

OGDC has announced its 9MFY23 result where it posted a profit after tax of Rs159.64bn (EPS: Rs37.12) as compared to a profit after tax of Rs112.04bn (EPS: Rs26.05) in the same period last year, up by 42.5% YoY amid the devaluation of PKR against USD and higher other income.

The company has posted a revenue of Rs309.15bn against Rs240.27bn in SPLY, recording a growth of 28.7% YoY. The gross margin has slightly improved to 68.6% as compared to 67% during SPLY. The operating cost has increased by 18% to Rs59.63bn as compared to Rs50.54bn while the exploration cost increased by 12.4% YoY to Rs10.90bn due to higher dry well expense. A hike in interest rates led to a surge in finance cost by 1.1x to Rs3.48bn. Other income has shown an impressive growth of 1.2x YoY to Rs65.18bn due to exchange rate gains. Lastly, effective taxation has increased to 36.8% as compared to 34.1% in SPLY.

OGDC is currently trading at a FY23E PE of 1.76x. Furthermore, the scrip is also trading at FY23E PB of 0.38x which provides a discount of 21% relative to its 3-year average of 0.49x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs110 which provides an upside potential of 27%. The scrip also provides a dividend yield of 13% which makes the total return of 40%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	105,913	89,104	18.9% ▲	309,148	240,267	28.7% ▲
Operating Cost	-20,338	-16,174	25.7% ▲	-59,629	-50,543	18.0% ▲
<b>Gross Profit</b>	<b>72,330</b>	<b>62,365</b>	<b>16.0% ▲</b>	<b>212,045</b>	<b>161,066</b>	<b>31.7% ▲</b>
Other Income	37,446	8,351	348.4% ▲	65,184	29,587	120.3% ▲
Exploration Cost	-4,246	-2,800	51.6% ▲	-10,895	-9,693	12.4% ▲
Administrative Expenses	-1,600	-1,237	29.4% ▲	-3,865	-3,370	14.7% ▲
Finance costs	-1,201	-592	102.8% ▲	-3,485	-1,734	101.0% ▲
Profit Before Taxation	99,772	64,779	54.0% ▲	252,620	169,950	48.6% ▲
Taxation	-35,145	-21,618	62.6% ▲	-92,981	-57,907	60.6% ▲
<b>Profit After Taxation</b>	<b>64,627</b>	<b>43,161</b>	<b>49.7% ▲</b>	<b>159,639</b>	<b>112,044</b>	<b>42.5% ▲</b>
Earnings Per Share	15.03	10.03	49.7% ▲	37.12	26.05	42.5% ▲
Dividend	1.80	1.00	80.0% ▲	5.80	4.75	22.1% ▲
Bonus	0%	0%		0%	0%	

Closing Date: May 10, 2023 to May 12, 2023

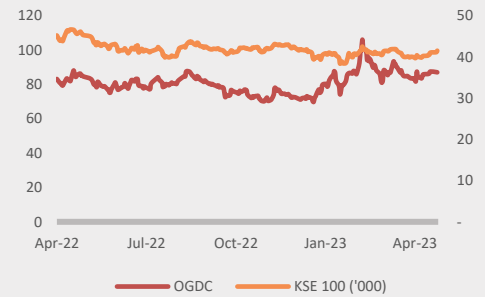
	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Gross Margin	68.3%	70.0%	1.7% ▼	68.6%	67.0%	1.6% ▲
Other Income to Sales	35.4%	9.4%	26.0% ▲	21.1%	12.3%	8.8% ▲
Exploration Cost to Sales	-4.0%	-3.1%	0.9% ▲	-3.5%	-4.0%	0.5% ▼
Admin Cost to Sales	-1.5%	-1.4%	0.1% ▲	-1.3%	-1.4%	0.2% ▼
Effective Taxation	-35.2%	-33.4%	1.9% ▲	-36.8%	-34.1%	2.7% ▲
Net Margin	61.0%	48.4%	12.6% ▲	51.6%	46.6%	5.0% ▲

