

OGDC has announced its 1QFY23 result where it posted a profit after tax of Rs53.30bn (EPS: Rs12.39) as compared to a profit after tax of Rs33.63bn (EPS: Rs7.82) in the same period last year, up by 58.5% YoY amid an elevation in the price of Arab Light.

The company has posted a revenue of Rs106.01bn against Rs71.53bn in SPLY, recording a growth of 48.2% YoY amid a sharp rise in the price of crude oil. The gross margin has improved to 70.9% as compared to 64.7% during SPLY. Furthermore, the operating cost has increased by 9.7% to Rs18.17bn as compared to Rs16.57bn during SPLY. However, the exploration cost decreased by 32.3% YoY to Rs1.54bn.

Moreover, an increase in interest rates led to a rise in finance cost by 45.3%. In addition, other income has shown a massive growth of 70.1% YoY due to exchange rate gains. Lastly, effective taxation has increased to 39.6% as compared to 35.7% SPLY.

OGDC is currently trading at a FY23E PE of 2.01x. Furthermore, the scrip is also trading at FY23E PB of 0.32x which provides a discount of 21% relative to its 3-year average of 0.41x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs110 which provides an upside potential of 50%. The scrip also provides a dividend yield of 12% which makes the total return of 62%.

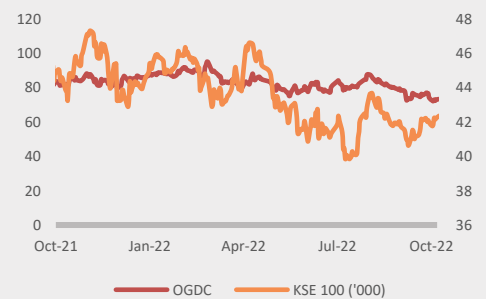
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	106,012	71,531	48.2% ▲	335,464	239,104	40.3% ▲
Operating Cost	-18,175	-16,575	9.7% ▲	-78,593	-70,177	12.0% ▲
<b>Gross Profit</b>	<b>75,206</b>	<b>46,309</b>	<b>62.4% ▲</b>	<b>216,916</b>	<b>139,746</b>	<b>55.2% ▲</b>
Other Income	18,504	10,878	70.1% ▲	46,571	13,979	233.1% ▲
Exploration Cost	-1,545	-2,283	32.3% ▼	-15,586	-17,366	10.3% ▼
Administrative Expenses	-1,008	-1,141	11.6% ▼	-4,910	-4,668	5.2% ▲
Finance costs	-818	-563	45.3% ▲	-2,340	-2,205	6.1% ▲
Profit Before Taxation	88,207	52,269	68.8% ▲	232,521	128,986	80.3% ▲
Taxation	-34,905	-18,640	87.3% ▲	-98,738	-37,452	163.6% ▲
<b>Profit After Taxation</b>	<b>53,303</b>	<b>33,629</b>	<b>58.5% ▲</b>	<b>133,784</b>	<b>91,534</b>	<b>46.2% ▲</b>
Earnings Per Share	12.39	7.82	58.5% ▲	31.11	21.28	46.2% ▲
Dividend	1.75	1.75	-	7.25	6.90	5.1% ▲
Bonus	0%	0%	-	0%	0%	-
Gross Margin	70.9%	64.7%	6.2% ▲	64.7%	58.4%	6.2% ▲
Other Income to Sales	17.5%	15.2%	2.2% ▲	13.9%	5.8%	8.0% ▲
Exploration Cost to Sales	-1.5%	-3.2%	1.7% ▼	-4.6%	-7.3%	2.6% ▼
Admin Cost to Sales	-1.0%	-1.6%	0.6% ▼	-1.5%	-2.0%	0.5% ▼
Effective Taxation	-39.6%	-35.7%	3.9% ▲	-42.5%	-29.0%	13.4% ▲
Net Margin	50.3%	47.0%	3.3% ▲	39.9%	38.3%	1.6% ▲

Source: ACPL Research, Company Financials

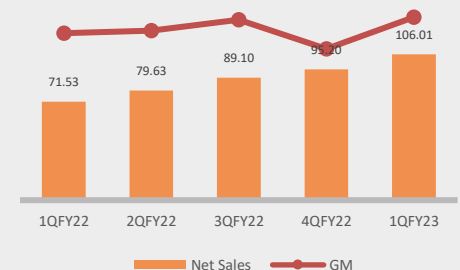
## Key Statistics

Symbol	OGDC
TP - Jun 23	110.00
LDCP	73.22
Upside (%)	50
Free Float ('mn)	645
Market Cap. (Rs.'mn)	314,913

