

OGDC has announced its 1HFY22 result where it posted a profit after tax of Rs68.88bn (EPS: Rs16.02) as compared to profit after tax of Rs42.31bn (EPS: Rs9.84) in the same period last year, up by 62.8% YoY.

The company has posted a revenue of Rs151bn against Rs114bn in SPLY, recording a growth of 32.4% YoY. We note that this growth is attributed to the increase in international crude oil prices.

The gross margin has been increased to 65.3% from 58.5% during SPLY. Operating cost has been increased by 2% YoY to Rs34bn as compared to Rs33bn during SPLY.

Furthermore, exploration cost and other income has been increased by 32% YoY and 439% YoY respectively while the finance cost has been decreased by 0.4% YoY to Rs1.14bn during SPLY.

OGDC is currently trading at a FY22E PE of 2.61x. Furthermore, the scrip is also trading at FY22E PB of 0.46x which provides a discount of 17% relative to its 3-year average of 0.56x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 150 which provides an upside potential of 68%. The scrip also provides a dividend yield of 10% which makes the total return of 78%.

| Rupees' millions             | 2QFY22        | 2QFY21        | YoY            | 1HFY22        | 1HFY21        | YoY            |
|------------------------------|---------------|---------------|----------------|---------------|---------------|----------------|
| Net Sales                    | 79,633        | 54,632        | 45.8% ▲        | 151,163       | 114,161       | 32.4% ▲        |
| Operating Cost               | -17,794       | -16,413       | 8.4% ▲         | -34,369       | -33,687       | 2.0% ▲         |
| <b>Gross Profit</b>          | <b>52,391</b> | <b>31,437</b> | <b>66.7% ▲</b> | <b>98,701</b> | <b>66,735</b> | <b>47.9% ▲</b> |
| Other Income                 | 10,359        | 640           | 1519.5% ▲      | 21,237        | 3,934         | 439.8% ▲       |
| Exploration Cost             | -4,610        | -2,266        | 103.5% ▲       | -6,893        | -5,222        | 32.0% ▲        |
| Administrative Expenses      | -993          | -1,039        | 4.5% ▼         | -2,134        | -2,113        | 1.0% ▲         |
| Finance costs                | -578          | -582          | 0.6% ▼         | -1,141        | -1,146        | 0.4% ▼         |
| Profit Before Taxation       | 52,902        | 28,174        | 87.8% ▲        | 105,171       | 62,194        | 69.1% ▲        |
| Taxation                     | -17,649       | -9,292        | 89.9% ▲        | -36,289       | -19,885       | 82.5% ▲        |
| <b>Profit After Taxation</b> | <b>35,253</b> | <b>18,882</b> | <b>86.7% ▲</b> | <b>68,882</b> | <b>42,309</b> | <b>62.8% ▲</b> |
| <b>Earnings Per Share</b>    | <b>8.20</b>   | <b>4.39</b>   | <b>86.7% ▲</b> | <b>16.02</b>  | <b>9.84</b>   | <b>62.8% ▲</b> |
| <b>Dividend</b>              | <b>2.00</b>   | <b>1.60</b>   | <b>25.0% ▲</b> | <b>3.75</b>   | <b>3.60</b>   | <b>4.2% ▲</b>  |
| <b>Bonus</b>                 | <b>0%</b>     | <b>0%</b>     |                | <b>0%</b>     | <b>0%</b>     |                |

