

# Flash Note

Thursday, 20 August 2020

Oil & Gas - Exploration Companies

## Mari Petroleum Company Limited (MARI)

### Lower oil prices and higher exploration cost drags EPS down by 6%YoY to PKR 53.14 during 4QFY20, DPS PKR 2.0

- Mari Petroleum Company Limited (MARI) announced its financial results for 4QFY20 with earnings clocking in at PKR 7.09bn (EPS PKR 53.14) as compared to PKR 7.52bn (EPS PKR 56.35) in the same period last year, down by 6% YoY. On a sequential basis, earnings are down by 16% QoQ. This brings total profitability for FY20 to PKR 30.31bn (EPS PKR 227.23) up by +25% YoY compared to PKR 24.33bn (EPS PKR 182.36) last year.
- The Company announced cash dividend of PKR 2.0/share along with the result bringing total cash payout to PKR 6.10/share for FY20.
- We attribute this decline in earnings during 4QFY20 due to a) 61% YoY drop in average oil prices despite 11% YoY average PKR depreciation against greenback, b) 7.1xYoY rise in exploration cost amid higher seismic data acquisition and, c) lower gas production from Mari field and 4% YoY decline in oil production. However, earnings decline was limited by lower tax rate and higher finance income.
- Net Revenues increased by +16% YoY to PKR 18.49bn during 4QFY20, likely on the back of PKR depreciation despite lower oil prices as gas prices are notified on bi-annual basis and drop in oil prices during 1HFY20 would reflect in prices notified by OGRA for 2HFY20 .
- Operating costs increased by +27% YoY to PKR 3.46bn during 4QFY20 as against PKR 2.73bn in the same period last year.
- Exploration expense surged by +7.1xYoY to PKR 4.52bn during 4QFY20 compared to PKR 0.63bn in the corresponding period last year likely owing to higher prospecting expense incurred with respect to seismic data acquired in Block-28. There was no dry well reported during the quarter.
- Finance income increased by +2.6xYoY to PKR 1.07bn during 4QFY20 likely owing to elevated income on short term investments as short term investments (local bank term deposits) have further increased by +37% YoY (+4% QoQ) during 3QFY20.
- Effective tax rate stood at 19.2% during 4QFY20 as against 27.1% in the same period last year (3QFY20: 26.4%), bringing total effective tax rate for FY20 to 26.6% compared to 29.9% in the corresponding period last year.

#### Exhibit: MARI Financial Highlights

PKRmn	4QFY20	4QFY19	YoY	3QFY20	QoQ	FY20	FY19	YoY
Net Sales	18,486	15,941	16%	18,978	-3%	72,015	59,448	21%
Royalty	2,064	2,053	1%	2,387	-14%	8,806	7,575	16%
Operating Expense	3,464	2,728	27%	3,426	1%	13,302	11,713	14%
Exploration Expense	4,519	633	614%	2,227	103%	10,258	4,308	138%
Gross Profit	8,016	9,830	-18%	10,180	-21%	36,951	33,417	11%
Other Income	(60)	158	-138%	239	-125%	340	326	4%
EBIT	7,956	9,988	-20%	10,419	-24%	37,291	33,743	11%
Finance Income	1,072	419	156%	1,340	-20%	4,974	1,733	187%
Finance Cost	251	99	152%	243	3%	986	768	28%
PBT	8,777	10,308	-15%	11,516	-24%	41,279	34,708	19%
PAT	7,088	7,518	-6%	8,477	-16%	30,313	24,327	25%
EPS (PKR)	53.14	56.35		63.54		227.23	182.36	
DPS (PKR)	2.00	2.00		-		6.10	6.00	

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 2020 IGI Finex Securities Limited



**Jama Punji**  
 سرمایہ کاری سمجھداری کے ساتھ  
<http://www.jamapunji.pk>

## 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
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@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
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

### 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 2020 IGI Finex Securities Limited