

# MARI

## 9MFY21 Result Review: BUY Stance Maintained

Equity Research | Oil & Gas Exploration Companies | Monday, 19 April, 2021



MARI has announced its 9MFY21 result where it posted profit after tax of Rs23.4bn (EPS: Rs175.08) as compared to profit after tax of Rs23.2bn (EPS: Rs174.10) in same period last year, up by 0.6% YoY.

The company has posted the revenue of Rs55.3bn against Rs53.5bn in SPLY, recording a growth of 3.4% YoY. We note that this growth is attributed to the increase in gas production.

Operating cost has been increased by 8.2% YoY to Rs10.6bn as compared to Rs9.8bn during SPLY.

Finance cost has been decreased by 8.1% YoY to Rs675mn due to lower provision of decommissioning cost. Similarly, the finance income has also been decreased by 33.4% YoY to Rs2.6bn on account of lower interest rates.

Lastly, decline in exploration cost by 30.7% YoY also contributed to the upsurge of the bottom line.

MARI is currently trading at a FY21E PE of 6.84x. Furthermore, the scrip is also trading at FY21E PB of 1.76x which provides a discount of 79% relative to its 5-year average of 8.53x. 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 11%. Furthermore, it also offers a dividend yield of around 4% which makes a total return of 15%.

Rupees' millions	3QFY21	3QFY20	YoY	9MFY20	9MFY19	YoY
Net Sales	16,122	18,978	15.0% ▼	55,342	53,529	3.4% ▲
Operating Cost	-3,483	-3,426	1.7% ▲	-10,647	-9,838	8.2% ▲
Exploration Cost	-947	-2,227	57.5% ▼	-3,974	-5,739	30.7% ▼
Other Charges	-678	-758	10.5% ▼	-2,330	-2,275	2.4% ▲
<b>Operating Profit</b>	<b>8,999</b>	<b>10,419</b>	<b>13.6% ▼</b>	<b>30,965</b>	<b>29,335</b>	<b>5.6% ▲</b>
Finance Income	847	1,340	36.8% ▼	2,597	3,902	33.4% ▼
Finance cost	-225	-243	7.4% ▼	-675	-735	8.1% ▼
Profit Before Taxation	9,621	11,516	16.5% ▼	32,887	32,502	1.2% ▲
Taxation	-2,666	-3,039	12.3% ▼	-9,531	-9,277	2.7% ▲
<b>Profit After Taxation</b>	<b>6,955</b>	<b>8,477</b>	<b>18.0% ▼</b>	<b>23,356</b>	<b>23,225</b>	<b>0.6% ▲</b>
Earnings Per Share	52.14	63.54	18.0% ▼	175.08	174.10	0.6% ▲
Dividend	60.00	0.00		66.00	4.00	
Bonus	0%	0%		0%	0%	

Closing Period: 3 May 2021 - 9 May 2021

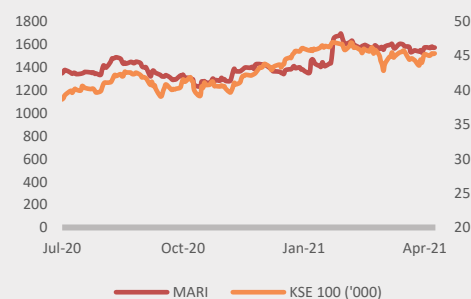
	3QFY21	3QFY20	YoY	9MFY20	9MFY19	YoY
Operating Cost to Sales	-21.6%	-18.1%	3.6% ▲	-19.2%	-18.4%	0.9% ▲
Exploration Cost to Sales	-5.9%	-11.7%	5.9% ▼	-7.2%	-10.7%	3.5% ▼
Other Charges to Sales	-4.2%	-4.0%	0.2% ▲	-4.2%	-4.3%	0.0% ▼
Effective Taxation	-27.7%	-26.4%	1.3% ▲	-29.0%	-28.5%	0.4% ▲
Net Margin	43.1%	44.7%	1.5% ▼	42.2%	43.4%	1.2% ▼

