

PAKISTAN MARKET

MARKET VISTA

REP-019

OGDC, INDU, ASTL & BOP: Result Previews

OGDC- crude stability normalizes earnings: OGDC reports earnings today (28th Oct'20) where we expect the state owned E&P stalwart to report 1QFY21 NPAT of PkR22.4bn (EPS:PkR5.2) where relative stability after a particularly volatile March-June'20 for crude benchmarks and tepid production levels (Oil/Gas production slipped 3/8%YoY) dictate bottom line shifts of -18% YoY/+36%YoY. Additional aspects of the reported results include: 1) topline growth moving largely in tandem with crude benchmarks, with our expectation showing moves of -13%YoY/+24%QoQ, 2) relative stability in OPEX expenses while exploration expenses (inclusive of Gen & admin expenses) are also expected to hold steady as three dry wells are expected to be booked (Juna-1, Umair NW, & Jatoi-1) vs. two wells during 1QFY20, and 3) PkR appreciation and monetary easing are expected to pull other income lower. Accompanying the result, we expect the firm to pay first quarter interim payout of PkR1.75/sh.

OGDC: Key Forecasted Metrics

(PkRmn)	1QFY21E	1QFY20	YoY%	4QFY20	QoQ%
Net Sales	57,650	66,204	-12.9%	46,444	24.1%
OPEX	16,655	15,274	9.0%	20,455	-18.6%
Gross Profit	34,358	43,191	-20.5%	20,723	65.8%
Other Income (incl. share of profit)	5,674	4,337	30.8%	6,674	-15.0%
Exploration & admin expenses	5,471	5,006	9.3%	5,936	-7.8%
NPAT	22,350	27,316	-18.2%	16,437	36.0%
EPS(PKR)	5.20	6.35	-	3.82	-
DPS(PKR)	1.75	2.5	-	2.5	-

Source: Company Report & AKD Research

INDU – suppl demand reverses the trend: We project INDU to file NPAT of PkR2.0bn (EPS:PkR25.72) rising 93%YoY/10xQoQ, following the move to normalized sales following significant depletion in demand and COVID-19 disrupting business dynamics throughout the previous quarter. Topline growth is back, reversing the trend of five consecutive quarters of QoQ decline, where our expectation of net sales would amount to growth of +90%YoY/281%QoQ. Assisted by the launch of the Yaris, and significant price hikes at the start of the quarter we expect margins to revert back to normalized levels (expected at 7.5% for 1QFY21 vs. 8.7% for 1QFY20). Additionally, regaining a foothold on its once depleted ST investments and near cash items, the firm manages to raise Cash & ST investment back up to PkR43.7bn mark as of June'20, levels last seen during 1QFY19, cushioning other income from stark monetary easing. We expect the firm to payout PkR12.5/sh where an improved cash flow situation, normalized margins and conclusion of major CAPEX outflows further our stance.

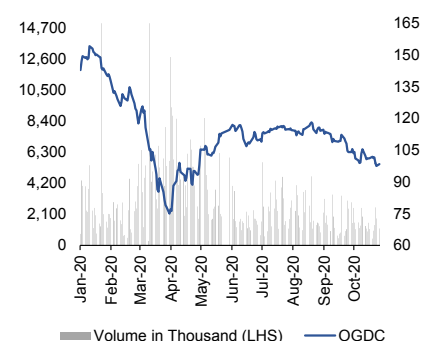
INDU: Key Forecasted Metrics

(PkRmn)	1QFY21E	1QFY20	YoY	4QFY20	QoQ
Net Sales	39,342	20,716	89.9%	10,337	280.6%
Cost of sales	36,234	18,708	93.7%	10,661	239.9%
Gross profit	3,108	2,008	54.8%	(325)	-1057.4%
Total operating expenses	810	725	11.8%	585	38.4%
Operating profit	2,298	1,284	79.0%	(910)	-352.5%
Other operating income	903	695	29.9%	868	4.0%
Finance costs	24	19	21.4%	31	-25.0%
NPBT	2,909	1,779	63.5%	187	1458.8%
Taxation	887	461	92.6%	88	904.8%
NPAT	2,022	1,319	-	98	-
EPS (PkR)	25.72	16.78	-	1.25	-
DPS (PkR)	12.50	7.00	-	7.00	-

Source: Company Report & AKD Research

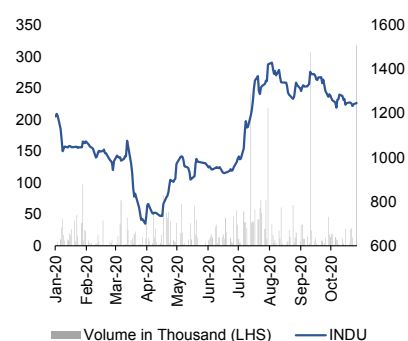
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OGDC Performance



