

# MARI

## 1HFY22 Result Review: BUY Stance Maintained

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MARI has announced its 1HFY22 result where it posted a profit after tax of Rs16.57bn (EPS: Rs124.21) as compared to profit after tax of Rs16.40bn (EPS: Rs122.95) in the same period last year, up by 1% YoY.

The company has posted a revenue of Rs42bn against Rs39bn in SPLY, recording a growth of 8.2% YoY. We note that this growth is attributed to the increase in gas production.

The operating cost has been increased by 3% YoY to Rs7.38bn as compared to Rs7.16bn during SPLY. Finance cost has been decreased by 23.8% YoY to Rs343mn due to lower provision of decommissioning cost. Finance income has been decreased by 1.8% YoY to Rs1.72bn.

Lastly, exploration cost has been decreased by 12.6% YoY to Rs2.64bn as compared to Rs3.02bn during SPLY.

MARI is currently trading at a FY22E PE of 6.86x. Furthermore, the scrip is also trading at FY22E PB of 1.62x which provides a discount of 39% relative to its 3-year average of 2.67x. 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 17%. Furthermore, it also offers a dividend yield of around 7% which makes a total return of 24%.

Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	21,692	18,847	15.1% ▲	42,418	39,220	8.2% ▲
Operating Cost	-4,105	-4,141	0.9% ▼	-7,377	-7,164	3.0% ▲
Exploration Cost	-895	-1,807	50.4% ▼	-2,644	-3,027	12.6% ▼
Other Charges	-3,236	-744	335.1% ▲	-4,024	-1,652	143.6% ▲
<b>Operating Profit</b>	<b>10,871</b>	<b>9,792</b>	<b>11.0% ▲</b>	<b>23,151</b>	<b>21,966</b>	<b>5.4% ▲</b>
Finance Income	854	813	5.1% ▲	1,720	1,751	1.8% ▼
Finance cost	-244	-225	8.2% ▲	-343	-450	23.8% ▼
Profit Before Taxation	11,481	10,380	10.6% ▲	24,528	23,266	5.4% ▲
Taxation	-4,010	-3,045	31.7% ▲	-7,958	-6,865	15.9% ▲
<b>Profit After Taxation</b>	<b>7,471</b>	<b>7,335</b>	<b>1.9% ▲</b>	<b>16,570</b>	<b>16,401</b>	<b>1.0% ▲</b>
Earnings Per Share	56.00	54.98	1.9% ▲	124.21	122.95	1.0% ▲
Dividend	62.00	6.00	933.3% ▲	62.00	6.00	933.3% ▲
Bonus	0%	0%		0%	0%	
Closing Period: 04 Feb 2022 - 08 Feb 2022						
Operating Cost to Sales	-18.9%	-22.0%	3.1% ▼	-17.4%	-18.3%	0.9% ▼
Exploration Cost to Sales	-4.1%	-9.6%	5.5% ▼	-6.2%	-7.7%	1.5% ▼
Other Charges to Sales	-14.9%	-3.9%	11.0% ▲	-9.5%	-4.2%	5.3% ▲
Effective Taxation	-34.9%	-29.3%	5.6% ▲	-32.4%	-29.5%	2.9% ▲
Net Margin	34.4%	38.9%	4.5% ▼	39.1%	41.8%	2.8% ▼

Source: ACPL Research, Company Financials

### Key Statistics

Symbol	MARI
TP - Dec 22	2,000.00
LDCP	1710.83
Upside (%)	17
Free Float ('mn)	26
Market Cap. (Rs.'mn)	227,184

