

Flash Note

Tuesday, 28 September 2021

Oil & Gas - Exploration Companies

Oil & Gas Development Company Limited (OGDC)

Higher production and surge in oil prices lifts 4QFY21 EPS to 5.86; DPS PKR 1.5

- Oil & Gas Development Company Limited (OGDC) announced its financial results for 4QFY21 with earnings clocking in at PKR 25.19bn (EPS PKR 5.86) as compared to PKR 17.82bn (EPS PKR 4.14) in the same period last year, up by +41%y/y. On a quarterly basis earnings are up by +4%QoQ. This brings total profitability for FY21 to PKR 91.53bn (EPS PKR 21.28) down by 9%y/y.
- The Company announced cash dividend of PKR 1.5/share along with the result, taking total cash payout for FY21 to PKR 6.9/share.
- We attribute this growth in earnings during 4QFY21 to a) rise in oil and gas production, b) incline in international oil prices and, c) higher share of profit from associate - Mari Petroleum Company Limited (MARI).
- Net Revenues inclined by +44%y/y to PKR 62.72bn during 4QFY21 compared to PKR 43.48bn in the similar period last year, likely on the back of higher oil & gas production and rise in oil prices despite PKR appreciation.
- Operating costs are up by +2%y/y to PKR 20.31bn during 4QFY21 as against PKR 19.82bn in the same period last year likely on account of higher salary and depreciation cost, in our view.
- Exploration expense inclined by +39%y/y to PKR 6.56bn during 4QFY21 compared to PKR 4.71bn in the corresponding period last year likely owing higher prospecting expense and two dry well costs incurred during the quarter.
- Other income plummeted by 41%y/y to PKR 5.75bn during 4QFY21 compared to PKR 9.82bn in the similar period last year likely owing to exchange losses and lower interest income on deposits amid decline in interest rates.
- Effective tax rate stood at 21.5% during 4QFY21 as against 18.3% in the same period last year (3QFY21: 30.7%), bringing total effective tax rate for FY21 to 29.0% against 30.1% in the comparative period.
- To note, OGDC has restated its FY20 results with major reclassification in revenue, operating expense and other income on account of adoption of IFRS-16 pertaining to gas sale agreements with M/s Uch Power (Private) Limited (UPL) and M/s Uch-II Power (Private). As a result, the income is now recorded as interest on finance lease under the head of other income.

Exhibit: OGDC Financial Highlights

PKRmn	4QFY21	4QFY20	YoY	3QFY21	QoQ	FY21	FY20	YoY
Net Sales	62,722	43,478	44%	65,402	-4%	239,104	232,925	3%
Royalty	7,249	5,266	38%	7,271	0%	27,422	27,626	-1%
Operating Expenses	20,309	19,820	2%	16,566	23%	70,177	65,330	7%
Gross Profit	34,742	18,115	92%	41,064	-15%	139,746	138,377	1%
Other Income	5,754	9,817	-41%	1,627	254%	13,979	33,816	-59%
Exploration and Prospecting	6,557	4,711	39%	5,587	17%	17,366	18,213	-5%
Finance Cost	524	672	-22%	534	-2%	2,205	3,011	-27%
WPP Fund	1,689	1,148	47%	1,833	-8%	6,789	7,598	-11%
Share of profit from associate	1,618	1,638	-1%	1,391	16%	6,289	6,063	4%
PBT	32,094	21,815	47%	34,823	-8%	128,986	144,362	-11%
PAT	25,188	17,816	41%	24,121	4%	91,534	100,938	-9%
EPS (PKR)	5.86	4.14		5.61		21.28	23.47	
DPS (PKR)	1.50	2.50		1.80		6.90	6.75	

Source: IGI Research and Company Financials

No Shares: 4,300.9mn

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