

## Mari Petroleum Company

Mari Petroleum Company Limited, formerly Mari Gas Company Limited, is a Pakistan-based company. The Company is principally involved in exploration, production and sale of hydrocarbons. As of the fiscal year ended June 30, 2012, the Company operated total nine exploration blocks including three exploration blocks such as Ziarat, Hanna and Harnai, one drilling and production (D&P) lease block in Balochistan, two exploration blocks in Sindh such as Sukkur and Sujawal, one Mari D&P lease block, one in Khyber Pakhtunkhwa, as well as one in Punjab. The gas price mechanism is governed by Mari Gas Well Head Price Agreement between the President of Islamic Republic of Pakistan and the Company.

### Performance During The Year :

YOY Mari Petroleum Company Ltd had profit after tax fall 35.36% from 1,725.30 million to 1,115.16 million EPS.Rs.18.78 to EPS Rs.12.14 despite a 5.55% increase in revenues from 6,240.86 million to 6,587.31 million in FY12. An increase in the selling, general and administrative costs as a percentage of sales from 37.99% to 43.80% was a component in the falling net income despite rising revenues.

During HY13 the Company posted profit after tax of Rs.782,651 million or EPS Rs.8.52 as compared to Rs.1,396,290 million or EPS Rs.15.20 in the HY12. The main reason of decrease by 43.94% in profit is due to increase in royalty, operating expenses, exploration and prospecting expenditure and decrease in other operating income which is partially offset by increase in well head value, sales volume and decreased in financial costs.

The Mari Petroleum posted gross sales of Rs.30,918 million in HY13 as against gross sales of Rs.17,555 million for the corresponding period HY12. The increase of 76.12% is mainly due to increase in gas sale volume and increased in average selling price including imposition of Gas Infrastructure Development Cess.

### The Exploration and Production:

Currently MARI is producing a total of 495 MMCFD co-mingled gas from its Habib Rahi, Pirkoh and Sui upper/Sui Main limestone reservoir. Gas is being supplied to three fertilizer customers namely FFC,Engro,FFCL and PEPCO. MARI is in the position to enhance the production from its shallow reservoirs and supply additional 22 MMSCFD gas.

In additional production of 109 MMSCFD from Mari Deep is being supplied to Foundation Power Company Daharki Limited and SNGP.

### Overview

Overall, the combination of higher oil production and 8% YoY rupee depreciation versus the dollar. Amid the entire clamour about rupee losing its value, the depreciation of the currency has been acting as a cushion for the profitability of the company.

However, the HY13 was the fair period for the company. We expect MARI to increase its FY13 earning by 35%, EPS of Rs.16.51 along with cash dividend of 23% and 10% bonus in FY13.

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**KATS Code:** Mari  
**Sector:** Oil & Gas  
**Face Value:** Rs.10  
**Year End:** June

**Current Price** Rs. 96.42  
**Target price** Rs. 107.32

**Outstanding shares 918.75 million.**

**Free float shares 14.70 million**

**Avg Volume 52 weeks: 83,714**

### 12-month High/low

116.25 / 84

Earning Per Share				
2010	2011	2012	HY 2013	E-FY13
16.14	18.78	12.14	8.52	16.51
Annual Payout				
2010	2011	2012	HY 2013	E-FY13
31% D	33.4% D	23.6% D	27% D	23% D
-	25% B	-	-	10% B

## RECOMMENDATION (BUY)

In view of the strong future outlook we maintained over "BUY" stance on the stock based on our target price of Rs.107.32 till 3Q13 ended and later Rs.115.57.

On the Technical ground (MACD, RSI and STS indicator) are not as good as it should be, it show some downfall with minor decline. On the fundamental basis company has still lot to gain. We will recommend Avg. buying at Rs.94.