

Oil & Gas Exploration Companies

OGDC: 4QFY24 Management Call Takeaways

- OGDC held an investor briefing session to discuss 4QFY24 financial results. Management also provided further details on key developments and future outlook for the Company.
- The Company reported 4QFY24 earnings of PKR 37.87bn (EPS PKR 8.81), down by 42%/y/y compared to PKR 64.98bn (EPS PKR 15.11) in the similar period last year. On quarterly basis, profitability is down by 21%/q/q. This brings total profitability for FY24 to PKR 208.98bn (EPS PKR 48.59), down by 7%/y/y, compared to PKR 224.62bn (EPS PKR 52.23) in the same period last year.
- Earnings declined mainly due to other expense recognized on account of loss booked on modification in terms of TFC compared to exchange gains and one-off gain on modification of finance lease of Uch Power in the similar period last year.
- Gas production witnesses a decline mainly due to lower intake by SNGPL from Qadirpur, Nashpa, Chanda, Dhok Hussain and Togh fields owing to system constraints. Lower demand from WAPDA led to decline in production from Uch field. Operating expenses were higher mainly due to additional PKR 13bn attributable to 15% wellhead payment on renewal of lease of Pasakhi and Pasakhi North.

OGDC held an investor briefing session to discuss 4QFY24 financial results. Management also provided further details on key developments and future outlook for the Company.

OGDC reported earnings decline of 42%/y/y to PKR 8.81/share during 4QFY24

Oil & Gas Development Company Limited (OGDC) announced 4QFY24 result. The Company reported 4QFY24 earnings of PKR 37.87bn (EPS PKR 8.81), down by 42%/y/y compared to PKR 64.98bn (EPS PKR 15.11) in the similar period last year. On quarterly basis, profitability is down by 21%/q/q. This brings total profitability for FY24 to PKR 208.98bn (EPS PKR 48.59), down by 7%/y/y, compared to PKR 224.62bn (EPS PKR 52.23) in the same period last year. The Company announced cash dividend of PKR 4.0/share along with the result bringing total cash payout for FY24 to PKR 10.1/share.

Earnings declined mainly due to other expense recognized on account of loss booked on modification in terms of TFC compared to exchange gains and one-off gain on modification of finance lease of Uch Power in the similar period last year.

Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

Exhibit: OGDC Financial Highlights								
For the period 4QFY24								
PKRmn	4QFY24	4QFY23	y/y	3QFY24	q/q	FY24	FY23	y/y
Net Sales	115,534	104,446	11%	112,789	2%	463,698	413,594	12%
Royalty	13,853	12,266	13%	12,975	7%	54,279	48,394	12%
Operating Expenses	36,299	33,981	7%	26,799	35%	123,543	93,610	32%
Gross Profit	64,756	57,682	12%	72,361	-11%	283,313	269,727	5%
Other Income	(3,197)	89,508	-104%	17,271	-119%	41,344	154,692	-73%
Exploration and Prospecting	4,060	8,129	-50%	3,475	17%	12,561	19,024	-34%
Finance Cost	1,890	1,230	54%	1,821	4%	7,143	4,715	51%
WPP Fund	2,852	6,903	-59%	4,278	-33%	15,462	20,199	-23%
Share of profit from associate	3,771	3,611	4%	3,143	20%	13,186	10,543	25%
PBT	54,186	131,153	-59%	81,286	-33%	293,787	383,773	-23%
PAT	37,872	64,979	-42%	47,808	-21%	208,976	224,618	-7%
EPS (PKR)	8.81	15.11		11.12		48.59	52.23	
DPS (PKR)	4.00	2.75		2.00		10.10	8.55	
Source: IGI Research, PSX						No of Shares: 4,300.93mn		

Key highlights from management conference call

- Major decline in earnings during 4QFY24 was mainly due to PKR 23bn loss booked on modification in the terms of TFCs. This resulted in OGDC recording other expense of PKR 3.20bn during 4QFY24 compared to other income of PKR 89.51bn in the same period last year.
- Operating expenses were higher mainly due to additional PKR 13bn attributable to 15% wellhead payment on renewal of lease of Pasakhi and Pasakhi North.
- Gas production witnesses a decline mainly due to lower intake by SNGPL from Qadirpur, Nashpa, Chanda, Dhok Hussain and Togh fields owing to system constraints. Lower demand from WAPDA led to decline in production from Uch field.
- Average realized oil prices stood at US\$ 68.67/bbl during FY24 compared to US\$ 71.78/bbl in the same period last year. Average realized gas prices stood at PKR 712.88/mcf during FY24 compared to US\$ 610.92/mcf in similar period last year.
- During FY24, the Company spudded 7 exploratory wells which yielded 5 new condensate and gas discoveries such as Dars West-

2, Togh-2, Chak 214-1 and Nur West-1 (tight gas). OGDC also spudded 6 development wells in FY24.

- OGDC reversed tax provisions amounting PKR 28bn after Supreme Court announced favorable verdict related to depletion allowance in Jan-24.
- The Company informed that compression project at Dakhni, KPD-TAY and Uch are planned to be completed by Oct-25, Jan-26 and Mar-26 respectively.
- The Management stated that exploration at Abu Dhabi well is undergoing appraisal after which the reserve size will be assessed.
- Overdue receivables of OGDC stood at PKR 561bn as at Jun-24 compared to PKR 559bn as at Mar-24.

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation Rating System

Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)

Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)

Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Valuation Methodology: To arrive at Target Prices, IGI Finex Securities uses different valuation methodologies including

- Discounted Cash Flow (DCF)
- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2024 IGI Finex Securities Limited

Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Laraib Nisar	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 974	laraib.nisar@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

Website: www.igisecurities.com.pk

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

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Islamabad Office

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

Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The
 Regency International 949, The Mall
 Faisalabad
 Tel: (+92-41) 2540843-45

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2024 IGI Finex Securities Limited