

MARI

1QFY21 Result Review: BUY Stance Maintained

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MARI has announced its 1QFY21 result where it posted profit after tax of Rs9.1bn (EPS: Rs67.96) as compared to profit after tax of Rs7.5bn (EPS: Rs55.94) in same period last year, up by 21.5% YoY.

The company has posted the revenue of Rs20.4bn against Rs17.9bn in SPLY, recording a growth of 14.1% YoY. We note that this growth is attributed to the increase in gas production and depreciation of PKR against USD during the period.

Operating cost has been decreased by 7.1% YoY to Rs3bn as compared to Rs3.3bn during SPLY.

Finance cost has been decreased by 9.4% YoY to Rs225mn due to lower provision of decommissioning cost. Similarly, the finance income has also been decreased by 20.7% YoY to Rs938mn on account of lower interest rates.

Lastly, lower effective taxation of 29.6% as compared to 30.3% during SPLY also contributed to the upsurge of the eps.

MARI is currently trading at a FY21E PE of 5.4x. Furthermore, the scrip is also trading at FY21E PB of 1.41x which provides a discount of 79% relative to its 5-year average of 6.79x. Going forward, we have a **BUY** stance on the scrip with a DCF based Jun-21 TP of Rs 1,630 as the demand for crude oil is set to bounce back this year at a historically quick pace. We have assumed the Arab Light price at \$45 in FY21 and \$50 thereafter till FY25, in our working.

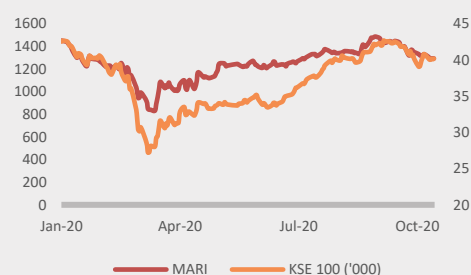
Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	20,373	17,849	14.1% ▲	72,015	59,448	21.1% ▲
Operating Cost	-3,023	-3,255	7.1% ▼	-13,302	-11,713	13.6% ▲
Exploration Cost	-1,221	-2,043	40.3% ▼	-10,258	-4,308	138.1% ▲
Other Charges	-908	-810	12.2% ▲	-2,698	-2,436	10.8% ▲
Operating Profit	12,174	9,775	24.5% ▲	37,291	33,743	10.5% ▲
Finance Income	938	1,183	20.7% ▼	4,974	1,767	181.4% ▲
Finance cost	-225	-248	9.4% ▼	-986	-802	22.9% ▲
Profit Before Taxation	12,886	10,709	20.3% ▲	41,279	34,708	18.9% ▲
Taxation	-3,820	-3,246	17.7% ▲	-10,967	-10,381	5.6% ▲
Profit After Taxation	9,066	7,463	21.5% ▲	30,313	24,327	24.6% ▲
Earnings Per Share	67.96	55.94	21.5% ▲	227.23	182.36	24.6% ▲
Dividend	0.00	0.00		6.00	6.00	
Bonus	0%	0%		0%	10%	
Operating Cost to Sales	-14.8%	-18.2%	3.4% ▼	-18.5%	-19.7%	1.2% ▼
Exploration Cost to Sales	-6.0%	-11.4%	5.5% ▼	-14.2%	-7.2%	7.0% ▲
Other Charges to Sales	-4.5%	-4.5%	0.1% ▼	-3.7%	-4.1%	0.4% ▼
Effective Taxation	-29.6%	-30.3%	0.7% ▼	-26.6%	-29.9%	3.3% ▼
Net Margin	44.5%	41.8%	2.7% ▲	42.1%	40.9%	1.2% ▲

Source: ACPL Research, Company Financials

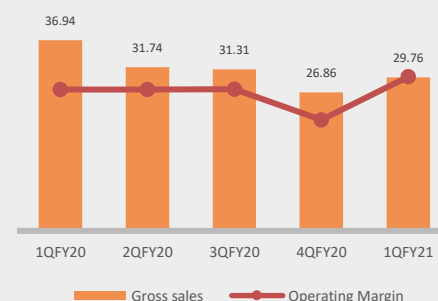
Key Statistics

Symbol	MARI
TP - Jun 21	1,630.00
LDCP	1,291.74
Upside (%)	26
Free Float ('mn)	27
Market Cap. (Rs.'mn)	172,321