Closing Period: 04 Mar 2022 – 08 Mar 2022

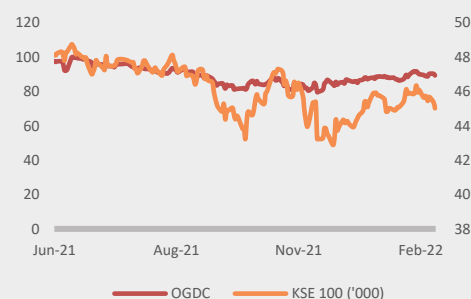
|                           | 2QFY22       | 2QFY21       | YoY           | 1HFY22       | 1HFY21       | YoY           |
|---------------------------|--------------|--------------|---------------|--------------|--------------|---------------|
| Gross Margin              | 65.8%        | 57.5%        | 8.2% ▲        | 65.3%        | 58.5%        | 6.8% ▲        |
| Other Income to Sales     | 13.0%        | 1.2%         | 11.8% ▲       | 14.0%        | 3.4%         | 10.6% ▲       |
| Exploration Cost to Sales | -5.8%        | -4.1%        | 1.6% ▲        | -4.6%        | -4.6%        | 0.0% ▼        |
| Admin Cost to Sales       | -1.2%        | -1.9%        | 0.7% ▼        | -1.4%        | -1.9%        | 0.4% ▼        |
| Effective Taxation        | -33.4%       | -33.0%       | 0.4% ▲        | -34.5%       | -32.0%       | 2.5% ▲        |
| <b>Net Margin</b>         | <b>44.3%</b> | <b>34.6%</b> | <b>9.7% ▲</b> | <b>45.6%</b> | <b>37.1%</b> | <b>8.5% ▲</b> |

Source: ACPL Research, Company Financials

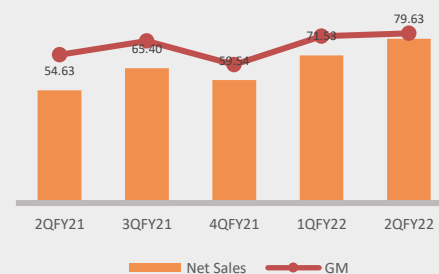
## Key Statistics

| Symbol               | OGDC    |
|----------------------|---------|
| TP - Dec 22          | 150.00  |
| LDCP                 | 85.25   |
| Upside (%)           | 68      |
| Free Float ('mn)     | 645     |
| Market Cap. (Rs.'mn) | 383,858 |

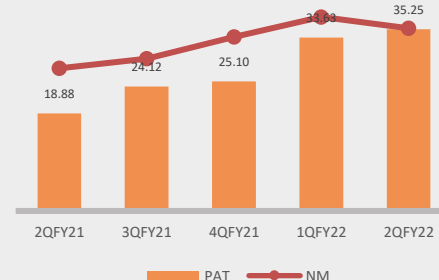
## OGDC vs KSE 100



## 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        | 301,777        | 297,663        | 289,253        | 251,739        |
| Royalty  | -29,336        | -27,626        | -27,422        | -33,195        | -35,720        | -34,710        | -30,209        |
| Operating Expenses                             | -63,456        | -66,560        | -70,177        | -67,370        | -67,370        | -67,370        | -67,370        |
| Transportation Charges                         | -1,628         | -1,592         | -1,758         | -2,218         | -2,188         | -2,126         | -1,850         |
| <b>Gross profit</b>                            | <b>167,062</b> | <b>149,078</b> | <b>139,746</b> | <b>198,993</b> | <b>192,385</b> | <b>185,046</b> | <b>152,310</b> |
| Other income                                   | 32,288         | 21,750         | 13,979         | 41,778         | 41,731         | 41,635         | 41,239         |
| Exploration and prospecting expenditure        | -12,499        | -18,213        | -17,366        | -13,580        | -13,395        | -13,016        | -11,328        |
| General and administration expenses            | -4,129         | -5,071         | -4,668         | -4,527         | -4,465         | -4,339         | -3,776         |
| Finance Cost                                   | -1,693         | -3,011         | -2,205         | -2,040         | -2,099         | -2,163         | -2,231         |
| Workers' profit participation fund             | -9,295         | -7,530         | -6,789         | -12,024        | -11,672        | -11,290        | -9,604         |
| Share of profit in associate - net of taxation | 4,865          | 6,063          | 6,289          | 1,887          | 1,887          | 1,887          | 1,887          |
| <b>Profit before income tax</b>                | <b>176,599</b> | <b>143,065</b> | <b>128,986</b> | <b>210,487</b> | <b>204,373</b> | <b>197,760</b> | <b>168,497</b> |
| Income tax expense                             | -58,214        | -42,983        | -37,452        | -63,146        | -61,312        | -59,328        | -50,549        |
| <b>Profit for the year</b>                     | <b>118,386</b> | <b>100,082</b> | <b>91,534</b>  | <b>147,341</b> | <b>143,061</b> | <b>138,432</b> | <b>117,948</b> |
| EPS  | <b>27.53</b>   | <b>23.27</b>   | <b>21.28</b>   | <b>34.26</b>   | <b>33.26</b>   | <b>32.19</b>   | <b>27.42</b>   |
| EBITDA   | <b>12,139</b>  | <b>12,844</b>  | <b>11,099</b>  | <b>11,973</b>  | <b>12,836</b>  | <b>13,766</b>  | <b>14,746</b>  |

