

Foundation Alert

OGDC: Analyst Briefing Takeaways

Event

- Oil and Gas Development Company Limited (OGDCL) held its Conference call yesterday to discuss the company's financial performance for 1HFY22 and future plans. Following are the key takeaways of the call.

Impact

- Management reiterates company's dominance in the exploration and production as it holds 43% and 36% of oil and gas hydrocarbon reserves respectively as at December 31'2021. Presently, the company contributes 48%, 29% and 38% of country's oil, gas and LPG production.
- Company holds 438mmboe (Oil 48 and Gas 390) reserves of hydrocarbon on 1P basis and 677mmboe (Oil 74 and Gas 603) reserves on 2P basis as of December 31'2021 with operations in 59 blocks, covering 41% of Country's total acreage awarded as at December 31, 2021.
- Company's production stood at 36.8k bpd of oil (up ~1.0% YoY), 827mmcf of gas (down ~3.4% YoY) and 814mtpd of LPG (up 4.6% YoY), during 1HFY22.
- Management attributed decrease in gas production to natural decline at KPD-TAY and Qadirpur fields. Moreover, production decline was recorded owing to Annual Turn Around (ATA) at five production fields namely Qadirpur, Mela, Nashpa, Sinjhor and Uch.
- Management states that during 1HFY22 realized oil prices were US\$63.23/bbl against US\$38.81/bbl during corresponding period last year, while the realized price for gas stands at Rs404.28/Mcf as against Rs377.93/Mcf during 1HFY21. Company average net realized price of Rs113,962/ton as against Rs62,826/ton during the corresponding period last year.
- During 1HFY22, 6 wells were spud, comprising of four exploratory/appraisal and two development wells. Moreover, company's exploratory well efforts yielded four new oil and gas discoveries in 1HFY22. During 1HFY21, company spudded 9 wells.
- The four oil and gas discoveries have expected cumulative daily production potential of 39 mmcf of gas and 2,850 bbl of oil.
- In an effort to arrest natural decline and sustain production from mature wells, OGDCL during the period under review carried out fifty two (52) work-over jobs comprising nine (9) with rig and forty three (43) rig-less. Moreover to induce improvement in the current well flow parameters, pressure build-up survey jobs were completed at various wells of producing fields; Mela, Pasahki, Nashpa, Qadirpur, Maru-Reti, Uch and Kunnar.
- KPD-TAY compression facility would be completed by September 2023 that inject incremental 443 bbl of condensate, 66mmcf of gas and 66 tpd of LPG to the system.
- Qadirpur gas compression facility of 235mmcf with expected incremental production of 17mmcf would be commissioned by February 2022.
- Moreover, Uch compression project would be completed by December 2023 and enhance sustainability of gas flows at 480mmcf against current flows of ~410mmcf.

Outlook

- We have an "Outperform" stance on the scrip given discounted valuation from its peer and trading at lower implied oil prices. We believe OGDC portfolio remains well balanced with average oil and gas reserves life of ~13 and ~15 years.

Fig 1: 2QFY22 Financial Highlights

	2QFY22	2QFY21	YoY	QoQ	1HFY22	1HFY21	YoY
Sales Revenue	79,633	54,632	46%	11%	151,163	110,980	36%
Operating costs	10,956	10,977	0%	4%	21,473	20,354	6%
SG&A	1,648	1,039	59%	7%	3,193	2,949	8%
Royalty	8,792	6,176	42%	7%	17,034	12,903	32%
EBITDAX	58,237	36,440	60%	14%	109,463	74,775	46%
D&A	6,838	6,042	13%	13%	12,896	12,948	0%
Exploration write-offs	4,610	2,266	103%	102%	6,893	5,222	32%
EBIT	46,789	28,132	66%	9%	89,675	56,604	58%
Interest income	9,476	2,107	350%	-25%	22,173	9,878	124%
Finance cost	578	582	-1%	3%	1,141	1,146	0%
Other charges	2,784	1,483	88%	1%	5,535	3,267	69%
OPBT & ABN'S	52,902	28,174	88%	1%	105,172	62,069	69%
Tax expense	17,649	9,292	90%	-5%	36,289	19,844	83%
OPAT b/f Abn.s	35,253	18,882	87%	5%	68,883	42,225	63%
EPS	8.2	4.4			16.0	9.8	

Source: PSX, Company reports, Foundation Research, February 2022

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.