

OGDC has announced its annual result where it posted profit after tax of Rs100bn (EPS: Rs23.27) in FY20 as compared to profit after tax of Rs118bn (EPS: Rs27.53) in same period last year, down by 15.5% YoY.

The company has posted the revenue of Rs245bn against Rs261bn in SPLY, recording a negative growth of 6.4% 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 60.9% in FY20 from 63.9% during SPLY.

Other income has declined by 32.6% YoY to Rs21.8bn in FY20 as compared to Rs32.3bn during SPLY owing to lower exchange gains.

The increase in exploration and admin costs also caused the earnings to contract which increased by 45.7% YoY and 22.8% YoY respectively.

Furthermore, finance cost has been increased by 77.9% YoY on account of higher provision for decommissioning cost.

OGDC is currently trading at a FY21E PE of 4.76x. Furthermore, the scrip is also trading at FY21E PB of 0.58x which provides a discount of 26% relative to its 5-year average of 0.87x. Going forward, we have a **BUY** stance on the scrip with a DCF based Jun-21 TP of Rs 175 as the demand for crude oil is set to bounce back next year at a historically quick pace. We have assumed the Arab Light price at \$45 in FY21 and \$50 thereafter till FY25, in our working.

Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	46,444	69,434	33.1% ▼	244,857	261,481	6.4% ▼
Operating Cost	-20,178	-18,419	9.6% ▲	-66,560	-63,456	4.9% ▲
Gross Profit	20,723	42,748	51.5% ▼	149,078	167,062	10.8% ▼
Other Income	5,036	14,435	65.1% ▼	21,750	32,288	32.6% ▼
Exploration Cost	-4,711	-5,975	21.2% ▼	-18,213	-12,499	45.7% ▲
Administrative Expenses	-1,224	-1,111	10.2% ▲	-5,071	-4,129	22.8% ▲
Finance costs	-672	-436	54.1% ▲	-3,011	-1,693	77.9% ▲
Profit Before Taxation	19,750	48,606	59.4% ▼	143,065	176,599	19.0% ▼
Taxation	-3,314	-15,532	78.7% ▼	-42,983	-58,214	26.2% ▼
Profit After Taxation	16,437	33,074	50.3% ▼	100,082	118,386	15.5% ▼
Earnings Per Share	3.82	7.69	50.3% ▼	23.27	27.53	15.5% ▼
Dividend	2.50	2.50		6.75	11.00	
Bonus	0%	0%		0%	0%	

Closing Period: 22 Oct 20 - 28 Oct 20

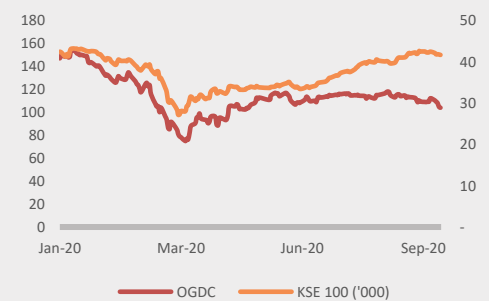
Gross Margin	44.6%	61.6%	16.9% ▼	60.9%	63.9%	3.0% ▼
Other Income to Sales	10.8%	20.8%	9.9% ▼	8.9%	12.3%	3.5% ▼
Exploration Cost to Sales	-10.1%	-8.6%	1.5% ▲	-7.4%	-4.8%	2.7% ▲
Admin Cost to Sales	-2.6%	-1.6%	1.0% ▲	-2.1%	-1.6%	0.5% ▲
Effective Taxation	-16.8%	-32.0%	15.2% ▼	-30.0%	-33.0%	2.9% ▼
Net Margin	35.4%	47.6%	12.2% ▼	40.9%	45.3%	4.4% ▼

Source: ACPL Research, Company Financials

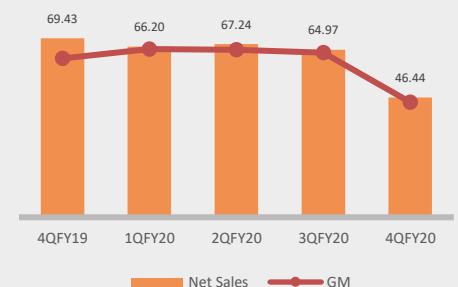
Key Statistics

Symbol	OGDC
TP - Jun 21	175.00
LDCP	104.10
Upside (%)	68
Free Float ('mn)	645
Market Cap. (Rs.'mn)	447,727

