OGDC

So what if failed in KEKRA-1? There is still much to invest in!

Equity Research | Oil & Gas Exploration Companies | Tuesday, 18 June, 2019

We initiate our coverage on Oil & Gas Development Company Ltd (OGDC) with a DCF based Jun-20 TP of Rs.172 which provides an upside potential of 31%. A dividend yield of 12%, if incorporated gives a total return of 43%

In spite of a challenging macroeconomic environment, the company managed to grow its revenues and earnings at a 2-year CAGR of 12% and 15% respectively

Going forward, the company expects its revenues and earnings to grow at a 4-year CAGR of 9% and 12% respectively as the depreciation of exchange rate, increased exploration and development activities would further enhance the profitability of the company

Furthermore, debt free structure, stable outlook for crude oil prices and reduction in terrorism has made the valuation of the company much more attractive

Sector Overview

Pakistan had paid USD 4.3 billion for the crude oil imports and over USD 2 billion for gas (LNG) during 2018 as imported crude and refined petroleum products make 82-83 percent of Pakistan's consumption. As per a statement given by the officials of Petroleum Division in the Senate Committee; Pakistan's oil and gas reserves will finish after 10 to 13 years. Pakistan has 1,197 million barrel of oil reserves with the current speed of consumption. Out of this, 865 million barrels have been extracted while 332 million barrels remain as reserves. Out of the total 57 million cubic feet of gas discovered, 36 million has been extracted. The rest 21 million remains in the reserves that will be able to satisfy the demand for the next 13 years. The current demand for gas stands at 1,000 million cubic feet per day which are expected to go up to 3,600 by 2030. As for petroleum products, domestic production only meets 15 percent of the total demand. The country used 26.4 million tons of petroleum products in 2016-17 with 85 percent of it being imported. Pakistan has a total of 8.8 million gas consumers with an annual addition of 0.5 million consumers.

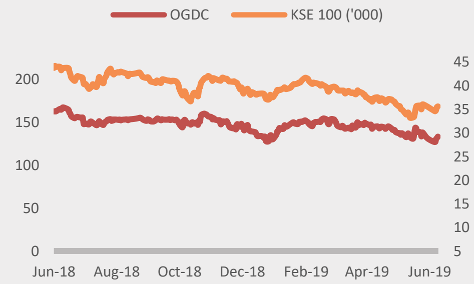
Natural gas plays a major role in the energy matrix of Pakistan. It accounts for almost 32 percent of the total primary energy supply mix in Pakistan and is 20th largest gas consumer of the word, with an established natural gas industry. Pakistan's gas consumption is nearly the same as in France, which is a developed and industrialized country. This shows how much gas Pakistan is misusing or wasting. There was a time when Pakistan was self-sufficient in gas. However, increased demand fostered by lack of alternative fuels and price subsidies coupled with diminishing production constrained by unattractive fiscal terms have resulted in systematic and power shortages.

Over the past half century, the petroleum industry has played a significant role in national development by making large indigenous gas discoveries. With looming energy crises and the ongoing growing demand for oil and gas in Pakistan, the exploration and production of oil & gas, or upstream has garnered considerable interest from investors (both local and foreign). Amid the improved security situation, Pakistan is now attracting the oil and gas exploration companies to invest in its oil and gas sector. A group of US-based oil and gas exploration companies have expressed their keen interest in investing in exploring hydrocarbon deposits in Pakistan in partnership with a state-owned domestic firm. Furthermore, a leading company of China has also expressed its readiness to invest in natural gas exploration and production sector of Pakistan.

Key Statistics

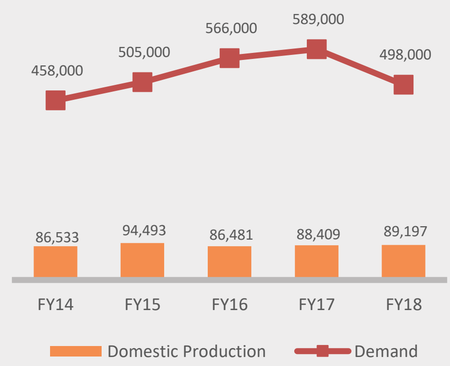
Symbol	OGDC
TP - Jun 20	172.00
LDCP	130.91
Upside	31%
Free Float (Mn)	645
Market Cap. (Rs.mn)	563,044

