

OGDC has announced its FY22 result where it posted a profit after tax of Rs133.78bn (EPS: Rs31.11) as compared to a profit after tax of Rs91.53bn (EPS: Rs21.28) in the same period last year, up by 46.2% YoY amid an elevation in Arab Light price.

The company has posted a revenue of 355.46bn against Rs239.10bn in SPLY, recording a growth of 40.3% YoY. The gross margin has been improved to 64.7% as compared to 58.4% during SPLY. Further, the operating cost has been increased by 12% YoY to 78.59bn while exploration cost has been decreased by 10.3% YoY to 15.59bn given 5 dry wells as compared to 8 dry wells during SPLY.

Moreover, other income has shown a massive growth of 233.1% YoY due to exchange rate gains. Lastly, an increase in effective taxation due to the imposition of super tax by the government has dampened the profitability of the company.

OGDC is currently trading at a FY23E PE of 2.18x. Furthermore, the scrip is also trading at FY23E PB of 0.34x which provides a discount of 17% relative to its 3-year average of 0.46x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs 110 which provides an upside potential of 50%. The scrip also provides a dividend yield of 11% which makes the total return of 60%.

Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	95,196	59,541	59.9% ▲	335,464	239,104	40.3% ▲
Operating Cost	-28,050	-19,924	40.8% ▲	-78,593	-70,177	12.0% ▲
<b>Gross Profit</b>	<b>55,850</b>	<b>31,947</b>	<b>74.8% ▲</b>	<b>216,916</b>	<b>139,746</b>	<b>55.2% ▲</b>
Other Income	16,983	8,417	101.8% ▲	46,571	13,979	233.1% ▲
Exploration Cost	-5,893	-6,557	10.1% ▼	-15,586	-17,366	10.3% ▼
Administrative Expenses	-1,540	-1,249	23.3% ▲	-4,910	-4,668	5.2% ▲
Finance costs	-607	-524	15.7% ▲	-2,340	-2,205	6.1% ▲
Profit Before Taxation	62,571	31,969	95.7% ▲	232,521	128,986	80.3% ▲
Taxation	-40,831	-6,864	494.9% ▲	-98,738	-37,452	163.6% ▲
<b>Profit After Taxation</b>	<b>21,740</b>	<b>25,105</b>	<b>13.4% ▼</b>	<b>133,784</b>	<b>91,534</b>	<b>46.2% ▲</b>
Earnings Per Share	5.05	5.84	13.4% ▼	31.11	21.28	46.2% ▲
Dividend	2.50	1.50	66.7% ▲	7.25	6.90	5.1% ▲
Bonus	0%	0%		0%	0%	

Closing Period: Oct 18, 2022 – Oct 25, 2022

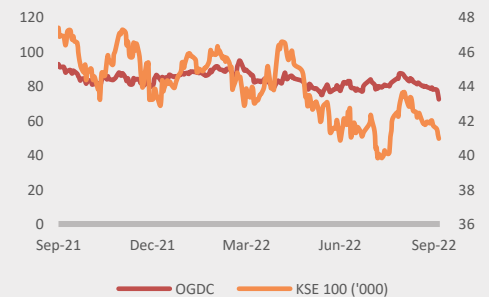
Gross Margin	58.7%	53.7%	5.0% ▲	64.7%	58.4%	6.2% ▲
Other Income to Sales	17.8%	14.1%	3.7% ▲	13.9%	5.8%	8.0% ▲
Exploration Cost to Sales	-6.2%	-11.0%	4.8% ▼	-4.6%	-7.3%	2.6% ▼
Admin Cost to Sales	-1.6%	-2.1%	0.5% ▼	-1.5%	-2.0%	0.5% ▼
Effective Taxation	-65.3%	-21.5%	43.8% ▲	-42.5%	-29.0%	13.4% ▲
Net Margin	22.8%	42.2%	19.3% ▼	39.9%	38.3%	1.6% ▲

