

Discovery at Bela-1: POL's EPS to improve by 0.6/share

As per a notice issued to KSE, POL has announced a successful discovery at Bela-1 well in Meyal Block (POL's stake 100%). As per the initial tests, the oil and gas flows stood at around 54bpd and 3.12mmcf/d, respectively. Based on our current estimates, this would add around Rs0.6 per share to POL's earnings on annualized basis and we expect the flows to commence in second half of FY11.

Though the impact is not significant in comparison to our already estimated FY11F earnings of Rs40.3 per share for POL, this discovery has clarified the uncertainty of booking exploration expense worth Rs2.4bn (Rs6 per share after tax) in case the well had turned out to be a dry hole.

Currently, the stock is trading at FY11F PE of 5.8x and offers FY10E dividend yield of 6%.

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