

MARI

9MFY20 Result Review: Stance Downgraded to HOLD

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MARI has announced its 3QFY20 result where it posted profit after tax of Rs23.2bn (EPS: Rs174.1) in 9MFY20 as compared to profit after tax of Rs16.8bn (EPS: Rs126) in same period last year, up by 38.2% YoY.

The company has posted the revenue of Rs53.5bn against Rs43.5bn in SPLY, recording a growth of 23% 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 increased by 9.5% YoY to Rs9.8bn as compared to Rs9bn during SPLY. However, the operating cost to sales ratio has been declined by 2.3 ppt. Furthermore, the exploration cost has been increased by 66.1% YoY to Rs5.7bn as compared to Rs3.5bn during SPLY on account of the activities related to the collection of seismic data from new fields.

Finance cost has been increased by 81.3% YoY to Rs735mn due to higher provision of decommissioning cost. Contrarily, the finance income has massively been increased by 271.3% YoY to Rs3.9bn on account of higher interest rates. Lastly, lower effective taxation of 28.5% in 9MFY20 as compared to 31.1% during SPLY also contributed in the upsurge of the eps.

Going forward, we have a **HOLD** stance on the scrip with a DCF based Dec-20 TP of Rs 1,120 as the oil prices are near the 18-year low level of around \$18 after OPEC lowered its global oil demand forecast due to the "historic shock" delivered by the coronavirus outbreak. We expect the global crude oil demand to remain sluggish during next couple of quarters. However, we expect some recovery in demand by the end of this calendar year. We have assumed the Arab Light price at \$25 in FY21 and \$30 thereafter till FY25, in our working.

Rupees' millions	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	18,978	14,521	30.7% ▲	53,529	43,507	23.0% ▲
Operating Cost	-3,426	-3,329	2.9% ▲	-9,838	-8,985	9.5% ▲
Exploration Cost	-2,227	-927	140.3% ▲	-5,739	-3,454	66.1% ▲
Other Charges	-758	-539	40.5% ▲	-2,275	-1,739	30.9% ▲
Operating Profit	10,419	7,585	37.4% ▲	29,335	23,755	23.5% ▲
Finance Income	1,340	539	148.6% ▲	3,902	1,051	271.3% ▲
Finance cost	-243	-159	53.4% ▲	-735	-405	81.3% ▲
Profit Before Taxation	11,516	7,965	44.6% ▲	32,502	24,400	33.2% ▲
Taxation	-3,039	-2,214	37.3% ▲	-9,277	-7,591	22.2% ▲
Profit After Taxation	8,477	5,751	47.4% ▲	23,225	16,809	38.2% ▲
Earnings Per Share	63.54	43.11	47.4% ▲	174.10	126.00	38.2% ▲
Dividend	0.00	0.00		4.10	4.00	
Bonus	0%	0%		0%	0%	
Operating Cost to Sales	-18.1%	-22.9%	4.9% ▼	-18.4%	-20.7%	2.3% ▼
Exploration Cost to Sales	-11.7%	-6.4%	5.4% ▲	-10.7%	-7.9%	2.8% ▲
Other Charges to Sales	-4.0%	-3.7%	0.3% ▲	-4.3%	-4.0%	0.3% ▲
Effective Taxation	-26.4%	-27.8%	1.4% ▼	-28.5%	-31.1%	2.6% ▼
Net Margin	44.7%	39.6%	5.1% ▲	43.4%	38.6%	4.8% ▲

Source: ACPL Research, Company Financials

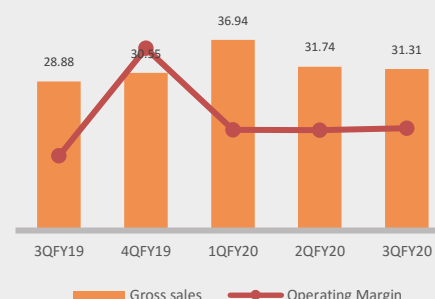
Key Statistics

Symbol	MARI
TP - Dec 20	1,120.00
LDCP	1,025.01
Upside (%)	9.27
Free Float ('mn)	27
Market Cap. (Rs.'mn)	136,739

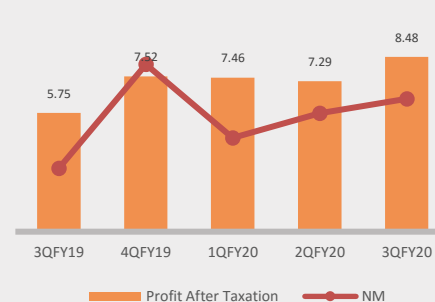
MARI vs KSE 100



Sales (Rs'bn) vs Operating Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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