

OGDC has announced its 1QFY21 result where it posted profit after tax of Rs23bn (EPS: Rs5.45) as compared to profit after tax of Rs27bn (EPS: Rs6.35) in same period last year, down by 14.2% YoY.

The company has posted the revenue of Rs59.5bn against Rs66.2bn in SPLY, recording a negative growth of 10.1% YoY. We note that this growth 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 59.3% from 65.2% during SPLY.

Other income has been increased by 15.8% YoY to Rs3.3bn as compared to Rs2.8bn during SPLY owing to higher exchange gains.

Exploration cost has been decreased by 25.4% YoY while the admin cost has slightly been increased by 2.8% during the period.

Furthermore, finance cost has been decreased by 24.3% YoY on account of lower provision for decommissioning cost.

OGDC is currently trading at a FY21E PE of 4.42x. Furthermore, the scrip is also trading at FY21E PB of 0.54x which provides a discount of 24% relative to its 5-year average of 0.80x. Going forward, we have a **BUY** stance on the scrip with a DCF based Jun-21 TP of Rs 140 which provides an upside potential of 46%. We have assumed the Arab Light price at \$45 in FY21 and \$50 thereafter till FY25, in our working.

Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	59,528	66,204	10.1% ▼	244,857	261,481	6.4% ▼
Operating Cost	-17,274	-14,886	16.0% ▲	-66,560	-63,456	4.9% ▲
Gross Profit	35,298	43,191	18.3% ▼	149,078	167,062	10.8% ▼
Other Income	3,294	2,845	15.8% ▲	21,750	32,288	32.6% ▼
Exploration Cost	-2,957	-3,962	25.4% ▼	-18,213	-12,499	45.7% ▲
Administrative Expenses	-1,074	-1,044	2.8% ▲	-5,071	-4,129	22.8% ▲
Finance costs	-564	-745	24.3% ▼	-3,011	-1,693	77.9% ▲
Profit Before Taxation	34,020	39,688	14.3% ▼	143,065	176,599	19.0% ▼
Taxation	-10,593	-12,372	14.4% ▼	-42,983	-58,214	26.2% ▼
Profit After Taxation	23,427	27,316	14.2% ▼	100,082	118,386	15.5% ▼
Earnings Per Share	5.45	6.35	14.2% ▼	23.27	27.53	15.5% ▼
Dividend	2.00	2.50		6.75	11.00	
Bonus	0%	0%		0%	0%	

Closing Period: 15 Dec 20 - 21 Dec 20

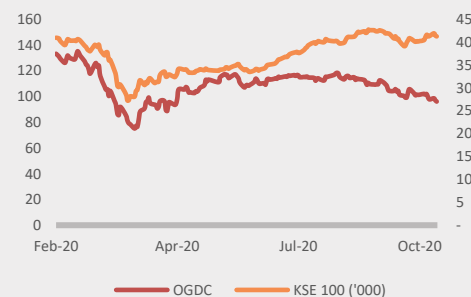
	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Gross Margin	59.3%	65.2%	5.9% ▼	60.9%	63.9%	3.0% ▼
Other Income to Sales	5.5%	4.3%	1.2% ▲	8.9%	12.3%	3.5% ▼
Exploration Cost to Sales	-5.0%	-6.0%	1.0% ▼	-7.4%	-4.8%	2.7% ▲
Admin Cost to Sales	-1.8%	-1.6%	0.2% ▲	-2.1%	-1.6%	0.5% ▲
Effective Taxation	-31.1%	-31.2%	0.0% ▼	-30.0%	-33.0%	2.9% ▼
Net Margin	39.4%	41.3%	1.9% ▼	40.9%	45.3%	4.4% ▼

Source: ACPL Research, Company Financials

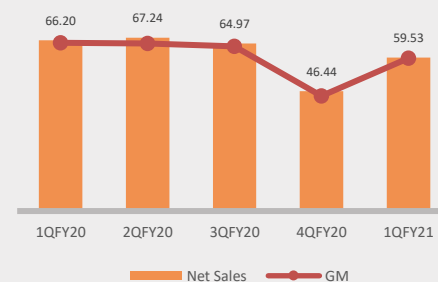
Key Statistics

Symbol	OGDC
TP - Jun 21	140.00
LDCP	95.91
Upside (%)	46
Free Float ('mn)	645
Market Cap. (Rs.'mn)	412,502

