

Mari Petroleum Company Limited**E&P****ECC Approves De-capping of Dividends from MARI**

- Economic Coordination Committee (ECC) in a meeting held on 3rd Feb'21 decided to remove the dividend distribution cap on Mari Petroleum Company Limited (MARI).
- The summary was put forward by the Petroleum Division as the company is being considered for privatization by the Government.
- The purpose of this decision by ECC is to make certain that divestment transaction produces maximum sale proceeds for the Government.
- Currently, the Government of Pakistan holds 24.5mn shares (18.39%) of MARI. While, Fauji Foundation and OGDC hold 52.9mn shares (40%) and 26.5mn shares (20%), respectively.
- To recall, Mari Well Price Agreement is effective since 1st Jul'14, according to which dividend till FY24 was to be distributed as per the previous cost-plus formula; shareholders were entitled to receive a minimum and maximum return in terms of dividends of 30% and 45%, respectively.
- Within these limits, shareholders were to receive 1% return on every additional 20mmcf over the set benchmark of 425mmcf.
- The company has an equity of PKR 101,949mn along with a Book Value of PKR 764/share.
- The company's current Profit Reserve stands at PKR 86,213mn (PKR 646/share), while cash and short term investment are set at PKR 57,801mn (PKR 432/share).
- The company's oil and gas reserves till Jun'20 are around 0.96 mnbbbl and 4,755 bcf, respectively.

Recommendation:

- At present we have a 'BUY' call on the scrip with a Target Price of PKR 1,962.5/share, offering an upside of 28%.

Analyst:

Tahir Abbas| Muhammad Iqbal Jawaid
tahir.abbas@arifhabibltd.com
iqbal.jawaid@arifhabibltd.com

Contact: +92-21-32462742

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Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return from current market price, with Target period as Dec 2021 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -10% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -10% from last closing of market price(s)

* Upside for Power Generation Companies (Ex. KEL) is upside plus dividend yield.

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices:

- **Discounted Cash Flow (DCF)**
- **Dividend Discount Model (DDM)**
- **Sum of the Parts (SoTP)**
- **Justified Price to Book (JPTB)**
- **Reserved Base Valuation (RBV)**

Risks

The following risks may potentially impact our valuations of subject security (ies);

- **Market risk**
- **Interest Rate Risk**
- **Exchange Rate (Currency) Risk**

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