

OGDC has announced its 9MFY21 result where it posted profit after tax of Rs66.4bn (EPS: Rs15.45) as compared to profit after tax of Rs83.6bn (EPS: Rs19.45) in same period last year, down by 20.6% YoY.

The company has posted the revenue of Rs179.6bn against Rs198bn in SPLY, recording a negative growth of 9.5% YoY. We note that this decline is attributed to the drop in the production of oil and gas and the appreciation of PKR against USD.

Gross margin has been squeezed to 58.5% from 60% during SPLY. Other income has been declined by 66.7% YoY to Rs5.6bn as compared to Rs16.7bn during SPLY owing to lower return on bank deposits.

Exploration cost and admin expenses have been decreased by 19.9% YoY and 11.1% YoY respectively. Furthermore, finance cost has been decreased by 28.2% YoY on account of lower provision for decommissioning cost.

OGDC is currently trading at a FY21E PE of 4.63x. Furthermore, the scrip is also trading at FY21E PB of 0.55x which provides a discount of 25% relative to its 5-year average of 0.81x. Going forward, we have a **BUY** stance on the scrip with a DCF based Dec-21 TP of Rs 125 which provides an upside potential of 28%.

Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	65,402	64,972	0.7% ▲	179,562	198,413	9.5% ▼
Operating Cost	-16,566	-15,823	4.7% ▲	-50,254	-46,383	8.3% ▲
Gross Profit	41,064	41,502	1.1% ▼	107,799	128,355	16.0% ▼
Other Income	1,627	8,787	81.5% ▼	5,562	16,714	66.7% ▼
Exploration Cost	-5,587	-3,077	81.6% ▲	-10,809	-13,502	19.9% ▼
Administrative Expenses	-1,306	-1,027	27.1% ▲	-3,419	-3,846	11.1% ▼
Finance costs	-534	-840	36.4% ▼	-1,680	-2,340	28.2% ▼
Profit Before Taxation	34,823	44,479	21.7% ▼	97,018	123,315	21.3% ▼
Taxation	-10,703	-14,018	23.7% ▼	-30,588	-39,670	22.9% ▼
Profit After Taxation	24,121	30,460	20.8% ▼	66,430	83,645	20.6% ▼
Earnings Per Share	5.61	7.08	20.8% ▼	15.45	19.45	20.6% ▼
Dividend	1.80	0.00		5.40	4.25	
Bonus	0%	0%		0%	0%	

Closing Period: 11 Jun 21 - 17 Jun 21

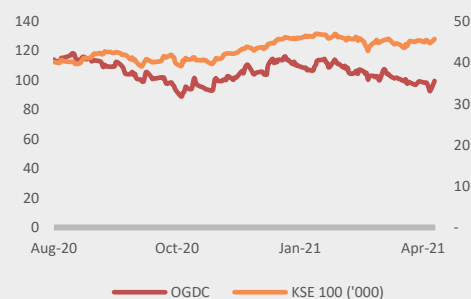
	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Gross Margin	62.8%	63.9%	1.1% ▼	60.0%	64.7%	4.7% ▼
Other Income to Sales	2.5%	13.5%	11.0% ▼	3.1%	8.4%	5.3% ▼
Exploration Cost to Sales	-8.5%	-4.7%	3.8% ▲	-6.0%	-6.8%	0.8% ▼
Admin Cost to Sales	-2.0%	-1.6%	0.4% ▲	-1.9%	-1.9%	0.0% ▼
Effective Taxation	-30.7%	-31.5%	0.8% ▼	-31.5%	-32.2%	0.6% ▼
Net Margin	36.9%	46.9%	10.0% ▼	37.0%	42.2%	5.2% ▼

Source: ACPL Research, Company Financials

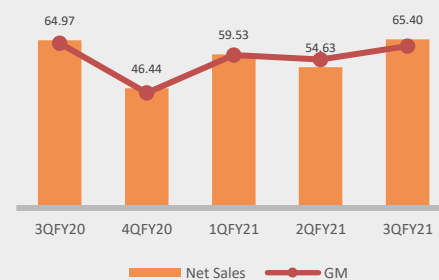
Key Statistics

Symbol	OGDC
TP - Dec 21	125.00
LDCP	97.50
Upside (%)	28
Free Float ('mn)	645
Market Cap. (Rs.'mn)	419,341

