

MIRA INFORM REPORT

Report No. :	536109
Report Date :	31.10.2018

IDENTIFICATION DETAILS

Name :	OIL & GAS DEVELOPMENT COMPANY LIMITED
Registered Office :	OGDCL House, Plot No.3, F-6 / G-6, Blue Area, Jinnah Avenue, Islamabad
Country :	Pakistan
Financials (as on) :	30.06.2017
Date of Incorporation :	1961
Com. Reg. No.:	0038403
Legal Form :	Public limited company
Line of Business :	Exploration and development of oil and gas resources, including production and sale of oil and gas and related activities
No. of Employees :	10,837 regular & contractual employees

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating :	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Maximum Credit Limit :	USD 48,241.93
Status :	Satisfactory
Payment Behaviour :	Slow and delayed
Litigation :	Clear

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NOTES :

Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Pakistan	B1	B1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

PAKISTAN - ECONOMIC OVERVIEW

Decades of internal political disputes and low levels of foreign investment have led to underdevelopment in Pakistan. Pakistan has a large English-speaking population, with English-language skills less prevalent outside urban centers. Despite some progress in recent years in both security and energy, a challenging security environment, electricity shortages, and a burdensome investment climate have traditionally deterred investors. Agriculture accounts for one-fifth of output and two-fifths of employment. Textiles and apparel account for more than half of Pakistan's export earnings; Pakistan's failure to diversify its exports has left the country vulnerable to shifts in world demand. Pakistan's GDP growth has gradually increased since 2012, and was 5.3% in 2017. Official unemployment was 6% in 2017, but this fails to capture the true picture, because much of the economy is informal and underemployment remains high. Human development continues to lag behind most of the region.

In 2013, Pakistan embarked on a \$6.3 billion IMF Extended Fund Facility, which focused on reducing energy shortages, stabilizing public finances, increasing revenue collection, and improving its balance of payments position. The program concluded in September 2016. Although Pakistan missed several structural reform criteria, it restored macroeconomic stability, improved its credit rating, and boosted growth. The Pakistani rupee has remained relatively stable against the US dollar since 2015, though it declined about 10% between November 2017 and March 2018. Balance of payments concerns have reemerged, however, as a result of a significant increase in imports and weak export and remittance growth.

Pakistan must continue to address several longstanding issues, including expanding investment in education, healthcare, and sanitation; adapting to the effects of climate change and natural disasters; improving the country's business environment; and widening the country's tax base. Given demographic challenges, Pakistan's leadership will be pressed to implement economic reforms, promote further development of the energy sector, and attract foreign investment to support sufficient economic growth necessary to employ its growing and rapidly urbanizing population, much of which is under the age of 25.

In an effort to boost development, Pakistan and China are implementing the "China-Pakistan Economic Corridor" (CPEC) with \$60 billion in investments targeted towards energy and other infrastructure projects. Pakistan believes CPEC investments will enable growth rates of over 6% of GDP by laying the groundwork for increased exports. CPEC-related obligations, however, have raised IMF concern about Pakistan's capital outflows and external financing needs over the medium term.

Source : CIA

COMPANY NAME

OIL & GAS DEVELOPMENT COMPANY LIMITED

FULL ADDRESS

Registered Address

OGDCL House, Plot No.3, F-6 / G-6, Blue Area, Jinnah Avenue, Islamabad, Pakistan

Tel # 92 (51) 9209811 - 18 (8 Lines)

Fax # 92 (51) 9209804, 9209805, 9209806

SHORT DESCRIPTION OF BUSINESS

- | | | |
|----|---------------------------|--|
| a. | Nature of Business | The Company was established to undertake exploration and development of oil and gas resources, including production and sale of oil and gas and related activities formerly carried on by Oil and Gas Development Corporation, which was established in 1961 |
| b. | Year Established | 1961 |
| c. | Registration # | 0038403 |

BRANCHES

In Karachi & Lahore

AUDITORS

KPMG Taseer Hadi & Co.
(Chartered Accountants)

A.F. Ferguson & Co.
(Chartered Accountants)

LEGAL STATUS

The Government of Pakistan established Oil and Gas Development Corporation (OGDC) in 1961 as a statutory corporation to undertake exploration and development of oil and gas resources. In October 1997 OGDC was

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converted into a public limited company and renamed as Oil and Gas Development Company Limited (OGDCL). During the year, Government of Pakistan (GOP) disinvested 5% of its shareholding through an Initial Public Offering. The Company is now listed at stock exchange of Pakistan & London Stock Exchange

