

Mari Petroleum Company Limited

KATS: MARI
Bloomberg: MARI PA

Price: PKR 3,669
Fair Value: PKR 4,000

NEUTRAL

Leading the Way in Pakistan’s E&P Sector

- Earnings to stay strong.** Revision in hydrocarbon reserves and new discoveries has warranted revision in our earlier estimates. In Jun-24, MPCL revised up its gas reserve to 5 BCF, extending its gas reserve life to 17 from 14 years. Owing to recent discoveries, MPCL is estimated to more than offset the impact of imposition of 15% additional royalty (~PKR 50/sh) on wellhead value of MARI D&P lease from Nov-24. Resultantly, Oil/gas volumes are estimated to increase by 74%/8% to 2,108 BPD/942 MMCFD in FY25.
- PKR 186/sh incremental EPS estimated from recent discoveries.** From MARI Ghazij appraisal wells and Shewa fields (production assumed from Mar-25 qtr) alone, EPS impact will be ~PKR 131 in FY25. The rest ~PKR 55 impact comes from discoveries in Shawal-1, Togh-2, and Adam-2. Further, pressure enhancement activities at MARI’s HRL reservoir will help sustain incremental benefits. Refer to page 3 for MPCL’s exploration activities during FY24.
- Attractive oil & gas reserves additions.** The addition in reserves comes on the back of discoveries in Shewa fields and MARI Ghazij formations, adding up to 351 BCF and 758 BCF in their total gas reserves, respectively in FY24. MPCL also added 3.65 and 3.55 MN BBLs of oil reserves from Bolan east and Shewa fields, respectively, which further boosted the oil reserves.
- Subdued trade debt risk.** The long-awaited gas price hike in Nov-23 and Feb-24 has helped prevent the rise of trade debts from SNGPL in MPCL’s books as observed in 4QFY24. Moving forward, we expect muted build-up in MPCL’s trade debts, which will ensure sustenance in company’s ongoing exploration efforts.
- Valuation.** We maintain a neutral stance on the scrip based on our revised fair value of PKR 4,000/sh using blend of FCFE and asset-based valuation method. Nevertheless, MARI is active in exploratory efforts, therefore, we still like the stock due to upside potential on account of further discoveries as our valuation do not incorporate any gains against CAPEX assumed.

11 September 2024

PKR	FY24	FY25E	FY26E	FY27E
EPS	579	516	536	567
DPS	232	258	268	284
BVPS	1,686	1,938	2,214	2,502
P/E	6.3	7.1	6.8	6.5
D/Y	6.3%	7.0%	7.3%	7.7%
P/B	2.2	1.9	1.7	1.5
Oil (\$/BBL)	87	76	74	66
PKR/USD	283	293	317	336

Source: Company Accounts, Optimus Research

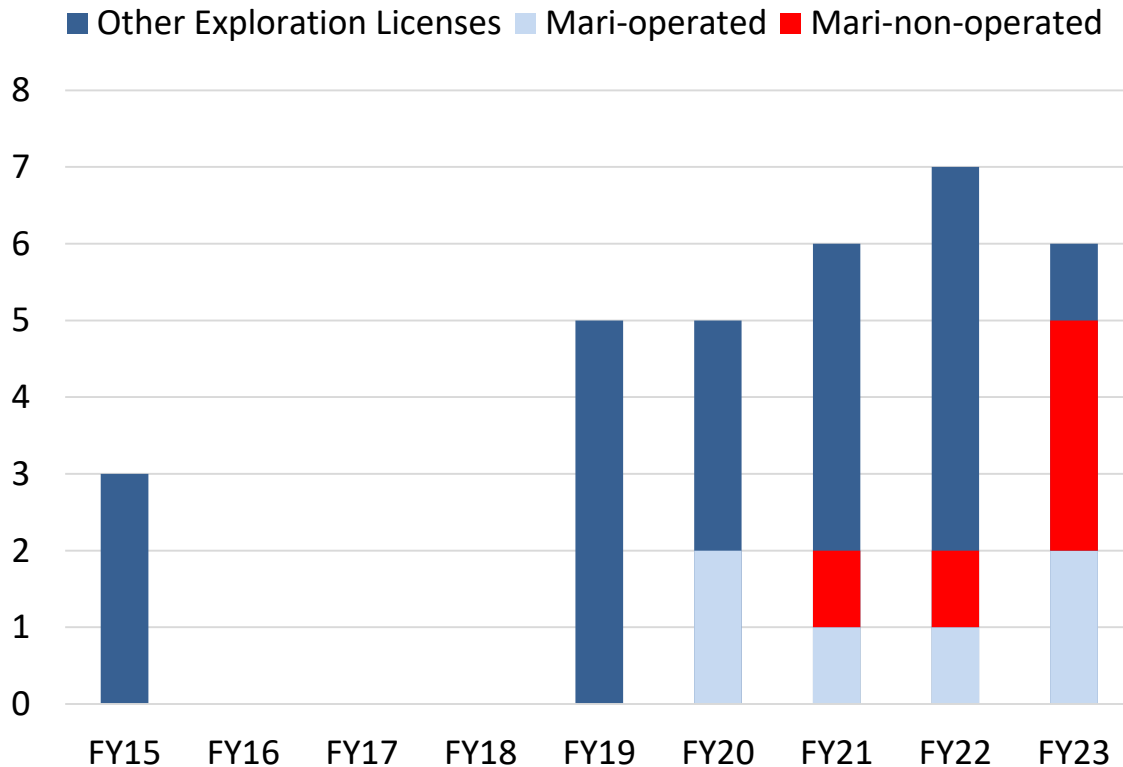
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REN: REP-107



