

MARI

1HFY21 Result Review: BUY Stance Maintained

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MARI has announced its 1HFY21 result where it posted profit after tax of Rs16.4bn (EPS: Rs122.95) as compared to profit after tax of Rs14.7bn (EPS: Rs110.55) in same period last year, up by 11.2% YoY.

The company has posted the revenue of Rs39.2bn against Rs34.6bn in SPLY, recording a growth of 13.5% YoY. We note that this growth is attributed to the increase in gas production.

Operating cost has been increased by 11.7% YoY to Rs7.2bn as compared to Rs6.4bn during SPLY.

Finance cost has been decreased by 8.4% YoY to Rs450mn due to lower provision of decommissioning cost. Similarly, the finance income has also been decreased by 31.7% YoY to Rs1.8bn on account of lower interest rates.

Lastly, lower effective taxation of 29.5% and decline in exploration cost by 13.8% YoY contributed to the upsurge of the bottom line.

MARI is currently trading at a FY21E PE of 5.99x. Furthermore, the scrip is also trading at FY21E PB of 1.71x which provides a discount of 79% relative to its 5-year average of 8.25x. Going forward, the removal of dividend cap would further unlock the upside potential of the company. We have a **BUY** stance on the scrip with a DCF based Dec-21 TP of Rs 1,800 which provides an upside potential of 15%.

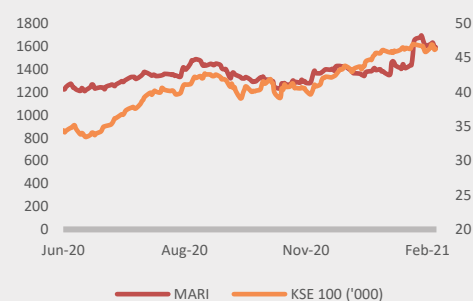
Rupees' millions	2QFY21	2QFY20	YoY	1HFY20	1HFY19	YoY
Net Sales	18,847	16,702	12.8% ▲	39,220	34,551	13.5% ▲
Operating Cost	-4,141	-3,158	31.1% ▲	-7,164	-6,412	11.7% ▲
Exploration Cost	-1,807	-1,469	23.0% ▲	-3,027	-3,512	13.8% ▼
Other Charges	-744	-708	5.1% ▲	-1,652	-1,517	8.9% ▲
Operating Profit	9,792	9,142	7.1% ▲	21,966	18,916	16.1% ▲
Finance Income	813	1,379	41.1% ▼	1,751	2,562	31.7% ▼
Finance cost	-225	-243	7.5% ▼	-450	-492	8.4% ▼
Profit Before Taxation	10,380	10,278	1.0% ▲	23,266	20,987	10.9% ▲
Taxation	-3,045	-2,993	1.7% ▲	-6,865	-6,239	10.0% ▲
Profit After Taxation	7,335	7,285	0.7% ▲	16,401	14,748	11.2% ▲
Earnings Per Share	54.98	54.61	0.7% ▲	122.95	110.55	11.2% ▲
Dividend	6.00	4.00		6.00	4.00	
Bonus	0%	0%		0%	0%	
Operating Cost to Sales	-22.0%	-18.9%	3.1% ▲	-18.3%	-18.6%	0.3% ▼
Exploration Cost to Sales	-9.6%	-8.8%	0.8% ▲	-7.7%	-10.2%	2.4% ▼
Other Charges to Sales	-3.9%	-4.2%	0.3% ▼	-4.2%	-4.4%	0.2% ▼
Effective Taxation	-29.3%	-29.1%	0.2% ▲	-29.5%	-29.7%	0.2% ▼
Net Margin	38.9%	43.6%	4.7% ▼	41.8%	42.7%	0.9% ▼