Source: ACPL Research, Company Financials

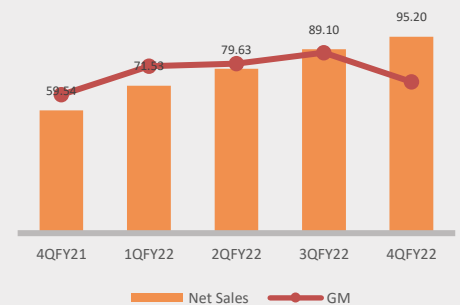
## Key Statistics

Symbol	OGDC
TP - Jun 23	110.00
LDCP	73.5
Upside (%)	50
Free Float ('mn)	645
Market Cap. (Rs.'mn)	316,548

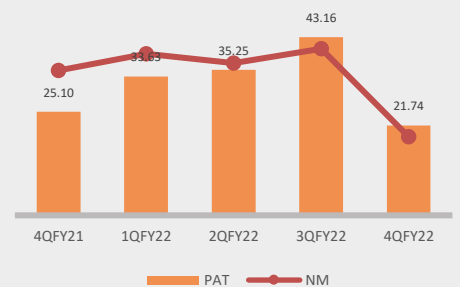
## OGDC vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116  
Email: salman@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	261,481	244,857	239,104	335,464	354,030	333,582	274,887
Royalty	-29,336	-27,626	-27,422	-37,958	-40,395	-38,062	-31,365
Operating Expenses	-63,456	-66,560	-70,177	-78,593	-104,297	-104,297	-104,297
Transportation Charges	-1,628	-1,592	-1,758	-1,998	-2,419	-2,280	-1,879
<b>Gross profit</b>	<b>167,062</b>	<b>149,078</b>	<b>139,746</b>	<b>216,916</b>	<b>206,918</b>	<b>188,944</b>	<b>137,346</b>
Other income	32,288	21,750	13,979	46,571	48,037	47,551	46,271
Exploration and prospecting expenditure	-12,499	-18,213	-17,366	-15,586	-21,914	-20,649	-17,015
General and administration expenses	-4,129	-5,071	-4,668	-4,910	-5,735	-5,404	-4,453
Finance Cost	-1,693	-3,011	-2,205	-2,340	-2,440	-2,533	-2,633
Workers' profit participation fund	-9,295	-7,530	-6,789	-12,238	-12,727	-11,768	-9,029
Share of profit in associate - net of taxation	4,865	6,063	6,289	4,110	4,490	4,715	4,951
<b>Profit before income tax</b>	<b>176,599</b>	<b>143,065</b>	<b>128,986</b>	<b>232,521</b>	<b>216,629</b>	<b>200,856</b>	<b>155,438</b>
Income tax expense	-58,214	-42,983	-37,452	-98,738	-71,488	-66,282	-51,295
<b>Profit for the year</b>	<b>118,386</b>	<b>100,082</b>	<b>91,534</b>	<b>133,784</b>	<b>145,141</b>	<b>134,574</b>	<b>104,143</b>
EPS	<b>27.53</b>	<b>23.27</b>	<b>21.28</b>	<b>31.11</b>	<b>33.75</b>	<b>31.29</b>	<b>24.21</b>
EBITDA	<b>12,139</b>	<b>12,844</b>	<b>11,099</b>	<b>12,101</b>	<b>13,081</b>	<b>14,148</b>	<b>15,281</b>