### 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	85,602	87,837	90,456	92,787
Royalty	-7,575	-8,806	-9,315	-10,994	-11,281	-11,617	-11,917
Operating Expenses	-11,713	-13,302	-15,040	-14,742	-15,127	-15,578	-15,979
Exploration and prospecting expenditure	-4,308	-10,258	-4,544	-5,492	-5,635	-5,803	-5,953
Other Charges	-2,436	-2,698	-3,082	-8,095	-8,307	-8,555	-8,775
Other income / Expenses	326	340	264	350	359	370	379
<b>Profit from operations</b>	<b>33,743</b>	<b>37,291</b>	<b>41,301</b>	<b>46,629</b>	<b>47,847</b>	<b>49,273</b>	<b>50,543</b>
Finance Income	1,767	4,974	3,941	3,470	3,561	3,667	3,762
Finance Cost	-802	-986	-1,310	-783	-783	-1,310	-783
<b>Profit before income tax</b>	<b>34,708</b>	<b>41,279</b>	<b>43,931</b>	<b>49,316</b>	<b>50,624</b>	<b>51,630</b>	<b>53,521</b>
Income tax expense	-10,381	-10,967	-12,486	-16,028	-16,453	-16,780	-17,394
<b>Profit for the year</b>	<b>24,327</b>	<b>30,313</b>	<b>31,445</b>	<b>33,288</b>	<b>34,171</b>	<b>34,850</b>	<b>36,127</b>
EPS	182.4	227.2	235.7	249.5	256.2	261.2	270.8

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net Sales	46.1%	21.1%	1.4%	17.2%	2.6%	3.0%	2.6%
Royalty	46.2%	16.3%	5.8%	18.0%	2.6%	3.0%	2.6%
Operating Expenses	17.3%	13.6%	13.1%	-2.0%	2.6%	3.0%	2.6%
Exploration and prospecting expenditure	16.8%	138.1%	-55.7%	20.9%	2.6%	3.0%	2.6%
Other Charges	68.2%	10.8%	14.2%	162.6%	2.6%	3.0%	2.6%
Other income / Expenses	-257.7%	4.3%	-22.4%	32.5%	2.6%	3.0%	2.6%
<b>Profit from operations</b>	<b>67.3%</b>	<b>10.5%</b>	<b>10.8%</b>	<b>12.9%</b>	<b>2.6%</b>	<b>3.0%</b>	<b>2.6%</b>
Finance Income	130.8%	181.4%	-20.8%	-11.9%	2.6%	3.0%	2.6%
Finance Cost	25.3%	22.9%	33.0%	-40.2%	0.0%	67.3%	-40.2%
<b>Profit before income tax</b>	<b>71.0%</b>	<b>18.9%</b>	<b>6.4%</b>	<b>12.3%</b>	<b>2.7%</b>	<b>2.0%</b>	<b>3.7%</b>
Income tax expense	111.1%	5.6%	13.9%	28.4%	2.7%	2.0%	3.7%
<b>Profit for the year</b>	<b>58.2%</b>	<b>24.6%</b>	<b>3.7%</b>	<b>5.9%</b>	<b>2.7%</b>	<b>2.0%</b>	<b>3.7%</b>
EPS	58.2%	24.6%	3.7%	5.9%	2.7%	2.0%	3.7%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	50.58	56.77	88.30	85.65	85.65	85.65	85.65
NP Margin	%	20.70	23.90	38.03	33.31	33.32	33.00	33.35
OP Margin	%	28.71	29.40	49.95	46.66	46.66	46.66	46.66
ROE	%	38.25	32.54	27.22	23.64	19.63	16.74	14.86
ROA	%	11.05	10.75	20.91	15.49	14.00	12.91	12.16
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.25	1.34	3.61	6.10	6.16	6.87	7.56
Quick	x	1.20	1.29	3.24	5.66	5.78	6.48	7.16
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Receivables Days		462.7	516.1	124.6	140.9	130.9	120.8	110.8
Payables Days		881.9	1132.6	651.1	490.6	587.8	585.7	588.0
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		6.00	6.10	141.00	125.00	128.00	131.00	135.00
Div. Yield	%	0.35	0.36	8.24	7.31	7.48	7.66	7.89
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	249.5	256.2	261.2	270.8
BVPS		477	698	866	1055	1305	1561	1822
P/E	x	9.38	7.53	7.26	6.86	6.68	6.55	6.32
Sales per share		881	951	620	749	769	792	812
P/BV	x	3.59	2.45	1.98	1.62	1.31	1.10	0.94
P/S	x	1.94	1.80	2.76	2.28	2.23	2.16	2.11
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	63.95	65.62	40.40

Source: ACPL Research, Company Financials

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

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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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SELL	Less than and equal to -5%

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Market Weight	Neutral
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