

OGDC has announced its 1HFY23 result where it posted a profit after tax of Rs95.01bn (EPS: Rs22.09) as compared to a profit after tax of Rs68.88bn (EPS: Rs16.02) in the same period last year, up by 37.9% YoY amid an elevation in the price of Arab Light coupled with PKR devaluation against USD.

The company has posted a revenue of Rs203.24bn against Rs151.16bn in SPLY, recording a growth of 34.4% YoY. The gross margin has improved to 68.7% as compared to 65.3% during SPLY. The operating cost has increased by 14.3% to Rs39.29bn as compared to Rs34.37bn while the exploration cost decreased by 3.5% YoY to Rs6.65bn as compared to Rs6.89bn during SPLY. A hike in interest rates led to a surge in finance cost by 100.1%. Other income has shown an impressive growth of 30.6% YoY due to exchange rate gains. Lastly, effective taxation has increased to 37.8% as compared to 34.5% in SPLY.

OGDC is currently trading at a FY23E PE of 2.07x. Furthermore, the scrip is also trading at FY23E PB of 0.40x which provides a discount of 21% relative to its 3-year average of 0.51x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs120 which provides an upside potential of 31%. The scrip also provides a dividend yield of 11% which makes the total return of 42%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	97,223	79,633	22.1% ▲	203,236	151,163	34.4% ▲
Operating Cost	-21,116	-17,794	18.7% ▲	-39,291	-34,369	14.3% ▲
<b>Gross Profit</b>	<b>64,509</b>	<b>52,391</b>	<b>23.1% ▲</b>	<b>139,715</b>	<b>98,701</b>	<b>41.6% ▲</b>
Other Income	9,234	10,359	10.9% ▼	27,738	21,237	30.6% ▲
Exploration Cost	-5,104	-4,610	10.7% ▲	-6,649	-6,893	3.5% ▼
Administrative Expenses	-1,257	-993	26.6% ▲	-2,265	-2,134	6.2% ▲
Finance costs	-1,466	-578	153.5% ▲	-2,284	-1,141	100.1% ▲
Profit Before Taxation	64,640	52,902	22.2% ▲	152,848	105,171	45.3% ▲
Taxation	-22,931	-17,649	29.9% ▲	-57,836	-36,289	59.4% ▲
<b>Profit After Taxation</b>	<b>41,709</b>	<b>35,253</b>	<b>18.3% ▲</b>	<b>95,012</b>	<b>68,882</b>	<b>37.9% ▲</b>
Earnings Per Share	9.70	8.20	18.3% ▲	22.09	16.02	37.9% ▲
Dividend	2.25	2.00	12.5% ▲	4.00	3.75	6.7% ▲
Bonus	0%	0%		0%	0%	

Closing Date: March 8, 2023 to March 10, 2023

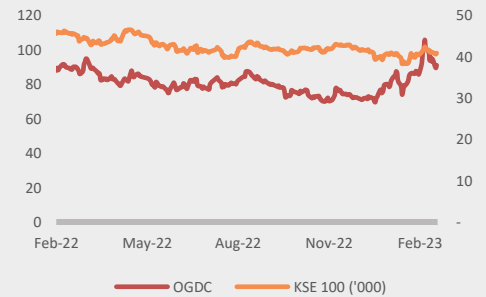
	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Gross Margin	66.4%	65.8%	0.6% ▲	68.7%	65.3%	3.5% ▲
Other Income to Sales	9.5%	13.0%	3.5% ▼	13.6%	14.0%	0.4% ▼
Exploration Cost to Sales	-5.3%	-5.8%	0.5% ▼	-3.3%	-4.6%	1.3% ▼
Admin Cost to Sales	-1.3%	-1.2%	0.0% ▲	-1.1%	-1.4%	0.3% ▼
Effective Taxation	-35.5%	-33.4%	2.1% ▲	-37.8%	-34.5%	3.3% ▲
Net Margin	42.9%	44.3%	1.4% ▼	46.7%	45.6%	1.2% ▲

