

## Oil & Gas development Company Limited (OGDC)

Oil and Gas Development Company Limited (OGDCL), was established in 1961 to prospect, refine and sell oil and gas in Pakistan. OGDCL had emerged as the dominant domestic prospector with several significant discoveries in the Indus Basin. OGDCL was converted into a public limited company in 1997. As on June 2010, the Government of Pakistan holds 74.82% stake in the company.

### Performance During The Year

OGDCL financial results for the year 2013 reflects stable financial performance sales revenue and profit before tax was Rs 223 billion in FY 2011-12 it was Rs 197.83 billion and profit before tax Rs145.81 billion in FY 2012-13 it was Rs 133.083 billion in 2011-2012 sales revenue and profit before tax showing the growth 12.9% and 9.6% respectively these result comes due to the increase in production and increased in the price of gas and LPG however company's profitability decrease due to heavy expenditure on account of geological surveys the profit after tax Rs 90.77 billion and earning per share was 21.11 cumulative dividend declare Rs 8.25/share it was 7.25 in 2011-12.

### Exploration portfolio

In financial year 2012-13 company add its exploration portfolio twenty nine (29) new blocks spreading across the country. Company acquired 15,84 kms of 2D seismic data and 1211 3D seismic data from various exploration blocks further company also spud 24 new wells and 10 exploratory/appraisal and 14 development wells . During the year 2012-13, our exploratory efforts to discover new hydrocarbon reserves yielded three new oil and gas discoveries namely Nashpa-3, Zin SML-1 and Suleman-1. Out of these discoveries, Naspha-3 has been put on production and is currently contributing 3,300 barrels per day of crude oil and 11 MMcf per day of gas. Furthermore, the Company brought two (02) more fields namely Sinjhora and Nur-Bagla on production contributing 1,400 barrels Per day of crude oil and 21 MMcf per day of gas.

### Other key takeaways from the briefing

Oil and Gas Development Company Limited (OGDCL) has completed six development projects, enabling the company to produce 13k barrels of crude oil, 360 million cubic feet gas and 750 metric tones of Liquid Petroleum Gas (LPG) per day. According to a press release, this initiative will reportedly contribute \$2.5bn to the national exchequer annually through export of petroleum products, and the government will receive PK R37 bn in terms of taxes and royalty.

We see the bullish sentiment in oil prices to persist during next six months though with less intensity in contrast to recent abnormal hike in oil prices. Steady oil prices coupled with planned volumetric additions will lead to robust earnings growth in the E&P sector thus unlocking further upside in existing valuation. Wellhead prices are also expected to remain stable in FY14.

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**KATS Code:** OGDC  
**Sector:** OIL AND GAS  
**Face Value:** Rs.10  
**Year End:** June

**Current Price** Rs. 242  
**Target price** Rs. 280

**Paid up Capital** 43009 million.

**Avg Volume 52 weeks:** 127,767,400

**12-month High/low**

267.75 / 182.10

Earning Per Share				
2010	2011	2012	2013	E-FY14
13.76	14.77	22.53	21.11	24.50
Annual Payout				
2010	2011	2012	FY2013	E-FY14
15%	25%	72.5%	82.5%	94.5%

### RECOMMENDATION (BUY)

In view of the strong future outlook we maintained over "BUY" stance on the stock based on our target price of Rs.280 till year ended June.