

MARI

1QFY22 Result Review: BUY Stance Maintained

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MARI has announced its 1QFY22 result where it posted a profit after tax of Rs9.1bn (EPS: Rs68.21) as compared to profit after tax of Rs9.07bn (EPS: Rs67.96) in the same period last year, up by 0.4% YoY.

The company has posted a revenue of Rs21bn against Rs20bn in SPLY, recording a growth of 1.7% YoY. We note that this growth is attributed to the increase in gas production.

The operating cost has been increased by 8.3% YoY to Rs3.3bn as compared to Rs3.0bn during SPLY. Finance cost has been decreased by 56% YoY to Rs99mn due to lower provision of decommissioning cost. Finance income has been decreased by 7.7% YoY to Rs866mn on account of lower interest rates.

Lastly, exploration cost has been increased by 43.3% YoY to Rs1.75bn as compared to Rs1.22bn during SPLY.

MARI is currently trading at a FY22E PE of 6.15x. Furthermore, the scrip is also trading at FY22E PB of 1.6x which provides a discount of 41% relative to its 3-year average of 2.74x. We have a **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 2,200 which provides an upside potential of 24%. Furthermore, it also offers a dividend yield of around 10% which makes a total return of 34%.

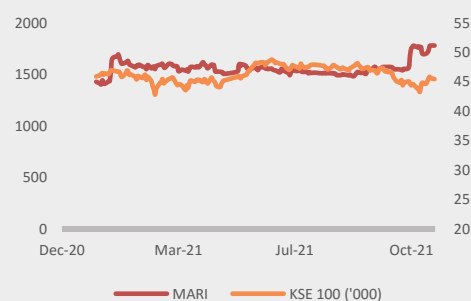
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	20,726	20,373	1.7% ▲	73,018	72,015	1.4% ▲
Operating Cost	-3,273	-3,023	8.3% ▲	-15,040	-13,302	13.1% ▲
Exploration Cost	-1,749	-1,221	43.3% ▲	-4,544	-10,258	55.7% ▼
Other Charges	-788	-908	13.2% ▼	-3,082	-2,698	14.2% ▲
Operating Profit	12,281	12,174	0.9% ▲	41,301	37,291	10.8% ▲
Finance Income	866	938	7.7% ▼	3,941	4,974	20.8% ▼
Finance cost	-99	-225	55.9% ▼	-1,310	-986	33.0% ▲
Profit Before Taxation	13,047	12,886	1.2% ▲	43,931	41,279	6.4% ▲
Taxation	-3,949	-3,820	3.4% ▲	-12,486	-10,967	13.9% ▲
Profit After Taxation	9,099	9,066	0.4% ▲	31,445	30,313	3.7% ▲
Earnings Per Share	68.21	67.96	0.4% ▲	235.71	227.23	3.7% ▲
Dividend	0.00	0.00		141.00	6.00	2250.0% ▲
Bonus	0%	0%		0%	0%	
Operating Cost to Sales	-15.8%	-14.8%	1.0% ▲	-20.6%	-18.5%	2.1% ▲
Exploration Cost to Sales	-8.4%	-6.0%	2.4% ▲	-6.2%	-14.2%	8.0% ▼
Other Charges to Sales	-3.8%	-4.5%	0.7% ▼	-4.2%	-3.7%	0.5% ▲
Effective Taxation	-30.3%	-29.6%	0.6% ▲	-28.4%	-26.6%	1.9% ▲
Net Margin	43.9%	44.5%	0.6% ▼	43.1%	42.1%	1.0% ▲

Source: ACPL Research, Company Financials

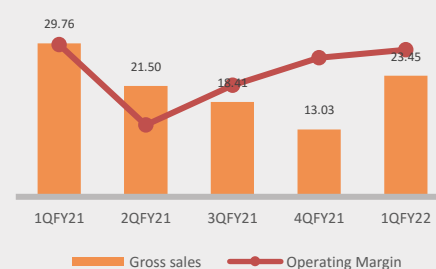
Key Statistics

Symbol	MARI
TP - Jun 22	2,200.00
LDCP	1779.00
Upside (%)	24
Free Float ('mn)	27
Market Cap. (Rs.'mn)	228,252