MARI has been active in acquiring new exploration licenses

Exploration Licenses Granted Over the Year



Source: PPIS, Company Accounts, Optimus Research

Farm-in activities

- 100% WI in Zarghun South and Nareli Blocks from Spud Energy.
- 44% WI in Kalchas South Block from Dewan Petroleum.

Exploration/development activities

- Drilling of additional appraisal wells in Mari Ghazij.
- Exploratory well in Spinwarm-1 located in high-yielding Waziristan block.
- Drilling of development well in Zarghun South-5.
- Drilling and appraisal in newly discovered oil field in Shawal situated in Ghazij.
- Appraisal of Maiwand-1 well discovered in Block 28.

Pressure Enhancement Facility (PEF)

- Drilling of additional horizontal wells (125-H & 126-H) in HRL to sustain benchmark production and ensure benefit of incremental pricing.

Active exploration efforts will offset negative impact of additional royalty

Exploratory Wells	Date	Oil (BPD)	Gas (MMSCFD)	Operator	WI	EPS Impact
Shawal-1	21-Apr-24	1040	2.5	MARI	100%	23.92
Maiwand X-1	16-Feb-24	-	4.14	MARI	95%	3.20
Shewa-2	11-Jan-24	391	51	MARI	55%	45.58
Togh-2	26-Mar-24	28	2.8	OGDC	33%	2.04
Jhim-East X-1	20-Nov-23	236	13.69	PPL	32%	5.51
Bannu West/Shewa-1	27-Jun-22	300	50	MARI	55%	43.90
Total						124.16