Source: ACPL Research, Company Financials

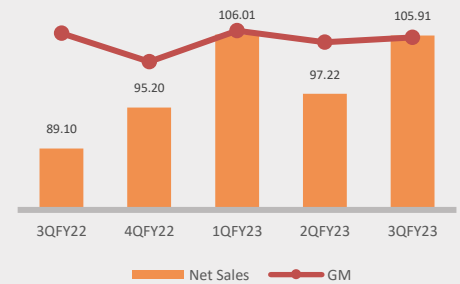
## Key Statistics

Symbol	OGDC
TP - Dec 23	110
LDCP	86.87
Upside (%)	27
Free Float ('mn)	645
Market Cap. (Rs.'mn)	373,622

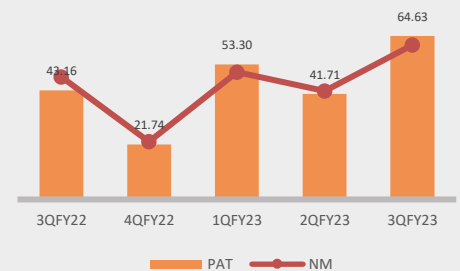
## OGDC vs KSE 100



## 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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	244,857	239,104	335,464	412,191	380,806	340,162	295,446
Royalty	-27,626	-27,422	-37,958	-48,171	-44,503	-39,753	-34,527
Operating Expenses	-66,560	-70,177	-78,593	-79,504	-73,451	-70,305	-66,972
Transportation Charges	-1,592	-1,758	-1,998	-1,794	-2,869	-2,563	-2,226
<b>Gross profit</b>	<b>149,078</b>	<b>139,746</b>	<b>216,916</b>	<b>282,722</b>	<b>259,983</b>	<b>227,540</b>	<b>191,720</b>
Other income	21,750	13,979	46,571	86,914	44,064	39,268	35,671
Exploration and prospecting expenditure	-18,213	-17,366	-15,586	-14,526	-13,420	-11,988	-10,412
General and administration expenses	-5,071	-4,668	-4,910	-5,154	-4,761	-4,253	-3,694
Finance Cost	-3,011	-2,205	-2,340	-4,635	-5,810	-6,765	-7,446
Workers' profit participation fund	-7,530	-6,789	-12,238	-17,728	-14,378	-12,516	-10,567
Share of profit in associate - net of taxation	6,063	6,289	4,110	9,275	9,647	10,032	10,434
<b>Profit before income tax</b>	<b>143,065</b>	<b>128,986</b>	<b>232,521</b>	<b>336,868</b>	<b>275,325</b>	<b>241,318</b>	<b>205,705</b>
Income tax expense	-42,983	-37,452	-98,738	-123,990	-94,334	-82,682	-70,481
<b>Profit for the year</b>	<b>100,082</b>	<b>91,534</b>	<b>133,784</b>	<b>212,878</b>	<b>180,991</b>	<b>158,635</b>	<b>135,225</b>
EPS	<b>23.27</b>	<b>21.28</b>	<b>31.11</b>	<b>49.50</b>	<b>42.08</b>	<b>36.88</b>	<b>31.44</b>
EBITDA	<b>12,844</b>	<b>11,099</b>	<b>10,895</b>	<b>11,304</b>	<b>11,627</b>	<b>11,991</b>	<b>12,365</b>

