

OGDC has announced its FY21 result where it posted a profit after tax of Rs92bn (EPS: Rs21.28) as compared to profit after tax of Rs101bn (EPS: Rs23.47) in the same period last year, down by 9.3% YoY.

The company has posted a revenue of Rs239bn against Rs233bn in SPLY, recording a growth of 2.7% YoY. We note that this surge is attributed to the depreciation of PKR against USD and the increase in oil prices.

The gross margin has been squeezed to 58.4% from 59.4% during SPLY. Other income has been declined by 58.7% YoY to Rs14bn as compared to Rs34bn during SPLY owing to lower return on bank deposits.

Exploration cost and admin expenses have been decreased by 4.7% YoY and 7.9% YoY respectively. Furthermore, finance cost has been decreased by 26.8% YoY on account of lower provision for decommissioning cost.

OGDC is currently trading at a FY22E PE of 3.52x. Furthermore, the scrip is also trading at FY22E PB of 0.44x which provides a discount of 26% relative to its 5-year average of 0.59x. Going forward, we have a **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 150 which provides an upside potential of 85%. Furthermore, the script also provides a dividend yield of 8% which makes the cumulative return of 93%.

Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	59,541	34,512	72.5% ▲	239,104	232,925	2.7% ▲
Operating Cost	-19,924	-18,948	5.2% ▲	-70,177	-65,330	7.4% ▲
Gross Profit	31,947	10,022	218.8% ▲	139,746	138,377	1.0% ▲
Other Income	8,417	17,102	50.8% ▼	13,979	33,816	58.7% ▼
Exploration Cost	-6,557	-4,711	39.2% ▲	-17,366	-18,213	4.7% ▼
Administrative Expenses	-1,249	-1,224	2.0% ▲	-4,668	-5,071	7.9% ▼
Finance costs	-524	-672	21.9% ▼	-2,205	-3,011	26.8% ▼
Profit Before Taxation	31,969	21,047	51.9% ▲	128,986	144,362	10.7% ▼
Taxation	-6,864	-3,754	82.8% ▲	-37,452	-43,424	13.8% ▼
Profit After Taxation	25,105	17,293	45.2% ▲	91,534	100,938	9.3% ▼
Earnings Per Share	5.84	4.02	45.2% ▲	21.28	23.47	9.3% ▼
Dividend	1.50	2.50	40.0% ▼	6.90	6.75	2.2% ▲
Bonus	0%	0%		0%	0%	

Closing Period: 22 Oct 21 - 28 Oct 21

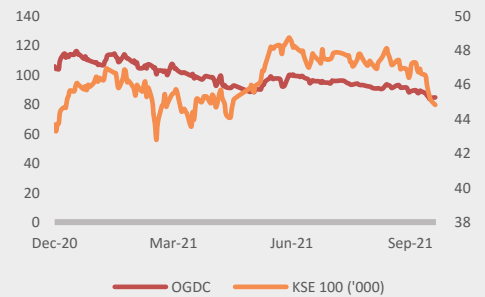
Gross Margin	53.7%	29.0%	24.6% ▲	58.4%	59.4%	1.0% ▼
Other Income to Sales	14.1%	49.6%	35.4% ▼	5.8%	14.5%	8.7% ▼
Exploration Cost to Sales	-11.0%	-13.7%	2.6% ▼	-7.3%	-7.8%	0.6% ▼
Admin Cost to Sales	-2.1%	-3.5%	1.4% ▼	-2.0%	-2.2%	0.2% ▼
Effective Taxation	-21.5%	-17.8%	3.6% ▲	-29.0%	-30.1%	1.0% ▼
Net Margin	42.2%	50.1%	7.9% ▼	38.3%	43.3%	5.1% ▼

