

MARI

9MFY22 Result Review: BUY Stance Maintained

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MARI has announced its 9MFY22 result where it posted a profit after tax of Rs27.459bn (EPS: Rs205.84) as compared to profit after tax of Rs23.356bn (EPS: Rs175.08) in the same period last year, up by 17.6% YoY.

The company has posted a revenue of Rs67.6bn against Rs55.3bn in SPLY, recording a growth of 22.2% YoY. We note that this growth is attributed to the increase in gas production and prices.

The operating cost has been increased by 11% YoY to Rs11.82bn as compared to Rs10.65bn during SPLY. Finance cost has been decreased by 13% YoY to Rs588mn due to lower provision of decommissioning cost. Finance income has been decreased by 1.2% YoY to Rs2.565bn.

Lastly, exploration cost has been increased by 13.7% YoY to Rs4.52bn as compared to Rs3.97bn during SPLY.

MARI is currently trading at a FY22E PE of 6.28x. Furthermore, the scrip is also trading at FY22E PB of 1.64x which provides a discount of 39% relative to its 3-year average of 2.71x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 2,000 which provides an upside potential of 15%. Furthermore, it also offers a dividend yield of around 8% which makes a total return of 23%.

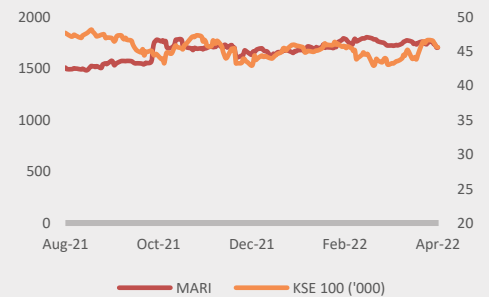
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	25,199	16,122	56.3% ▲	67,617	55,332	22.2% ▲
Operating Cost	-4,445	-3,483	27.6% ▲	-11,822	-10,638	11.1% ▲
Exploration Cost	-1,874	-947	97.9% ▲	-4,519	-3,974	13.7% ▲
Other Charges	-1,030	-678	51.8% ▲	-5,054	-2,330	116.9% ▲
Operating Profit	14,559	8,999	61.8% ▲	37,711	30,965	21.8% ▲
Finance Income	845	847	0.2% ▼	2,565	2,648	3.1% ▼
Finance cost	-245	-225	8.8% ▲	-588	-726	19.0% ▼
Profit Before Taxation	15,003	9,621	55.9% ▲	39,531	32,887	20.2% ▲
Taxation	-4,113	-2,666	54.3% ▲	-12,072	-9,531	26.7% ▲
Profit After Taxation	10,889	6,955	56.6% ▲	27,459	23,356	17.6% ▲
Earnings Per Share	81.63	52.14	56.6% ▲	205.84	175.08	17.6% ▲
Dividend	0.00	60.00	100.0% ▼	62.00	66.00	6.1% ▼
Bonus	0%	0%		0%	0%	
Operating Cost to Sales	-17.6%	-21.6%	4.0% ▼	-17.5%	-19.2%	1.7% ▼
Exploration Cost to Sales	-7.4%	-5.9%	1.6% ▲	-6.7%	-7.2%	0.5% ▼
Other Charges to Sales	-4.1%	-4.2%	0.1% ▼	-7.5%	-4.2%	3.3% ▲
Effective Taxation	-27.4%	-27.7%	0.3% ▼	-30.5%	-29.0%	1.6% ▲
Net Margin	43.2%	43.1%	0.1% ▲	40.6%	42.2%	1.6% ▼

Source: ACPL Research, Company Financials

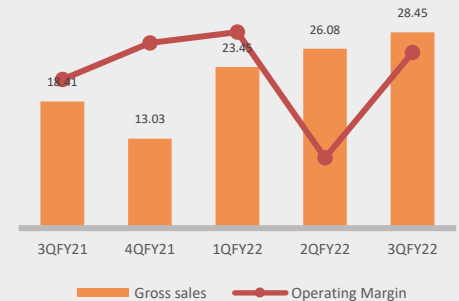
Key Statistics

Symbol	MARI
TP - Dec 22	2,000.00
LDPC	1735
Upside (%)	15
Free Float ('mn)	26
Market Cap. (Rs.'mn)	231,453

