 2.78%YoY to stand at US\$1.006bn (though remaining low 17%MoM). Category wise, garment exports grew 20.47%YoY to clock in at US\$212.521mn while knitwear exports witnessed downward trend, declining 5.8%YoY to US\$193.749mn.
- As per recent data released by SBP, net private sector's credit rose 19.3%YoY to PkR4.683trn in Jul'17, where manufacturing sector's outstanding credit amounted to PkR2.236trn, registering uptick of 22%YoY.



M. Daniyal Kanani

daniyal.kanani@akdsecurities.net

111-253-111 Ext:603

**Important disclosures**, including investment banking relationships and analyst certification at end of this report. AKD Securities does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.

Find AKD research on Bloomberg (AKDS<GO>), firstcall.com and Reuters Knowledge UAN: 111-253-111

Copyright©2015 AKD Securities Limited. All rights reserved. The information provided on this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKD Securities or its affiliates to any registration requirement within such jurisdiction or country. Neither the information, nor any opinion contained in this document constitutes a solicitation or offer by AKD Securities or its affiliates to buy or sell any securities or provide any investment advice or service. AKD Securities does not warrant the accuracy of the information provided herein.



## OGDC/PPL/POL: FY17 Result Previews

We preview FY17 financial results for companies in our E&P universe where we expect OGDC/PPL/POL to post earnings of PkR63.32bn/25.65bn/9.90bn for FY17E, up 5.6%/48.8%/36.8% over the previous year. Improved earnings of the companies is attributable to 1) upward movement in Intl. oil prices (up 19%YoY) and 2) heightened oil production across the board (+9%/9%/8%YoY for OGDC/PPL/POL). Briefly commenting on their individual performances, OGDC lagged in comparison with its peers largely due to reduced revenues from Natural Gas (down 11.25%YoY) on the back of lower contribution from its JV fields: Bhit & Badhra, Miano and Kadanwari. PPL, on the other hand, benefitted from incremental gas volumes (320 BCF against 284BCF last year) by virtue of consistent spudding of wells in its flagship leases: Sui and Kandhkot; while for POL, lower exploration expense aided in the upliftment of its bottom-line. At current levels, we have an ACCUMULATE stance on PPL with a target price of PkR205/sh.

**OGDC: FY17 Result Preview:** OGDC announces its FY17 result tomorrow, 23rd Aug'17, where we foresee the company to publish earnings of PkR63.32bn (EPS: PkR14.72), up by 5.6%YoY from PkR59.97bn (EPS: 13.94) in FY17. Slight improvement in the earnings can be traced back to improvement in Gross profitability by PkR4.21bn as higher intl. oil prices (+19%YoY) pushes up oil revenues by 23%YoY to PkR72.63bn, more than offsetting the downward pull from Natural gas revenues (down 11.25%YoY). Significant decline in gas production from its JV operated fields: Bhit & Badhra, Miano and Kadanwari cumulatively however dragged the output by 45.3 BCF in FY17, restricting earnings growth to single digits. Along

### OGDC: FY17 Result Preview

(PKR mn)	4QFY17E	4QFY16	YoY	QoQ	FY17E	FY16	YoY	3QFY17
Net Sales	42329	40155	5.4%	-7.1%	168959	162867	3.7%	45549
Royalty	4023	4494	-10.5%	-18.4%	17785	18079	-1.6%	4933
Operating Expenses	14165	15002	-5.6%	-4.4%	57334	54986	4.3%	14812
Transportation Charges	441	440	0.3%	-4.9%	1742	1912	-8.9%	464
Gross Profit	23699	20220	17.2%	-6.5%	92099	87890	4.8%	25339
Expl. & Prospecting Exp.	2410	3839	-37.2%	10.0%	12791	14548	-12.1%	2191
General and Admin Exp.	820	964	-14.9%	-29.8%	3642	3771	-3.4%	1169
Operating Profit	20469	15417	32.8%	-6.9%	75666	69571	8.8%	21979
Other Income	3410	3063	11.3%	4.6%	15980	14703	8.7%	3261
Profit in associate-net of tax.	438	1546	-71.7%	-5.0%	1822	2189	-16.8%	461
WPPF	1194	978	22.1%	-5.5%	4590	4237	8.3%	1264
EBIT	23123	19048	21.4%	-5.4%	88879	82225	8.1%	24438
Finance Cost	412	465	-11.4%	-2.0%	1648	1718	-4.1%	420
Profit before Tax	22711	18583	22.2%	-5.4%	87231	80507	8.4%	24017
Taxation	6987	2112	230.8%	8.6%	23912	20537	16.4%	6431
Profit after Tax	15724	16471	-4.5%	-10.6%	63319	59971	5.6%	17587
EPS@ 4,301mn shares	3.66	3.83	-	-	14.72	13.94	-	4.09
DPS (PkR)	2.00	2.00	-	-	6.00	5.20	-	1.50

