

**Mari Petroleum Company Limited**  
Result Review

PSX: MARI Bloomberg: MARI:PA Reuters: MGAS: KA

Pakistan Research

**2QFY24 EPS clocks in at PKR 137.6, up 65% YoY, DPS at PKR 98.0**

- MARI announced its 2QFY24 financial results today, wherein the company reported an EPS of PKR 137.6 compared to EPS of PKR 83.6 in SPLY, up 65% YoY. This takes 1HFY24 EPS to PKR 281.1, up 57% YoY.
- Along with the result, MARI announces an interim cash dividend of PKR 98/share.
- The earnings growth emanated primarily from higher gas volumes due to operations of Sachal Gas Processing Complex at full capacity and additional gas sales to SNGPL.
- Net sales grew by 56% YoY to PKR 45.5bn compared to PKR 29.2bn in the corresponding period last year given higher volumetric sales and gas prices.
- Average gas prices for MARI increased by 28% YoY in 2QFY24 due to rupee depreciation of 21% YoY.
- Exploration and prospecting expenses down by 66% YoY to PKR 1.5bn compared to PKR 4.3bn in SPLY.
- The exploratory well Maiwand X-1 (Block-28, Balochistan) has been drilled and is currently under testing.
- We have a 'BUY' stance on MARI. Our Dec-24 price target (PT) of PKR 3,144/share provides an upside of 34% along with a dividend yield of 7%.

**Key Data**

PSX Ticker	MARI
Target Price (PKR)	3,144
Current Price (PKR)	2,350
Upside/(Downside) (%)	34%
Dividend Yield (%)	7%
Total Return (%)	41%
12-month High (PKR)	2,535
12-month Low (PKR)	1,440
Outstanding Shares (mn)	133
Market Cap (PKR mn)	313,362
Year End	June

Source: Company Accounts, Akseer Research

**Financial Estimates**

	2QFY23	2QFY24	YoY	1HFY23	1HFY24	YoY
Sales	29,177	45,539	56%	61,002	93,745	54%
Operating expenses	3,683	7,022	91%	9,537	14,640	54%
Royalties	3,678	5,756	57%	7,682	11,746	53%
<b>Gross profit</b>	<b>21,816</b>	<b>32,761</b>	<b>50%</b>	<b>43,783</b>	<b>67,359</b>	<b>54%</b>
Exploration expenditure	4,344	1,465	-66%	5,723	3,256	-43%
Other income	(124)	796	NM	(587)	916	NM
Finance Cost	432	702	63%	872	1,434	64%
<b>Profit before tax</b>	<b>16,827</b>	<b>30,502</b>	<b>81%</b>	<b>36,152</b>	<b>62,698</b>	<b>73%</b>
Taxation	5,680	12,141	114%	12,290	25,193	105%
<b>Profit after tax</b>	<b>11,147</b>	<b>18,361</b>	<b>65%</b>	<b>23,862</b>	<b>37,505</b>	<b>57%</b>
EPS	83.6	137.6		178.9	281.1	
DPS	89.0	98.0		89.0	98.0	

Source: Company Accounts, Akseer Research

**Key Financial Ratios**

	FY21A	FY22A	FY23A	FY24F	FY25F	FY26F
EPS	235.7	247.8	420.7	570.2	663.4	702.1
EPS Growth	3.7%	5.1%	69.8%	35.5%	16.3%	5.8%
DPS	141.0	124.0	147.0	171.0	199.0	211.0
PER	10.0	9.5	5.6	4.1	3.5	3.3
Dividend Yield	6.0%	5.3%	6.3%	7.3%	8.5%	9.0%
EV/EBITDA	5.4	4.6	2.9	1.9	1.7	1.5
P/B	2.7	2.4	1.8	1.4	1.1	0.9
ROE	30.1%	26.8%	37.5%	38.9%	34.9%	29.5%

Source: Company Financials, Akseer Research

**Muhammad Awais Ashraf, CFA**  
[awais.ashraf@akseerresearch.com](mailto:awais.ashraf@akseerresearch.com)

### Valuation Basis

Our PT for Mari Petroleum Company Limited (MARI) has been computed using reserve based free cash flow to equity (FCFE) method. We have used a risk-free rate of 15%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 21%.

### Investment Thesis

We have a 'BUY' recommendation on MARI. Our Dec-24 price target (PT) of PKR 3,144/share provides an upside of 34% along with a dividend yield of 7.2%. Our investment case on MARI is based on (1) Continued enhanced production from HRL to provide impetus to earnings, (2) Currency devaluation along with high oil prices, and (3) Diversification plans to reduce reliance on core operations.

### Risks

Key downside risks to our investment thesis are 1) lower than expected production from Mari HRL reservoir, 2) volatility in oil prices, and 3) lower than estimated life of main reserves.

