

# Flash Note

Thursday, 18 February 2021

Oil & Gas - Exploration Companies

## Mari Petroleum Company Limited (MARI)

### Higher exploration cost and lower finance income limits 2QFY21 EPS to PKR 54.98 despite PKR depreciation and higher production; DPS PKR 6.0

- Mari Petroleum Company Limited (MARI) announced its financial results for 2QFY21 with earnings clocking in at PKR 7.34bn (EPS PKR 54.98) as compared to PKR 7.29bn (EPS PKR 54.61) in the same period last year, up by +1% y/y. On a sequential basis, earnings are down by 19% q/q.
- The Company announced cash dividend of PKR 6/share along with the result against distributable earnings of PKR 3.06/share.
- We attribute this muted growth in earnings during 2QFY21 due to a) higher production and, b) PKR depreciation. However, earnings growth was limited by a) higher operating expenses, b) increased exploration cost due to one dry well cost incurred and, c) drop in finance income due to exchange losses and lower mark-up income on deposits.
- **Net Revenues** increased by +13% y/y to PKR 18.85bn during 2QFY21, likely on the back of higher gas production from Mari field and PKR depreciation despite drop in oil prices as gas revenues contribute nearly 96% of the total net revenue.
- **Operating costs** inclined by +31% y/y to PKR 4.14bn during 2QFY21 as against PKR 3.16bn in the same period last year.
- **Exploration expense** augmented by +23% y/y to PKR 1.81bn during 2QFY21 compared to PKR 1.47bn in the corresponding period last year likely owing one dry well cost incurred during the quarter despite lower seismic activity.
- The Company reported **other loss** of PKR 0.03bn for 2QFY21 compared to PKR 0.13bn in the same period last year likely owing to lower income from Mari Seismic Unit.
- **Effective tax rate** stood at 29.3% during 2QFY21 (1QFY21: 29.6%) as against 29.1% in the same period last year bringing total effective tax rate to 29.5% for 1HFY21 compared to 29.7% in the similar period last year.

#### Exhibit: MARI Financial Highlights

PKRmn	2QFY21	2QFY20	y/y	2QFY21	y/q	1HFY21	1HFY20	y/y
Net Sales	18,847	16,700	13%	20,373	-7%	39,220	34,537	14%
Royalty	2,361	2,098	13%	2,540	-7%	4,900	4,354	13%
Operating Expense	4,141	3,156	31%	3,023	37%	7,164	6,398	12%
Exploration Expense	1,807	1,469	23%	1,221	48%	3,027	3,512	-14%
Gross Profit	9,795	9,270	6%	12,681	-23%	22,476	18,755	20%
Other Income	(3)	(128)	-98%	(507)	-99%	(510)	161	n/m
EBIT	9,792	9,142	7%	12,174	-20%	21,966	18,916	16%
Finance Income	813	1,379	-41%	938	-13%	1,751	2,562	-32%
Finance Cost	225	243	-7%	225	0%	450	492	-8%
PBT	10,380	10,278	1%	12,886	-19%	23,266	20,987	11%
PAT	7,335	7,285	1%	9,066	-19%	16,401	14,748	11%
EPS (PKR)	54.98	54.61		67.96		122.94	110.55	
DPS (PKR)	6.00	4.10		-		6.00	4.10	

Source: IGI Research and Company Financials No of Shares: 133.40mn

#### Analyst

Abdullah Farhan

[Abdullah.Farhan@igi.com.pk](mailto:Abdullah.Farhan@igi.com.pk)

Tel: (+92-21) 111-234-234 Ext.: 912

## Important Disclaimer and Disclosures

**Research Analyst(s) Certification:** The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

**Disclaimer:** The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to subject company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

**Rating system:** IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

**Risk:** Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

**Basic Definitions and Terminologies used:** **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

© Copyright 2021 IGI Finex Securities Limited

## Contact Details

### Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of  
Pakistan Stock Exchange Limited |  
Corporate member of Pakistan Mercantile Exchange Limited

### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780  
Website: www.igisecurities.com.pk

### Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2  
Fax: (+92-21) 32429607

<p><b>Lahore Office</b> Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559</p>	<p><b>Islamabad Office</b> Mezzanine Floor, Office 5, 6 &amp; 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861</p>
<p><b>Faisalabad Office</b> Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815</p>	<p><b>Rahim Yar Khan Office</b> Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651</p>
<p><b>Multan Office</b> Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183</p>	

IGI Finex Securities Limited

### Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2021 IGI Finex Securities Limited