Source: PSX & AKD Research

INDU Performance



Source: PSX & AKD Research



AKD Securities Limited

ASTL – Earnings to see a notable improvement in 1QFY21: ASTL is slated to announce its 1QFY21 results tomorrow (Oct 29'20), where we expect the company to record a nominal profit of PkR19mn (EPS: PkR0.06) vis-à-vis net loss of PkR81mn (LPS: PkR0.27) in 1QFY20. The expected earnings improvement primarily emanates from: i) 34%YoY growth in the topline largely on account of higher volumes (+35%YoY), and ii) 22%YoY lower finance cost after interest rate cuts. Margin at gross level is likely to remain weak compared to last year (GM: 9.72% vs. 10.99% in 1QFY20), where soft pricing power and input cost pressures (i.e. electricity rate hike due to withdrawal of ISP) are the key factors. Sequentially, earnings are likely to see notable improvement from a low base, where higher offtakes (57%QoQ), better margins (+553bpsQoQ), and lower finance cost (-15%QoQ) are the key driving factors.

ASTL: Income Statement

(PKR mn)	1QFY21E	1QFY20	YoY	4QFY20	QoQ
Net Sales	8,148	6,087	34%	5,142	58%
Cost of Sales	(7,356)	(5,418)	36%	(4,926)	49%
Gross Profit	792	669	18%	216	267%
GM	9.72%	10.99%	(127)	4.19%	553
Distribution cost	(200)	(171)	17%	(141)	42%
Admin cost	(147)	(131)	12%	(41)	260%
OPEX	(2)	(4)	-54%	(140)	-99%
Finance cost	(425)	(547)	-22%	(502)	-15%
Other Income	5	7	-35%	2	1.05
PBT	23	(176)	n.a	(607)	-104%
Taxes	(3)	95	n.a	168	-102%
Net Income	19	(81)	-124%	(439)	-104%
EPS (PkR)	0.06	(0.27)		(1.48)	

Source: Company Report & AKD Research

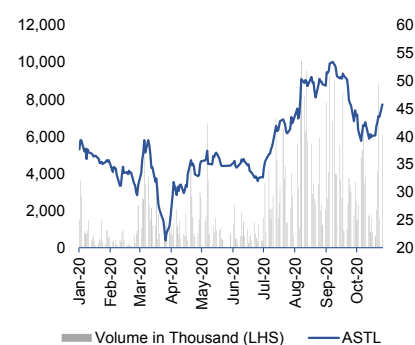
BOP – 3QCY20 earnings likely to clock in at PkR0.70/sh: BoD of The Bank of Punjab (BOP) is scheduled to announce 9M CY20 results of the bank today where our estimates suggest an NPAT of PkR5.5bn (EPS: PkR2.06), down 9.7%YoY while 3QCY20 earnings are to stand at PkR0.70/sh vis-à-vis PkR0.79/0.81 in 2QCY20/3QCY19. The downtick in earnings is attributable to potential normalization in capital gains pulling down non funded contribution in total income to 35.4% in 3QCY20 vs. 46.5% in the previous quarter. Net interest income is expected to surge by 19.5%QoQ where holdings of PIBs (fixed and floater) could potentially overshadow, i) impact of repricing of loan book, and ii) higher composition of fixed rate deposits (31.4% as of Jun'20 vs. 29.2% as of CY19) delaying impact of lower interest rates on deposits. BOP's NPL has surged 9.7%QoQ in 2QCY20, igniting concerns of asset quality in the short term. We expect the bank to remain prudent in managing risks as seen in recent history and as such we have incorporated provisioning costs of ~1.0% into our estimates.

BOP: Key Forecasted Metrics

(PkRmn)	9M CY20E	9M CY19	YoY (%)	3QCY20E	QoQ (%)	YoY (%)
NII	18,261	19,716	-7.4%	6,734	19.5%	-0.3%
NPAT	5,512	6,103	-9.7%	1,893	-11.0%	-12.3%
EPS (PkR)	2.06	2.28	-	0.7	-	-

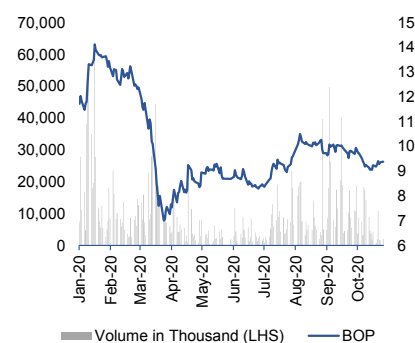
Source: Company Report & AKD Research

ASTL Performance



Source: PSX & AKD Research

BOP Performance



Source: PSX & AKD Research

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Neutral	> 8.5% to < 14.5% expected total return
Sell	< 8.5% expected total return (Rf: 8.5%)



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