DETAILS OF DIRECTORS

Names	Designation
Mr. Zahid Muzaffar	Chairman
Mr. Aurangzeb Haque	Director
Mr. Mohammad Jalal Sikandar Sultan	Director
Mr. Iskander Mohammed Khan	Director
Mr. Hamid Farooq	Director
Mr. Muhammad Ali Tabba	Director
Mr. Zafar Masud	Director
Prince Ahmed Omar Ahmedzai	Director
Mr. Sayed Shafqat Ali Shah	Director
Mr. Rahmat Salam Khattak	Director
Mr. Muhammad Yawar Irfan Khan	Director
Mr. Zahid Mir	MD & CEO

SHAREHOLDERS

Categories	Percentage (%)
Government of Pakistan	74.97
OGDCL Employees Empowerment Trust	10.05
Associated Companies, Undertakings & Related Parties	0.72
Mutual Funds	0.00

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Directors, and their spouses (s) and minor children	0.00
Executives	
Public Sector Companies & Corporations	0.43
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful Companies and Modarbas	0.30
General Public	13.36
Others	0.18

ASSOCIATES

A. SUBSIDIARY

(1) Pirkoh Gas Company (Pvt) Limited, (A 100% owned subsidiary)

BUSINESS ACTIVITIES

The Company was established to undertake exploration and development of oil and gas resources, including production and sale of oil and gas and related activities formerly carried on by Oil and Gas Development Corporation, which was established in 1961

MAJOR OIL & GAS FIELDS

Chanda, Tando Alam, Thora, Sono, Bobi, Pasaki, Lashari, Toot, Chak Naurang, Fimkasar, Dakhni, Sadkal, Rajian, Missa Kiswal, Kal, Dhodak, Missan, Loti, Qadirpur, Nandpur, Uch, Daru, Kunnar, Palli and Pirkoh

MAJOR CONCESSIONS

Jandran, Basal, Shakardarra, Hala, Kotra, Zin, Rakhni, Risaldar-B Bitrisim, Siah Koh, Tando Allah Yar, Nim, Karamkhel, Sinjhoru, Gurgalot, Khewari, Sohawa, Kharar, Sulaiman, Chak Naurang and Qadirpur

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NUMBER OF EMPLOYEES

10,837 regular & contractual employees

CAPACITY & PRODUCTION

Considering the nature of the Company's business, it is impracticable to provide the information regarding capacity

TRADE SUPPLIERS (FOREIGN)

Subject import globally from Companies belongs to European Countries, Korea, Taiwan, Singapore, Japan, Malaysia & U.S.A.

CUSTOMERS

Mainly Refineries, Oil & Gas Marketing Companies, Gas Companies, Fertilizer Companies, Exploration Companies etc

FINANCIAL REVIEW

Impact on the earnings reported by oil and gas companies across the globe were sobering reminder of the challenges posed to the business profitability by low oil prices. Resultantly, many of the upstream companies curtailed their E&P activities in order to survive and avert liquidity crisis. Nevertheless, OGDCL being the largest E&P company of Pakistan continued to show resilience while pursuing its business strategy to carry out aggressive exploration activities, fast track completion of projects in hand and optimization of production, efficiently and cost effectively, to counter the impact of low commodity prices. OGDCL's adherence to aforesaid business strategy has started to yield significant gains, foremost being strong increase in crude oil and LPG production volumes recorded during the year. Moreover, other factors contributing in its sales growth were moderate recovery in basket and realized price of crude oil averaging US\$ 49.27/barrel and US\$ 44.04/barrel respectively against US\$ 42.50/ barrel and US\$ 39.07/barrel in the preceding period accompanied with positive exchange rate variance. This led the Company to register an improved Sales Revenue of Rs 171.829 billion (FY 2015-16: Rs 162.867 billion). During the reporting period, OGDCL also registered increase in other income. However, the reported financials were partially offset by higher operating expenditures owing to increase in salaries and wages, depreciation of property, plant and equipment, decommissioning and workover charges. In addition, provision for tax has increased on account of prior years assessments and deferred taxation. Nevertheless, the Company registered Profit after Tax of Rs 63.803 billion (FY 2015-16: Rs 59.971 billion) translating into an Earnings per Share of Rs 14.83 (FY 2015-16: Rs 13.94). OGDCL's financial success is attributable to well devised cost saving measures by the Company's Board and management encompassing