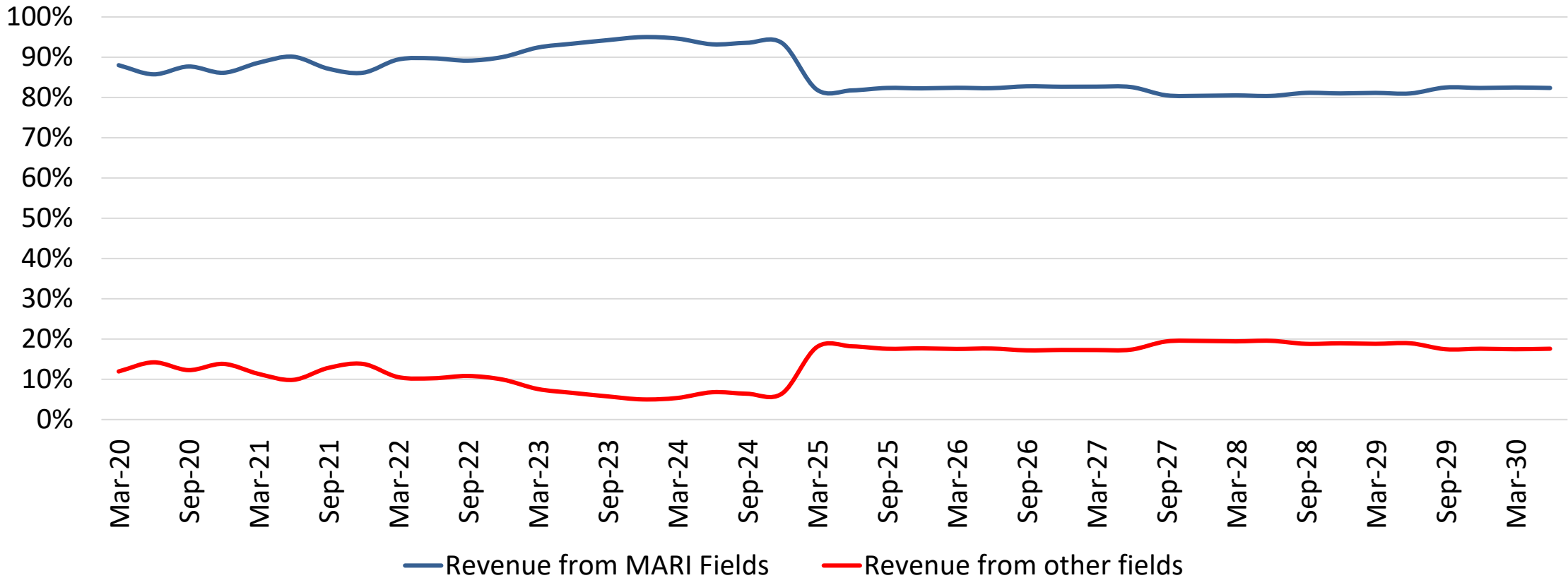
Appraisal/Development Wells	Date	Oil (BPD)	Gas (MMSCFD)	Operator	WI	EPS Impact
Mari Ghazij 2	13-Nov-23	-	8	MARI	100%	11.20
Mari Ghazij 4	19-Jan-23	-	6.57	MARI	100%	9.20
Mari Ghazij 5	18-Apr-24	-	10.5	MARI	100%	14.07
Mari Ghazij 3	1-Jul-24	-	5	MARI	100%	6.70
Adam-2	13-Feb-24	450	6	PPL	35%	4.27
Mari Deep-20	1-Feb-24	8.3	19	MARI	100%	17.13
Total						62.57

Cumulative EPS Impact **186.73**

Source: Company Accounts, Optimus Research

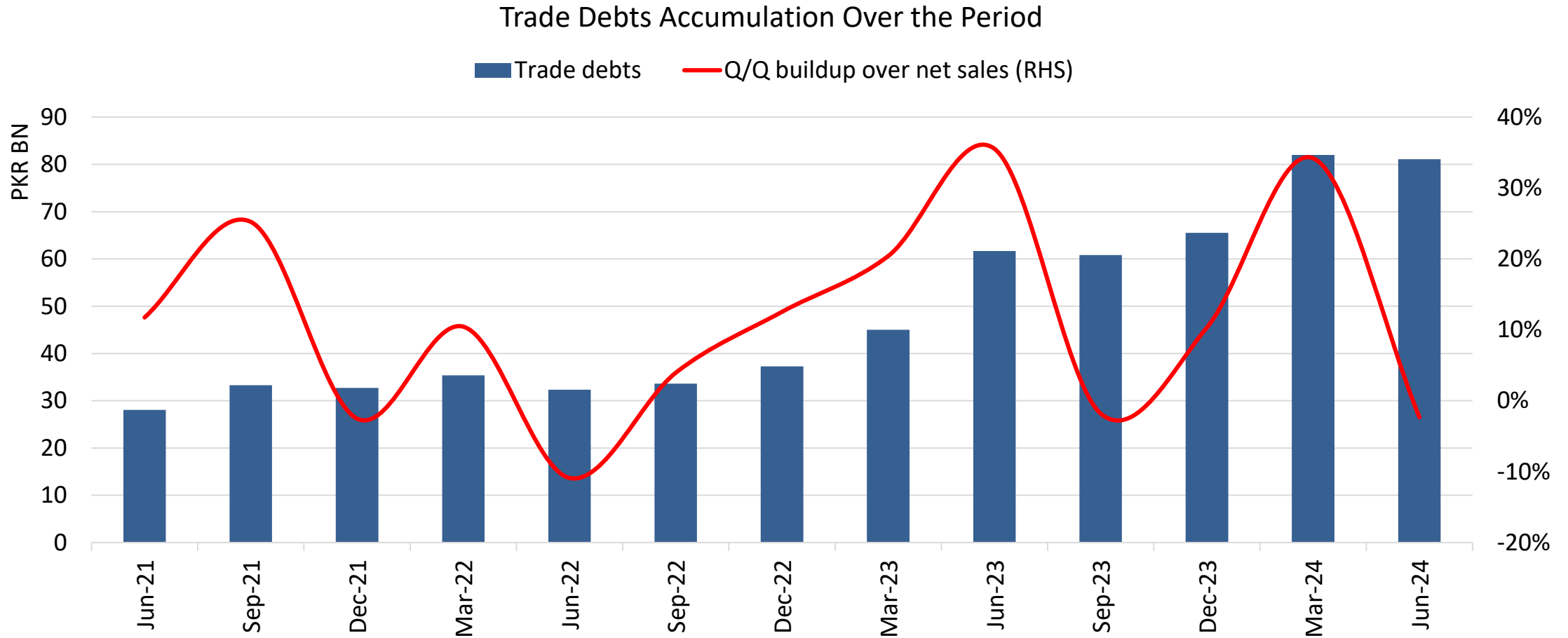
Resultantly, MPCL's dependence on single block is estimated to reduce