Source: ACPL Research, Company Financials

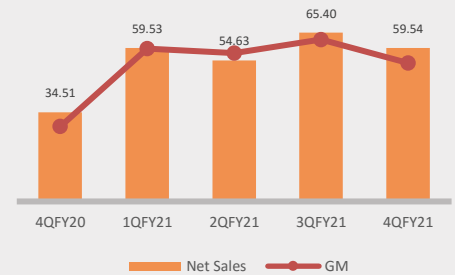
Key Statistics

Symbol	OGDC
TP - Jun 22	150.00
LDCP	84.62
Upside (%)	85
Free Float ('mn)	645
Market Cap. (Rs.'mn)	363,945

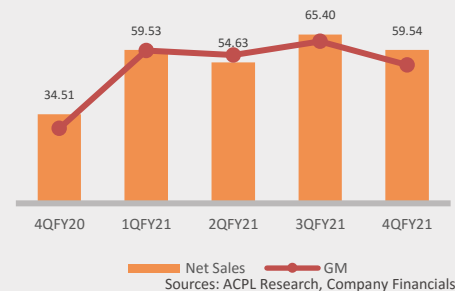
OGDC vs KSE 100



Sales (Rs'bn) vs Gross Margin



Sales (Rs'bn) vs Gross Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	210,625	162,867	171,829	205,335	261,481	232,925	239,104	261,201	260,811
Royalty	-23,737	-18,079	-18,519	-21,971	-29,336	-27,626	-27,422	-28,732	-28,689
Operating Expenses	-52,935	-54,986	-56,585	-60,213	-63,456	-65,330	-70,177	-78,360	-78,243
Transportation Charges	-1,986	-1,912	-1,721	-1,671	-1,628	-1,592	-1,758	-1,920	-1,917
Gross profit	131,967	87,890	95,004	121,480	167,062	138,377	139,746	152,189	151,961
Other income	19,186	14,703	16,020	16,008	32,288	33,816	13,979	21,729	21,726
Exploration and prospecting expenditure	-11,628	-14,548	-13,269	-16,190	-12,499	-18,213	-17,366	-18,971	-18,943
General and administration expenses	-4,308	-3,771	-4,240	-4,088	-4,129	-5,071	-4,668	-5,100	-5,092
Finance Cost	-2,550	-1,718	-1,515	-1,730	-1,693	-3,011	-2,205	-2,864	-3,277
Workers' profit participation fund	-6,686	-4,237	-4,691	-5,928	-9,295	-7,598	-6,789	-7,349	-7,319
Share of profit in associate - net of taxation	1,044	2,189	1,827	3,075	4,865	6,063	6,289	6,063	6,063
Profit before income tax	127,025	80,507	89,137	112,627	176,599	144,362	128,986	145,696	145,120
Income tax expense	-39,776	-20,537	-25,334	-33,890	-58,214	-43,424	-37,452	-42,304	-42,136
Profit for the year	87,249	59,971	63,803	78,736	118,386	100,938	91,534	103,392	102,983
EPS	20.29	13.94	14.83	18.31	27.53	23.47	21.28	24.04	23.94
EBITDA	6,752	8,304	10,124	11,658	12,139	12,845	13,442	14,102	14,773