Source: ACPL Research, Company Financials

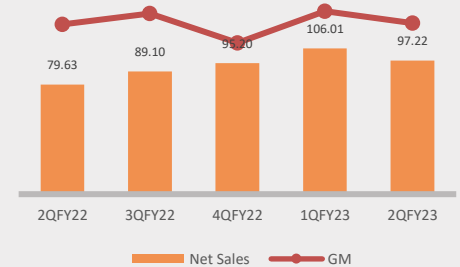
## Key Statistics

Symbol	OGDC
TP - Dec 23	120
LDCP	91.49
Upside (%)	31
Free Float ('mn)	645
Market Cap. (Rs.'mn)	393,492

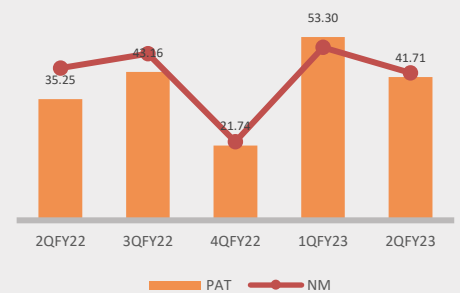
## OGDC vs KSE 100



## 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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	244,857	239,104	335,464	406,471	370,108	335,284	300,012
Royalty	-27,626	-27,422	-37,958	-46,949	-42,749	-38,727	-34,652
Operating Expenses	-66,560	-70,177	-78,593	-78,582	-91,874	-83,230	-74,474
Transportation Charges	-1,592	-1,758	-1,998	-1,511	-1,376	-1,246	-1,115
<b>Gross profit</b>	<b>149,078</b>	<b>139,746</b>	<b>216,916</b>	<b>279,430</b>	<b>234,110</b>	<b>212,082</b>	<b>189,770</b>
Other income	21,750	13,979	46,571	55,477	34,740	33,514	32,268
Exploration and prospecting expenditure	-18,213	-17,366	-15,586	-13,299	-12,109	-10,970	-9,816
General and administration expenses	-5,071	-4,668	-4,910	-4,530	-4,125	-3,737	-3,344
Finance Cost	-3,011	-2,205	-2,340	-4,570	-5,713	-6,634	-7,278
Workers' profit participation fund	-7,530	-6,789	-12,238	-16,089	-12,712	-11,546	-10,379
Share of profit in associate - net of taxation	6,063	6,289	4,110	9,275	9,647	10,032	10,434
<b>Profit before income tax</b>	<b>143,065</b>	<b>128,986</b>	<b>232,521</b>	<b>305,694</b>	<b>243,838</b>	<b>222,743</b>	<b>201,656</b>
Income tax expense	-42,983	-37,452	-98,738	-115,671	-82,270	-75,152	-68,038
<b>Profit for the year</b>	<b>100,082</b>	<b>91,534</b>	<b>133,784</b>	<b>190,023</b>	<b>161,568</b>	<b>147,590</b>	<b>133,618</b>
EPS	<b>23.27</b>	<b>21.28</b>	<b>31.11</b>	<b>44.18</b>	<b>37.57</b>	<b>34.32</b>	<b>31.07</b>
EBITDA	<b>12,844</b>	<b>11,099</b>	<b>10,895</b>	<b>11,272</b>	<b>11,596</b>	<b>11,972</b>	<b>12,360</b>

