

# Flash Note

Tuesday, 30 July 2019

## Oil & Gas - Exploration Companies

### Mari Petroleum Company Limited (MARI)

#### Wellhead gas price incentive along with PKR depreciation and lower exploration cost lifts 4QFY19 EPS to PKR 61.98, up by +64%YoY

- Mari Petroleum Company Limited (MARI) announced its financial results for 4QFY19 with earnings clocking in at PKR 7.52bn (EPS PKR 61.98) as compared to PKR 4.59bn (EPS PKR 37.85) in the same period last year, up by +64% YoY. This brings total earnings for FY19 to PKR 24.33bn (EPS PKR 200.59) compared to PKR 15.37bn (EPS PKR 126.77) in the similar period last year.
- The Company announced cash dividend of PKR 2.0/share along with a bonus issue of 10% taking total cash payout for FY19 to PKR 6.0/share.
- We attribute this substantial growth in earnings during 4QFY19 to a) bi-annual unwinding of discounts to 100% of total wellhead gas price for Mari field compared to 86.6% in 3QFY18, b) lower exploration cost in the absence of dry well cost and, c) 26% YoY average PKR depreciation against greenback.
- Net Revenues increased by +32% YoY to PKR 15.94bn during 4QFY19, 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 declined by 9% YoY to PKR 2.73bn during 4QFY19 as against PKR 3.0bn in the same period last year.
- Exploration expense plummeted by 64% YoY to PKR 0.74bn during 4QFY19 compared to PKR 2.05bn in the corresponding period last year likely owing to lower prospecting expense and no dry well cost.
- Finance income increased by +2.3xYoY to PKR 0.63bn during 4QFY19 likely owing to rise in interest rates while finance cost also inclined to PKR 0.31bn.
- In our view, MARI did not book any impairment against its financial asset relating to changes in IFRS 9 and we await further clarity on that matter.
- Effective tax rate stood at 27.1% during 4QFY19 as against 13.2% in the same period last year (3QFY19: 27.8%). This brings total effective tax for FY19 to 29.9% compared to 24.2% during FY18.

Exhibit:

#### Financial Highlights

PKRmn	4QFY19	4QFY18	YoY	3QFY19	QoQ	FY19	FY18	YoY
Net Sales	15,941	12,085	32%	14,521	10%	59,448	40,676	46%
Royalty	2,053	1,542	33%	1,837	12%	7,575	5,181	46%
Operating Expense	2,728	2,998	-9%	3,329	-18%	11,713	9,985	17%
Exploration Expense	735	2,052	-64%	927	-21%	4,308	3,690	17%
Gross Profit	9,729	5,114	90%	7,889	23%	33,417	20,748	61%
Other Income	259	(246)	n/m	(304)	n/m	326	(582)	n/m
EBIT	9,988	4,868	105%	7,585	32%	33,743	20,166	67%
Finance Income	625	277	126%	539	16%	1,767	766	131%
Finance Cost	305	(146)	n/m	159	92%	802	640	25%
PBT	10,308	5,291	95%	7,965	29%	34,708	20,292	71%
PAT	7,518	4,590	64%	5,751	31%	24,327	15,374	58%
EPS (PKR)	61.98	37.85		47.42		200.59	126.77	
DPS (PKR)	2.00	2.50		-		6.00	6.00	

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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**Research Analyst(s)**

Research Identity Number: BRP009

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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
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
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

IGI Finex Securities Limited

### Research Analyst(s)

Research Identity Number: BRP009

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 **Jama Punji**  
 سرمایہ کاری سمجھداری کے ساتھ  
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