

MARI

1QFY23 Result Review: BUY Stance Maintained

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MARI has announced its 1QFY23 result where it posted a profit after tax of Rs12.72bn (EPS: Rs95.31) as compared to profit after tax of Rs9.10bn (EPS: Rs68.21) in the same period last year, up by 39.7% YoY.

The company has posted a revenue of Rs31.83bn against Rs20.73bn in SPLY, recording a growth of 53.6% YoY. We note that this growth is attributed to the increase in gas production and oil prices.

The operating cost has been increased by 78.9% YoY to Rs5.85bn as compared to Rs3.27bn during SPLY. Furthermore, exploration cost has decreased by 21.1% YoY to Rs1.38bn as compared to Rs1.75bn during SPLY.

Finance income and finance cost have increased by 18% and 343% YoY respectively. Moreover, effective taxation has jumped to 34.2% as compared to 30.3% due to the super tax imposed by the government.

MARI is currently trading at a FY23E PE of 5.2x. Furthermore, the scrip is also trading at FY23E PB of 1.35x which provides a discount of 32% relative to its 3-year average of 2.00x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs 2,200 which provides an upside potential of 32%. Furthermore, it also offers a dividend yield of around 9% which makes a total return of 41%.

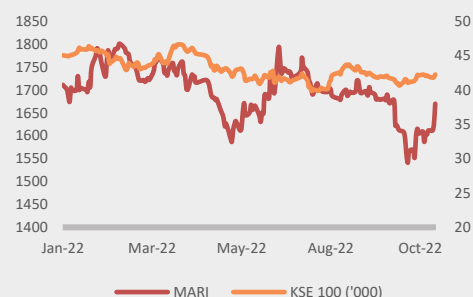
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	31,825	20,726	53.6% ▲	95,134	73,018	30.3% ▲
Operating Cost	-5,854	-3,273	78.9% ▲	-17,403	-15,040	15.7% ▲
Exploration Cost	-1,380	-1,749	21.1% ▼	-10,932	-4,544	140.6% ▲
Other Charges	-1,319	-788	67.3% ▲	-3,623	-3,082	17.5% ▲
Operating Profit	18,806	12,281	53.1% ▲	51,226	41,349	23.9% ▲
Finance Income	1,022	866	18.0% ▲	4,483	3,941	13.8% ▲
Finance cost	-440	-99	343.3% ▲	-980	-1,310	25.2% ▼
Profit Before Taxation	19,325	13,047	48.1% ▲	52,116	43,931	18.6% ▲
Taxation	-6,610	-3,949	67.4% ▲	-19,053	-12,486	52.6% ▲
Profit After Taxation	12,715	9,099	39.7% ▲	33,063	31,445	5.1% ▲
Earnings Per Share	95.31	68.21	39.7% ▲	247.84	235.71	5.1% ▲
Dividend	0.00	0.00		124.00	141.00	12.1% ▼
Bonus	0%	0%		0%	0%	
Operating Cost to Sales	-18.4%	-15.8%	2.6% ▲	-18.3%	-20.6%	2.3% ▼
Exploration Cost to Sales	-4.3%	-8.4%	4.1% ▼	-11.5%	-6.2%	5.3% ▲
Other Charges to Sales	-4.1%	-3.8%	0.3% ▲	-3.8%	-4.2%	0.4% ▼
Effective Taxation	-34.2%	-30.3%	3.9% ▲	-36.6%	-28.4%	8.1% ▲
Net Margin	40.0%	43.9%	3.9% ▼	34.8%	43.1%	8.3% ▼

Source: ACPL Research, Company Financials

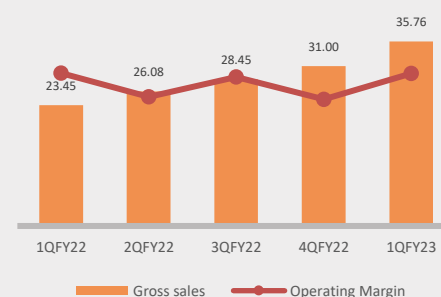
Key Statistics

Symbol	MARI
TP - Jun 23	2,200.00
LDCP	1,659.86
Upside (%)	32
Free Float ('mn)	27
Market Cap. (Rs.'mn)	226,117

