

Oil & Gas Development (OGDC)

FY18 Conference Call Notes

Topline Research
research@topline.com.pk
Tel: +9221-35303330, Ext: 133
Topline Securities, Pakistan



www.jamapunji.pk Best Local Brokerage House 2015-16

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2011-14, 2016-17



Key Takeaways

- Ultra deep water offshore well has been approved and rig has been arranged, to be started from Jan 2019. It will take about 4-5 years to develop.
- Tal block pricing case is ongoing in the court and the new Govt. is willing to discuss all existing issues and they are planning to encourage more investment into the Country. The issue is expected to be settled in FY19.
- Stagnant growth in gas production is a challenge. In the next two years OGDC should be able to come up with 150mmcd of gas. With natural depletion and incremental gas production, the company will be able to sustain its gas production at current levels going forward.
- Overall receivables due to circular debt have increased but at the same time, cash position of the company has strengthened. The new Govt. is preparing plans to resolve the issue of circular debt. There is a commitment from the Govt. to reduce the circular debt substantially.
- Following fields are in pipeline: Dhok Hussain Development with 20mmcf gas and 400bpd oil (expected completion Oct 2018), Mela Development with LPG 35tons per day and 10mmcf gas (expected completion Jun 2019), Nashpa Compression with 10mmcf gas and 1,120 bpd oil (expected completion Dec 2019), Jhal Magsi Development with 15mmcf (expected completion Dec 2019).
- During the year, OGDC contributed 29% of Pakistan's natural gas production, and 47% of its oil production.
- The company's net realized price for oil averaged US\$54.56/bbl, up 24% Yo while that of gas stood at Rs259/mmcf, up 8% YoY.
- OGDC had average oil production of 41,278 during FY18, down ~6% YoY while gas production remained flat at average 1,022mmcf.

Analyst Certification and Disclosures

The research analyst(s), denoted by an “AC” on the cover of this report, primarily involved in the preparation of this report, certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject companies/securities/sectors and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Furthermore, it is stated that the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months.

Additionally, as per regulation 8(2)(i) of the Research Analyst Regulations, 2015, we currently do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company.

Rating System

Topline Securities employs three tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Stock will outperform the average total return of stocks in universe
Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

For sector rating, Topline Securities employs three tier ratings system, depending upon the sector’s proposed weight in the portfolio as compared to sector’s weight in KSE-100 Index:

Rating	Sector’s Proposed Weight in Portfolio
Over Weight	> Weight in KSE-100 Index
Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

Ratings are updated daily to account for the latest developments in the economy/sector/company, changes in stock prices and changes in analyst’s assumptions or a combination of any of these factors.

Valuation Methodology

To arrive at our 12-months Target Price, Topline Securities uses different valuation methods which include: 1). Present value methodology, 2). Multiplier methodology, and 3). Asset-based methodology.

Research Dissemination Policy

Topline Securities endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time.

Disclaimer

This report has been prepared by Topline Securities and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Topline Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Topline Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Topline Research Department and do not necessarily reflect those of Topline or its directors. Topline as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report.

All rights reserved by Topline Securities. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Topline Securities. Action could be taken for unauthorized reproduction, distribution or publication.