Source: ACPL Research, Company Financials

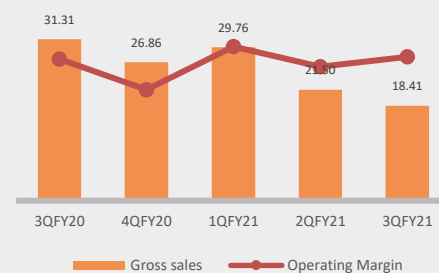
### Key Statistics

Symbol	MARI
TP - Dec 21	1,800.00
LDCP	1,622.00
Upside (%)	11
Free Float ('mn)	27
Market Cap. (Rs.'mn)	216,379

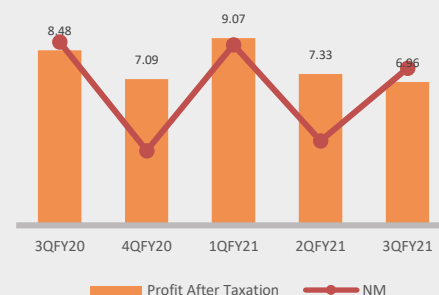
### MARI vs KSE 100



### 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	97,223	99,934	102,577
Gas development surcharge	-18,018	-25,860	-19,581	-11,030	-9,280	-18,916	-10,403	-10,693	-10,976
General sales tax	-12,371	-13,509	-13,746	-11,668	-12,098	-12,767	-9,785	-10,058	-10,324
Excise duty	-1,630	-1,694	-1,794	-1,907	-1,888	-1,876	-1,944	-1,999	-2,052
Gas infrastructure development	-36,050	-31,933	-33,480	-34,762	-34,827	-21,273	-583	-600	-615
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
<b>Net Sales</b>	<b>19,376</b>	<b>21,713</b>	<b>28,175</b>	<b>40,676</b>	<b>59,448</b>	<b>72,015</b>	<b>74,507</b>	<b>76,585</b>	<b>78,610</b>
Royalty	-2,519	-2,750	-3,584	-5,181	-7,575	-8,806	-9,236	-9,494	-9,745
Operating Expenses	-5,376	-5,791	-7,450	-9,985	-11,713	-13,302	-12,639	-12,991	-13,335
Exploration and prospecting expenditure	-3,194	-6,462	-3,881	-3,690	-4,308	-10,258	-5,736	-5,896	-6,052
Other Charges	-499	-502	-726	-1,448	-2,436	-2,698	-3,111	-3,198	-3,282
Other income / Expenses	35	587	-820	-207	326	340	-972	-999	-1,026
<b>Profit from operations</b>	<b>7,823</b>	<b>6,795</b>	<b>11,715</b>	<b>20,166</b>	<b>33,743</b>	<b>37,291</b>	<b>42,812</b>	<b>44,006</b>	<b>45,170</b>
Finance Income	517	341	233	766	1,767	4,974	3,306	1,965	2,017
Finance Cost	-1,788	-574	-798	-640	-802	-986	-986	-985	-985
<b>Profit before income tax</b>	<b>6,552</b>	<b>6,561</b>	<b>11,149</b>	<b>20,292</b>	<b>34,708</b>	<b>41,279</b>	<b>45,132</b>	<b>44,986</b>	<b>46,202</b>
Income tax expense	-902	-510	-2,013	-4,917	-10,381	-10,967	-13,499	-13,455	-13,819
<b>Profit for the year</b>	<b>5,650</b>	<b>6,051</b>	<b>9,136</b>	<b>15,374</b>	<b>24,327</b>	<b>30,313</b>	<b>31,633</b>	<b>31,531</b>	<b>32,383</b>
<b>EPS</b>	<b>42.4</b>	<b>45.4</b>	<b>68.5</b>	<b>115.2</b>	<b>182.4</b>	<b>227.2</b>	<b>237.1</b>	<b>236.4</b>	<b>242.7</b>