Source: Company Report & AKD Research



with the result, we expect the company to declare an interim dividend of PkR2/sh, taking the full year payout to PkR6/sh. Taking cue from the state-owned PSO, we highlight that the company might as well increase its payout on account of the recently received principal payment of PIBs amounting to PkR50.77bn it subscribed in 2012. For the quarter, OGDC's earning is expected to clock-in at PkR15.72bn (EPS: PkR3.66), down 4.5%/10.6% YoY/QoQ. The shrink in bottom-line can be linked to lower effective tax rate in 4QFY16 (11%) vs our assumed 31% for this quarter. Moreover, the company also booked 3 dry wells this quarter (2 in operated fields and 1 in JV field) which is expected to shoot up exploration expense by 10% over the preceding quarter.

**PPL: FY17 Result Preview:** Our expectations for the company's FY17 Net Profitability stand at PkR25.65bn (EPS: PkR13.01), higher by 48.8%YoY based on incremental revenues from the sale of Natural Gas (PkR1.33bn) as both fully owned Sui and Kandhkot leases recorded higher outputs of 16.4/15.9BCF over the previous year. To highlight, PPL spudded 2/6 development wells in Sui/Kandhkot in FY17 against 3/3 last year. Moreover, other operating expenses are anticipated to drop significantly as the company recorded impairment of PkR2.34bn in PPL-Europe last year which slashed earnings by ~PkR0.77/sh. Furthermore, lower effective tax rate of 28% is expected to provide the boost in earnings. Lastly, Sui repricing (notified in Jul'17 and linked to PP12) can upswing our calculations by ~PkR3.78/4.01/sh for FY16/FY17. Along with the result, the company is expected to pay PkR2.5/sh as dividend taking full-year payout to PkR5.5/sh. For 4QFY17, PPL is expected to fetch earnings of PkR6.56bn (EPS: PkR3.33) as compared with PkR1.68bn (EPS: PkR0.85) last year, a 3.9x jump YoY majorly attributable to higher effective tax rate (67%) in 4QFY16 vs. 25% in 3QFY17E. Further, recording of 3 dry wells in self-operated concessions in same period last year vs. just 1 in this quarter can ease field expenses by 16.4%YoY while a downtick in Intl. oil prices (-7%QoQ) is expected to account for a sequential 9.8% decline.

### PPL: FY17 Result Preview

(PkR mn)	4QFY17E	4QFY16	YoY	QoQ	FY17E	FY16	YoY	3QFY17
Net Sales	21861	20919	4.5%	-8.7%	85853	80151	7.1%	23948
Royalty	1947	2398	-18.8%	-29.9%	9423	9219	2.2%	2779
Field Expenditure	11594	13871	-16.4%	1.3%	43148	44952	-4.0%	11451
Gross Profit	8319	4649	78.9%	-14.4%	33282	25980	28.1%	9719
Operating Profit	8319	4649	78.9%	-14.4%	33282	25980	28.1%	9719
Other Income	1218	1256	-3.0%	1.8%	4650	5418	-14.2%	1197
Other Operating Expenses	641	685	-6.4%	16.2%	2061	4032	-48.9%	552
EBIT	8896	5220	70.4%	-14.2%	35871	27366	31.1%	10364
Finance Cost	121	166	-27.1%	5.4%	468	659	-29.0%	115
Profit before Tax	8775	5054	73.6%	-14.4%	35403	26707	32.6%	10249
Taxation	2212	3377	-34.5%	-25.7%	9750	9465	3.0%	2976
Profit after Tax	6563	1677	291.3%	-9.8%	25652	17242	48.8%	7273
EPS@ 1,971mn shares	3.33	0.85	-	-	13.01	8.74	-	3.69
DPS (PkR)	2.00	-	-	-	5.00	5.75	-	-

