

# Flash Note

Wednesday, 20 February 2019

## Oil & Gas - Exploration Companies

### Mari Petroleum Company Limited (MARI)

#### Wellhead gas price incentive along with PKR depreciation and no dry well lifts 2QFY19 EPS to PKR 48.78

- Mari Petroleum Company Limited (MARI) announced its financial results for 2QFY19 with earnings clocking in at PKR 5.92bn (EPS PKR 48.78) as compared to PKR 3.20bn (EPS PKR 26.41) in the same period last year, up by +85%YoY. This brings total earnings for 1HFY19 to PKR 11.06bn (EPS PKR 91.18) compared to PKR 6.82bn (EPS PKR 56.20) in the similar period last year.
- We attribute this substantial growth in earnings during 2QFY19 to a) bi-annual unwinding of discounts to 93.3% of total wellhead gas price for Mari field compared to 79.9% in 1QFY18, b) +15%YoY rise in oil prices and 26%YoY average PKR depreciation against greenback and, c) +10%YoY rise in gas flows from Mari field.
- Net Revenues increased by +69%YoY to PKR 14.65bn during 2QFY19, likely on the back of higher gas price owing to unwinding of discounts and PKR depreciation and improved gas flows from Mari field.
- Operating costs increased slightly by +6%YoY to PKR 2.89bn during 2QFY19 as against PKR 2.73bn in the same period last year.
- Exploration expense dropped by 13%YoY to PKR 0.97bn during 2QFY19 compared to PKR 1.1bn in the corresponding period last year likely in the absence of dry well cost however higher prospecting expense.
- MARI reported other income of PKR 132mn in 2QFY19 as against PKR 667mn in the same period last year likely owing to lower income from Mari Seismic Unit.
- Finance income increased by +82%YoY to PKR 336mn during 2QFY19 likely owing to rise in interest rates and finance cost dropped by 84%YoY to PKR 51mn likely on the back of retirement of long term debt.
- Effective tax rate stood at 32.3% during 2QFY19 as against 19.2% in the same period last year (1QFY19: 33.2%). This brings total effective tax for 1HFY19 to 32.7% compared to 24.7% during 1HFY18.

Exhibit:

#### MARI Financial Highlights

PKRmn	2QFY19	2QFY18	YoY	1HFY19	1HFY18	YoY
Net Sales	14,646	8,682	69%	28,987	18,017	61%
Royalty	1,857	1,101	69%	3,685	2,288	61%
Operating Expense	2,889	2,730	6%	5,657	4,662	21%
Exploration Expense	971	1,110	-13%	2,647	1,356	95%
Gross Profit	8,317	3,424	143%	15,799	9,051	75%
Other Income	132	667	-80%	371	308	20%
EBIT	8,449	4,091	107%	16,170	9,359	73%
Finance Income	336	184	82%	604	304	99%
Finance Cost	51	313	-84%	338	609	-44%
PBT	8,734	3,963	120%	16,435	9,054	82%
PAT	5,916	3,202	85%	11,058	6,815	62%
EPS (PKR) - @ 121.28mn	48.78	26.41		91.18	56.20	
DPS (PKR)	4.00	3.50		4.00	3.50	

Source: IGI Research and Company Financials

No of Shares: 121.28mn

#### Analyst

**Abdullah Farhan**

[abdullah.farhan@igi.com.pk](mailto:abdullah.farhan@igi.com.pk)

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

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## 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
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	umesh.solanki@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.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
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@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

### Lahore Office

Shop # G-009, Ground Floor,  
Packages Mall  
Tel: (+92-42) 38303560-69  
Fax: (+92-42) 38303559

### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
Building, 2- Liaqat Road  
Tel: (+92-41) 2540843-45  
Fax: (+92-41) 2540815

### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road  
Tel: (92-61) 4512003, 4571183

### Peshawar Office

2nd Floor, The Mall Tower,  
35 The Mall Saddar Cantt.  
Tel: (92-91) 5273035, 5223882

### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
Block- B, Jinnah Avenue, Blue Area  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road  
Tel: (+92-68) 5871652-3  
Fax: (+92-68) 5871651

### Abbottabad Office

Ground Floor, Al Fatah Shopping Center ,  
Opp. Radio Station, Mansehra Road  
Tel: (+92-99) 2408243 - 44

### Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,  
Mubarik Pura  
Tel: (+92-52) 3258028

IGI Finex Securities Limited

### Research Analyst(s)

Research Identity Number: BRP009

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