

OGDC has announced its 1HFY21 result where it posted profit after tax of Rs42bn (EPS: Rs9.84) as compared to profit after tax of Rs53bn (EPS: Rs12.37) in same period last year, down by 20.4% YoY.

The company has posted the revenue of Rs114bn against Rs133bn in SPLY, recording a negative growth of 14.4% YoY. We note that this decline is attributed to the decline in international crude oil prices and the drop in the production of oil and gas.

Gross margin has been squeezed to 58.5% from 65.1% during SPLY. Other income has been declined by 50.4% YoY to Rs3.9bn as compared to Rs7.9bn during SPLY owing to lower lower return on bank deposits.

Exploration cost and admin expenses have been decreased by 49.9% YoY and 25.1% YoY respectively. Furthermore, finance cost has been decreased by 23.6% YoY on account of lower provision for decommissioning cost.

OGDC is currently trading at a FY21E PE of 5.39x. Furthermore, the scrip is also trading at FY21E PB of 0.62x which provides a discount of 25% relative to its 5-year average of 0.92x. Going forward, we have a **BUY** stance on the scrip with a DCF based Dec-21 TP of Rs 140 which provides an upside potential of 27%.

Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	54,632	67,237	18.7% ▼	114,161	133,441	14.4% ▼
Operating Cost	-16,413	-15,674	4.7% ▲	-33,687	-30,560	10.2% ▲
Gross Profit	31,437	43,662	28.0% ▼	66,735	86,853	23.2% ▼
Other Income	640	5,082	87.4% ▼	3,934	7,927	50.4% ▼
Exploration Cost	-2,266	-6,463	64.9% ▼	-5,222	-10,425	49.9% ▼
Administrative Expenses	-1,039	-1,776	41.5% ▼	-2,113	-2,819	25.1% ▼
Finance costs	-582	-755	22.9% ▼	-1,146	-1,500	23.6% ▼
Profit Before Taxation	28,174	39,148	28.0% ▼	62,194	78,836	21.1% ▼
Taxation	-9,292	-13,280	30.0% ▼	-19,885	-25,652	22.5% ▼
Profit After Taxation	18,882	25,868	27.0% ▼	42,309	53,184	20.4% ▼
Earnings Per Share	4.39	6.01	27.0% ▼	9.84	12.37	20.4% ▼
Dividend	1.60	1.75		3.60	4.25	
Bonus	0%	0%		0%	0%	

Closing Period: 13 Apr 21 - 19 Apr 21

	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Gross Margin	57.5%	64.9%	7.4% ▼	58.5%	65.1%	6.6% ▼
Other Income to Sales	1.2%	7.6%	6.4% ▼	3.4%	5.9%	2.5% ▼
Exploration Cost to Sales	-4.1%	-9.6%	5.5% ▼	-4.6%	-7.8%	3.2% ▼
Admin Cost to Sales	-1.9%	-2.6%	0.7% ▼	-1.9%	-2.1%	0.3% ▼
Effective Taxation	-33.0%	-33.9%	0.9% ▼	-32.0%	-32.5%	0.6% ▼
Net Margin	34.6%	38.5%	3.9% ▼	37.1%	39.9%	2.8% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	OGDC
TP - Dec 21	140.00
LDCP	110.00
Upside (%)	27
Free Float ('mn)	645
Market Cap. (Rs.'mn)	473,102

OGDC vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	210,625	162,867	171,829	205,335	261,481	244,857	227,177	276,235	284,837
Royalty	-23,737	-18,079	-18,519	-21,971	-29,336	-27,626	-25,631	-31,166	-32,137
Operating Expenses	-52,935	-54,986	-56,585	-60,213	-63,456	-66,560	-66,560	-66,560	-66,560
Transportation Charges	-1,986	-1,912	-1,721	-1,671	-1,628	-1,592	-1,477	-1,796	-1,852
Gross profit	131,967	87,890	95,004	121,480	167,062	149,078	133,508	176,712	184,288
Other income	19,186	14,703	16,020	16,008	32,288	21,750	13,147	13,578	13,654
Exploration and prospecting expenditure	-11,628	-14,548	-13,269	-16,190	-12,499	-18,213	-10,382	-12,624	-13,017
General and administration expenses	-4,308	-3,771	-4,240	-4,088	-4,129	-5,071	-4,421	-5,376	-5,543
Finance Cost	-2,550	-1,718	-1,515	-1,730	-1,693	-3,011	-2,484	-2,864	-3,277
Workers' profit participation fund	-6,686	-4,237	-4,691	-5,928	-9,295	-7,530	-6,468	-8,471	-8,805
Share of profit in associate - net of taxation	1,044	2,189	1,827	3,075	4,865	6,063	6,063	6,063	6,063
Profit before income tax	127,025	80,507	89,137	112,627	176,599	143,065	128,962	167,017	173,362
Income tax expense	-39,776	-20,537	-25,334	-33,890	-58,214	-42,983	-41,233	-53,400	-55,429
Profit for the year	87,249	59,971	63,803	78,736	118,386	100,082	87,729	113,617	117,933
EPS	20.29	13.94	14.83	18.31	27.53	23.27	20.40	26.42	27.42
EBITDA	6,752	8,304	10,124	11,658	12,139	12,844	13,443	14,123	14,801