Shareholders	Percentage
Government of Pakistan	74.97
OGDCL Employees Empowerment Trust	10.05
Private Investors	15.00
Total	100



Symbol	PE Ratio
MARI	7.63
PPL	6.77
POL	8.47
Peer Average	**7.62**
OGDC	**7.15**
Discount	**6%**

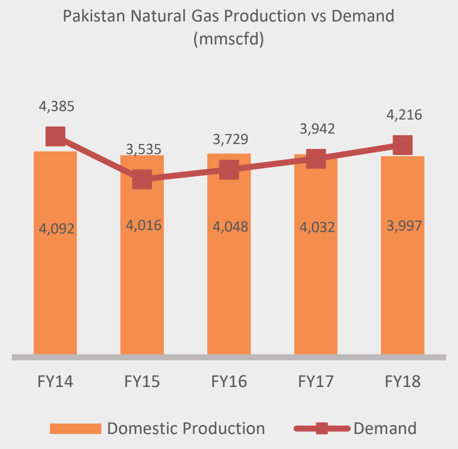
Pakistan Crude Oil Production vs Demand(bpd)

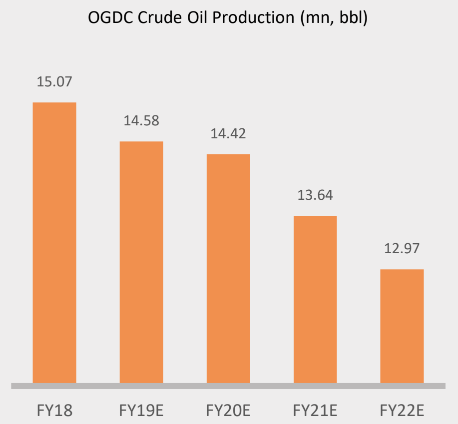


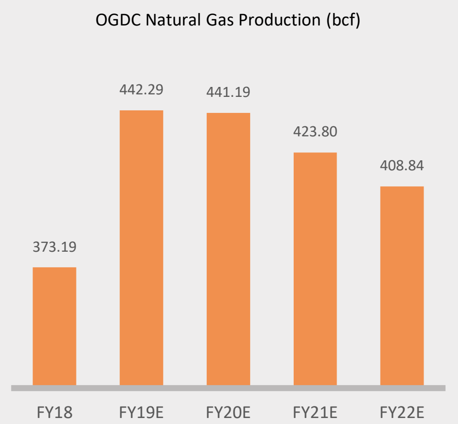
Sources: ACPL Research, Company Financials, PEB 2018, CEIC, PSX)

M. Fawad Naveed
Phone: (+92) 42 38302028; Ext: 117
Email: fawad@abbasiandcompany.com

Key Statistics







Sources: ACPL Research, Company Financials, PEB 2018, CEIC, PSX)

Currently, around 17 local and foreign E&P companies are operating in Pakistan amongst which four companies are listed on Pakistan Stock Exchange. The Oil and Gas (O&G) sector operates under the Federal Ministry of Energy (Petroleum Division). Pakistan Petroleum Policy 2012 offers one of the best incentives for E&P companies. Government of Pakistan guarantees the purchase of whatever is produced by the O&G companies, at the well head. All proceeds to foreign companies are paid in USD. (Pakistan - Oil and Gas Equipment, 2018) (Oil & Gas Sector, 2017) (Mettis Global, 2019) (ProPakistani, 2019) (Pakistan Energy Book, 2018)

Company Overview

Oil and Gas Development Company Limited commonly known as OGDCL is a Pakistani multinational oil and gas company. It has a primary listing on the Pakistan Stock Exchange, and secondary listing on the London Stock Exchange. It is established in 1961 by the Government of Pakistan, it was turned into a public listed company on 23 October 1997. Today it is involved in exploring, drilling, refining and selling oil and gas in Pakistan. It is the market leader in terms of reserves, production and acreage. Currently Government of Pakistan is holding 74.97% of total equity in the Company. The company has the largest hydrocarbon reserves i.e. 55% of oil and 32% of gas, in Pakistan, covering around 27% of the acreage awarded. OGDCL contributes 29% of Pakistan's total natural gas production, and 47% of its oil production. According to the financials of FY18, the company's average production of crude oil, natural gas, LPG and Sulphur stands at 41,278 bpd, 1,022 MMcfd, 690 MTPD and 58 MTPD respectively. (Company Website, n.d.)