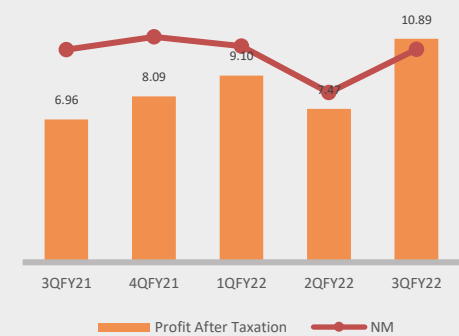
MARI vs KSE 100



Sales (Rs'bn) vs Operating Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net Sales	59,448	72,015	73,018	90,270	91,852	93,930	95,940
Royalty	-7,575	-8,806	-9,315	-11,453	-11,654	-11,917	-12,172
Operating Expenses	-11,713	-13,302	-15,040	-15,357	-15,627	-15,980	-16,322
Exploration and prospecting expenditure	-4,308	-10,258	-4,544	-5,721	-5,821	-5,953	-6,080
Other Charges	-2,436	-2,698	-3,082	-6,747	-6,865	-7,020	-7,171
Other income / Expenses	326	340	264	177	180	184	188
Profit from operations	33,743	37,291	41,301	51,169	52,066	53,243	54,383
Finance Income	1,767	4,974	3,941	3,425	3,485	3,564	3,640
Finance Cost	-802	-986	-1,310	-783	-783	-1,310	-783
Profit before income tax	34,708	41,279	43,931	53,811	54,767	55,497	57,240
Income tax expense	-10,381	-10,967	-12,486	-16,950	-17,252	-17,481	-18,031
Profit for the year	24,327	30,313	31,445	36,860	37,516	38,015	39,209
EPS	182.4	227.2	235.7	276.3	281.2	285.0	293.9

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net Sales	46.1%	21.1%	1.4%	23.6%	1.8%	2.3%	2.1%
Royalty	46.2%	16.3%	5.8%	22.9%	1.8%	2.3%	2.1%
Operating Expenses	17.3%	13.6%	13.1%	2.1%	1.8%	2.3%	2.1%
Exploration and prospecting expenditure	16.8%	138.1%	-55.7%	25.9%	1.8%	2.3%	2.1%
Other Charges	68.2%	10.8%	14.2%	118.9%	1.8%	2.3%	2.1%
Other income / Expenses	-257.7%	4.3%	-22.4%	-33.0%	1.8%	2.3%	2.1%
Profit from operations	67.3%	10.5%	10.8%	23.9%	1.8%	2.3%	2.1%
Finance Income	130.8%	181.4%	-20.8%	-13.1%	1.8%	2.3%	2.1%
Finance Cost	25.3%	22.9%	33.0%	-40.2%	0.0%	67.3%	-40.2%
Profit before income tax	71.0%	18.9%	6.4%	22.5%	1.8%	1.3%	3.1%
Income tax expense	111.1%	5.6%	13.9%	35.7%	1.8%	1.3%	3.1%
Profit for the year	58.2%	24.6%	3.7%	17.2%	1.8%	1.3%	3.1%
EPS	58.2%	24.6%	3.7%	17.2%	1.8%	1.3%	3.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	50.58	56.77	88.30	86.70	86.70	86.70	86.70
NP Margin	%	20.70	23.90	38.03	35.40	35.41	35.09	35.43
OP Margin	%	28.71	29.40	49.95	49.15	49.15	49.15	49.15
ROE	%	38.25	32.54	27.22	26.18	21.11	17.67	15.48
ROA	%	11.05	10.75	20.91	16.84	15.00	13.70	12.80
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.25	1.34	3.61	6.25	6.37	7.17	7.95
Quick	x	1.20	1.29	3.24	5.80	5.97	6.77	7.55
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Receivables Days		462.7	516.1	124.6	140.9	130.8	120.8	110.8
Payables Days		881.9	1132.6	651.1	508.1	613.3	610.2	610.9
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		6.00	6.10	141.00	138.00	141.00	142.00	147.00
Div. Yield	%	0.35	0.35	8.13	7.95	8.13	8.18	8.47
Dividend Cover	x	30.4	37.3	1.7	2.0	2.0	2.0	2.0
Retention	%	-5.3	-3.9	40.2	50.0	50.0	50.0	50.0
Payout	%	105.3	103.9	59.8	50.0	50.0	50.0	50.0
No. of Shares	('m)	133.4	133.4	133.4	133.4	133.4	133.4	133.4
EPS		182.4	227.2	235.7	276.3	281.2	285.0	293.9
BVPS		477	698	866	1055	1332	1613	1898
P/E	x	9.51	7.64	7.36	6.28	6.17	6.09	5.90
Sales per share		881	951	620	780	794	812	830
P/BV	x	3.64	2.48	2.00	1.64	1.30	1.08	0.91
P/S	x	1.97	1.82	2.80	2.22	2.18	2.14	2.09
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	32.72	44.29	42.88	34.52	69.69	70.91	43.35

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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