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%	-23.4%	2.8%	2.6%
Gas development surcharge	-9.7%	43.5%	-24.3%	-43.7%	-15.9%	103.8%	-45.0%	2.8%	2.6%
General sales tax	24.3%	9.2%	1.7%	-15.1%	3.7%	5.5%	-23.4%	2.8%	2.6%
Excise duty	5.3%	3.9%	5.9%	6.2%	-1.0%	-0.6%	3.6%	2.8%	2.6%
Gas infrastructure development	51.9%	-11.4%	4.8%	3.8%	0.2%	-38.9%	-97.3%	2.8%	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%
<b>Net Sales</b>	<b>30.2%</b>	<b>12.1%</b>	<b>29.8%</b>	<b>44.4%</b>	<b>46.1%</b>	<b>21.1%</b>	<b>3.5%</b>	<b>2.8%</b>	<b>2.6%</b>
Royalty	31.1%	9.2%	30.3%	44.6%	46.2%	16.3%	4.9%	2.8%	2.6%
Operating Expenses	-4.7%	7.7%	28.7%	34.0%	17.3%	13.6%	-5.0%	2.8%	2.6%
Exploration and prospecting expenditure	2.5%	102.3%	-39.9%	-4.9%	16.8%	138.1%	-44.1%	2.8%	2.6%
Other Charges	54.6%	0.6%	44.7%	99.3%	68.2%	10.8%	15.3%	2.8%	2.6%
Other income / Expenses	-95.8%	1573.5%	-239.7%	-74.8%	-257.7%	4.3%	-385.9%	2.8%	2.6%
<b>Profit from operations</b>	<b>66.0%</b>	<b>-13.1%</b>	<b>72.4%</b>	<b>72.1%</b>	<b>67.3%</b>	<b>10.5%</b>	<b>14.8%</b>	<b>2.8%</b>	<b>2.6%</b>
Finance Income	-21.0%	-34.1%	-31.6%	228.6%	130.8%	181.4%	-33.5%	-40.6%	2.6%
Finance Cost	80.9%	-67.9%	39.0%	-19.8%	25.3%	22.9%	0.0%	-0.1%	0.0%
<b>Profit before income tax</b>	<b>49.7%</b>	<b>0.1%</b>	<b>69.9%</b>	<b>82.0%</b>	<b>71.0%</b>	<b>18.9%</b>	<b>9.3%</b>	<b>-0.3%</b>	<b>2.7%</b>
Income tax expense	107.6%	-43.4%	294.8%	144.2%	111.1%	5.6%	23.1%	-0.3%	2.7%
<b>Profit for the year</b>	<b>43.3%</b>	<b>7.1%</b>	<b>51.0%</b>	<b>68.3%</b>	<b>58.2%</b>	<b>24.6%</b>	<b>4.4%</b>	<b>-0.3%</b>	<b>2.7%</b>
<b>EPS</b>	<b>43.3%</b>	<b>7.1%</b>	<b>51.0%</b>	<b>68.3%</b>	<b>58.2%</b>	<b>24.6%</b>	<b>4.4%</b>	<b>-0.3%</b>	<b>2.7%</b>

Source: ACPL Research, Company Financials

**Key Ratios**

<b>Profitability Ratios</b>		<b>FY15A</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
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	32.54	31.55	31.57
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	25.80	18.86	15.30
ROA	%	8.61	10.16	9.76	10.66	11.05	10.75	9.01	8.84	8.34
<b>Liquidity Ratios</b>		<b>FY15A</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Current	x	1.06	0.93	1.16	1.19	1.25	1.34	1.72	1.98	2.10
Quick	x	0.95	0.79	1.09	1.16	1.20	1.29	1.65	1.90	2.02
<b>Activity Ratios</b>		<b>FY15A</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
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	2733.9	2330.4	2333.7
<b>Investment Ratios</b>		<b>FY15A</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
DPS		5.22	5.10	5.20	6.00	6.00	6.10	70.00	70.00	70.00
Div. Yield	%	0.32	0.31	0.32	0.37	0.37	0.38	4.32	4.32	4.32
Dividend Cover	x	8.1	8.9	13.2	19.2	30.4	37.3	3.4	3.4	3.5
Retention	%	-8.3	8.1	12.0	-2.6	-5.3	-3.9	70.5	70.4	71.2
Payout	%	108.3	91.9	88.0	102.6	105.3	103.9	29.5	29.6	28.8
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	237.1	236.4	242.7
BVPS		86	127	191	301	477	698	919	1253	1586
P/E	x	38.30	35.76	23.68	14.07	8.89	7.14	6.84	6.86	6.68
Sales per share		145	163	211	305	881	951	729	749	769
P/BV	x	18.82	12.75	8.47	5.38	3.40	2.32	1.76	1.29	1.02
P/S	x	11.17	9.97	7.68	5.32	1.84	1.71	2.23	2.17	2.11
<b>Solvency Ratios</b>		<b>FY15A</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
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	46.79	46.67

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

### VALUATION METHODOLOGY

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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Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

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