Source: ACPL Research, Company Financials

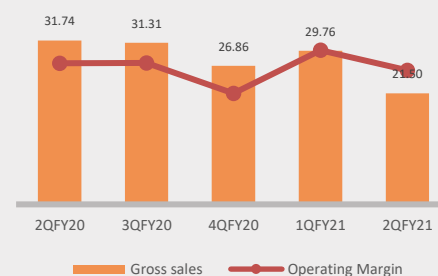
Key Statistics

Symbol	MARI
TP - Dec 21	1,800.00
LDCP	1,570.00
Upside (%)	15
Free Float ('mn)	27
Market Cap. (Rs.'mn)	209,442

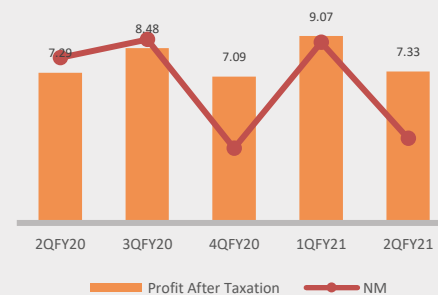
MARI vs KSE 100



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	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Gross sales	88,240	94,998	96,776	100,043	117,542	126,848	107,322	113,493	116,492
Gas development surcharge	-18,018	-25,860	-19,581	-11,030	-9,280	-18,916	-11,483	-12,144	-12,465
General sales tax	-12,371	-13,509	-13,746	-11,668	-12,098	-12,767	-10,802	-11,423	-11,725
Excise duty	-1,630	-1,694	-1,794	-1,907	-1,888	-1,876	-2,146	-2,270	-2,330
Gas infrastructure development	-36,050	-31,933	-33,480	-34,762	-34,827	-21,273	-644	-681	-699
Wind fall levy	-795	-288	0	0	0	0	0	0	0
(Deficit) / surplus under the Gas Price Agreement	0	0	0	0	0	0	0	0	0
Net Sales	19,376	21,713	28,175	40,676	59,448	72,015	82,246	86,976	89,274
Royalty	-2,519	-2,750	-3,584	-5,181	-7,575	-8,806	-10,196	-10,782	-11,067
Operating Expenses	-5,376	-5,791	-7,450	-9,985	-11,713	-13,302	-13,952	-14,754	-15,144
Exploration and prospecting expenditure	-3,194	-6,462	-3,881	-3,690	-4,308	-10,258	-6,332	-6,696	-6,873
Other Charges	-499	-502	-726	-1,448	-2,436	-2,698	-3,434	-3,632	-3,728
Other income / Expenses	35	587	-820	-207	326	340	-1,073	-1,135	-1,165
Profit from operations	7,823	6,795	11,715	20,166	33,743	37,291	47,259	49,977	51,297
Finance Income	517	341	233	766	1,767	4,974	3,649	2,231	2,290
Finance Cost	-1,788	-574	-798	-640	-802	-986	-986	-985	-986
Profit before income tax	6,552	6,561	11,149	20,292	34,708	41,279	49,923	51,223	52,602
Income tax expense	-902	-510	-2,013	-4,917	-10,381	-10,967	-14,932	-15,321	-15,733
Profit for the year	5,650	6,051	9,136	15,374	24,327	30,313	34,991	35,902	36,869
EPS	42.4	45.4	68.5	115.2	182.4	227.2	262.3	269.1	276.4