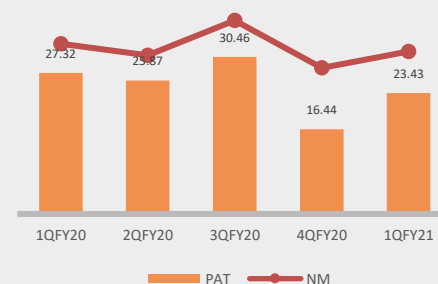
OGDC vs KSE 100



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	249,116	256,654
Royalty	-23,737	-18,079	-18,519	-21,971	-29,336	-27,626	-25,631	-28,107	-28,957
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	-1,620	-1,669
Gross profit	131,967	87,890	95,004	121,480	167,062	149,078	133,508	152,829	159,467
Other income	19,186	14,703	16,020	16,008	32,288	21,750	21,490	21,683	21,750
Exploration and prospecting expenditure	-11,628	-14,548	-13,269	-16,190	-12,499	-18,213	-11,359	-12,456	-12,833
General and administration expenses	-4,308	-3,771	-4,240	-4,088	-4,129	-5,071	-4,421	-4,848	-4,995
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	-7,123	-8,041	-8,341
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	135,673	152,366	157,834
Income tax expense	-39,776	-20,537	-25,334	-33,890	-58,214	-42,983	-42,245	-47,443	-49,145
Profit for the year	87,249	59,971	63,803	78,736	118,386	100,082	93,428	104,923	108,689
EPS	20.29	13.94	14.83	18.31	27.53	23.27	21.72	24.40	25.27
EBITDA	6,752	8,304	10,124	11,658	12,139	12,844	13,449	14,108	14,786

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%	9.66%	3.03%
Royalty	-20.13%	-23.84%	2.43%	18.64%	33.52%	-5.83%	-7.22%	9.66%	3.03%
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%	9.66%	3.03%
Gross profit	-25.05%	-33.40%	8.09%	27.87%	37.52%	-10.76%	-10.44%	14.47%	4.34%
Other income	0.31%	-23.37%	8.96%	-0.08%	101.70%	-32.64%	-1.19%	0.90%	0.31%
Exploration and prospecting expenditure	33.30%	25.12%	-8.80%	22.02%	-22.80%	45.72%	-37.63%	9.66%	3.03%
General and administration expenses	45.31%	-12.48%	12.44%	-3.58%	1.01%	22.80%	-12.82%	9.66%	3.03%
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%	-5.40%	12.88%	3.74%
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%	-5.17%	12.30%	3.59%
Income tax expense	-17.88%	-48.37%	23.36%	33.77%	71.77%	-26.16%	-1.72%	12.30%	3.59%
Profit for the year	-29.59%	-31.26%	6.39%	23.40%	50.36%	-15.46%	-6.65%	12.30%	3.59%
EPS	-29.59%	-31.26%	6.39%	23.40%	50.36%	-15.46%	-6.65%	12.30%	3.59%
EBITDA	19.29%	23.00%	21.91%	15.14%	4.13%	5.81%	4.71%	4.90%	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	61.35	62.13
NP Margin	%	41.42	36.82	37.13	38.35	45.28	40.87	41.13	42.12	42.35
ROE	%	19.72	12.53	12.44	14.30	18.93	14.53	12.29	12.70	12.07
ROA	%	15.75	10.17	10.17	11.81	15.44	11.62	10.59	10.69	10.00
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	6.82	8.03	9.02
Quick	x	2.33	2.22	2.51	4.27	4.76	4.14	5.96	7.13	8.14
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	205.50	203.65
Inventory Days		1.71	1.48	1.59	1.57	1.53	1.75	1.82	1.78	1.79
Receivables Days		0.87	1.06	1.74	1.42	11.46	1.56	1.67	1.54	1.50
Payables Days		287.25	225.53	186.10	159.77	191.27	261.34	224.95	214.02	217.96
Operating Cycle		-284.67	-222.99	-182.78	-156.78	-178.27	-258.03	-221.47	-210.70	-214.67
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		7.75	5.20	6.00	10.00	11.00	6.75	6.30	7.08	7.33
Div. Yield	%	8.08	5.42	6.26	10.43	11.47	7.04	6.57	7.38	7.64
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	21.72	24.40	25.27
BVPS		102.89	111.29	119.27	128.01	145.40	160.16	176.68	192.11	209.43
P/E	x	4.73	6.88	6.47	5.24	3.48	4.12	4.42	3.93	3.80
Sales per share		48.97	37.87	39.95	47.74	60.80	56.93	52.82	57.92	59.67
P/BV	x	0.93	0.86	0.80	0.75	0.66	0.60	0.54	0.50	0.46
P/S	x	1.96	2.53	2.40	2.01	1.58	1.68	1.82	1.66	1.61
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	56.05	54.89	49.87

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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