Successful Operational Background

The Company's exploration portfolio spreads across all four provinces of Pakistan and currently constitutes 42 owned and operated joint venture exploration licenses. Adding to this strength, the Company also holds working interest in five (5) blocks operated by other E&P companies. In FY18, the company spud twenty (20) wells (FY17: 22 wells) comprising twelve (12) exploratory/appraisal wells namely Qadir Wali-1, Shawa X-1, Urs-1, Ganjo Takkar-1, Umair-1, Khirun-1, Nur West-1, Sheikhan Bhutta-1, Chak 25-1, Zin Deep-2, Wasan-1 and Soghri X-3 and eight (8) development wells namely Mela-6, Kunnar West-2, Pasakhi North-3, Nashpa-9, Kunnar-12, Qadirpur-59 and HRL-13 & 14. Additionally, drilling and testing of fourteen (14) wells from previous fiscal years have been completed. Total drilling recorded during the reporting period is 74,878 meters (FY17: 81,774 meters).

During FY18, the Company injected twenty-five (25) operated wells in the production gathering system. Injected wells cumulatively yielded gross crude oil and gas production of 581,412 barrels and 17,628 MMcf respectively. The company also made four (4) new discoveries during the same period including Bhambara-1 in district Sukkur, Tando Allah Yar South West-1 in district Hyderabad, Umair-1 in district Ghotki, Sindh province and Dhok Hussain-1 in district Kohat, KPK province. Aforementioned discoveries have expected cumulative daily production potential of 47 MMcf of gas and 749 barrels of oil.

3 New Discoveries in FY19

The company spud eleven (11) wells comprising six (6) exploratory/appraisal wells and five (5) development wells in current fiscal year amongst which it has made 3 new discoveries namely Chanda-1, Mela-5 and Mangrio 01. The company during the nine months of the current fiscal year contributed around 45 percent and 29 percent of the country's total oil and gas production, respectively. Moreover, eight new operated wells; Khirun-1, Nandpur-1, Kunnar-12, Nim-1, Loti-5, Pasakhi NE-2 and Qadirpur-59 and 60 were injected in the production system, which cumulatively yielded gross oil and gas production of 226,862 barrels and 3,288MMcf, respectively.

Financial Performance

54% revenue of the company comes from the sale of natural gas, 39% comes from crude oil, 7% from LPG, 0.1% from Sulphur and 0.04% from gas processing. The financial performance of oil and gas exploration companies in Pakistan are highly dependent on international crude oil prices. Therefore, the recovery in oil prices started from FY16 caused the company's revenue to grow at a 2-year CAGR of 12% to Rs205bn in FY18. Going forward, we expect the revenue to grow at a 4-year CAGR of 9% to Rs295bn by FY22 on account of stable oil prices in international market, devaluation of rupee and stable recoverable crude inventories held by the company. The calculation has been done by assuming the Arab Light crude oil price at $69 per barrel in FY19 and $60 per barrel in subsequent years.

The company posted the gross margin of 59% in FY18, aligned with its 5-year average of 60%. Going forward, we expect the gross margin to remain stable at around 65% on account of reduced operating and transportation expenses.

Other income of the company constitutes around 8% of its revenue. The major portion of the other income comes from bank deposits and exchange gains. The company posted the other income of Rs16bn in FY18. Going forward, we expect the company to post other income of around Rs20bn in FY19 on account of higher interest rate and huge exchange gains.

The bottom line of the company has grown at a 2-year CAGR of 15% to Rs79bn in FY18. Currently, the net margin of the company stands at 38%. Going forward, we expect the bottom line to grow at a 4-year CAGR of 12% to Rs122bn by FY22. Whereas, the net margin is expected to increase to 41% during the same period.

Crude Oil Price Outlook

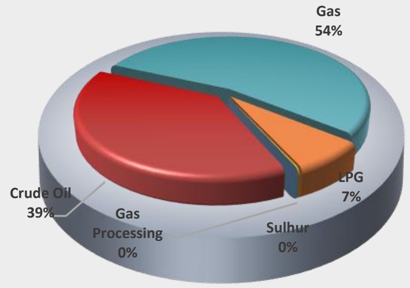
Oil price is under downward pressure on concerns that demand for it will suffer if economic growth slows as the US and China ramp up tariffs on each other's goods in a trade war that could hit worldwide economic growth. Furthermore, the IMF has also revised down its global growth outlook from 3.5% to 3.3% which will definitely hurt the crude oil demand as well.