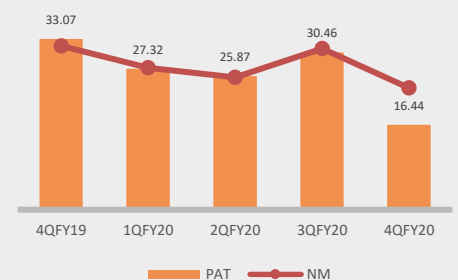
OGDC vs KSE 100



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	244,350	267,601	263,451
Royalty	-23,737	-18,079	-18,519	-21,971	-29,336	-27,626	-27,569	-30,192	-29,724
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	-1,589	-1,740	-1,713
Gross profit	131,967	87,890	95,004	121,480	167,062	149,078	148,632	169,108	165,453
Other income	19,186	14,703	16,020	16,008	32,288	21,750	16,017	16,083	16,072
Exploration and prospecting expenditure	-11,628	-14,548	-13,269	-16,190	-12,499	-18,213	-18,213	-18,213	-18,213
General and administration expenses	-4,308	-3,771	-4,240	-4,088	-4,129	-5,071	-4,755	-5,208	-5,127
Finance Cost	-2,550	-1,718	-1,515	-1,730	-1,693	-3,011	-3,021	-3,554	-4,151
Workers' profit participation fund	-6,686	-4,237	-4,691	-5,928	-9,295	-7,530	-7,224	-8,243	-8,025
Share of profit in associate - net of taxation	1,044	2,189	1,827	3,075	4,865	6,063	3,150	3,150	3,150
Profit before income tax	127,025	80,507	89,137	112,627	176,599	143,065	134,586	153,124	149,159
Income tax expense	-39,776	-20,537	-25,334	-33,890	-58,214	-42,983	-40,436	-46,005	-44,814
Profit for the year	87,249	59,971	63,803	78,736	118,386	100,082	94,150	107,118	104,345
EPS	20.29	13.94	14.83	18.31	27.53	23.27	21.89	24.91	24.26
EBITDA	6,752	8,304	10,124	11,658	12,139	13,827	15,820	18,134	20,761

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%	-0.21%	9.52%	-1.55%
Royalty	-20.13%	-23.84%	2.43%	18.64%	33.52%	-5.83%	-0.21%	9.52%	-1.55%
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%	-0.21%	9.52%	-1.55%
Gross profit	-25.05%	-33.40%	8.09%	27.87%	37.52%	-10.76%	-0.30%	13.78%	-2.16%
Other income	0.31%	-23.37%	8.96%	-0.08%	101.70%	-32.64%	-26.36%	0.41%	-0.07%
Exploration and prospecting expenditure	33.30%	25.12%	-8.80%	22.02%	-22.80%	45.72%	0.00%	0.00%	0.00%
General and administration expenses	45.31%	-12.48%	12.44%	-3.58%	1.01%	22.80%	-6.22%	9.52%	-1.55%
Finance Cost	15.69%	-32.63%	-11.83%	14.21%	-2.16%	77.93%	0.31%	17.64%	16.81%
Workers' profit participation fund	-26.30%	-36.62%	10.72%	26.35%	56.80%	-18.99%	-4.06%	14.10%	-2.64%
Share of profit in associate - net of taxation	816.28%	109.72%	-16.52%	68.28%	58.23%	24.61%	-48.04%	0.00%	0.00%
Profit before income tax	-26.30%	-36.62%	10.72%	26.35%	56.80%	-18.99%	-5.93%	13.77%	-2.59%
Income tax expense	-17.88%	-48.37%	23.36%	33.77%	71.77%	-26.16%	-5.93%	13.77%	-2.59%
Profit for the year	-29.59%	-31.26%	6.39%	23.40%	50.36%	-15.46%	-5.93%	13.77%	-2.59%
EPS	-29.59%	-31.26%	6.39%	23.40%	50.36%	-15.46%	-5.93%	13.77%	-2.59%
EBITDA	19.29%	23.00%	21.91%	15.14%	4.13%	13.91%	14.41%	14.62%	14.49%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	62.65	53.96	55.29	59.16	63.89	60.88	60.83	63.19	62.80
NP Margin	%	41.42	36.82	37.13	38.35	45.28	40.87	38.53	40.03	39.61
ROE	%	19.72	12.53	12.44	14.30	18.93	14.37	12.27	12.84	11.46
ROA	%	15.75	10.17	10.17	11.81	15.44	12.33	10.28	10.18	8.59
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	3.55	4.32	6.39	7.35	7.02	6.79	7.40	8.19	8.72
Quick	x	2.33	2.22	2.51	4.27	4.76	6.12	6.73	7.50	8.05
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	213.14	246.08	229.91	231.89	237.99	212.91	211.33	214.42	210.86
Inventory Days		1.71	1.48	1.59	1.57	1.53	1.71	1.73	1.70	1.73
Receivables Days		0.87	1.06	1.74	1.42	11.46	12.25	12.27	11.22	11.40
Payables Days		287.25	225.53	186.10	159.77	191.27	188.55	191.39	185.88	192.23
Operating Cycle		-284.67	-222.99	-182.78	-156.78	-178.27	-174.59	-177.39	-172.95	-179.11
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		7.75	5.20	6.00	10.00	11.00	6.75	6.35	7.22	7.04
Div. Yield	%	7.44	5.00	5.76	9.61	10.57	6.48	6.10	6.94	6.76
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	21.89	24.91	24.26
BVPS		102.89	111.29	119.27	128.01	145.40	161.93	178.45	193.99	211.67
P/E	x	5.13	7.47	7.02	5.69	3.78	4.47	4.76	4.18	4.29
Sales per share		48.97	37.87	39.95	47.74	60.80	56.93	56.81	62.22	61.25
P/BV	x	1.01	0.94	0.87	0.81	0.72	0.64	0.58	0.54	0.49
P/S	x	2.13	2.75	2.61	2.18	1.71	1.83	1.83	1.67	1.70
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	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	46.90	45.52	38.11

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
- 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
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Market Weight	Neutral
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