

OGDC has announced its 1QFY22 result where it posted a profit after tax of Rs33.63bn (EPS: Rs7.82) as compared to profit after tax of Rs23.4bn (EPS: Rs5.45) in the same period last year, up by 43.5% YoY.

The company has posted a revenue of Rs72bn against Rs59.5bn in SPLY, recording a growth of 20% YoY. We note that this growth is attributed to the increase in international crude oil prices and the production of oil and gas.

The gross margin has been increased to 64.7% from 59.3% during SPLY. Operating cost has been decreased by 4.1% YoY to Rs16.58bn as compared to Rs17.27bn during SPLY.

Furthermore, exploration cost and finance cost has been decreased by 22.8% YoY and 0.2% YoY respectively. Whereas, the other income has been increased by 230% YoY to Rs10.88bn during SPLY.

OGDC is currently trading at a FY22E PE of 2.70x. Furthermore, the scrip is also trading at FY22E PB of 0.44x which provides a discount of 17% relative to its 3-year average of 0.53x. We have a **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 160 which provides an upside potential of 87%. The scrip also provides a dividend yield of 11% which makes the total return of 98%.

Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	71,531	59,528	20.2% ▲	239,104	244,857	2.3% ▼
Operating Cost	-16,575	-17,274	4.1% ▼	-70,177	-66,560	5.4% ▲
Gross Profit	46,309	35,298	31.2% ▲	139,746	149,078	6.3% ▼
Other Income	10,878	3,294	230.2% ▲	13,979	21,750	35.7% ▼
Exploration Cost	-2,283	-2,957	22.8% ▼	-17,366	-18,213	4.7% ▼
Administrative Expenses	-1,141	-1,074	6.3% ▲	-4,668	-5,071	7.9% ▼
Finance costs	-563	-564	0.2% ▼	-2,205	-3,011	26.8% ▼
Profit Before Taxation	52,269	34,020	53.6% ▲	128,986	143,065	9.8% ▼
Taxation	-18,640	-10,593	76.0% ▲	-37,452	-42,983	12.9% ▼
Profit After Taxation	33,629	23,427	43.5% ▲	91,534	100,082	8.5% ▼
Earnings Per Share	7.82	5.45	43.5% ▲	21.28	23.27	8.5% ▼
Dividend	2.00	2.00	-	6.90	6.75	2.2% ▲
Bonus	0%	0%	-	0%	0%	-

Closing Period: 10 Nov 2021 – 12 Nov 2021

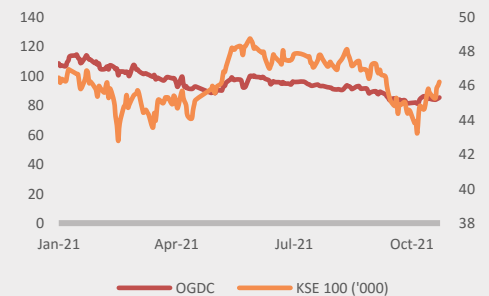
	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Gross Margin	64.7%	59.3%	5.4% ▲	58.4%	60.9%	2.4% ▼
Other Income to Sales	15.2%	5.5%	9.7% ▲	5.8%	8.9%	3.0% ▼
Exploration Cost to Sales	-3.2%	-5.0%	1.8% ▼	-7.3%	-7.4%	0.2% ▼
Admin Cost to Sales	-1.6%	-1.8%	0.2% ▼	-2.0%	-2.1%	0.1% ▼
Effective Taxation	-35.7%	-31.1%	4.5% ▲	-29.0%	-30.0%	1.0% ▼
Net Margin	47.0%	39.4%	7.7% ▲	38.3%	40.9%	2.6% ▼

Source: ACPL Research, Company Financials

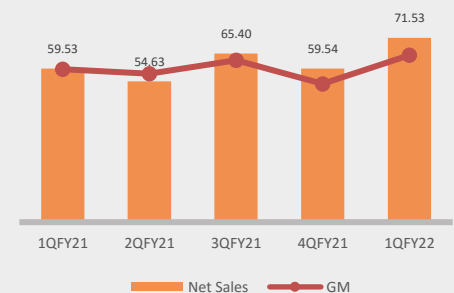
Key Statistics

Symbol	OGDC
TP - Jun 22	160.00
LDCP	85.24
Upside (%)	87
Free Float ('mn)	645
Market Cap. (Rs.'mn)	379,771