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	27.34%	-6.36%	-2.35%	40.30%	5.53%	-5.78%	-17.60%
Royalty	33.52%	-5.83%	-0.74%	38.42%	6.42%	-5.78%	-17.60%
Operating Expenses	5.38%	4.89%	5.43%	11.99%	32.71%	0.00%	0.00%
Transportation Charges	-2.57%	-2.19%	10.39%	13.65%	21.12%	-5.78%	-17.60%
<b>Gross profit</b>	<b>37.52%</b>	<b>-10.76%</b>	<b>-6.26%</b>	<b>55.22%</b>	<b>-4.61%</b>	<b>-8.69%</b>	<b>-27.31%</b>
Other income	101.70%	-32.64%	-35.73%	233.15%	3.15%	-1.01%	-2.69%
Exploration and prospecting expenditure	-22.80%	45.72%	-4.65%	-10.25%	40.61%	-5.78%	-17.60%
General and administration expenses	1.01%	22.80%	-7.94%	5.19%	16.80%	-5.78%	-17.60%
Finance Cost	-2.16%	77.93%	-26.79%	6.14%	4.25%	3.81%	3.97%
Workers' profit participation fund	56.80%	-18.99%	-9.84%	80.27%	4.00%	-7.54%	-23.28%
Share of profit in associate - net of taxation	58.23%	24.61%	3.73%	-34.65%	9.26%	5.00%	5.00%
<b>Profit before income tax</b>	<b>56.80%</b>	<b>-18.99%</b>	<b>-9.84%</b>	<b>80.27%</b>	<b>-6.83%</b>	<b>-7.28%</b>	<b>-22.61%</b>
Income tax expense	71.77%	-26.16%	-12.87%	163.64%	-27.60%	-7.28%	-22.61%
<b>Profit for the year</b>	<b>50.36%</b>	<b>-15.46%</b>	<b>-8.54%</b>	<b>46.16%</b>	<b>8.49%</b>	<b>-7.28%</b>	<b>-22.61%</b>
EPS	<b>50.36%</b>	<b>-15.46%</b>	<b>-8.54%</b>	<b>46.16%</b>	<b>8.49%</b>	<b>-7.28%</b>	<b>-22.61%</b>
EBITDA	<b>#REF!</b>	<b>5.81%</b>	<b>-13.59%</b>	<b>9.03%</b>	<b>8.10%</b>	<b>8.16%</b>	<b>8.01%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	63.89	60.88	58.45	64.66	58.45	56.64	49.96
NP Margin	%	45.28	40.87	38.28	39.88	41.00	40.34	37.89
ROE	%	18.93	14.53	11.89	16.09	15.54	12.87	9.07
ROA	%	15.44	11.62	9.57	13.27	12.59	10.41	7.80
Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	7.02	5.90	6.40	5.55	5.74	5.55	7.57
Quick	x	4.76	4.14	4.38	4.81	5.06	4.99	6.87
Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Inventory Turnover	x	237.99	208.41	226.62	292.59	323.40	289.53	284.65
Inventory Days		1.53	1.75	1.61	1.25	1.13	1.26	1.28
Receivables Days		11.46	1.56	35.84	25.55	24.31	25.79	31.27
Payables Days		191.27	261.34	265.81	293.34	282.04	355.98	262.90
Operating Cycle		-178.27	-258.03	-228.36	-266.55	-256.61	-328.93	-230.35
Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
DPS		11.00	6.75	6.90	7.25	8.00	7.50	5.50
Div. Yield	%	14.95	9.17	9.38	9.85	10.87	10.19	7.47
Dividend Cover	x	2.50	3.45	3.08	4.29	4.22	4.17	4.40
Retention	%	60.04	70.99	67.58	76.69	76.69	76.69	76.69
Payout	%	39.96	29.01	32.42	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		27.53	23.27	21.28	31.11	33.75	31.29	24.21
BVPS		145.40	160.16	178.95	193.33	217.19	243.07	267.06
P/E	x	2.67	3.16	3.46	2.37	2.18	2.35	3.04
Sales per share		60.80	56.93	55.59	78.00	82.31	77.56	63.91
P/BV	x	0.51	0.46	0.41	0.38	0.34	0.30	0.28
P/S	x	1.21	1.29	1.32	0.94	0.89	0.95	1.15
Gearing Ratios		FY19A	FY20A	FY21A	FY22A	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	103.83	93.17	83.10	61.58

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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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
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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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#### RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: [research@abbasiandcompany.com](mailto:research@abbasiandcompany.com)

web: [www.abbasiandcompany.com](http://www.abbasiandcompany.com)

#### HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: [info@abbasiandcompany.com](mailto:info@abbasiandcompany.com)

web: [www.abbasiandcompany.com](http://www.abbasiandcompany.com)