



## Today's Daily

### ■ POL: 1HFY12 Result Preview

Pakistan Oilfields is scheduled to announce 1HFY12 results tomorrow where we expect NPAT of PkR7.03bn against NPAT of PkR5.20bn in the corresponding period last year. The result translates into an EPS of PkR29.74 in 1HFY12 versus EPS of PkR21.99 in 1HFY11, a growth of 35%YoY. Alongside the result, POL is expected to retain its high payout policy and we expect an interim DPS of PkR15/share. We believe production catalysts over the next 3-6 months should provide for price outperformance and we retain our conviction on POL where a forward dividend yield of 11% on FY12F forecast further vindicates our view. At current market price the stock offers an upside of 20% to our target price of PkR432/share - Buy.

#### KSE 100 - Index

Current	11,883.01
Previous	11,960.22
Chg.	-0.65%

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

Current	3,086 / 34.18
Previous	3,106 / 34.41
Chg.	-0.65%

#### Daily Turnover (mn)

Current	67.06
Previous	75.60
Chg.	-11.3%

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

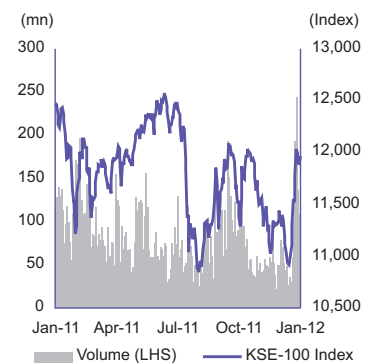
Current	4,991 / 55.29
Previous	4,272 / 47.33
Chg.	16.8%

#### SCRA Flow FYTD (US\$mn)

26-Jan-12	(228.76)
25-Jan-12	(225.29)
Val. Chg	(3.47)

### News and Views

- According to a news report, the IP gas pipeline project would be structured through public-private partnership with a debt/equity ratio of 70:30 and a cost of US\$150mn-US\$200mn for the construction of 100km pipeline from Iran border to Gawadar. News sources indicate that the Finance Advisor would arrange private equity and debt financing for the project with the equity mix of 40:40:20, representing public sector enterprises, private investment and IPO.
- Kuwait Fund for Arab Economic Development has reportedly extended US\$40mn loan for Neelum-Jhelum power project that is estimated to cost US\$333.3bn and will have ~1,000MW capacity. In this regard, Pakistan is reportedly negotiating a US\$448mn loan with China to meet escalating cost of the project. In other news, the Ministry of Water & Power, MoF and FBR have reportedly reach consensus raise power tariff through imposition of 16% GST on hydroelectric power.
- While news reports have indicated that petroleum product prices may be increased by an average of 6% from Feb '12, OGRA has reportedly urged the GoP not to increase product prices where absorption through a cut in sales tax and petroleum levy would reportedly have a PkR3bn impact on the GoP's finances.



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## POL: 1HFY12 Result Preview

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**Domail disappoints:** Recent unsuccessful appraisal efforts in Domail-II have decoupled market price performance with overall JV led asset monetization. With unresponsive formations POL has suspended Domail-II which may lead to side-tracking to retest potential pay zones or abandonment. While well cost will likely to be capitalized, we believe near term impairment test poses risk of a P&L charge. That said, continuing TAL Block asset monetization and drilling time line over the next 6-12 months should provide for basis for continuing upgrade. While POL's JV exploration portfolio poses potential upside, we believe the market will hold-off on a quick price in with regular featured delays and drilling challenges over POL's exploration log in the past few years.

### Exploration & Appraisal Log

Well Name	Type	% completion	Status
Dhulian Deep	Exploratory	101%	Drilling in Progress
Makori East - 02	Appraisal	96%	RIH 5-15/16"

Source: PPIS Online

Despite recent string of set-backs we retain POL on our conviction list underpinned by increasing JV asset monetization and continuing exploration focus. While the stock has recently underperformed, we believe market will likely recouple with near term stable earnings profile and strong payout capacity. At current market price, the stock offers an upside of 20% to our target price of PkR432/share. Exploration and development catalyst continue to pose upside risk to our estimates.

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KATS Code	POL
Bloomberg Code	POL.PA
Price PkR	359.90
Market Cap (PkRmn)	85,133
Market Cap (US\$m)	946.97
Shares (mn)	236.55
3M High (PkR)	372.12
3M Low (PkR)	343.25
1Yr High (PkR)	390.34
1Yr Low (PkR)	281.89
3M Avg Turnover '000	689.75
1 Yr Avg Turnover '000	1,203.14
3M Avg DT Value (PkRmn)	248.32
3M Avg DT Value (US\$m)	2.76
1Yr Avg DT Value (PkRmn)	412.85
1Yr Avg DT Value (US\$m)	4.59

### POL Price Performance

	1M	3M	6M	12M
Absolute (%)	3.9	0.7	0.4	9.4
Rel. Index (%)	-0.8	-2.1	2.9	14.1
Absolute (PkR)	13.5	2.4	1.3	31.0

Source: AKD Research

### POL vs. KSE-100 Performance





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## *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