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adherence to investment discipline and exhibiting operational efficiency in service of maintaining balance sheet strength and to emerge as more stronger E&P company in the future. Moving on, the Company plans to carry on its exploration activities, ramp-up completion of ongoing development projects and exploit high impact growth opportunities to speed up the momentum of hydrocarbon production and create material value for the shareholders.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the fiscal year 2016-17, OGDCL being the leading E&P Company of Pakistan made a significant contribution of Rs 90.310 billion to the national exchequer on account of corporate tax, dividend, royalty, general sales tax, gas infrastructure development cess and excise duty. In addition, the Company's oil and gas production contributed towards foreign exchange savings as import substitution.

FUTURE OUTLOOK

Building on the strong base provided by the highest ever net crude oil production of 44,041 barrels per day, completion of KPD-TAY and Uch-II development projects and improved financial results during July 2016-June 2017, OGDCL will strive to consolidate its gains in conjunction with making internal efforts to manage operational costs, preserve capital flexibility and focused spending on strategic activities. In this pursuit, exploration will remain an essence of the Company's E&P operations to discover more hydrocarbon reserves and enhance business value. The Company is committed towards maintaining consistent investment in seismic data acquisition, drilling campaigns and processing/reprocessing of acquired seismic data in the areas with greatest potential to generate strong and reliable growth suiting to the business experience, ability and knowledge to add value. OGDCL's production strategy is aimed at augmenting the Company's oil and gas output and to make more energy supplies available in Pakistan. The Company believes that adoption of advanced technology and standardization will be the key to drive productivity improvements and supply hydrocarbon products sustainably and efficiently. Therefore, utilization of latest reservoir management practices and state of the art oil recovery methods will remain a business priority to revive and maximize production from mature fields. Moreover, carrying out of workover jobs at wells and annual turn around of plants will continue to ensure smooth and effective conduct of production operations. In addition to the above, delivery of ongoing development projects is central to maintenance and growth in production profile. OGDCL to this end will carry on planned development activities at Nashpa and Soghri fields resulting in incremental production of 1,100 barrels of crude oil/NGL, 30 MMcf of gas and 340 tons of LPG. Moreover, all out efforts will be made to accelerate the process of bringing new resource discoveries to production coupled with materializing the results of shale gas/oil and tight gas/oil study in the business operated blocks. Growth in production profile will not only help to generate strong predictable cash flows in future but will also provide financial flexibility to develop and execute forward work programs. Retaining its cost conscious approach to successfully manage and expand business operations, OGDCL is also focused on formation of value driven joint ventures with leading E&P companies to introduce new partners with complementary skills and maintain business liquidity by mutually sharing ventures/projects operational cost. These joint ventures enable the business to carry out mutual cooperation and utilize state of the art technology befitting the venture projects to enhance production efficiently and cost effectively. Moreover, the Company seeks to establish footprints abroad by undertaking suitable farm-in/farm-out opportunities and through acquisition of oil reserves wherein exploitation of business low cost operator status is possible.

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BANKERS

- (1) Allied Bank Limited, Pakistan.
- (2) Askari Bank Limited, Pakistan.
- (3) Bank Alfalah Limited, Pakistan.
- (4) Bank Al Habib Limited, Pakistan.
- (5) Barclays Bank PLC
- (6) Citibank N.A.
- (7) Deutsche Bank, Pakistan
- (8) Faysal Bank Limited, Pakistan.
- (9) Habib Bank Limited, Pakistan.
- (10) Habib Metropolitan Bank Limited, Pakistan.
- (11) HSBC Bank of Middle East, Pakistan.
- (12) MCB Bank Limited, Pakistan.
- (13) National Bank of Pakistan
- (14) NIB Bank Limited, Pakistan.
- (15) Soneri Bank Limited, Pakistan.
- (16) Standard Chartered Bank, Pakistan.
- (17) United Bank Limited, Pakistan.

MEMBERSHIPS

ICCI
FPCCI
PPEPCA

COMMENTS

Subject Company is well known and directors are resourceful and experienced professionals. Payments to creditors etc are reported as Slow and delayed. In view of current disturbed economic and political situation, we would advise to deal with all the business in Pakistan with some caution.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.57
UK Pound	1	INR 94.18
Euro	1	INR 83.71
PKR	1	INR 0.55

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

Analysis Done by :	VIV
Report Prepared by :	TRU

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RATING EXPLANATIONS

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)

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