Revenue Concentration from MARI D&P Lease



Source: Company Accounts, Optimus Research

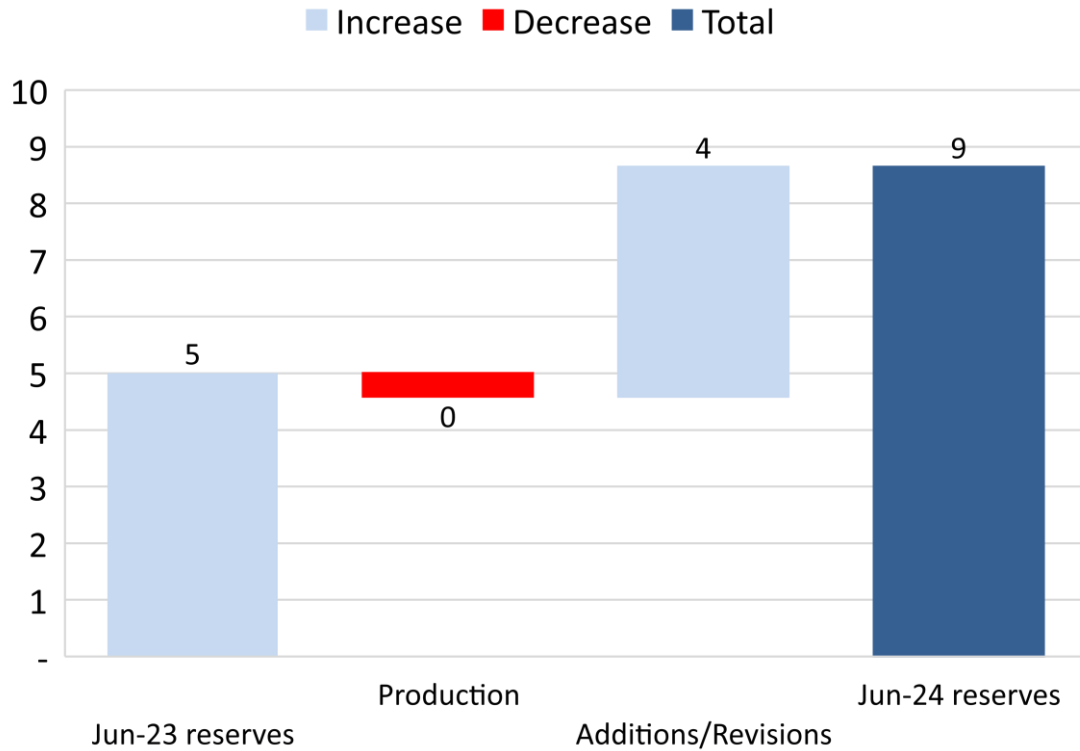
Trade debts buildup stabilize, will likely support further exploration initiatives