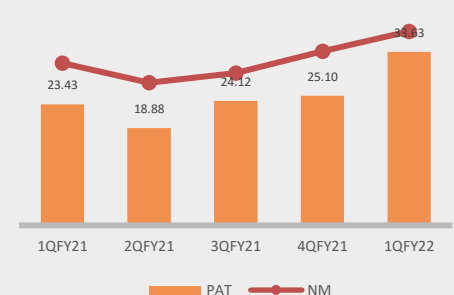
OGDC vs KSE 100



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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	261,481	244,857	239,104	297,263	293,241	285,064	248,306
Royalty	-29,336	-27,626	-27,422	-32,699	-35,189	-34,208	-29,797
Operating Expenses	-63,456	-66,560	-70,177	-66,669	-66,669	-66,669	-66,669
Transportation Charges	-1,628	-1,592	-1,758	-1,933	-1,907	-1,854	-1,615
Gross profit	167,062	149,078	139,746	195,963	189,477	182,334	150,226
Other income	32,288	21,750	13,979	35,534	35,499	35,428	35,131
Exploration and prospecting expenditure	-12,499	-18,213	-17,366	-8,918	-8,797	-8,552	-7,449
General and administration expenses	-4,129	-5,071	-4,668	-4,459	-4,399	-4,276	-3,725
Finance Cost	-1,693	-3,011	-2,205	-2,244	-2,538	-2,855	-3,194
Workers' profit participation fund	-9,295	-7,530	-6,789	-10,794	-10,462	-10,104	-8,550
Share of profit in associate - net of taxation	4,865	6,063	6,289	6,063	6,063	6,063	6,063
Profit before income tax	176,599	143,065	128,986	211,146	204,843	198,038	168,503
Income tax expense	-58,214	-42,983	-37,452	-75,299	-73,051	-70,624	-60,092
Profit for the year	118,386	100,082	91,534	135,847	131,792	127,414	108,412
EPS	27.53	23.27	21.28	31.59	30.64	29.62	25.21
EBITDA	12,139	12,844	13,442	14,166	14,832	15,722	16,646

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	27.34%	-6.36%	-2.35%	24.32%	-1.35%	-2.79%	-12.89%
Royalty	33.52%	-5.83%	-0.74%	19.24%	7.61%	-2.79%	-12.89%
Operating Expenses	5.38%	4.89%	5.43%	-5.00%	0.00%	0.00%	0.00%
Transportation Charges	-2.57%	-2.19%	10.39%	9.97%	-1.35%	-2.79%	-12.89%
Gross profit	37.52%	-10.76%	-6.26%	40.23%	-3.31%	-3.77%	-17.61%
Other income	101.70%	-32.64%	-35.73%	154.20%	-0.10%	-0.20%	-0.84%
Exploration and prospecting expenditure	-22.80%	45.72%	-4.65%	-48.65%	-1.35%	-2.79%	-12.89%
General and administration expenses	1.01%	22.80%	-7.94%	-4.48%	-1.35%	-2.79%	-12.89%
Finance Cost	-2.16%	77.93%	-26.79%	1.76%	13.14%	12.46%	11.88%
Workers' profit participation fund	56.80%	-18.99%	-9.84%	59.00%	-3.07%	-3.42%	-15.38%
Share of profit in associate - net of taxation	58.23%	24.61%	3.73%	-3.60%	0.00%	0.00%	0.00%
Profit before income tax	56.80%	-18.99%	-9.84%	63.70%	-2.99%	-3.32%	-14.91%
Income tax expense	71.77%	-26.16%	-12.87%	101.05%	-2.99%	-3.32%	-14.91%
Profit for the year	50.36%	-15.46%	-8.54%	48.41%	-2.99%	-3.32%	-14.91%
EPS	50.36%	-15.46%	-8.54%	48.41%	-2.99%	-3.32%	-14.91%
EBITDA		5.81%	4.66%	5.39%	4.70%	6.00%	5.87%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	63.89	60.88	58.45	65.92	64.61	63.96	60.50
NP Margin	%	45.28	40.87	38.28	45.70	44.94	44.70	43.66
ROE	%	18.93	14.53	12.05	16.47	14.30	12.55	9.81
ROA	%	15.44	11.62	10.40	13.40	11.64	10.19	8.03
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	7.02	5.90	6.79	8.08	9.23	10.25	11.30
Quick	x	4.76	4.14	5.91	7.18	8.33	9.38	10.46
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	237.99	208.41	206.42	204.67	205.14	201.69	198.01
Inventory Days		1.53	1.75	1.77	1.78	1.78	1.81	1.84
Receivables Days		11.46	1.56	1.63	1.32	1.35	1.39	1.56
Payables Days		191.27	261.34	212.08	215.78	214.78	222.22	230.43
Operating Cycle		-178.27	-258.03	-208.68	-212.68	-211.64	-219.02	-227.03
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		11.00	6.75	6.17	9.16	8.89	8.59	7.31
Div. Yield	%	12.90	7.92	7.24	10.75	10.43	10.08	8.58
Dividend Cover	x	2.50	3.45	3.45	3.45	3.45	3.45	3.45
Retention	%	60.04	70.99	70.99	70.99	70.99	70.99	70.99
Payout	%	39.96	29.01	29.01	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
EPS		27.53	23.27	21.28	31.59	30.64	29.62	25.21
BVPS		145.40	160.16	176.68	191.79	214.22	235.97	257.00
P/E	x	3.10	3.66	4.01	2.70	2.78	2.88	3.38
Sales per share		60.80	56.93	55.59	69.12	68.18	66.28	57.73
P/BV	x	0.59	0.53	0.48	0.44	0.40	0.36	0.33
P/S	x	1.40	1.50	1.53	1.23	1.25	1.29	1.48
Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
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	107.96	48.99	59.73	97.22	83.43	71.79	54.54

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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SELL	Less than and equal to -5%

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