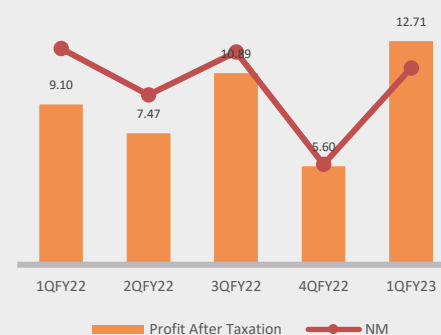
MARI vs KSE 100



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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net Sales	72,015	73,018	95,134	117,521	122,464	127,455	128,616
Royalty	-8,806	-9,315	-12,000	-14,726	-15,346	-15,971	-16,117
Operating Expenses	-13,302	-15,040	-17,403	-21,529	-22,435	-23,349	-23,562
Exploration and prospecting expenditure	-10,258	-4,544	-10,932	-6,576	-6,853	-7,132	-7,197
Other Charges	-2,698	-3,082	-3,623	-4,852	-5,056	-5,262	-5,310
Other income / Expenses	340	264	-2,565	-1,704	-1,776	-1,848	-1,865
Profit from operations	37,291	41,301	48,613	68,133	70,998	73,892	74,565
Finance Income	4,974	3,941	4,483	-1,704	-1,776	-1,848	-1,865
Finance Cost	-986	-1,310	-980	-1,680	-1,310	-1,254	-1,254
Profit before income tax	41,279	43,931	52,116	64,749	67,912	70,789	71,446
Income tax expense	-10,967	-12,486	-19,053	-22,147	-22,411	-23,361	-23,577
Profit for the year	30,313	31,445	33,063	42,601	45,501	47,429	47,869
EPS	227.2	235.7	247.8	319.3	341.1	355.5	358.8

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net Sales	21.1%	1.4%	30.3%	23.5%	4.2%	4.1%	0.9%
Royalty	16.3%	5.8%	28.8%	22.7%	4.2%	4.1%	0.9%
Operating Expenses	13.6%	13.1%	15.7%	23.7%	4.2%	4.1%	0.9%
Exploration and prospecting expenditure	138.1%	-55.7%	140.6%	-39.8%	4.2%	4.1%	0.9%
Other Charges	10.8%	14.2%	17.5%	33.9%	4.2%	4.1%	0.9%
Other income / Expenses	4.3%	-22.4%	-1071.6%	-33.5%	4.2%	4.1%	0.9%
Profit from operations	10.5%	10.8%	17.7%	40.2%	4.2%	4.1%	0.9%
Finance Income	181.4%	-20.8%	13.8%	-138.0%	4.2%	4.1%	0.9%
Finance Cost	22.9%	33.0%	-25.2%	71.5%	-22.0%	-4.3%	0.0%
Profit before income tax	18.9%	6.4%	18.6%	24.2%	4.9%	4.2%	0.9%
Income tax expense	5.6%	13.9%	52.6%	16.2%	1.2%	4.2%	0.9%
Profit for the year	24.6%	3.7%	5.1%	28.8%	6.8%	4.2%	0.9%
EPS	24.6%	3.7%	5.1%	28.8%	6.8%	4.2%	0.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	56.77	88.30	87.30	89.35	89.35	89.35	89.35
NP Margin	%	23.90	38.03	30.34	32.39	33.20	33.25	33.26
OP Margin	%	29.40	49.95	44.61	51.80	51.80	51.80	51.80
ROE	%	32.54	27.22	25.27	25.99	22.04	18.83	16.00
ROA	%	10.75	20.91	17.86	19.82	18.82	17.56	16.01
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.34	3.61	2.26	2.93	3.27	3.58	3.76
Quick	x	1.29	3.24	1.96	2.55	2.89	3.19	3.37
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		516.1	124.6	110.7	116.0	106.0	95.9	85.9
Payables Days		1132.6	651.1	614.7	607.3	632.2	633.0	652.8
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		6.10	141.00	124.00	160.00	171.00	178.00	180.00
Div. Yield	%	0.37	8.49	7.47	9.64	10.30	10.72	10.84
Dividend Cover	x	37.3	1.7	2.0	2.0	2.0	2.0	2.0
Retention	%	-3.9	40.2	50.0	50.0	50.0	50.0	50.0
Payout	%	103.9	59.8	50.0	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		227.2	235.7	247.8	319.3	341.1	355.5	358.8
BVPS		698	866	981	1229	1548	1888	2243
P/E	x	7.30	7.04	6.70	5.20	4.87	4.67	4.63
Sales per share		951	620	817	986	1027	1069	1079
P/BV	x	2.38	1.92	1.69	1.35	1.07	0.88	0.74
P/S	x	1.75	2.68	2.03	1.68	1.62	1.55	1.54
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.00	0.00	0.01	0.00	0.00	0.00	0.00
L.T Debt to Equity	x	0.00	0.00	0.01	0.00	0.00	0.00	0.00
Interest Cover	x	44.29	42.88	34.52	54.19	39.54	52.82	57.45

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
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Market Weight	Neutral
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