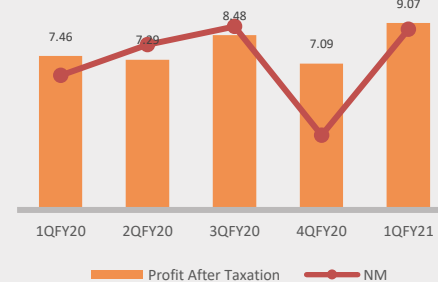
MARI vs KSE 100



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	130,406	137,131	144,462
Gas development surcharge	-18,018	-25,860	-19,581	-11,030	-9,280	-18,916	-19,447	-20,450	-21,543
General sales tax	-12,371	-13,509	-13,746	-11,668	-12,098	-12,767	-13,125	-13,802	-14,540
Excise duty	-1,630	-1,694	-1,794	-1,907	-1,888	-1,876	-1,929	-2,029	-2,137
Gas infrastructure development	-36,050	-31,933	-33,480	-34,762	-34,827	-21,273	-21,870	-22,998	-24,227
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	74,035	77,853	82,015
Royalty	-2,519	-2,750	-3,584	-5,181	-7,575	-8,806	-9,053	-9,519	-10,028
Operating Expenses	-5,376	-5,791	-7,450	-9,985	-11,713	-13,302	-13,302	-13,302	-13,302
Exploration and prospecting expenditure	-3,194	-6,462	-3,881	-3,690	-4,308	-10,258	-10,258	-10,258	-10,258
Other Charges	-499	-502	-726	-1,448	-2,436	-2,698	-2,774	-2,917	-3,073
Other income / Expenses	35	587	-820	-207	326	340	350	368	387
Profit from operations	7,823	6,795	11,715	20,166	33,743	37,291	38,998	42,224	45,741
Finance Income	517	341	233	766	1,767	4,974	7,172	3,272	3,447
Finance Cost	-1,788	-574	-798	-640	-802	-986	-986	-986	-986
Profit before income tax	6,552	6,561	11,149	20,292	34,708	41,279	45,185	44,511	48,203
Income tax expense	-902	-510	-2,013	-4,917	-10,381	-10,967	-13,515	-13,313	-14,417
Profit for the year	5,650	6,051	9,136	15,374	24,327	30,313	31,670	31,198	33,785
EPS	42.4	45.4	68.5	115.2	182.4	227.2	237.4	233.9	253.3

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%	2.8%	5.2%	5.3%
Gas development surcharge	-9.7%	43.5%	-24.3%	-43.7%	-15.9%	103.8%	2.8%	5.2%	5.3%
General sales tax	24.3%	9.2%	1.7%	-15.1%	3.7%	5.5%	2.8%	5.2%	5.3%
Excise duty	5.3%	3.9%	5.9%	6.2%	-1.0%	-0.6%	2.8%	5.2%	5.3%
Gas infrastructure development	51.9%	-11.4%	4.8%	3.8%	0.2%	-38.9%	2.8%	5.2%	5.3%
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%	2.8%	5.2%	5.3%
Royalty	31.1%	9.2%	30.3%	44.6%	46.2%	16.3%	2.8%	5.2%	5.3%
Operating Expenses	-4.7%	7.7%	28.7%	34.0%	17.3%	13.6%	0.0%	0.0%	0.0%
Exploration and prospecting expenditure	2.5%	102.3%	-39.9%	-4.9%	16.8%	138.1%	0.0%	0.0%	0.0%
Other Charges	54.6%	0.6%	44.7%	99.3%	68.2%	10.8%	2.8%	5.2%	5.3%
Other income / Expenses	-95.8%	1573.5%	-239.7%	-74.8%	-257.7%	4.3%	2.8%	5.2%	5.3%
Profit from operations	66.0%	-13.1%	72.4%	72.1%	67.3%	10.5%	4.6%	8.3%	8.3%
Finance Income	-21.0%	-34.1%	-31.6%	228.6%	130.8%	181.4%	44.2%	-54.4%	5.3%
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%	9.5%	-1.5%	8.3%
Income tax expense	107.6%	-43.4%	294.8%	144.2%	111.1%	5.6%	23.2%	-1.5%	8.3%
Profit for the year	43.3%	7.1%	51.0%	68.3%	58.2%	24.6%	4.5%	-1.5%	8.3%
EPS	43.3%	7.1%	51.0%	68.3%	58.2%	24.6%	4.5%	-1.5%	8.3%

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	56.77	56.77	56.77
NP Margin	%	6.40	6.37	9.44	15.37	20.70	23.90	24.29	22.75	23.39
OP Margin	%	8.87	7.15	12.10	20.16	28.71	29.40	29.91	30.79	31.66
ROE	%	49.15	35.67	35.78	38.25	38.25	32.54	25.83	20.34	18.39
ROA	%	8.61	10.16	9.76	10.66	11.05	10.75	9.02	8.05	7.90
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	1.72	1.90	2.07
Quick	x	0.95	0.79	1.09	1.16	1.20	1.29	1.63	1.81	1.98
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	908.9	908.9	908.9
Payables Days		194.3	172.7	293.5	576.5	881.9	1132.6	1101.7	1057.3	1020.9
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		5.22	5.10	5.20	6.00	6.00	6.10	6.37	6.28	6.80
Div. Yield	%	0.40	0.39	0.40	0.46	0.46	0.47	0.49	0.49	0.53
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	237.4	233.9	253.3
BVPS		86	127	191	301	477	698	919	1150	1377
P/E	x	30.50	28.48	18.86	11.21	7.08	5.68	5.44	5.52	5.10
Sales per share		145	163	211	305	881	951	978	1028	1083
P/BV	x	14.99	10.16	6.75	4.29	2.71	1.85	1.41	1.12	0.94
P/S	x	8.89	7.94	6.12	4.24	1.47	1.36	1.32	1.26	1.19
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	46.85	46.16

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
- IV. Sum of Parts Valuation

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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
Underweight	Negative

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