Source: ACPL Research, Company Financials

## Horizontal Analysis

|  | FY19A         | FY20A          | FY21A          | FY22E         | FY23E         | FY24E         | FY25E          |
|--|---------------|----------------|----------------|---------------|---------------|---------------|----------------|
| Revenue  | 27.34%        | -6.36%         | -2.35%         | 26.21%        | -1.36%        | -2.83%        | -12.97%        |
| Royalty  | 33.52%        | -5.83%         | -0.74%         | 21.05%        | 7.60%         | -2.83%        | -12.97%        |
| Operating Expenses                             | 5.38%         | 4.89%          | 5.43%          | -4.00%        | 0.00%         | 0.00%         | 0.00%          |
| Transportation Charges                         | -2.57%        | -2.19%         | 10.39%         | 26.21%        | -1.36%        | -2.83%        | -12.97%        |
| <b>Gross profit</b>                            | <b>37.52%</b> | <b>-10.76%</b> | <b>-6.26%</b>  | <b>42.40%</b> | <b>-3.32%</b> | <b>-3.81%</b> | <b>-17.69%</b> |
| Other income                                   | 101.70%       | -32.64%        | -35.73%        | 198.86%       | -0.11%        | -0.23%        | -0.95%         |
| Exploration and prospecting expenditure        | -22.80%       | 45.72%         | -4.65%         | -21.80%       | -1.36%        | -2.83%        | -12.97%        |
| General and administration expenses            | 1.01%         | 22.80%         | -7.94%         | -3.03%        | -1.36%        | -2.83%        | -12.97%        |
| Finance Cost                                   | -2.16%        | 77.93%         | -26.79%        | -7.48%        | 2.90%         | 3.02%         | 3.15%          |
| Workers' profit participation fund             | 56.80%        | -18.99%        | -9.84%         | 77.12%        | -2.93%        | -3.27%        | -14.94%        |
| Share of profit in associate - net of taxation | 58.23%        | 24.61%         | 3.73%          | -70.00%       | 0.00%         | 0.00%         | 0.00%          |
| <b>Profit before income tax</b>                | <b>56.80%</b> | <b>-18.99%</b> | <b>-9.84%</b>  | <b>63.19%</b> | <b>-2.90%</b> | <b>-3.24%</b> | <b>-14.80%</b> |
| Income tax expense                             | 71.77%        | -26.16%        | -12.87%        | 68.61%        | -2.90%        | -3.24%        | -14.80%        |
| <b>Profit for the year</b>                     | <b>50.36%</b> | <b>-15.46%</b> | <b>-8.54%</b>  | <b>60.97%</b> | <b>-2.90%</b> | <b>-3.24%</b> | <b>-14.80%</b> |
| EPS  | <b>50.36%</b> | <b>-15.46%</b> | <b>-8.54%</b>  | <b>60.97%</b> | <b>-2.90%</b> | <b>-3.24%</b> | <b>-14.80%</b> |
| EBITDA   |               | <b>5.81%</b>   | <b>-13.59%</b> | <b>7.87%</b>  | <b>7.21%</b>  | <b>7.25%</b>  | <b>7.12%</b>   |

