

OGDC has announced its 9MFY22 result where it posted a profit after tax of Rs112bn (EPS: Rs26.05) as compared to a profit after tax of Rs66.43bn (EPS: Rs15.43) in the same period last year, up by 68.9% YoY.

The company has posted a revenue of Rs240bn against Rs176bn in SPLY, recording a growth of 36.2% YoY. We note that this growth is attributed to the increase in international crude oil prices.

The gross margin has been increased to 67% from 60% during SPLY. The operating cost has been increased by 1.4% YoY to Rs50.54bn as compared to Rs49.87bn during SPLY.

Furthermore, other income has been increased by 259.7% YoY while the exploration cost has been decreased by 10.3% YoY to Rs9.69bn during SPLY.

OGDC is currently trading at a FY22E PE of 2.32x. 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 Dec-22 TP of Rs 150 which provides an upside potential of 76%. The scrip also provides a dividend yield of 11% which makes the total return of 87%.

Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	89,104	65,402	36.2% ▲	240,267	176,382	36.2% ▲
Operating Cost	-16,174	-16,566	2.4% ▼	-50,543	-49,868	1.4% ▲
Gross Profit	62,365	41,064	51.9% ▲	161,066	105,004	53.4% ▲
Other Income	8,351	1,627	413.1% ▲	29,587	8,225	259.7% ▲
Exploration Cost	-2,800	-5,587	49.9% ▼	-9,693	-10,809	10.3% ▼
Administrative Expenses	-1,237	-1,306	5.3% ▼	-3,370	-3,419	1.4% ▼
Finance costs	-592	-534	10.9% ▲	-1,734	-1,680	3.2% ▲
Profit Before Taxation	64,779	34,823	86.0% ▲	169,950	96,892	75.4% ▲
Taxation	-21,618	-10,703	102.0% ▲	-57,907	-30,546	89.6% ▲
Profit After Taxation	43,161	24,121	78.9% ▲	112,044	66,346	68.9% ▲
Earnings Per Share	10.04	5.61	78.9% ▲	26.05	15.43	68.9% ▲
Dividend	1.00	1.80	44.4% ▼	4.75	5.40	12.0% ▼
Bonus	0%	0%		0%	0%	

Closing Period: 13 May 2022 – 17 May 2022

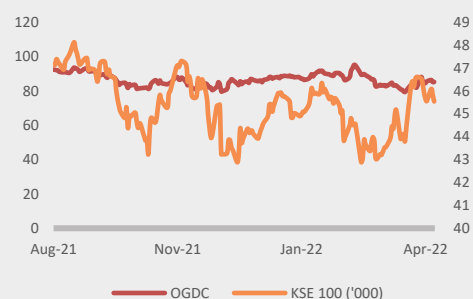
	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Gross Margin	70.0%	62.8%	7.2% ▲	67.0%	60.0%	7.0% ▲
Other Income to Sales	9.4%	2.5%	6.9% ▲	12.3%	3.1%	9.2% ▲
Exploration Cost to Sales	-3.1%	-8.5%	5.4% ▼	-4.0%	-6.0%	2.0% ▼
Admin Cost to Sales	-1.4%	-2.0%	0.6% ▼	-1.4%	-1.9%	0.5% ▼
Effective Taxation	-33.4%	-30.7%	2.6% ▲	-34.1%	-31.5%	2.5% ▲
Net Margin	48.4%	36.9%	11.6% ▲	46.6%	37.0%	9.6% ▲

Source: ACPL Research, Company Financials

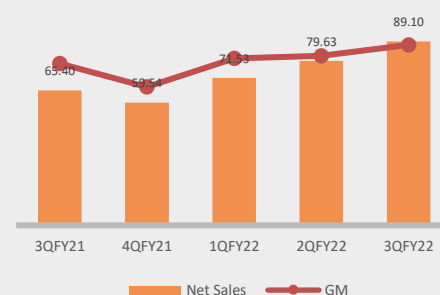
Key Statistics

Symbol	OGDC
TP - Dec 22	150.00
LDCP	85.11
Upside (%)	76
Free Float ('mn)	645
Market Cap. (Rs.'mn)	363,686

