

## Foundation Alert

### MARI: Analyst Briefing Takeaways

#### Event

- Mari Petroleum Company Limited (MARI PA) held its analyst briefing session today which was organized by Foundation Securities. Management of the company discussed its financial/operational performance for FY21 and future outlook of the company. Following are the key takeaways of the briefing.

#### Impact

- Management covered the following in their presentation including (1) brief corporate history, (2) operational achievements, (3) financial performance and (4) outlook of the company.
- MARI profitability clocked in at Rs31.4bn in FY21 (EPS Rs235.71, up 3.7% YoY) as compared to profit of Rs30.3bn (EPS Rs227.23) in FY20. Management attributed increase in company's profitability to higher gas/crude oil/condensate production.
- MARI gas production increased by 7.6% YoY in FY21, while its crude oil/condensate production increased by 19.2% YoY. Company has contributed 21% in domestic gas production and 2.5% in country's crude production in FY21.
- Company's current exploration and production portfolio is spread across Pakistan. Furthermore, MARI has also expanded its portfolio internationally and participated as a part of consortium in recent Abu Dhabi offshore block auction. The consortium in which company was a part has been awarded the contract of Offshore Block 5 in Abu Dhabi.
- To highlight, Offshore Block 5 covers an area of 6,223 square kilometers and is located 100 kilometers north-east of Abu Dhabi city.
- Management has also discussed company investment in National Resource Private Limited (NRL) and disclosed that company is holding 20% stake in the entity. The main objective of NRL is to undertake mineral mining projects in the province of Balochistan. Company is also considering further diversifying into renewable energy and energy infrastructure projects.
- MARI current portfolio contains 12 development and production lease blocks and 22 exploration lease blocks. Out of these, seven fields are company operated in development and production and thirteen fields are company operated in exploration portfolio.
- During FY21 company has spud six exploratory wells and five development wells.
- Furthermore, during FY21 company has made 2 gas discoveries.
- Management also discussed that MARI is undertaking development projects to enhance its production and disclosed that company will add 280mmcf/d gas from Mari Deep field and after processing company will be able to add 150mmcf/d in National gas network.

#### Outlook

- Enhanced probability of sustained and prolonged incentive flows post phase-X and laying of gas pipeline along with commencement of flows to Pak Arab fertilizer makes a strong investment case for the scrip. This would help company to achieve 5-Yr gas production CAGR of ~7% and thus compels us to have an "Outperform" stance with Dec-21 TP of Rs1,892.8/sh. Commencement of flows of Lower Goru B reservoir to SNGPL along with hitting reserves in Bannu West and Block-28 would provide further upside to our valuation.

- **Planning to enhance production from Goru-B reservoir:** Besides maintaining incentive flows with the help of 24km length of pipeline having capacity of 150mmcf, the same line could be used to offload flows of Mari Deep and Tipu wells after processing. Currently, preliminary discussions are under way with SNGPL and other customers for usage of these flows.
- **Peripheral exploration may yield significant results:** Company has started seismic and exploration activities in Bannu west and block-28 that has the potential for discoveries equivalent to Sui and Mari. Company has started drilling in the former on June 6'2021.

**Fig 1: 4QFY20 Financial Highlights**

	4QFY21	4QFY20	YoY	QoQ	FY21	FY20	YoY
Revenue	17,677	18,486	-4%	-6%	73,018	72,015	1%
Royalty	2,396	2,064	16%	1%	9,315	8,806	6%
Operating expenses	4,392	3,464	27%	6%	15,040	13,302	13%
Exploration and prospecting exp	569	4,519	-87%	-68%	4,544	10,258	-56%
Other charges	752	423	78%	1%	3,082	2,698	14%
Other income	769	(60)	na	na	264	340	-22%
Operating Profit	10,336	7,956	30%	6%	41,301	37,291	11%
Finance income	1,343	1,072	25%	65%	3,941	4,974	-21%
Finance cost	635	251	153%	182%	1,310	986	33%
PBT	11,044	8,777	26%	6%	43,931	41,279	6%
Tax	2,956	1,689	75%	-3%	12,486	10,967	14%
PAT	8,089	7,088	14%	10%	31,445	30,313	4%
EPS	60.6	53.1			235.7	227.2	
<b>DPS</b>	<b>75.0</b>	<b>2.0</b>			<b>147.0</b>	<b>6.1</b>	

Source: PSX, Foundation Research, August 2021

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.