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	-18.05%	-22.67%	5.50%	19.50%	27.34%	-6.36%	-7.22%	21.59%	3.11%
Royalty	-20.13%	-23.84%	2.43%	18.64%	33.52%	-5.83%	-7.22%	21.59%	3.11%
Operating Expenses	8.40%	3.87%	2.91%	6.41%	5.38%	4.89%	0.00%	0.00%	0.00%
Transportation Charges	-16.85%	-3.72%	-9.99%	-2.91%	-2.57%	-2.19%	-7.22%	21.59%	3.11%
Gross profit	-25.05%	-33.40%	8.09%	27.87%	37.52%	-10.76%	-10.44%	32.36%	4.29%
Other income	0.31%	-23.37%	8.96%	-0.08%	101.70%	-32.64%	-39.56%	3.28%	0.56%
Exploration and prospecting expenditure	33.30%	25.12%	-8.80%	22.02%	-22.80%	45.72%	-43.00%	21.59%	3.11%
General and administration expenses	45.31%	-12.48%	12.44%	-3.58%	1.01%	22.80%	-12.82%	21.59%	3.11%
Finance Cost	15.69%	-32.63%	-11.83%	14.21%	-2.16%	77.93%	-17.51%	15.30%	14.40%
Workers' profit participation fund	-26.30%	-36.62%	10.72%	26.35%	56.80%	-18.99%	-14.10%	30.96%	3.94%
Share of profit in associate - net of taxation	816.28%	109.72%	-16.52%	68.28%	58.23%	24.61%	0.00%	0.00%	0.00%
Profit before income tax	-26.30%	-36.62%	10.72%	26.35%	56.80%	-18.99%	-9.86%	29.51%	3.80%
Income tax expense	-17.88%	-48.37%	23.36%	33.77%	71.77%	-26.16%	-4.07%	29.51%	3.80%
Profit for the year	-29.59%	-31.26%	6.39%	23.40%	50.36%	-15.46%	-12.34%	29.51%	3.80%
EPS	-29.59%	-31.26%	6.39%	23.40%	50.36%	-15.46%	-12.34%	29.51%	3.80%
EBITDA	19.29%	23.00%	21.91%	15.14%	4.13%	5.81%	4.66%	5.06%	4.80%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	62.65	53.96	55.29	59.16	63.89	60.88	58.77	63.97	64.70
NP Margin	%	41.42	36.82	37.13	38.35	45.28	40.87	38.62	41.13	41.40
ROE	%	19.72	12.53	12.44	14.30	18.93	14.53	11.54	13.82	13.06
ROA	%	15.75	10.17	10.17	11.81	15.44	11.62	10.01	11.52	10.72
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	3.55	4.32	6.39	7.35	7.02	5.90	6.75	8.09	8.97
Quick	x	2.33	2.22	2.51	4.27	4.76	4.14	5.89	7.16	8.08
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Inventory Turnover	x	213.14	246.08	229.91	231.89	237.99	208.41	200.45	208.85	203.74
Inventory Days		1.71	1.48	1.59	1.57	1.53	1.75	1.82	1.75	1.79
Receivables Days		0.87	1.06	1.74	1.42	11.46	1.56	1.67	1.41	1.37
Payables Days		287.25	225.53	186.10	159.77	191.27	261.34	224.95	207.06	217.75
Operating Cycle		-284.67	-222.99	-182.78	-156.78	-178.27	-258.03	-221.47	-203.90	-214.59
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		7.75	5.20	6.00	10.00	11.00	6.75	5.92	7.66	7.95
Div. Yield	%	7.05	4.73	5.45	9.09	10.00	6.14	5.38	6.97	7.23
Dividend Cover	x	2.62	2.68	2.47	1.83	2.50	3.45	3.45	3.45	3.45
Retention	%	61.80	62.71	59.55	45.38	60.04	70.99	70.99	70.99	70.99
Payout	%	38.20	37.29	40.45	54.62	39.96	29.01	29.01	29.01	29.01
No. of Shares	('m)	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93
EPS		20.29	13.94	14.83	18.31	27.53	23.27	20.40	26.42	27.42
BVPS		102.89	111.29	119.27	128.01	145.40	160.16	176.68	191.17	209.92
P/E	x	5.42	7.89	7.41	6.01	4.00	4.73	5.39	4.16	4.01
Sales per share		48.97	37.87	39.95	47.74	60.80	56.93	52.82	64.23	66.23
P/BV	x	1.07	0.99	0.92	0.86	0.76	0.69	0.62	0.58	0.52
P/S	x	2.25	2.90	2.75	2.30	1.81	1.93	2.08	1.71	1.66
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Total Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	53.03	49.06	61.74	67.76	107.96	48.99	53.08	60.16	54.75

Source: ACPL Research, Company Financials

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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

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