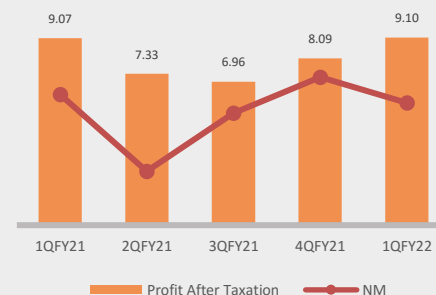
MARI vs KSE 100



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	94,762	97,238	100,138	102,712
Royalty	-7,575	-8,806	-9,315	-12,089	-12,405	-12,775	-13,103
Operating Expenses	-11,713	-13,302	-15,040	-19,518	-20,028	-20,626	-21,156
Exploration and prospecting expenditure	-4,308	-10,258	-4,544	-5,897	-6,051	-6,231	-6,391
Other Charges	-2,436	-2,698	-3,082	-4,000	-4,105	-4,227	-4,336
Other income / Expenses	326	340	264	343	352	362	371
Profit from operations	33,743	37,291	41,301	53,600	55,001	56,641	58,097
Finance Income	1,767	4,974	3,941	2,403	2,466	2,539	2,605
Finance Cost	-802	-986	-1,310	-985	-986	-986	-987
Profit before income tax	34,708	41,279	43,931	55,018	56,480	58,195	59,715
Income tax expense	-10,381	-10,967	-12,486	-16,456	-16,893	-17,406	-17,861
Profit for the year	24,327	30,313	31,445	38,562	39,587	40,789	41,854
EPS	182.4	227.2	235.7	289.1	296.7	305.8	313.7

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net Sales	46.1%	21.1%	1.4%	29.8%	2.6%	3.0%	2.6%
Royalty	46.2%	16.3%	5.8%	29.8%	2.6%	3.0%	2.6%
Operating Expenses	17.3%	13.6%	13.1%	29.8%	2.6%	3.0%	2.6%
Exploration and prospecting expenditure	16.8%	138.1%	-55.7%	29.8%	2.6%	3.0%	2.6%
Other Charges	68.2%	10.8%	14.2%	29.8%	2.6%	3.0%	2.6%
Other income / Expenses	-257.7%	4.3%	-22.4%	29.8%	2.6%	3.0%	2.6%
Profit from operations	67.3%	10.5%	10.8%	29.8%	2.6%	3.0%	2.6%
Finance Income	130.8%	181.4%	-20.8%	-39.0%	2.6%	3.0%	2.6%
Finance Cost	25.3%	22.9%	33.0%	-24.8%	0.1%	-0.1%	0.1%
Profit before income tax	71.0%	18.9%	6.4%	25.2%	2.7%	3.0%	2.6%
Income tax expense	111.1%	5.6%	13.9%	31.8%	2.7%	3.0%	2.6%
Profit for the year	58.2%	24.6%	3.7%	22.6%	2.7%	3.0%	2.6%
EPS	58.2%	24.6%	3.7%	22.6%	2.7%	3.0%	2.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	50.58	56.77	88.30	88.30	88.30	88.30	88.30
NP Margin	%	20.70	23.90	38.03	35.93	35.95	35.97	35.98
OP Margin	%	28.71	29.40	49.95	49.95	49.95	49.95	49.95
ROE	%	38.25	32.54	25.64	26.08	22.13	19.36	17.19
ROA	%	11.05	10.75	8.88	10.55	9.09	8.78	8.47
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.25	1.34	1.71	1.93	1.82	1.89	1.96
Quick	x	1.20	1.29	1.66	1.85	1.76	1.83	1.90
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Receivables Days		462.7	516.1	700.2	700.2	700.2	700.2	700.2
Payables Days		881.9	1132.6	6523.9	4585.0	5798.8	5778.0	5801.2
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		6.00	6.10	141.00	172.91	177.51	182.90	187.68
Div. Yield	%	0.34	0.34	7.93	9.72	9.98	10.28	10.55
Dividend Cover	x	30.4	37.3	1.7	1.7	1.7	1.7	1.7
Retention	%	-5.3	-3.9	40.2	40.2	40.2	40.2	40.2
Payout	%	105.3	103.9	59.8	59.8	59.8	59.8	59.8
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	289.1	296.7	305.8	313.7
BVPS		477	698	919	1109	1341	1579	1825
P/E	x	9.76	7.83	7.55	6.15	5.99	5.82	5.67
Sales per share		881	951	620	804	825	850	872
P/BV	x	3.73	2.55	1.94	1.60	1.33	1.13	0.97
P/S	x	2.02	1.87	2.87	2.21	2.16	2.09	2.04
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	56.84	58.26	60.04

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

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
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