

February 23, 2012

## Pakistan Market

## OGDC &amp; HBL results preview

KSE100 Index: Closing 12,603.67 ↑ (59.22)

We preview Oil & Gas Development Company (OGDC) and Habib Bank (HBL) respective 1HFY12 and 2011 results. We expect OGDC's earnings to clock in at Rs10.05/share (up 37%YoY) in 1HFY12, while HBL's EPS in 2011 is likely to arrive at Rs17.87 (up 26%YoY). Along with the result, we anticipate OGDC to announce interim cash dividend of Rs1.5-2/share and HBL to payout a final cash dividend of Rs4 per share along with a 10% bonus issue. We maintain our 'Hold' calls on both the stocks.

**OGDC: 1HFY12 EPS expected at Rs10.05**

We expect OGDC's earnings to clock in at Rs43.2bn (EPS of Rs10.05) in 1HFY12 vs. profits of Rs31.6bn (EPS of Rs7.35), a rise of 37%YoY. The growth is largely driven by higher wellhead gas prices and international crude oil prices, resulting in overall revenues rising by 14%YoY during the period under review. On the other hand, operating expenses are likely to rise by 20%YoY owing to higher amortization cost. However, Other Income is likely to rise by 395%YoY to Rs3.1bn on account of higher return on rising cash balances.

**OGDC: Earnings preview**

(Rs mn)	1HFY12E	1HFY11A	Δ%
Net Sales	92,443	81,090	14%
Royalty	10,506	9,297	13%
Operating Expenses	15,287	12,792	20%
Exp. & Pros. Expenses	1,768	3,536	-50%
Transportation Expenses	1,106	979	13%
	63,777	54,486	17%
General & Admin Expenses	1,023	867	18%
Financial Charges	823	716	15%
WPPF	3,097	2,693	15%
Other income	4,754	960	395%
<b>Profit Before Taxation</b>	<b>63,588</b>	<b>51,171</b>	<b>24%</b>
Taxation	20,348	19,572	4%
<b>Profit After Taxation</b>	<b>43,240</b>	<b>31,598</b>	<b>37%</b>
<b>EPS</b>	<b>10.05</b>	<b>7.35</b>	<b>37%</b>

Source: Company accounts &amp; JS Research estimates

Along with the result, we expect the company to announce an interim cash dividend of Rs1.5-2 per share, taking cumulative dividend to Rs3-3.5 per share. At current level, we maintain our 'Hold' call on the stock.

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**HBL: 2011 EPS expected at Rs17.87**

We expect the bank to report unconsolidated earnings of Rs19.7bn (EPS Rs17.87), an increase of 26%YoY in 2011. The growth is likely to be predominantly led by higher Net Interest Income (NII). Higher average KIBOR and earnings assets are likely to drive the NII to Rs54.1bn, a growth of 18%YoY. Furthermore, non funded income too, is likely to rise by 13%YoY to Rs12.5bn in 2011. Rising income from dealing in foreign currency (expected to rise by 26%YoY to Rs3.6bn) and improved Fee Income (likely to jump by 6%YoY to Rs5.2bn) will be the key reasons for this growth. Sequentially, in 4Q we foresee a marginal growth of 2%QoQ in HBL's bottom line to Rs4.78 per share. Higher provisions are likely to be the main reason for the restricted growth in 4Q.

**HBL: Earnings preview**

(Rs mn)	2011E	2010A	YoY%Δ	4Q2012E	QoQ%Δ
Mark-up int earned	95,704	80,000	20%	25,570	3%
Mark-up int paid	41,578	34,090	22%	11,490	4%
Net Interest Income	54,126	45,909	18%	14,080	2%
Prov/write offs	8,360	7,980	5%	2,068	30%
	45,766	37,930	21%	12,012	-2%
Non interest income	12,452	11,050	13%	3,144	13%
Operating exp	28,154	23,922	18%	7,437	4%
<b>PBT</b>	<b>30,063</b>	<b>25,057</b>	<b>20%</b>	<b>7,718</b>	<b>-1%</b>
Tax	10,365	9,444	10%	2,455	-9%
<b>PAT</b>	<b>19,699</b>	<b>15,613</b>	<b>26%</b>	<b>5,263</b>	<b>2%</b>
<b>EPS</b>	<b>17.87</b>	<b>14.17</b>	<b>26%</b>	<b>4.78</b>	<b>2%</b>

Source: Company accounts and JS Research estimates

We anticipate the bank to also announce a final cash dividend of Rs4 per share (full year dividend to reach Rs7 per share)

and a bonus issue of 10%. The stock currently trades at 2012F PE and PBV of 5.6x & 1.1x, respectively. We currently maintain a 'Hold' call on it.

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**Oil & Gas Development Company**

<b>Market Price:</b> Rs166.22	<b>Kats Code:</b> OGDC
<b>Market Cap:</b> Rs714.9bn (US\$7.9bn)	<b>Bloomberg Code:</b> OGDC PA
<b>1-yrs Avg. Daily Volume:</b> 0.8mn shares, Rs110mn (US\$1.2mn)	<b>Reuters Code:</b> OGDC.KA
<b>1-year High/Low:</b> Rs166.22/120.29	

**Habib Bank Limited**

<b>Market Price:</b> Rs123.50	<b>Kats Code:</b> HBL
<b>Market Cap:</b> Rs136.1bn (US\$1.5bn)	<b>Bloomberg Code:</b> HBL PA
<b>1-yrs Avg. Daily Volume:</b> 0.1mn shares, Rs10.9mn (US\$0.1mn)	<b>Reuters Code:</b> HBL.KA
<b>1-year High/Low:</b> Rs129.14/105.30	

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