Source: Company Accounts, Optimus Research

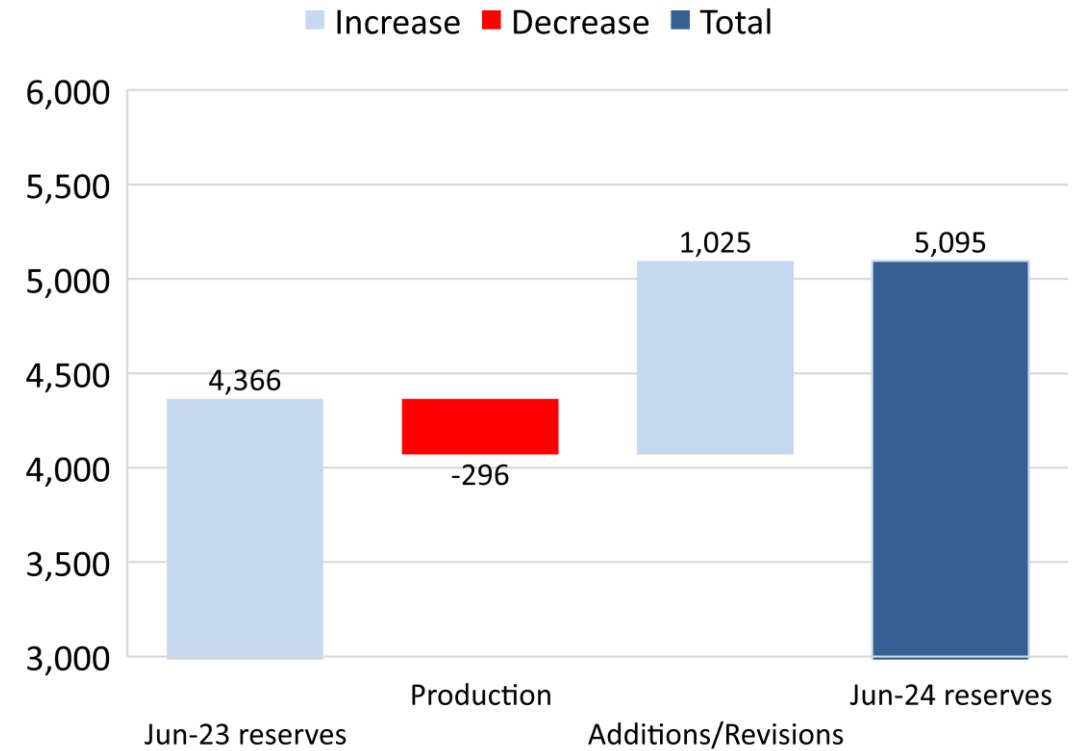
Earnings reinforced by increased reserves

Chart 5: Shewa & Bolan East Fields Contributes to Rise in Oil Reserves on FY Basis (MMBBL)



Source: PPIS, Optimus Research

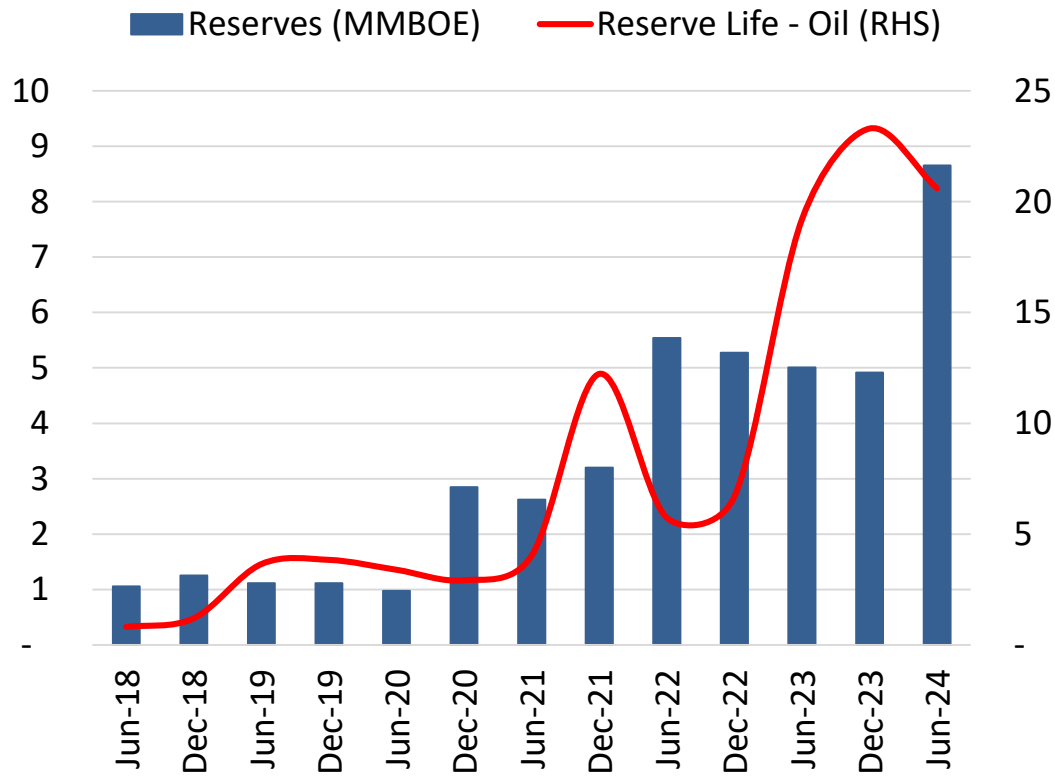
Chart 6: Remarkable discovery in Ghazij Boosts Gas Reserves (BCF)