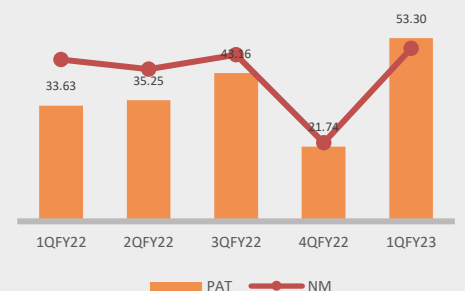
## OGDC vs KSE 100



## 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	340,441	322,324	256,300	230,971
Royalty	-27,626	-27,422	-37,958	-39,104	-37,023	-29,439	-26,530
Operating Expenses	-66,560	-70,177	-78,593	-97,389	-92,206	-73,319	-66,073
Transportation Charges	-1,592	-1,758	-1,998	-1,460	-1,382	-1,099	-991
<b>Gross profit</b>	<b>149,078</b>	<b>139,746</b>	<b>216,916</b>	<b>202,488</b>	<b>191,712</b>	<b>152,442</b>	<b>137,377</b>
Other income	21,750	13,979	46,571	47,144	31,167	29,004	28,276
Exploration and prospecting expenditure	-18,213	-17,366	-15,586	-4,962	-4,698	-3,735	-3,366
General and administration expenses	-5,071	-4,668	-4,910	-3,237	-3,065	-2,437	-2,196
Finance Cost	-3,011	-2,205	-2,340	-3,478	-4,718	-6,067	-7,536
Workers' profit participation fund	-7,530	-6,789	-12,238	-12,228	-10,812	-8,696	-7,840
Share of profit in associate - net of taxation	6,063	6,289	4,110	8,266	8,679	9,113	9,569
<b>Profit before income tax</b>	<b>143,065</b>	<b>128,986</b>	<b>232,521</b>	<b>233,992</b>	<b>208,265</b>	<b>169,625</b>	<b>154,283</b>
Income tax expense	-42,983	-37,452	-98,738	-77,217	-68,728	-55,976	-50,913
<b>Profit for the year</b>	<b>100,082</b>	<b>91,534</b>	<b>133,784</b>	<b>156,775</b>	<b>139,538</b>	<b>113,649</b>	<b>103,370</b>
EPS	<b>23.27</b>	<b>21.28</b>	<b>31.11</b>	<b>36.45</b>	<b>32.44</b>	<b>26.42</b>	<b>24.03</b>
EBITDA	<b>12,844</b>	<b>11,099</b>	<b>10,895</b>	<b>11,200</b>	<b>11,559</b>	<b>11,918</b>	<b>12,313</b>

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-6.36%	-2.35%	40.30%	1.48%	-5.32%	-20.48%	-9.88%
Royalty	-5.83%	-0.74%	38.42%	3.02%	-5.32%	-20.48%	-9.88%
Operating Expenses	4.89%	5.43%	11.99%	23.92%	-5.32%	-20.48%	-9.88%
Transportation Charges	-2.19%	10.39%	13.65%	-26.91%	-5.32%	-20.48%	-9.88%
<b>Gross profit</b>	<b>-10.76%</b>	<b>-6.26%</b>	<b>55.22%</b>	<b>-6.65%</b>	<b>-5.32%</b>	<b>-20.48%</b>	<b>-9.88%</b>
Other income	-32.64%	-35.73%	233.15%	1.23%	-33.89%	-6.94%	-2.51%
Exploration and prospecting expenditure	45.72%	-4.65%	-10.25%	-68.17%	-5.32%	-20.48%	-9.88%
General and administration expenses	22.80%	-7.94%	5.19%	-34.08%	-5.32%	-20.48%	-9.88%
Finance Cost	77.93%	-26.79%	6.14%	48.64%	35.63%	28.60%	24.22%
Workers' profit participation fund	-18.99%	-9.84%	80.27%	-0.08%	-11.58%	-19.58%	-9.84%
Share of profit in associate - net of taxation	24.61%	3.73%	-34.65%	101.13%	5.00%	5.00%	5.00%
<b>Profit before income tax</b>	<b>-18.99%</b>	<b>-9.84%</b>	<b>80.27%</b>	<b>0.63%</b>	<b>-10.99%</b>	<b>-18.55%</b>	<b>-9.04%</b>
Income tax expense	-26.16%	-12.87%	163.64%	-21.80%	-10.99%	-18.55%	-9.04%
<b>Profit for the year</b>	<b>-15.46%</b>	<b>-8.54%</b>	<b>46.16%</b>	<b>17.19%</b>	<b>-10.99%</b>	<b>-18.55%</b>	<b>-9.04%</b>
EPS	<b>-15.46%</b>	<b>-8.54%</b>	<b>46.16%</b>	<b>17.19%</b>	<b>-10.99%</b>	<b>-18.55%</b>	<b>-9.04%</b>
EBITDA	<b>5.81%</b>	<b>-13.59%</b>	<b>-1.83%</b>	<b>2.79%</b>	<b>3.21%</b>	<b>3.11%</b>	<b>3.31%</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	59.48	59.48	59.48	59.48
NP Margin	%	40.87	38.28	39.88	46.05	43.29	44.34	44.75
ROE	%	14.53	11.89	15.28	16.03	12.71	9.43	8.00
ROA	%	11.62	9.57	11.84	13.61	10.83	8.19	7.00
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	5.90	6.40	5.60	7.61	8.46	10.33	13.79
Quick	x	4.14	4.38	4.08	6.76	7.57	9.37	12.57
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	208.41	226.62	245.69	227.43	205.66	187.31	250.38
Inventory Days		1.75	1.61	1.49	1.60	1.77	1.95	1.46
Receivables Days		1.56	35.84	34.16	33.76	35.61	44.61	49.13
Payables Days		261.34	265.81	323.66	194.05	217.38	233.68	184.00
Operating Cycle		-258.03	-228.36	-288.02	-158.69	-179.99	-187.12	-133.41
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		6.75	6.90	7.25	8.50	7.50	6.00	5.50
Div. Yield	%	9.20	9.41	9.88	11.59	10.22	8.18	7.50
Dividend Cover	x	3.45	3.08	4.29	4.29	4.33	4.40	4.37
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	36.45	32.44	26.42	24.03
BVPS		160.16	178.95	203.54	227.39	255.35	280.23	300.49
P/E	x	3.15	3.45	2.36	2.01	2.26	2.78	3.05
Sales per share		56.93	55.59	78.00	79.16	74.94	59.59	53.70
P/BV	x	0.46	0.41	0.36	0.32	0.29	0.26	0.24
P/S	x	1.29	1.32	0.94	0.93	0.98	1.23	1.37
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	69.41	45.60	28.89	21.24

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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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
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