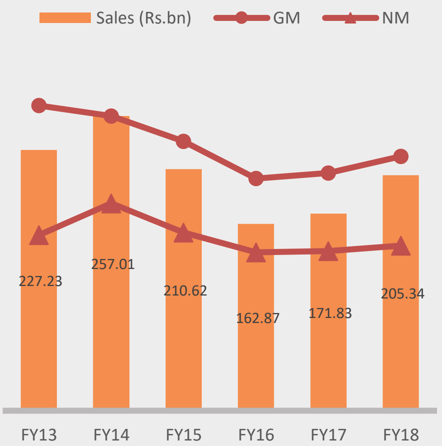
OPEC wants the crude oil prices to go higher as the economies of OPEC members are highly dependent on oil exports. For this purpose, the OPEC and its allies (Russia) decided to cut production by 1.2 million bpd in their meeting earlier in Dec-18. Sanctions on Venezuela and Iran also reduced the crude oil supply worldwide due to which a surge in oil prices was seen during last 3 to 4 months. On the other hand, USA wants the oil prices to remain lower in order to avoid inflationary pressure on US economy. Moreover, there are also some political goals behind US stance as the conflicts between some middle east countries and US are not hidden from anyone.

If we analyze the historical oil production of US and S. Arabia in chart, we come to know that the US oil production was far below than that of S. Arabia 5 years back. However, US has been uninterruptedly increasing its oil production and by doing so, it became the world's largest oil producer by crossing S. Arabia back in 2017. It can be clearly seen in the chart that S. Arabia has cut its production in 2019 over demand concerns due to global slowdown but, US is still increasing it production in order to fill the supply gap created by OPEC cut, sanctions on Venezuela & Iran and middle east tensions. Currently, US is the world's largest oil producer with total output of 12.4 million bpd and is solely capable of manipulating the crude oil prices. Therefore, we expect the US stance on oil prices would prevail and any upside in oil prices is not likely in near term. However, we expect the prices of WTI and Arab light to hover around $50 and $60 respectively.

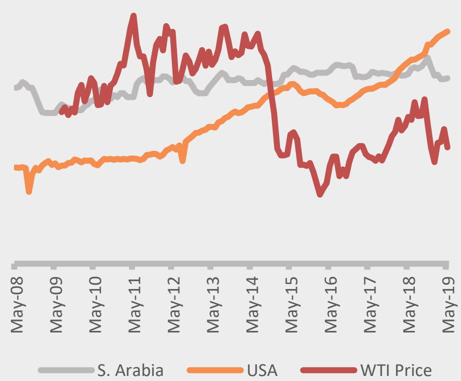
Key Statistics

Components of Sales





Saudi Arabia vs USA Oil Production



Sources: ACPL Research, Company Financials, Macrotrends

Key Statistics

Sources: ACPL Research, Company Financials

Debt Free Capital Structure

In today's high-cost money environment where the policy rate has reached 12.25% from the bottom of 5.75% within a year and expected to rise further in future as well, debt-free companies are the only suitable options for risk-averse investors. OGDC is wholly equity financed company. Hence, it has a debt-free structure and free from related cash flow distress and default risks.

Investment Perspective

The company is perusing its aggressive exploration and development strategy as the technical and financial evaluation for hiring of EPCC contractor for Nashpa compression project has been completed and expected completion date of project is June 2020. Regarding Dhok Hussain development project, installation work with respect to gas processing facilities has been completed and supply of gas is subject to laying of gas pipeline by SNGPL. Likewise, up-gradation of plant facilities at Mela field and laying of gas pipeline to Nashpa plant for LPG and NGL extraction are in progress. Mela project is anticipated to be completed in December 2019.

Moreover, the company has an edge of having dollar denominated revenue in such environment where the domestic currency has been depreciated over 40% since last year. Further depreciation is still on the cards as the government has decided to keep the rupee near to its fair value. Furthermore, debt free structure, stable outlook for crude oil prices and reduction in terrorism has made the valuation of the company much more attractive.

