

## Mari Petroleum Company Limited

### Key Takeaways

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

Pakistan Research

### Corporate Briefing Key Takeaways

- MARI conducted its corporate briefing today, wherein the management discussed its performance during the 9MFY22 and status of ongoing projects. Main points discussed during the call are presented below.
- Regarding the recent discovery in Bannu West, the management apprised that the SNGP is expected to lay a pipeline in Bannu area in next 12 months after which the production can commence. Initially, 25mmcf of gas will flow from the field. Furthermore, reserve size of the discovery will be confirmed after the appraisal wells.
- As per the management, phase 1 of the Sachal Gas Processing Complex (SGPC) has been commissioned, resulting in 20mmcf gas injection to SNGP system. Moreover, the management informed that a total of 150mmcf gas will be added to the system through this project, comprising of 40mmcf from HRL, 20mmcf from Tipu and 90mmcf from Goru B.
- About the Abu Dhabi block, MARI's management informed that the 1<sup>st</sup> appraisal well is expected in 2023. Just to recall, Pakistan International Oil Limited which is a consortium of local companies is expected to drill 7 exploratory and 5 appraisal wells in offshore block 5 in Abu Dhabi during the next 9 years.
- Management informed that Bolan South, an exploratory/appraisal well, is under testing phase and the results will be communicated after its completion.
- MARI planned 9 wells in current fiscal year including 4 exploratory and 5 development wells. As of May, the company has spudded 3 exploratory and 2 appraisals well.
- We have a "BUY" stance on the stock with our Dec-22 price target (PT) of PKR 2,328/share, which provides an upside of 35% along with a dividend yield of 8.6%.

#### Key Data

PSX Ticker	MARI
Target Price (PKR)	2,328
Current Price (PKR)	1,730
Upside/(Downside) (%)	+ 35%
Dividend Yield (%)	8.6%
Total Return (%)	+ 43%
12-month High (PKR)	1,807
12-month Low (PKR)	1,475
Outstanding Shares (mn)	133
Market Cap (PKR mn)	230,768
Year End	June

Source: Company Accounts, Akseer Research

#### Key Financial Ratios

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	182.4	227.3	235.7	298.4	420.8	386.4
EPS Growth	58%	25%	4%	27%	41%	-8%
DPS	5.5	6.6	141.0	149.0	210.0	193.0
PER	9.5	7.6	7.3	5.8	4.1	4.5
Dividend Yield	0.3%	0.4%	8.2%	8.6%	12.1%	11.2%
EV/EBITDA	4.7	4.2	3.8	2.5	1.6	1.5
P/B	3.3	2.5	2.0	1.7	1.4	1.2
ROE	46.9%	38.7%	30.2%	33.6%	37.4%	29.0%

Source: Company Financials, Akseer Research

Aftab Awan

[aftab.awan@alphacapital.com.pk](mailto:aftab.awan@alphacapital.com.pk)

### 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 13%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 19%.

### Investment Thesis

We have a 'BUY' recommendation on MARI. Our Dec-22 price target (PT) of PKR 2,328/share provides an upside of 35% along with a dividend yield of 8.6%. Our investment case on MARI is based on (1) Continued production from HRL to provide impetus to earnings, (2) Production enhancement projects, and (3) Currency devaluation along with high oil prices.

### 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)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net sales	59,448	72,026	73,018	100,946	131,792	124,561
Field Expenditures	11,713	13,302	15,040	20,246	23,736	24,289
Royalties	7,575	8,806	9,315	12,878	16,813	15,891
<b>Operating Profit</b>	<b>33,743</b>	<b>37,303</b>	<b>41,349</b>	<b>58,053</b>	<b>79,901</b>	<b>72,980</b>
Other income	2,059	5,314	4,253	4,378	6,774	6,875
Other charges	2,436	2,698	3,082	4,038	5,272	4,982
Finance cost	768	986	1,310	1,116	1,228	1,351
<b>Profit before tax</b>	<b>34,708</b>	<b>41,291</b>	<b>43,931</b>	<b>58,537</b>	<b>85,054</b>	<b>78,095</b>
Taxation	10,381	10,967	12,486	18,732	28,918	26,552
<b>Profit after tax</b>	<b>24,327</b>	<b>30,324</b>	<b>31,445</b>	<b>39,805</b>	<b>56,136</b>	<b>51,543</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	16,176	22,208	37,673	46,681	60,068	79,012
Other LT assets	20,231	19,958	27,251	35,608	39,278	43,694
Non-Current Assets	36,407	42,165	64,924	82,289	99,346	122,706
Current assets	56,092	83,980	85,463	96,806	126,518	145,302
<b>Total Assets</b>	<b>92,499</b>	<b>126,145</b>	<b>150,386</b>	<b>179,094</b>	<b>225,864</b>	<b>268,008</b>
Non-Current liabilities	10,058	10,342	11,172	15,565	17,081	18,747
Current liabilities	18,835	22,653	23,681	27,612	44,275	58,474
<b>Total Liabilities</b>	<b>28,893</b>	<b>32,996</b>	<b>34,853</b>	<b>43,177</b>	<b>61,356</b>	<b>77,221</b>
Equity	63,607	93,149	115,534	135,917	164,508	190,787
<b>Total Equity &amp; liabilities</b>	<b>92,499</b>	<b>126,145</b>	<b>150,386</b>	<b>179,094</b>	<b>225,864</b>	<b>268,008</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	24,327	30,324	31,445	39,805	56,136	51,543
Non cash Charges	2,579	3,304	3,758	5,504	6,514	7,852
<b>Operating Cash flows</b>	<b>22,882</b>	<b>31,489</b>	<b>32,537</b>	<b>19,036</b>	<b>72,423</b>	<b>74,713</b>
<b>FCFF</b>	<b>13,199</b>	<b>24,504</b>	<b>8,269</b>	<b>2,272</b>	<b>49,682</b>	<b>44,416</b>
Net borrowings	(119)	-	-	-	-	-
<b>FCFE</b>	<b>12,542</b>	<b>23,781</b>	<b>7,331</b>	<b>1,887</b>	<b>48,871</b>	<b>43,524</b>
Net change in cash	11,630	22,999	(1,729)	(17,534)	21,326	18,261
<b>Closing cash</b>	<b>27,336</b>	<b>50,334</b>	<b>48,605</b>	<b>31,071</b>	<b>52,398</b>	<b>70,659</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)