### Company Description

Mari Petroleum Company Limited (MARI) explores for, produces, and sells hydrocarbons - natural gas, crude oil, condensate, and LPG. It primarily manages Mari gas field located at Daharki, Sindh. The company was formerly known as Mari Gas Company Limited and renamed to Mari Petroleum Company Limited in November-12. It is headquartered in Islamabad, Pakistan. The company's majority shareholding is with Fauji Foundation at 40%, followed by OGDC at 20% and GoP at 18%.

### Financial Highlights - MARI

Income Statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24F	FY25F	FY26F
Net sales	73,018	95,134	145,770	208,528	248,900	272,720
Field Expenditures	15,040	17,403	27,112	37,191	41,921	46,733
Royalties	9,315	12,000	17,548	26,225	31,395	34,400
<b>Operating Profit</b>	<b>41,349</b>	<b>51,226</b>	<b>78,937</b>	<b>122,143</b>	<b>144,001</b>	<b>154,265</b>
Other income	4,253	4,531	8,713	8,414	5,026	3,035
Other charges	3,082	3,623	5,794	8,559	9,956	10,909
Finance cost	1,310	980	1,775	2,393	1,649	1,418
<b>Profit before tax</b>	<b>43,931</b>	<b>52,116</b>	<b>85,847</b>	<b>125,915</b>	<b>145,082</b>	<b>153,536</b>
Taxation	12,486	19,053	29,718	49,848	56,582	59,879
<b>Profit after tax</b>	<b>31,445</b>	<b>33,063</b>	<b>56,129</b>	<b>76,067</b>	<b>88,500</b>	<b>93,657</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY21A	FY22A	FY23A	FY24F	FY25F	FY26F
PPE	37,673	60,441	81,736	106,484	135,643	159,696
Other LT assets	27,251	38,684	49,065	52,862	63,561	75,810
Non-Current Assets	64,924	99,125	130,802	159,346	199,204	235,506
Current assets	85,463	86,015	123,795	145,363	164,796	203,856
<b>Total Assets</b>	<b>150,386</b>	<b>185,140</b>	<b>254,597</b>	<b>304,710</b>	<b>364,000</b>	<b>439,362</b>
Non-Current liabilities	11,172	16,268	23,535	22,915	21,553	21,138
Current liabilities	23,681	38,013	62,635	59,596	57,763	67,484
<b>Total Liabilities</b>	<b>34,853</b>	<b>54,281</b>	<b>86,170</b>	<b>82,511</b>	<b>79,316</b>	<b>88,622</b>
Equity	115,534	130,859	168,426	222,199	284,683	350,740
<b>Total Equity &amp; liabilities</b>	<b>150,386</b>	<b>185,140</b>	<b>254,597</b>	<b>304,710</b>	<b>364,000</b>	<b>439,363</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY21A	FY22A	FY23A	FY24F	FY25F	FY26F
Net Income	31,445	33,063	56,129	76,067	88,500	93,657
Non-cash Charges	3,758	4,064	7,716	7,541	9,301	10,970
<b>Operating Cash flows</b>	<b>32,537</b>	<b>40,382</b>	<b>51,352</b>	<b>67,323</b>	<b>59,773</b>	<b>80,021</b>
<b>FCFF</b>	<b>8,269</b>	<b>5,563</b>	<b>14,823</b>	<b>33,522</b>	<b>11,632</b>	<b>33,626</b>
Net borrowings	-	-	-	-	-	-
<b>FCFE</b>	<b>7,331</b>	<b>5,693</b>	<b>13,704</b>	<b>31,942</b>	<b>10,626</b>	<b>32,761</b>
Net change in cash	(1,729)	(12,045)	(4,857)	9,647	(15,389)	5,161
<b>Closing cash</b>	<b>48,605</b>	<b>36,561</b>	<b>31,704</b>	<b>41,350</b>	<b>25,962</b>	<b>31,122</b>

Source: Company Accounts, Akseer Research

**Disclaimer**

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" 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, the JV and/or any of their 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 professionals 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 the JV 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 the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. 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 the JV. Action could be taken for unauthorized reproduction, distribution or publication.

**Valuation Methodology**

To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

**Ratings Criteria**

JV employs a 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	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

**Research Dissemination Policy**

The JV endeavours 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.

**Analyst Certification**

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views 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.

**Contact Details****Akseer Research (Pvt) Limited**

1st Floor, Shaheen Chambers, KCHS block 7 & 8, off. Shahrah-e-Faisal  
 T: +92-21-34320359 -60  
 E: [info@akseerresearch.com](mailto:info@akseerresearch.com)

**Alpha Capital (Pvt) Limited** (Formerly: Alfa Adhi Securities (Pvt) Limited)

3<sup>rd</sup> Floor, Shaheen Chambers, A-4 Central Commercial Area,  
 KCH Society, Block 7 & 8, Near Virtual University, Karachi  
 T: +92-21-38694242  
 E: [info@alfaadhi.net](mailto:info@alfaadhi.net)