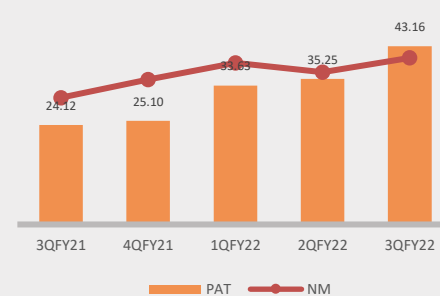
OGDC vs KSE 100



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	320,702	318,913	305,130	255,995
Royalty	-29,336	-27,626	-27,422	-35,277	-38,270	-36,616	-30,719
Operating Expenses	-63,456	-66,560	-70,177	-67,370	-67,370	-67,370	-67,370
Transportation Charges	-1,628	-1,592	-1,758	-2,357	-2,344	-2,243	-1,882
Gross profit	167,062	149,078	139,746	215,697	210,929	198,901	156,024
Other income	32,288	21,750	13,979	41,956	41,938	41,783	41,259
Exploration and prospecting expenditure	-12,499	-18,213	-17,366	-14,432	-14,351	-13,731	-11,520
General and administration expenses	-4,129	-5,071	-4,668	-4,811	-4,784	-4,577	-3,840
Finance Cost	-1,693	-3,011	-2,205	-2,032	-2,083	-2,138	-2,196
Workers' profit participation fund	-9,295	-7,530	-6,789	-12,883	-12,625	-12,003	-9,795
Share of profit in associate - net of taxation	4,865	6,063	6,289	1,887	1,887	1,887	1,887
Profit before income tax	176,599	143,065	128,986	225,383	220,910	210,122	171,819
Income tax expense	-58,214	-42,983	-37,452	-67,615	-66,273	-63,036	-51,546
Profit for the year	118,386	100,082	91,534	157,768	154,637	147,085	120,273
EPS	27.53	23.27	21.28	36.68	35.95	34.20	27.96
EBITDA	12,139	12,844	11,099	11,987	12,852	13,778	14,749

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	27.34%	-6.36%	-2.35%	34.13%	-0.56%	-4.32%	-16.10%
Royalty	33.52%	-5.83%	-0.74%	28.64%	8.48%	-4.32%	-16.10%
Operating Expenses	5.38%	4.89%	5.43%	-4.00%	0.00%	0.00%	0.00%
Transportation Charges	-2.57%	-2.19%	10.39%	34.13%	-0.56%	-4.32%	-16.10%
Gross profit	37.52%	-10.76%	-6.26%	54.35%	-2.21%	-5.70%	-21.56%
Other income	101.70%	-32.64%	-35.73%	200.14%	-0.04%	-0.37%	-1.25%
Exploration and prospecting expenditure	-22.80%	45.72%	-4.65%	-16.90%	-0.56%	-4.32%	-16.10%
General and administration expenses	1.01%	22.80%	-7.94%	3.05%	-0.56%	-4.32%	-16.10%
Finance Cost	-2.16%	77.93%	-26.79%	-7.82%	2.51%	2.61%	2.72%
Workers' profit participation fund	56.80%	-18.99%	-9.84%	89.76%	-2.00%	-4.93%	-18.39%
Share of profit in associate - net of taxation	58.23%	24.61%	3.73%	-70.00%	0.00%	0.00%	0.00%
Profit before income tax	56.80%	-18.99%	-9.84%	74.73%	-1.98%	-4.88%	-18.23%
Income tax expense	71.77%	-26.16%	-12.87%	80.54%	-1.98%	-4.88%	-18.23%
Profit for the year	50.36%	-15.46%	-8.54%	72.36%	-1.98%	-4.88%	-18.23%
EPS	50.36%	-15.46%	-8.54%	72.36%	-1.98%	-4.88%	-18.23%
EBITDA		5.81%	-13.59%	8.01%	7.21%	7.20%	7.05%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	63.89	60.88	58.45	67.26	66.14	65.19	60.95
NP Margin	%	45.28	40.87	38.28	49.19	48.49	48.20	46.98
ROE	%	18.93	14.53	11.89	18.97	16.28	13.80	10.23
ROA	%	15.44	11.62	9.57	15.25	13.21	11.34	8.81
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	7.02	5.90	6.40	5.79	6.50	7.22	9.94
Quick	x	4.76	4.14	4.38	5.09	5.82	6.56	9.13
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	237.99	208.41	226.62	274.90	296.08	289.61	283.14
Inventory Days		1.53	1.75	1.61	1.33	1.23	1.26	1.29
Receivables Days		11.46	1.56	35.84	26.67	26.83	28.04	33.39
Payables Days		191.27	261.34	265.81	331.18	340.34	355.78	265.65
Operating Cycle		-178.27	-258.03	-228.36	-303.18	-312.28	-326.48	-230.97
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		11.00	6.75	6.90	9.00	9.00	8.50	7.00
Div. Yield	%	12.92	7.93	8.11	10.57	10.57	9.99	8.22
Dividend Cover	x	2.50	3.45	3.08	4.08	3.99	4.02	3.99
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	36.68	35.95	34.20	27.96
BVPS		145.40	160.16	178.95	193.33	220.84	247.81	273.46
P/E	x	3.09	3.66	4.00	2.32	2.37	2.49	3.04
Sales per share		60.80	56.93	55.59	74.57	74.15	70.95	59.52
P/BV	x	0.59	0.53	0.48	0.44	0.39	0.34	0.31
P/S	x	1.40	1.49	1.53	1.14	1.15	1.20	1.43
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	117.31	112.19	104.02	82.84

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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