

OGDC has announced its 3QFY20 result where it posted profit after tax of Rs83.6bn (EPS: Rs19.45) in 9MFY20 as compared to profit after tax of Rs85.3bn (EPS: Rs19.84) in same period last year, down by 2% YoY.

The company has posted the revenue of Rs198bn against Rs192bn in SPLY, recording a growth of 3.3% YoY. We note that this growth is attributed to the depreciation of PKR against USD during the period.

Gross margin has relatively remained stable at 64.7% during the year.

Other income has declined by 6.4% YoY to Rs16.7bn in 9MFY20 as compared to Rs17.9bn during SPLY owing to lower exchange gains.

The increase in exploration and admin costs has mainly caused the earnings to contract which increased by 107% YoY and 27.4% YoY respectively.

Furthermore, finance cost has been increased by 86.2% YoY on account of higher provision for decommissioning cost.

Going forward, we have a **HOLD** stance on the scrip with a DCF based Dec-20 TP of Rs 105 as the oil prices are near the 18-year low level of around \$18 after OPEC lowered its global oil demand forecast due to the "historic shock" delivered by the coronavirus outbreak. We expect the global crude oil demand to remain sluggish during next couple of quarters. However, we expect some recovery in demand by the end of this calendar year. We have assumed the Arab Light price at \$25 in FY21 and \$30 thereafter till FY25, in our working.

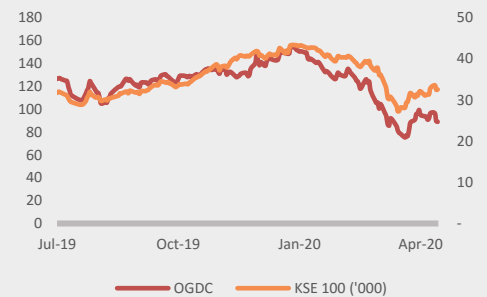
Rupees' millions	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	64,972	65,149	0.3% ▼	198,413	192,047	3.3% ▲
Operating Cost	-15,823	-15,403	2.7% ▲	-46,383	-45,037	3.0% ▲
Gross Profit	41,502	42,078	1.4% ▼	128,355	124,314	3.3% ▲
Other Income	8,787	6,003	46.4% ▲	16,714	17,853	6.4% ▼
Exploration Cost	-3,077	-2,042	50.7% ▲	-13,502	-6,524	107.0% ▲
Administrative Expenses	-1,027	-1,231	16.6% ▼	-3,846	-3,018	27.4% ▲
Finance costs	-840	-427	96.7% ▲	-2,340	-1,256	86.2% ▲
Profit Before Taxation	44,479	43,254	2.8% ▲	123,315	127,994	3.7% ▼
Taxation	-14,018	-14,699	4.6% ▼	-39,670	-42,682	7.1% ▼
Profit After Taxation	30,460	28,556	6.7% ▲	83,645	85,312	2.0% ▼
Earnings Per Share	7.08	6.64	6.7% ▲	19.45	19.84	2.0% ▼
Dividend	0.00	2.75		4.25	8.50	
Bonus	0%	0%		0%	0%	
Gross Margin	63.9%	64.6%	0.7% ▼	64.7%	64.7%	0.0% ▼
Other Income to Sales	13.5%	9.2%	4.3% ▲	8.4%	9.3%	0.9% ▼
Exploration Cost to Sales	-4.7%	-3.1%	1.6% ▲	-6.8%	-3.4%	3.4% ▲
Admin Cost to Sales	-1.6%	-1.9%	0.3% ▼	-1.9%	-1.6%	0.4% ▲
Effective Taxation	-31.5%	-34.0%	2.5% ▼	-32.2%	-33.3%	1.2% ▼
Net Margin	46.9%	43.8%	3.1% ▲	42.2%	44.4%	2.3% ▼

Source: ACPL Research, Company Financials

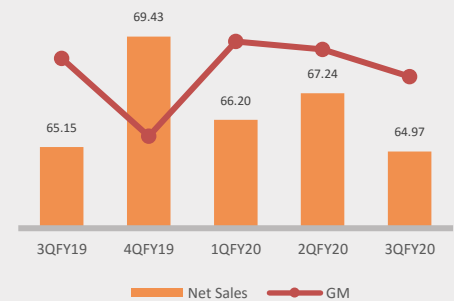
Key Statistics

Symbol	OGDC
TP - Dec 20	105.00
LDCP	95.15
Upside (%)	10.35
Free Float ('mn)	645
Market Cap. (Rs.'mn)	409,233

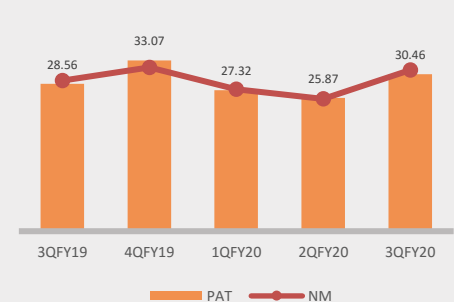
OGDC vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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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
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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