Source: PPIS, Optimus Research

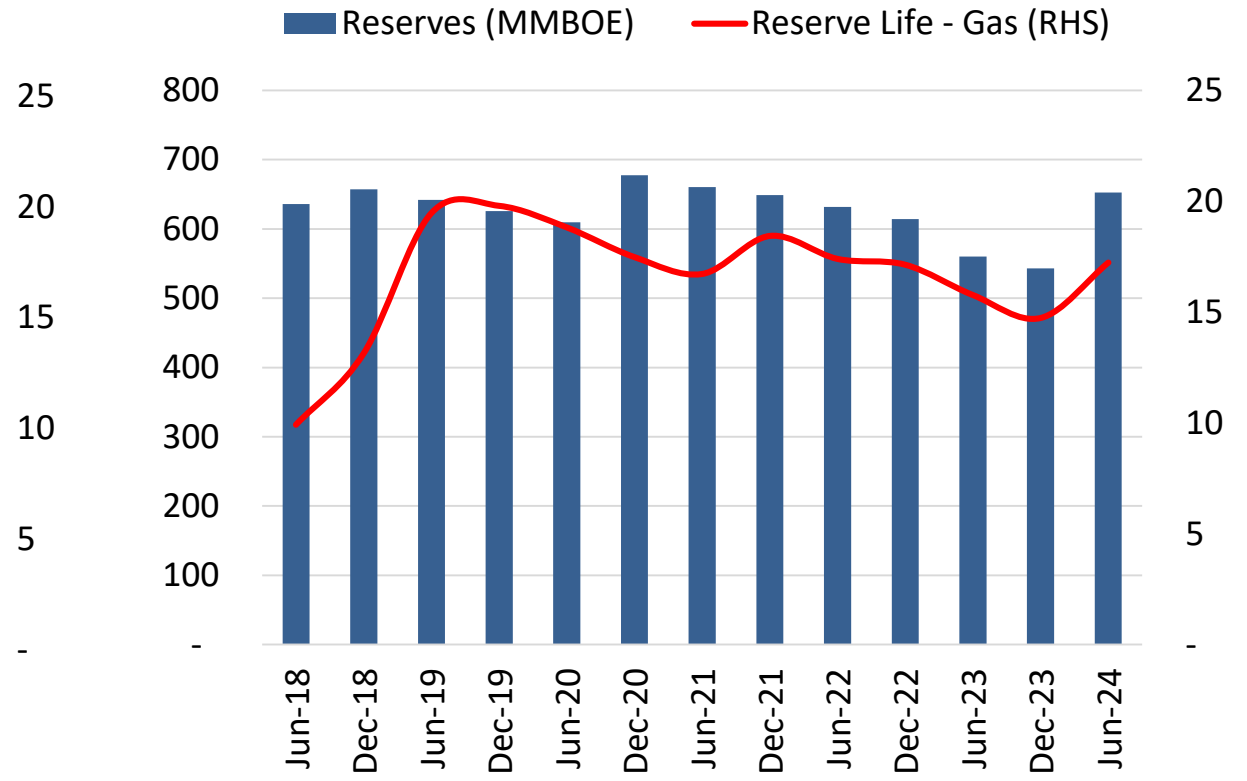
Oil production set to rise on account of substantial jump in oil reserves

Chart 7: Oil reserve life stable at 20 years



Source: PPIS, Optimus Research

Chart 8: Commendable Discoveries Enhanced Gas Reserve Life



Source: PPIS, Optimus Research

Analyst Certification

The research analyst for this report, Hamdan Ahmed, certifies that: (1) all of the views expressed in this report accurately reflect his personal views about the subject; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this report.

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