

Flash Note

Thursday, 26 October 2017

Oil & Gas – Exploration Companies

OGDC: Higher oil price and oil production lifts earnings by +16%YoY to PKR 3.95/share in 1QFY18

- Oil & Gas Development Company Limited (OGDC) announced financial result for 1QFY18 with earnings clocking in at PKR 17.0bn (EPS PKR 3.95) up by +16%YoY as compared to PKR 14.6bn (EPS PKR 3.40) last year. This increase in earnings is likely to be attributable to a) higher oil prices, b) increase oil production from Tal block and Kunar-Pasakhi Deep and, c) lower exploration cost.
- Revenues increased by +11%YoY to PKR 43.9bn as compared to PKR 39.6bn in the same period last year, likely on the back of a) +17%YoY increase in oil prices and, b) +14%/+47%YoY rise in oil/LPG production.
- Operating cost inclined by +7%YoY to PKR 13.9bn during 1QFY18 as compared to PKR 13.1bn recorded in the corresponding period last year, likely owing to lower cost per BoE.
- Exploration cost plummeted by 65%YoY to PKR 1.5bn during 1QFY18, in the absence of dry well cost and lower prospecting expense, in our view.
- In addition, other income dropped by 39%YoY to PKR 3.1bn during 1QFY18 compared to PKR 5.1bn in the same period last year on account of maturing PIBs and reinvestment at a lower yielding bank deposits.
- Effective tax rate stood at 30.3% in 1QFY18 as compared to a 29.8% last year. However, on quarterly basis effective tax rate declined by 400bps from 34.2% in 4QFY17.

Exhibit:

OGDC Financial Highlights

PKRmn	1QFY18	1QFY17	YoY	4QFY17	QoQ
Net Sales	43,962	39,566	11%	45,200	-3%
Royalty	4,432	4,307	3%	4,758	-7%
Operating Expenses	13,954	13,079	7%	13,417	4%
Gross Profit	25,161	21,770	16%	26,605	-5%
Other Income	3,111	5,061	-39%	3,450	-10%
Exploration and Prospecting	1,524	4,322	-65%	2,888	-47%
Finance Cost	418	403	4%	279	50%
WPP Fund	1,284	1,097	17%	1,296	-1%
PBT	24,389	20,835	17%	24,618	-1%
PAT	17,009	14,632	16%	16,209	-54%
EPS (PKR)	3.95	3.40		3.77	
DPS (PKR)	1.75	1.50		2.00	

Source: IGI Research and Company Financials

No Shares: 4,300.9 mn

Analyst

Abdullah Farhan

abdullah.farhan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 912

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Syed Daniyal Adil	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 973	daniyal.adil@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 973	muhammad.saad@igi.com.pk
Tanweer Kabbeer	Research/Fund Select	Tel: (+92-21) 111-234-234 Ext: 966	tanweer.kabbeer@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	umesh.solanki@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Ejaz Rana	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	ejaz.rana@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780

Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, PSX Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Tel: (92-992) 408243 - 44

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Peshawar Cantt.
Tel: (92-91) 5253035, 5278448

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area, Islamabad
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah Shopping Center, Opp. Rad
Station, Mansehra Road, Abbottabad
Tel: (+92-99) 2408243 - 44

Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,
Mubarak Pura, Sialkot.
Tel: (+92-52) 3258437, 3258762