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-6.36%	-2.35%	40.30%	22.87%	-7.61%	-10.67%	-13.15%
Royalty	-5.83%	-0.74%	38.42%	26.91%	-7.61%	-10.67%	-13.15%
Operating Expenses	4.89%	5.43%	11.99%	1.16%	-7.61%	-4.28%	-4.74%
Transportation Charges	-2.19%	10.39%	13.65%	-10.17%	59.91%	-10.67%	-13.15%
<b>Gross profit</b>	<b>-10.76%</b>	<b>-6.26%</b>	<b>55.22%</b>	<b>30.34%</b>	<b>-8.04%</b>	<b>-12.48%</b>	<b>-15.74%</b>
Other income	-32.64%	-35.73%	233.15%	86.63%	-49.30%	-10.89%	-9.16%
Exploration and prospecting expenditure	45.72%	-4.65%	-10.25%	-6.80%	-7.61%	-10.67%	-13.15%
General and administration expenses	22.80%	-7.94%	5.19%	4.95%	-7.61%	-10.67%	-13.15%
Finance Cost	77.93%	-26.79%	6.14%	98.07%	25.34%	16.45%	10.06%
Workers' profit participation fund	-18.99%	-9.84%	80.27%	44.86%	-18.90%	-12.95%	-15.57%
Share of profit in associate - net of taxation	24.61%	3.73%	-34.65%	125.70%	4.00%	4.00%	4.00%
<b>Profit before income tax</b>	<b>-18.99%</b>	<b>-9.84%</b>	<b>80.27%</b>	<b>44.88%</b>	<b>-18.27%</b>	<b>-12.35%</b>	<b>-14.76%</b>
Income tax expense	-26.16%	-12.87%	163.64%	25.58%	-23.92%	-12.35%	-14.76%
<b>Profit for the year</b>	<b>-15.46%</b>	<b>-8.54%</b>	<b>46.16%</b>	<b>59.12%</b>	<b>-14.98%</b>	<b>-12.35%</b>	<b>-14.76%</b>
EPS	<b>-15.46%</b>	<b>-8.54%</b>	<b>46.16%</b>	<b>59.12%</b>	<b>-14.98%</b>	<b>-12.35%</b>	<b>-14.76%</b>
EBITDA	<b>5.81%</b>	<b>-13.59%</b>	<b>-1.83%</b>	<b>3.75%</b>	<b>2.86%</b>	<b>3.12%</b>	<b>3.12%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	60.88	58.45	64.66	68.59	68.27	66.89	64.89
NP Margin	%	40.87	38.28	39.88	51.65	47.53	46.64	45.77
ROE	%	14.53	11.89	15.28	21.77	15.86	12.39	9.65
ROA	%	11.62	9.57	11.84	17.04	12.82	10.28	8.14
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	5.90	6.40	5.60	6.89	7.94	9.84	11.93
Quick	x	4.14	4.38	4.08	6.20	7.18	8.94	10.90
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	208.41	226.62	245.69	220.75	204.13	204.01	202.74
Inventory Days		1.75	1.61	1.49	1.65	1.79	1.79	1.80
Receivables Days		1.56	35.84	34.16	27.85	30.10	33.66	38.70
Payables Days		261.34	265.81	323.66	278.05	303.96	282.86	264.56
Operating Cycle		-258.03	-228.36	-288.02	-248.55	-272.07	-247.42	-224.06
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		6.75	6.90	7.25	11.50	10.00	8.50	7.50
Div. Yield	%	7.77	7.94	8.35	13.24	11.51	9.78	8.63
Dividend Cover	x	3.45	3.08	4.29	4.30	4.21	4.34	4.19
Retention	%	70.99	67.58	76.69	76.69	76.69	76.69	76.69
Payout	%	29.01	32.42	23.31	23.31	23.31	23.31	23.31
No. of Shares	('m)	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93	4300.93
EPS		23.27	21.28	31.11	49.50	42.08	36.88	31.44
BVPS		160.16	178.95	203.54	227.39	265.35	297.62	325.91
P/E	x	3.73	4.08	2.79	1.76	2.06	2.36	2.76
Sales per share		56.93	55.59	78.00	95.84	88.54	79.09	68.69
P/BV	x	0.54	0.49	0.43	0.38	0.33	0.29	0.27
P/S	x	1.53	1.56	1.11	0.91	0.98	1.10	1.26
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
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	48.99	59.73	103.83	75.50	49.20	37.04	28.65

Source: ACPL Research, Company Financials

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<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

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

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
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Underweight	Negative

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