Source: ACPL Research, Company Financials

## Key Ratios

| Profitability Ratios |      | FY19A   | FY20A   | FY21A   | FY22E   | FY23E   | FY24E   | FY25E   |
|----------------------|------|---------|---------|---------|---------|---------|---------|---------|
| GP Margin            | %    | 63.89   | 60.88   | 58.45   | 65.94   | 64.63   | 63.97   | 60.50   |
| NP Margin            | %    | 45.28   | 40.87   | 38.28   | 48.82   | 48.06   | 47.86   | 46.85   |
| ROE                  | %    | 18.93   | 14.53   | 11.89   | 17.72   | 15.19   | 13.19   | 10.23   |
| ROA                  | %    | 15.44   | 11.62   | 9.57    | 14.39   | 12.46   | 10.92   | 8.82    |
| Liquidity Ratios     |      | FY19A   | FY20A   | FY21A   | FY22E   | FY23E   | FY24E   | FY25E   |
| Current              | x    | 7.02    | 5.90    | 6.40    | 5.71    | 6.44    | 7.14    | 9.80    |
| Quick                | x    | 4.76    | 4.14    | 4.38    | 5.02    | 5.77    | 6.48    | 8.98    |
| Activity Ratios      |      | FY19A   | FY20A   | FY21A   | FY22E   | FY23E   | FY24E   | FY25E   |
| Inventory Turnover   | x    | 237.99  | 208.41  | 226.62  | 271.79  | 295.50  | 290.51  | 285.15  |
| Inventory Days       |      | 1.53    | 1.75    | 1.61    | 1.34    | 1.24    | 1.26    | 1.28    |
| Receivables Days     |      | 11.46   | 1.56    | 35.84   | 28.34   | 28.74   | 29.57   | 33.95   |
| Payables Days        |      | 191.27  | 261.34  | 265.81  | 338.33  | 341.71  | 353.60  | 262.01  |
| Operating Cycle      |      | -178.27 | -258.03 | -228.36 | -308.65 | -311.74 | -322.77 | -226.78 |
| Investment Ratios    |      | FY19A   | FY20A   | FY21A   | FY22E   | FY23E   | FY24E   | FY25E   |
| DPS                  |      | 11.00   | 6.75    | 6.90    | 8.50    | 8.50    | 8.00    | 7.00    |
| Div. Yield           | %    | 12.32   | 7.56    | 7.73    | 9.52    | 9.52    | 8.96    | 7.84    |
| Dividend Cover       | x    | 2.50    | 3.45    | 3.08    | 4.03    | 3.91    | 4.02    | 3.92    |
| Retention            | %    | 60.04   | 70.99   | 67.58   | 75.00   | 75.00   | 75.00   | 75.00   |
| Payout               | %    | 39.96   | 29.01   | 32.42   | 25.00   | 25.00   | 25.00   | 25.00   |
| 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   | 34.26   | 33.26   | 32.19   | 27.42   |
| BVPS                 |      | 145.40  | 160.16  | 178.95  | 193.33  | 219.02  | 243.97  | 268.11  |
| P/E                  | x    | 3.24    | 3.84    | 4.19    | 2.61    | 2.68    | 2.77    | 3.25    |
| Sales per share      |      | 60.80   | 56.93   | 55.59   | 70.17   | 69.21   | 67.25   | 58.53   |
| P/BV                 | x    | 0.61    | 0.56    | 0.50    | 0.46    | 0.41    | 0.37    | 0.33    |
| P/S                  | x    | 1.47    | 1.57    | 1.61    | 1.27    | 1.29    | 1.33    | 1.52    |
| 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   | 109.16  | 103.03  | 96.80   | 80.00   |

Source: ACPL Research, Company Financials

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### DEFINITION OF TERMS

|             |                           |             |                             |             |                        |
|-------------|---------------------------|-------------|-----------------------------|-------------|------------------------|
| <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 |

### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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|--------------|----------------------------|
| BUY          | Greater than 15%           |
| 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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