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-6.36%	-2.35%	40.30%	21.17%	-8.95%	-9.41%	-10.52%
Royalty	-5.83%	-0.74%	38.42%	23.69%	-8.95%	-9.41%	-10.52%
Operating Expenses	4.89%	5.43%	11.99%	-0.01%	16.92%	-9.41%	-10.52%
Transportation Charges	-2.19%	10.39%	13.65%	-24.37%	-8.95%	-9.41%	-10.52%
<b>Gross profit</b>	<b>-10.76%</b>	<b>-6.26%</b>	<b>55.22%</b>	<b>28.82%</b>	<b>-16.22%</b>	<b>-9.41%</b>	<b>-10.52%</b>
Other income	-32.64%	-35.73%	233.15%	19.12%	-37.38%	-3.53%	-3.72%
Exploration and prospecting expenditure	45.72%	-4.65%	-10.25%	-14.67%	-8.95%	-9.41%	-10.52%
General and administration expenses	22.80%	-7.94%	5.19%	-7.74%	-8.95%	-9.41%	-10.52%
Finance Cost	77.93%	-26.79%	6.14%	95.28%	25.02%	16.12%	9.70%
Workers' profit participation fund	-18.99%	-9.84%	80.27%	31.47%	-20.99%	-9.17%	-10.10%
Share of profit in associate - net of taxation	24.61%	3.73%	-34.65%	125.70%	4.00%	4.00%	4.00%
<b>Profit before income tax</b>	<b>-18.99%</b>	<b>-9.84%</b>	<b>80.27%</b>	<b>31.47%</b>	<b>-20.23%</b>	<b>-8.65%</b>	<b>-9.47%</b>
Income tax expense	-26.16%	-12.87%	163.64%	17.15%	-28.88%	-8.65%	-9.47%
<b>Profit for the year</b>	<b>-15.46%</b>	<b>-8.54%</b>	<b>46.16%</b>	<b>42.04%</b>	<b>-14.97%</b>	<b>-8.65%</b>	<b>-9.47%</b>
EPS	<b>-15.46%</b>	<b>-8.54%</b>	<b>46.16%</b>	<b>42.04%</b>	<b>-14.97%</b>	<b>-8.65%</b>	<b>-9.47%</b>
EBITDA	<b>5.81%</b>	<b>-13.59%</b>	<b>-1.83%</b>	<b>3.46%</b>	<b>2.87%</b>	<b>3.24%</b>	<b>3.24%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	60.88	58.45	64.66	68.75	63.25	63.25	63.25
NP Margin	%	40.87	38.28	39.88	46.75	43.65	44.02	44.54
ROE	%	14.53	11.89	15.28	19.43	14.38	11.83	9.82
ROA	%	11.62	9.57	11.84	15.49	11.78	9.78	8.23
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	5.90	6.40	5.60	6.72	7.76	8.77	10.88
Quick	x	4.14	4.38	4.08	6.06	7.01	7.97	9.93
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	208.41	226.62	245.69	218.75	218.64	201.00	199.70
Inventory Days		1.75	1.61	1.49	1.67	1.67	1.82	1.83
Receivables Days		1.56	35.84	34.16	28.23	31.04	34.20	38.15
Payables Days		261.34	265.81	323.66	283.36	264.98	291.05	272.31
Operating Cycle		-258.03	-228.36	-288.02	-253.46	-232.27	-255.03	-232.33
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		6.75	6.90	7.25	10.50	9.00	8.00	7.00
Div. Yield	%	7.38	7.54	7.92	11.48	9.84	8.74	7.65
Dividend Cover	x	3.45	3.08	4.29	4.21	4.17	4.29	4.44
Retention	%	70.99	67.58	76.69	76.69	76.69	76.69	76.69
Payout	%	29.01	32.42	23.31	23.31	23.31	23.31	23.31
No. of Shares	('m)	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93
EPS		23.27	21.28	31.11	44.18	37.57	34.32	31.07
BVPS		160.16	178.95	203.54	227.39	261.28	290.09	316.40
P/E	x	3.93	4.30	2.94	2.07	2.44	2.67	2.94
Sales per share		56.93	55.59	78.00	94.51	86.05	77.96	69.76
P/BV	x	0.57	0.51	0.45	0.40	0.35	0.32	0.29
P/S	x	1.61	1.65	1.17	0.97	1.06	1.17	1.31
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	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
Interest Cover	x	48.99	59.73	103.83	69.38	44.22	34.80	28.70

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

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- I. Discounted Cash Flow Model
- 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%

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