

Oil & Gas Exploration Companies

Receivables Collection Ratio for OGDC and PPL Improves Significantly Post Gas Price Hikes

- As per FY24 annual reports of OGDC and PPL, collection of receivables improved significantly during FY24. This significant improvement in collection ratio is primarily attributable to gas prices hikes in Jan-2023, Nov-2023 and Feb-2024. As local prices were increased by the Government to bring it inline with wellhead cost prices of E&P companies, this has led to significant improvement in recoveries.
- PPL reported total receivables of PKR 578bn as at Jun-24 compared to PKR 513bn as at Jun-23 (PKR 582bn as at Mar-24). As per annual reports, PPL's total collections ratio stood at 81% during FY24 compared to 53% last year. OGDC's total receivables stood at PKR 635bn as at Jun-24 compared to PKR 577bn as at Jun-23 (PKR 627bn as at Mar-24). According to annual financial statement, OGDC's total collections ratio stood at 76% during FY24 compared to 42% in FY23.
- We maintain our "BUY" stance with Jun-25 target prices of PKR 168/share and PKR 197/share for PPL and OGDC offering 42% and 28% upside from last close respectively. We expect PPL and OGDC to payout cash dividend of PKR 14/share and PKR 18/share respectively in FY25.

OGDC and PPL report improved collection of receivable in FY24

As per FY24 annual reports of Oil & Gas Development Company Limited (OGDC) and Pakistan Petroleum Limited (PPL), collection of receivables improved significantly during FY24. This significant improvement in collection ratio is primarily attributable to gas prices hikes in Jan-2023, Nov-2023 and Feb-2024. As local prices were increased by the Government to bring it inline with wellhead cost prices of E&P companies, this has led to significant improvement in recoveries.

PPL's cash collection improves to 83% in FY24

PPL reported total receivables of PKR 578bn as at Jun-24 compared to PKR 513bn as at Jun-23 (PKR 582bn as at Mar-24). As per annual reports, PPL's total collections ratio stood at 81% during FY24 compared to 53% last year while in 4QFY24 total collection ratio stood at 112%. Total accumulation dropped down to PKR 5.4bn per month in FY24 compared to PKR 12.3bn per month in FY23. As a result, PPL's cash and cash equivalents have increased to PKR 112bn as at Jun-24 compared to PKR 68bn as at Jun-23 (PKR 88bn as at Mar-24).

Analyst

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OGDC's cash collection improves to 76% in FY24

OGDC's total receivables stood at PKR 635bn as at Jun-24 compared to PKR 577bn as at Jun-23 (PKR 627bn as at Mar-24). According to annual financial statement, OGDC's total collections ratio stood at 76% during FY24 compared to 42% in FY23. As a result, OGDC's cash and cash equivalents have witnessed a substantial increase of PKR 146bn to PKR 259bn as at Jun-24 compared to PKR 113bn as at Jun-23 (PKR 129bn as at Mar-24).

Recommendation

Based on gas price hikes, we had already incorporated improvement in collection of receivables for PPL and OGDC. We base our preference for PPL based on higher exposure to circular debt relative to OGDC which will consequently lead to substantially higher cash payouts. Thus, we maintain our "BUY" stance with Jun-25 target prices of PKR 168/share and PKR 197/share for PPL and OGDC offering 42% and 28% upside from last close respectively. As a result, we expect PPL and OGDC to payout cash dividend of PKR 14/share and PKR 18/share respectively in FY25 translating in to FY25 DY of 12% each. Both PPL and OGDC are expected to utilize excess liquidity for increasing exploration activities including offshore and expenditure requirement for Reko Diq.

Exhibit: PPL Receivables and Cash Position

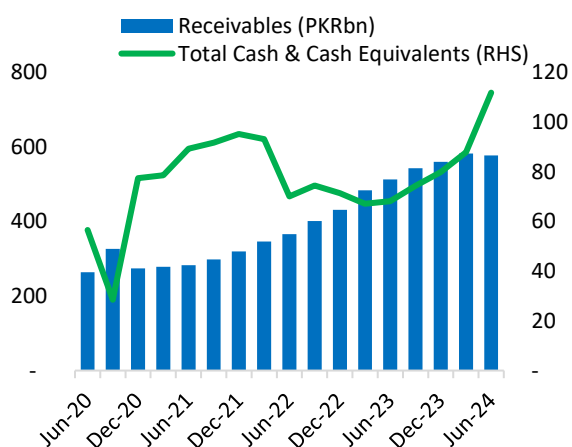
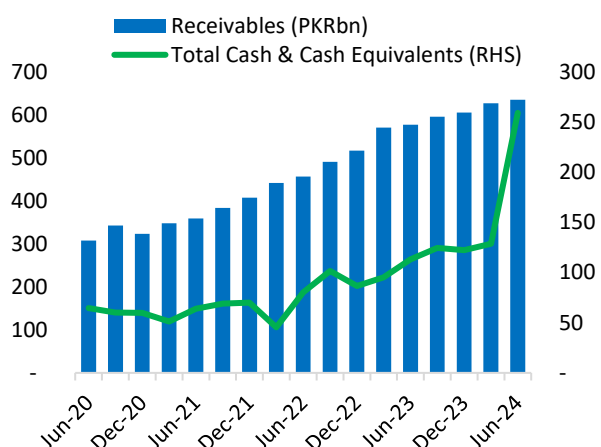


Exhibit: OGDC Receivables and Cash Position



Source: Company Financials, IGI Research

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