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Gross sales	25.2%	7.7%	1.9%	3.4%	17.5%	7.9%	-15.4%	5.8%	2.6%
Gas development surcharge	-9.7%	43.5%	-24.3%	-43.7%	-15.9%	103.8%	-39.3%	5.8%	2.6%
General sales tax	24.3%	9.2%	1.7%	-15.1%	3.7%	5.5%	-15.4%	5.8%	2.6%
Excise duty	5.3%	3.9%	5.9%	6.2%	-1.0%	-0.6%	14.4%	5.8%	2.6%
Gas infrastructure development	51.9%	-11.4%	4.8%	3.8%	0.2%	-38.9%	-97.0%	5.8%	2.6%
Wind fall levy	53.9%	-63.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(Deficit) / surplus under the Gas Price Agreement	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Sales	30.2%	12.1%	29.8%	44.4%	46.1%	21.1%	14.2%	5.8%	2.6%
Royalty	31.1%	9.2%	30.3%	44.6%	46.2%	16.3%	15.8%	5.8%	2.6%
Operating Expenses	-4.7%	7.7%	28.7%	34.0%	17.3%	13.6%	4.9%	5.8%	2.6%
Exploration and prospecting expenditure	2.5%	102.3%	-39.9%	-4.9%	16.8%	138.1%	-38.3%	5.8%	2.6%
Other Charges	54.6%	0.6%	44.7%	99.3%	68.2%	10.8%	27.3%	5.8%	2.6%
Other income / Expenses	-95.8%	1573.5%	-239.7%	-74.8%	-257.7%	4.3%	-415.7%	5.8%	2.6%
Profit from operations	66.0%	-13.1%	72.4%	72.1%	67.3%	10.5%	26.7%	5.8%	2.6%
Finance Income	-21.0%	-34.1%	-31.6%	228.6%	130.8%	181.4%	-26.6%	-38.8%	2.6%
Finance Cost	80.9%	-67.9%	39.0%	-19.8%	25.3%	22.9%	0.0%	0.0%	0.0%
Profit before income tax	49.7%	0.1%	69.9%	82.0%	71.0%	18.9%	20.9%	2.6%	2.7%
Income tax expense	107.6%	-43.4%	294.8%	144.2%	111.1%	5.6%	36.2%	2.6%	2.7%
Profit for the year	43.3%	7.1%	51.0%	68.3%	58.2%	24.6%	15.4%	2.6%	2.7%
EPS	43.3%	7.1%	51.0%	68.3%	58.2%	24.6%	15.4%	2.6%	2.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	21.96	22.86	29.11	40.66	50.58	56.77	76.64	76.64	76.64
NP Margin	%	6.40	6.37	9.44	15.37	20.70	23.90	32.60	31.63	31.65
OP Margin	%	8.87	7.15	12.10	20.16	28.71	29.40	44.04	44.04	44.04
ROE	%	49.15	35.67	35.78	38.25	38.25	32.54	28.54	22.92	19.25
ROA	%	8.61	10.16	9.76	10.66	11.05	10.75	9.84	9.19	8.35
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	1.06	0.93	1.16	1.19	1.25	1.34	1.75	2.00	2.16
Quick	x	0.95	0.79	1.09	1.16	1.20	1.29	1.67	1.91	2.08
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Receivables Days		133.9	103.4	205.4	347.8	462.7	516.1	1100.2	1100.2	1000.2
Payables Days		194.3	172.7	293.5	576.5	881.9	1132.6	2476.6	2265.2	2333.7
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		5.22	5.10	5.20	6.00	6.00	6.10	7.04	7.22	7.42
Div. Yield	%	0.33	0.32	0.33	0.38	0.38	0.39	0.45	0.46	0.47
Dividend Cover	x	8.1	8.9	13.2	19.2	30.4	37.3	37.3	37.3	37.3
Retention	%	-8.3	8.1	12.0	-2.6	-5.3	-3.9	-3.9	-3.9	-3.9
Payout	%	108.3	91.9	88.0	102.6	105.3	103.9	103.9	103.9	103.9
No. of Shares	('m)	133.4	133.4	133.4	133.4	133.4	133.4	133.4	133.4	133.4
EPS		42.4	45.4	68.5	115.2	182.4	227.2	262.3	269.1	276.4
BVPS		86	127	191	301	477	698	919	1174	1436
P/E	x	37.07	34.61	22.92	13.62	8.61	6.91	5.99	5.83	5.68
Sales per share		145	163	211	305	881	951	804	851	873
P/BV	x	18.22	12.34	8.20	5.21	3.29	2.25	1.71	1.34	1.09
P/S	x	10.81	9.65	7.43	5.15	1.78	1.65	1.95	1.85	1.80
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Total Debt to Equity	x	0.95	0.07	0.20	0.00	0.00	0.00	0.00	0.00	0.00
L.T Debt to Equity	x	0.81	0.06	0.16	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	5.43	4.66	12.43	14.97	32.72	44.29	42.88	51.65	52.98

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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