Valuation

OGDC is currently trading at FY20E PE of 4.51x. Furthermore, the script is trading at a FY20E P/B of 0.88x which offers a significant discount of 27% relative to its historical 5-year average of 1.20x. We have a **BUY** stance on the script with a DCF based Jun-20 TP of Rs.172 which provides an upside potential of 31%. Furthermore, it also offers a dividend yield of 12% which makes the total return of 43%.

Key Risks to Valuation

- Appreciation of PKR
- More than expected drop in oil prices
- Deterioration of law and order situation in Sindh & Balochistan

Key Ratios

Profitability Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
GP Margin	%	68.51	62.65	53.96	55.29	59.16	64.85	64.85	64.85	64.85	64.85
NP Margin	%	48.21	41.42	36.82	37.13	38.35	43.10	42.93	41.46	41.41	41.39
ROE	%	31.32	19.72	12.53	12.44	14.30	20.39	19.51	17.38	16.22	15.00
ROA	%	24.97	15.75	10.17	10.17	11.81	16.80	16.13	14.61	13.77	12.84

Liquidity Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Current	x	4.04	3.55	4.32	6.39	7.35	7.90	7.83	8.18	8.73	9.21
Quick	x	2.95	2.33	2.22	2.51	4.27	6.38	6.42	6.82	7.36	7.85

Activity Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	236.73	213.14	246.08	229.91	231.89	259.99	247.60	242.25	242.77	240.91
Inventory Days		1.54	1.71	1.48	1.59	1.57	1.40	1.47	1.51	1.50	1.52
Receivables Days		1.54	0.87	1.06	1.74	1.42	1.13	1.10	1.10	1.09	1.10
Payables Days		216.66	287.25	225.53	186.10	159.77	137.39	152.25	159.15	158.46	160.92
Operating Cycle		-213.58	-284.67	-222.99	-182.78	-156.78	-134.86	-149.68	-156.55	-155.86	-158.31

Investment Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
DPS		9.25	7.75	5.20	6.00	10.00	15.19	15.87	15.39	15.50	15.38
Div. Yield	%	7.07	5.92	3.97	4.58	7.64	11.60	12.12	11.76	11.84	11.75
Dividend Cover	x	3.11	2.62	2.68	2.47	1.83	1.83	1.83	1.83	1.83	1.83
Retention	%	67.89	61.80	62.71	59.55	45.38	45.38	45.38	45.38	45.38	45.38
Payout	%	32.11	38.20	37.29	40.45	54.62	54.62	54.62	54.62	54.62	54.62
No. of Shares	('m)	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93
EPS		28.81	20.29	13.94	14.83	18.31	27.80	29.06	28.17	28.37	28.16
BVPS		92.00	102.89	111.29	119.27	128.01	136.32	148.93	162.11	174.90	187.77
P/E	x	4.54	6.45	9.39	8.82	7.15	4.71	4.51	4.65	4.61	4.65
Sales per share		59.76	48.97	37.87	39.95	47.74	64.50	67.69	67.95	68.52	68.03
P/BV	x	1.42	1.27	1.18	1.10	1.02	0.96	0.88	0.81	0.75	0.70
P/S	x	2.19	2.67	3.46	3.28	2.74	2.03	1.93	1.93	1.91	1.92