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Revenue	-18.05%	-22.67%	5.50%	19.50%	27.34%	-10.92%	2.65%	9.24%	-0.15%
Royalty	-20.13%	-23.84%	2.43%	18.64%	33.52%	-5.83%	-0.74%	4.78%	-0.15%
Operating Expenses	8.40%	3.87%	2.91%	6.41%	5.38%	2.95%	7.42%	11.66%	-0.15%
Transportation Charges	-16.85%	-3.72%	-9.99%	-2.91%	-2.57%	-2.19%	10.39%	9.24%	-0.15%
Gross profit	-25.05%	-33.40%	8.09%	27.87%	37.52%	-17.17%	0.99%	8.90%	-0.15%
Other income	0.31%	-23.37%	8.96%	-0.08%	101.70%	4.73%	-58.66%	55.44%	-0.01%
Exploration and prospecting expenditure	33.30%	25.12%	-8.80%	22.02%	-22.80%	45.72%	-4.65%	9.24%	-0.15%
General and administration expenses	45.31%	-12.48%	12.44%	-3.58%	1.01%	22.80%	-7.94%	9.24%	-0.15%
Finance Cost	15.69%	-32.63%	-11.83%	14.21%	-2.16%	77.93%	-26.79%	29.90%	14.40%
Workers' profit participation fund	-26.30%	-36.62%	10.72%	26.35%	56.80%	-18.25%	-10.65%	8.25%	-0.41%
Share of profit in associate - net of taxation	816.28%	109.72%	-16.52%	68.28%	58.23%	24.61%	3.73%	-3.60%	0.00%
Profit before income tax	-26.30%	-36.62%	10.72%	26.35%	56.80%	-18.25%	-10.65%	12.95%	-0.40%
Income tax expense	-17.88%	-48.37%	23.36%	33.77%	71.77%	-25.41%	-13.75%	12.95%	-0.40%
Profit for the year	-29.59%	-31.26%	6.39%	23.40%	50.36%	-14.74%	-9.32%	12.95%	-0.40%
EPS	-29.59%	-31.26%	6.39%	23.40%	50.36%	-14.74%	-9.32%	12.95%	-0.40%
EBITDA	19.29%	23.00%	21.91%	15.14%	4.13%	5.82%	4.65%	4.90%	4.76%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
GP Margin	%	62.65	53.96	55.29	59.16	63.89	59.41	58.45	58.26	58.26
NP Margin	%	41.42	36.82	37.13	38.35	45.28	43.33	38.28	39.58	39.49
ROE	%	19.72	12.53	12.44	14.30	18.93	14.65	12.03	12.52	11.45
ROA	%	15.75	10.17	10.17	11.81	15.44	11.72	10.40	10.55	9.50
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Current	x	3.55	4.32	6.39	7.35	7.02	5.90	6.85	7.68	8.24
Quick	x	2.33	2.22	2.51	4.27	4.76	4.14	5.95	6.77	7.38
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Inventory Turnover	x	213.14	246.08	229.91	231.89	237.99	205.73	205.06	209.37	199.95
Inventory Days		1.71	1.48	1.59	1.57	1.53	1.77	1.78	1.74	1.83
Receivables Days		0.87	1.06	1.74	1.42	11.46	1.64	1.64	1.57	1.57
Payables Days		287.25	225.53	186.10	159.77	191.27	264.74	209.35	200.51	220.33
Operating Cycle		-284.67	-222.99	-182.78	-156.78	-178.27	-261.33	-205.94	-197.21	-216.94
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
DPS		7.75	5.20	6.00	10.00	11.00	6.75	6.90	6.91	6.89
Div. Yield	%	9.16	6.15	7.09	11.82	13.00	7.98	8.15	8.17	8.14
Dividend Cover	x	2.62	2.68	2.47	1.83	2.50	3.48	3.08	3.48	3.48
Retention	%	61.80	62.71	59.55	45.38	60.04	71.24	71.24	71.24	71.24
Payout	%	38.20	37.29	40.45	54.62	39.96	28.76	28.76	28.76	28.76
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	23.47	21.28	24.04	23.94
BVPS		102.89	111.29	119.27	128.01	145.40	160.16	176.88	192.05	209.17
P/E	x	4.17	6.07	5.70	4.62	3.07	3.61	3.98	3.52	3.53
Sales per share		48.97	37.87	39.95	47.74	60.80	54.16	55.59	60.73	60.64
P/BV	x	0.82	0.76	0.71	0.66	0.58	0.53	0.48	0.44	0.40
P/S	x	1.73	2.23	2.12	1.77	1.39	1.56	1.52	1.39	1.40
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	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	49.45	59.73	52.32	45.67

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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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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