Oil & Gas Development Company Limited

Chairman: Mr. Zahid Muzaffar; MD & CEO: Mr. Zahid Mir

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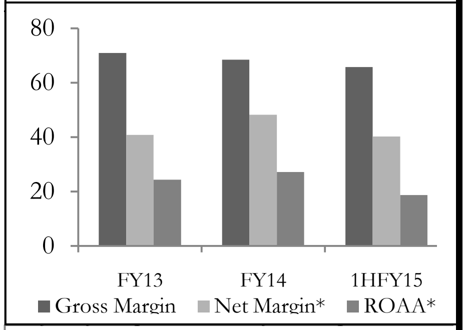
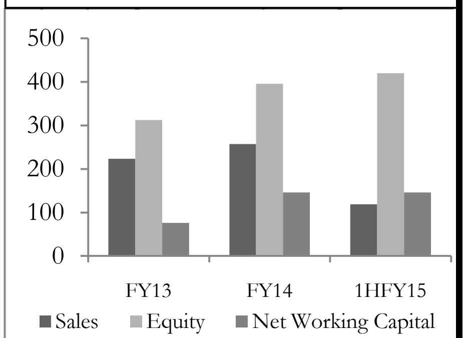
Category	**Latest**	**Previous**
Entity	**AAA/A-1+**	**AAA/A-1+**
	April 30, '15	*June 9, '14*
Outlook	**Stable**	**Stable**
	April 30, '15	*June 9, '14*

Key Financial Trends





(Rs. billion)	FY13	FY14	1HFY15
Net Sales	223.4	257	118.6
Net Profit	91.3	123.9	47.8
Equity	312.3	395.7	419.3
Total Debt	-	-	-
Debt Leverage (x)	0.33	0.25	0.24
FFO	96.6	109.9	44.2
FFO/Total Debt	-	-	-
ROAE*	31.7%	35%	23.5%
ROAA*	24.3%	27.2%	18.8%

*Annualized for 1HFY15

Rating Rationale

Ratings of Oil and Gas Development Company Limited (OGDCL) reflect systemic importance of the company to the national economy as the largest upstream Oil and Gas Company in Pakistan. Ratings also incorporate low financial risk profile of the company as evident from healthy capitalization levels and strong liquidity profile. At end-FY14, OGDCL owned 31% of the total awarded exploration acreage in Pakistan and possesses the largest share of recoverable hydrocarbons in Pakistan at 57% of oil and 42% of natural gas reserves. Market share of the company in terms oil and gas production for FY14 stood at 50% and 29%, respectively.

During FY13, the company acquired 29 new exploratory blocks through competitive bidding which were formally awarded to the company during FY14. OGDCL presently holds 69 (63 operated and 6 non-operated) exploratory licenses while development and production/Mining leases stood at 100 (68 operated and 32 non-operated). OGDCL is pursuing an aggressive exploration and production strategy and undertaking multiple development projects, which are at varying stages of completion. Upon completion of ongoing development projects, namely KPD-TAY, Sinjhoro, Uch-II, Jhal-Magsi and Nashpa-Mela, daily gross production of the company will be further enhanced by 6,720 barrels of oil, 179 MMcf of gas and 820 tons of LPG. During FY14, production of oil increased to 41,330 (FY13: 40,101) barrels while gas production also stood higher at 1,173 MMcf (FY13: 1,108MMcf).

During FY14, the company recorded the highest ever profitability in its history on the back of enhanced production, higher average realized prices, improved investment income & favorable exchange rate during the year. During 1HFY15, partial impact of falling oil prices (Average realized price of oil declined to US$ 76.57/barrel from US$ 87.45/barrel during 1HFY14) along with higher expense base and tax charge, resulted in a decline in profitability to Rs. 47.8b (1HFY14: Rs. 67.2b). While profitability in full year FY15 is expected to be lower than FY14 on account of decline in the price of crude oil, overall profitability of the company is expected to remain sizeable on account of sizeable revenues from sale of gas which contributes over 50% of total revenues. Impact of decline in wellhead prices on revenues and cash flows would be tracked by JCR-VIS. Management is pursuing an aggressive production enhancement strategy in order to partially mitigate the impact of decline in oil prices on profitability. In this regard, timely implementation of future development projects is considered important.

In the backdrop of decline in oil prices, build up in trade debts has been much slower during 1HFY15 with the same amounting to Rs. 109.2b (FY14: Rs. 100.5b; FY13: 55.9b; FY12: Rs. 138.1b). The management is actively pursuing the recovery of trade debts and is currently in the process of negotiating a Gas supply arrangement with Sui Southern Gas Company Limited (SSGCL). Subsequently, management expects improvement in recovery of trade debts. Despite increase in trade debts on a timeline basis, liquidity profile of the company is considered sound in view of healthy cash flow from operations and sizeable liquidity carried on balance sheet. With decline in profitability, Funds flow from operations is expected to be lower for FY15. Management expects internal capital generation to be sufficient to meet future capex requirements and dividend payments.

Board of Directors of the company is chaired by Mr. Zahid Muzaffar. The company's board composition conforms to international best practices with a sizeable number of board members comprising independent directors. Greater stability at the board level as well as in the senior management team is considered important for continuity of business strategy.

Overview of the Institution

OGDCL was incorporated on October 23, 1997 under the Companies Ordinance 1984. The company is engaged in the exploration, development, production and sale of oil and gas resources and its products. The company is listed on all three stock exchanges of Pakistan while its Global Depository Shares are listed on the London Stock Exchange. The registered office is located in Islamabad while fields and other production facilities are dispersed all over the country JCR-VIS

Credit Rating History

Rating Type	Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
Entity	4/30/2015	AAA	Stable	A-1+	Reaffirmed
Entity	6/9/2014	AAA	Stable	A-1+	Reaffirmed
Entity	2/27/2013	AAA	Stable	A-1+	Reaffirmed
Entity	3/9/2012	AAA	Stable	A-1+	Reaffirmed
Entity	3/18/2011	AAA	Stable	A-1+	Reaffirmed
Entity	4/8/2010	AAA	Stable	A-1+	Reaffirmed