Source: ACPL Research, Company Financials

Financial Projections

Rupees' millions	FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Revenue	257,014	210,625	162,867	171,829	205,335	277,426	291,125	292,261	294,681	292,574
Royalty	-29,720	-23,737	-18,079	-18,519	-21,971	-30,517	-32,024	-32,149	-32,415	-32,183
Operating Expenses	-48,833	-52,935	-54,986	-56,585	-60,213	-65,195	-68,414	-68,681	-69,250	-68,755
Transportation Charges	-2,388	-1,986	-1,912	-1,721	-1,671	-1,803	-1,892	-1,900	-1,915	-1,902
Gross profit	**176,073**	**131,967**	**87,890**	**95,004**	**121,480**	**179,911**	**188,795**	**189,531**	**191,101**	**189,734**
Other income	19,126	19,186	14,703	16,020	16,008	19,974	20,245	16,237	16,250	16,240
Exploration and prospecting expenditure	-8,723	-11,628	-14,548	-13,269	-16,190	-9,294	-9,753	-9,791	-9,872	-9,801
General and administration expenses	-2,965	-4,308	-3,771	-4,240	-4,088	-4,022	-4,103	-4,185	-4,269	-4,354
Finance Cost	-2,204	-2,550	-1,718	-1,515	-1,730	-1,674	-1,721	-1,775	-1,834	-1,901
Workers' profit participation fund	-9,071	-6,686	-4,237	-4,691	-5,928	-9,578	-10,021	-9,843	-9,913	-9,838
Share of profit in associate - net of taxation	114	1,044	2,189	1,827	3,075	4,482	4,482	2,034	2,034	2,034
Profit before income tax	**172,350**	**127,025**	**80,507**	**89,137**	**112,627**	**179,800**	**187,924**	**182,209**	**183,496**	**182,114**
Income tax expense	-48,435	-39,776	-20,537	-25,334	-33,890	-60,233	-62,955	-61,040	-61,471	-61,008
Profit for the year	**123,915**	**87,249**	**59,971**	**63,803**	**78,736**	**119,567**	**124,970**	**121,169**	**122,025**	**121,106**
EPS	**28.81**	**20.29**	**13.94**	**14.83**	**18.31**	**27.80**	**29.06**	**28.17**	**28.37**	**28.16**
EBITDA	**5,660**	**6,752**	**8,304**	**10,124**	**11,658**	**10,751**	**11,396**	**12,066**	**12,786**	**13,547**

Source: ACPL Research, Company Financials

Horizontal Analysis

Horizontal Analysis	FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Revenue	15.06%	-18.05%	-22.67%	5.50%	19.50%	35.11%	4.94%	0.39%	0.83%	-0.72%
Royalty	14.75%	-20.13%	-23.84%	2.43%	18.64%	38.90%	4.94%	0.39%	0.83%	-0.72%
Operating Expenses	32.76%	8.40%	3.87%	2.91%	6.41%	8.27%	4.94%	0.39%	0.83%	-0.72%
Transportation Charges	6.14%	-16.85%	-3.72%	-9.99%	-2.91%	7.93%	4.94%	0.39%	0.83%	-0.72%
Gross profit	**11.13%**	**-25.05%**	**-33.40%**	**8.09%**	**27.87%**	**48.10%**	**4.94%**	**0.39%**	**0.83%**	**-0.72%**
Other income	21.87%	0.31%	-23.37%	8.96%	-0.08%	24.77%	1.36%	-19.80%	0.08%	-0.06%
Exploration and prospecting expenditure	-41.77%	33.30%	25.12%	-8.80%	22.02%	-42.60%	4.94%	0.39%	0.83%	-0.72%
General and administration expenses	23.46%	45.31%	-12.48%	12.44%	-3.58%	-1.60%	2.00%	2.00%	2.00%	2.00%
Finance Cost	-4.80%	15.69%	-32.63%	-11.83%	14.21%	-3.25%	2.86%	3.10%	3.36%	3.63%
Workers' profit participation fund	17.40%	-26.30%	-36.62%	10.72%	26.35%	61.57%	4.63%	-1.78%	0.71%	-0.76%
Share of profit in associate - net of taxation	8.60%	816.28%	109.72%	-16.52%	68.28%	45.78%	0.00%	-54.63%	0.00%	0.00%
Profit before income tax	**17.40%**	**-26.30%**	**-36.62%**	**10.72%**	**26.35%**	**59.64%**	**4.52%**	**-3.04%**	**0.71%**	**-0.75%**
Income tax expense	-12.79%	-17.88%	-48.37%	23.36%	33.77%	77.73%	4.52%	-3.04%	0.71%	-0.75%
Profit for the year	**35.76%**	**-29.59%**	**-31.26%**	**6.39%**	**23.40%**	**51.86%**	**4.52%**	**-3.04%**	**0.71%**	**-0.75%**
EPS	**35.76%**	**-29.59%**	**-31.26%**	**6.39%**	**23.40%**	**51.86%**	**4.52%**	**-3.04%**	**0.71%**	**-0.75%**
EBITDA	**20.00%**	**19.30%**	**23.00%**	**21.91%**	**15.14%**	**-7.77%**	**5.99%**	**5.88%**	**5.96%**	**5.96%**

Source: ACPL Research, Company Financials

DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment--banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

I. Discounted Cash Flow Model
II. Dividend Discount Model
III. Relative Valuation Model
IV. Sum of Parts Valuation

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com