Source: Company Report & AKD Research



**POL: FY17 Result Preview:** We forecast FY17 earnings of PkR9.90bn (EPS: PkR41.84), up by 36.8%YoY where the oil-heavy company benefitted from a rebound in Intl. oil prices (+19%YoY). In this regard, oil revenues are expected to rise by PkR2.45bn for the year. Unlike its peers, the company continued to reap gains from its existing wells as it spudded just 1 exploration well during the year and minimized seismic data acquisition which is likely to slip its exploration expense by 72%YoY. Apart from a slight decline in finance cost, the year remained dry for the company as production from Tal block also dropped by 177kbbbls during the year. Along with the result, we expect an interim payout of PkR20/sh taking full year dividend to PkR35/sh. On a quarterly basis, POL is expected to post earnings of PkR2.43bn (EPS: PkR10.28) for 4QFY17 vs. PkR1.39bn (EPS: PkR5.89) in 4QFY16 on the back of higher revenues to PkR7.04bn (+12%YoY), lower exploration expenses to PkR150mn (-81%YoY), and higher other income to PkR243mn (3.65x). This was further supplemented by lower effective tax rate of 22.7% from 29.5% in 4QFY16. While on QoQ basis, net income is expected to dwindle by 13.5% mainly due to lower Intl. oil prices (-7%QoQ).

**POL: FY17 Result Preview**

(PkR mn)	4QFY17E	4QFY16	YoY	QoQ	FY17E	FY16	YoY	3QFY17
Net Sales	7040	6287	12.0%	-7.5%	27456	24848	10.5%	7,611
Royalty	571	541	5.4%	-14.6%	2313	2021	14.5%	669
Operating Expenses	2285	2221	2.9%	1.8%	8648	8872	-2.5%	2,245
Excise & develop. surcharge	71	66	7.2%	0.8%	271	265	2.4%	70
Amort of develop. decomm costs	578	461	25.3%	6.4%	2546	2448	4.0%	543
Gross Profit	3535	2997	17.9%	-13.4%	13677	11243	21.7%	4,084
Expl. & Prespecting Expend.	146	780	-81.3%	-40.9%	582	2052	-71.6%	246
Operating Profit	3350	2233	50.0%	-12.0%	12952	9051	43.1%	3,806
Other Income	243	66	265.6%	-22.2%	1503	1411	6.5%	312
WPPF and WWF	251	139	80.6%	4.0%	876	560	56.4%	242
EBIT	3341	2161	54.6%	-13.8%	13578	9902	37.1%	3,876
Finance Cost	195	185	5.5%	0.0%	780	1022	-23.7%	195
Profit before Tax	3146	1976	59.2%	-14.5%	12798	8880	44.1%	3,681
Taxation	715	582	22.8%	-18.0%	2902	1646	76.3%	871
Profit after Tax	2432	1394	74.5%	-13.5%	9896	7234	36.8%	2,810
EPS@ 236.5mn shares	10.28	5.89	-	-	41.84	30.58	-	11.88
DPS (PkR)	20.00	-	-	-	35.00	35.00	-	-

Source: Company Report & AKD Research



## Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

### Stock Ratings

Different securities firms use a variety of rating terms as well as different rating systems to describe their recommendations. A rating system which uses similar terms such as Buy, Accumulate, Neutral, Reduce and Sell is not equivalent to our rating system. Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances (such as the investors existing holdings or investment objectives) and other considerations. Please see our table below for ratings definitions which are based on price returns.

#### *Rating Definitions*

Buy	≥ 20% upside potential
Accumulate	> 5% to < 20% upside potential
Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



### **Analyst Certification of Independence**

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

### **Disclosure of Interest Area**

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

### **Regional Disclosures (Outside Pakistan)**

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.