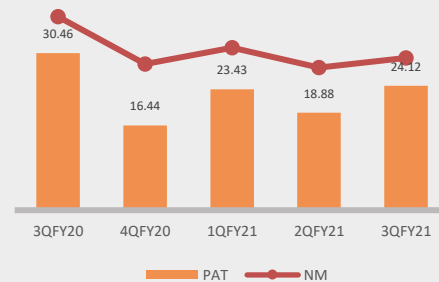
OGDC vs KSE 100



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	242,284	257,924	263,575
Royalty	-23,737	-18,079	-18,519	-21,971	-29,336	-27,626	-27,336	-29,100	-29,738
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	-1,793	-1,909	-1,950
Gross profit	131,967	87,890	95,004	121,480	167,062	149,078	146,595	160,354	165,326
Other income	19,186	14,703	16,020	16,008	32,288	21,750	7,865	8,002	8,051
Exploration and prospecting expenditure	-11,628	-14,548	-13,269	-16,190	-12,499	-18,213	-14,537	-15,475	-15,814
General and administration expenses	-4,308	-3,771	-4,240	-4,088	-4,129	-5,071	-4,715	-5,019	-5,129
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	-6,636	-7,250	-7,458
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	132,150	143,810	147,761
Income tax expense	-39,776	-20,537	-25,334	-33,890	-58,214	-42,983	-41,664	-45,341	-46,586
Profit for the year	87,249	59,971	63,803	78,736	118,386	100,082	90,486	98,469	101,175
EPS	20.29	13.94	14.83	18.31	27.53	23.27	21.04	22.89	23.52
EBITDA	6,752	8,304	10,124	11,658	12,139	12,844	13,446	14,100	14,776

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%	-1.05%	6.46%	2.19%
Royalty	-20.13%	-23.84%	2.43%	18.64%	33.52%	-5.83%	-1.05%	6.46%	2.19%
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%	12.61%	6.46%	2.19%
Gross profit	-25.05%	-33.40%	8.09%	27.87%	37.52%	-10.76%	-1.67%	9.39%	3.10%
Other income	0.31%	-23.37%	8.96%	-0.08%	101.70%	-32.64%	-63.84%	1.74%	0.62%
Exploration and prospecting expenditure	33.30%	25.12%	-8.80%	22.02%	-22.80%	45.72%	-20.19%	6.46%	2.19%
General and administration expenses	45.31%	-12.48%	12.44%	-3.58%	1.01%	22.80%	-7.02%	6.46%	2.19%
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%	-11.87%	9.25%	2.87%
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%	-7.63%	8.82%	2.75%
Income tax expense	-17.88%	-48.37%	23.36%	33.77%	71.77%	-26.16%	-3.07%	8.82%	2.75%
Profit for the year	-29.59%	-31.26%	6.39%	23.40%	50.36%	-15.46%	-9.59%	8.82%	2.75%
EPS	-29.59%	-31.26%	6.39%	23.40%	50.36%	-15.46%	-9.59%	8.82%	2.75%
EBITDA	19.29%	23.00%	21.91%	15.14%	4.13%	5.81%	4.69%	4.86%	4.79%

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	60.51	62.17	62.72
NP Margin	%	41.42	36.82	37.13	38.35	45.28	40.87	37.35	38.18	38.39
ROE	%	19.72	12.53	12.44	14.30	18.93	14.53	11.91	11.95	11.32
ROA	%	15.75	10.17	10.17	11.81	15.44	11.62	10.29	10.11	9.42
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	6.78	7.82	8.78
Quick	x	2.33	2.22	2.51	4.27	4.76	4.14	5.91	6.93	7.90
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	202.61	204.68	203.41
Inventory Days		1.71	1.48	1.59	1.57	1.53	1.75	1.80	1.78	1.79
Receivables Days		0.87	1.06	1.74	1.42	11.46	1.56	1.58	1.50	1.47
Payables Days		287.25	225.53	186.10	159.77	191.27	261.34	220.21	215.76	218.48
Operating Cycle		-284.67	-222.99	-182.78	-156.78	-178.27	-258.03	-216.83	-212.48	-215.22
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		7.75	5.20	6.00	10.00	11.00	6.75	6.10	6.64	6.82
Div. Yield	%	7.95	5.33	6.15	10.26	11.28	6.92	6.26	6.81	7.00
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	21.04	22.89	23.52
BVPS		102.89	111.29	119.27	128.01	145.40	160.16	176.68	191.62	207.87
P/E	x	4.81	6.99	6.57	5.33	3.54	4.19	4.63	4.26	4.14
Sales per share		48.97	37.87	39.95	47.74	60.80	56.93	56.33	59.97	61.28
P/BV	x	0.95	0.88	0.82	0.76	0.67	0.61	0.55	0.51	0.47
P/S	x	1.99	2.57	2.44	2.04	1.60	1.71	1.73	1.63	1.59
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	54.43	51.63	46.52

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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