

MARI

9MFY23 Result Review: BUY Stance Maintained

Equity Research | Oil & Gas Exploration Companies | Tuesday, 2 May, 2023



MARI has announced its 9MFY23 result where it posted a profit after tax of Rs40.29bn (EPS: Rs302.03) as compared to a profit after tax of Rs27.46bn (EPS: Rs205.84) in the same period last year, up by 46.7% YoY amid increase in gas production and the devaluation of PKR.

The company has posted a revenue of Rs98.84bn against Rs67.62bn in SPLY, recording a growth of 46.2% YoY. The gross margin has declined slightly to 16.4% as compared to 17.5% during SPLY.

The operating cost has increased by 29.3% YoY to Rs16.18bn as compared to Rs11.82bn during SPLY. Exploration cost has surged by 1.11x YoY to Rs9.54bn given dry wells. Finance income and finance cost have increased by 1.67x and 1.25x YoY respectively. Moreover, effective taxation has jumped to 33.7% as compared to 30.5%.

MARI is currently trading at a FY23E PE of 3.95x. Furthermore, the scrip is also trading at FY23E PB of 1.29x which provides a discount of 32% relative to its 3-year average of 1.91x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs 2,000 which provides an upside potential of 26%. Furthermore, it also offers a dividend yield of around 13% which makes a total return of 39%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	37,838	25,199	50.2% ▲	98,840	67,617	46.2% ▲
Operating Cost	-6,641	-4,445	49.4% ▲	-16,178	-11,822	36.8% ▲
Exploration Cost	-3,816	-1,874	103.6% ▲	-9,539	-4,519	111.1% ▲
Other Charges	-451	-1,030	56.2% ▼	-4,175	-5,054	17.4% ▼
Operating Profit	20,905	14,559	43.6% ▲	55,833	37,711	48.1% ▲
Finance Income	4,644	845	449.4% ▲	6,858	2,565	167.4% ▲
Finance cost	-451	-245	84.1% ▲	-1,323	-588	125.0% ▲
Profit Before Taxation	24,651	15,003	64.3% ▲	60,803	39,531	53.8% ▲
Taxation	-8,221	-4,113	99.9% ▲	-20,512	-12,072	69.9% ▲
Profit After Taxation	16,430	10,889	50.9% ▲	40,291	27,459	46.7% ▲
Earnings Per Share	123.16	81.63	50.9% ▲	302.03	205.84	46.7% ▲
Dividend	0.00	0.00	-	89.00	62.00	43.5% ▲
Bonus	0%	0%	-	0.00	0%	-
Operating Cost to Sales	-17.6%	-17.6%	0.1% ▼	-16.4%	-17.5%	1.1% ▼
Exploration Cost to Sales	-10.1%	-7.4%	2.6% ▲	-9.7%	-6.7%	3.0% ▲
Other Charges to Sales	-1.2%	-4.1%	2.9% ▼	-4.2%	-7.5%	3.3% ▼
Effective Taxation	-33.4%	-27.4%	5.9% ▲	-33.7%	-30.5%	3.2% ▲
Net Margin	43.4%	43.2%	0.2% ▲	40.8%	40.6%	0.2% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	MARI
TP - Dec 23	2000
LDCP	1,589.86
Upside (%)	26
Free Float ('mn)	27
Market Cap. (Rs.'mn)	212,091

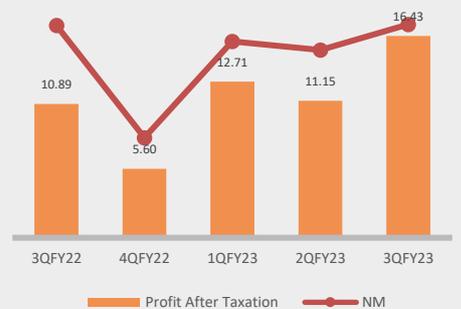
MARI vs KSE 100



Sales (Rs'bn) vs Operating Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116
Email: salman@abbasiandcompany.com

Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net Sales	72,015	73,018	95,134	130,917	133,782	137,133	140,724
Royalty	-8,806	-9,315	-12,000	-16,475	-16,937	-17,448	-17,905
Operating Expenses	-13,302	-15,040	-17,403	-21,570	-24,703	-25,449	-26,115
Exploration and prospecting expenditure	-10,258	-4,544	-10,932	-12,719	-12,243	-12,613	-12,943
Other Charges	-2,698	-3,082	-3,623	-5,566	-5,731	-5,904	-6,059
Other income / Expenses	340	264	-2,565	-1,012	-211	-217	-223
Profit from operations	37,291	41,301	48,613	73,575	73,957	75,502	77,479
Finance Income	4,974	3,941	4,483	9,144	9,416	9,700	9,954
Finance Cost	-986	-1,310	-980	-1,764	-2,240	-2,100	-1,960
Profit before income tax	41,279	43,931	52,116	80,955	81,133	83,102	85,473
Income tax expense	-10,967	-12,486	-19,053	-27,310	-26,774	-27,424	-28,206
Profit for the year	30,313	31,445	33,063	53,645	54,359	55,678	57,267
EPS	227.2	235.7	247.8	402.1	407.5	417.4	429.3

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net Sales	21.1%	1.4%	30.3%	37.6%	2.2%	2.5%	2.6%
Royalty	16.3%	5.8%	28.8%	37.3%	2.8%	3.0%	2.6%
Operating Expenses	13.6%	13.1%	15.7%	23.9%	14.5%	3.0%	2.6%
Exploration and prospecting expenditure	138.1%	-55.7%	140.6%	16.4%	-3.7%	3.0%	2.6%
Other Charges	10.8%	14.2%	17.5%	53.7%	3.0%	3.0%	2.6%
Other income / Expenses	4.3%	-22.4%	-1071.6%	-60.6%	-79.2%	3.0%	2.6%
Profit from operations	10.5%	10.8%	17.7%	51.3%	0.5%	2.1%	2.6%
Finance Income	181.4%	-20.8%	13.8%	104.0%	3.0%	3.0%	2.6%
Finance Cost	22.9%	33.0%	-25.2%	80.0%	27.0%	-6.2%	-6.7%
Profit before income tax	18.9%	6.4%	18.6%	55.3%	0.2%	2.4%	2.9%
Income tax expense	5.6%	13.9%	52.6%	43.3%	-2.0%	2.4%	2.9%
Profit for the year	24.6%	3.7%	5.1%	62.3%	1.3%	2.4%	2.9%
EPS	24.6%	3.7%	5.1%	62.3%	1.3%	2.4%	2.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	56.77	88.30	87.30	88.72	88.05	87.61	87.61
NP Margin	%	23.90	38.03	30.34	36.35	35.78	35.57	35.65
OP Margin	%	29.40	49.95	44.61	49.86	48.68	48.24	48.24
ROE	%	32.54	27.22	25.27	32.73	24.99	20.48	17.49
ROA	%	10.75	20.91	17.86	23.56	20.58	18.66	17.13
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.34	3.61	2.26	3.27	3.44	3.79	4.10
Quick	x	1.29	3.24	1.96	2.83	3.05	3.40	3.71
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		516.1	124.6	110.7	125.8	125.8	125.7	125.7
Payables Days		1132.6	651.1	614.7	510.9	600.2	594.7	597.0
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		6.10	141.00	124.00	201.00	204.00	209.00	215.00
Div. Yield	%	0.38	8.87	7.80	12.64	12.83	13.15	13.52
Dividend Cover	x	37.3	1.7	2.0	2.0	2.0	2.0	2.0
Retention	%	-3.9	40.2	50.0	50.0	50.0	50.0	50.0
Payout	%	103.9	59.8	50.0	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		227.2	235.7	247.8	402.1	407.5	417.4	429.3
BVPS		698	866	981	1229	1631	2038	2455
P/E	x	7.00	6.74	6.41	3.95	3.90	3.81	3.70
Sales per share		951	620	817	1106	1139	1173	1204
P/BV	x	2.28	1.84	1.62	1.29	0.97	0.78	0.65
P/S	x	1.67	2.56	1.95	1.44	1.40	1.35	1.32
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.00	0.00	0.01	0.00	0.00	0.00	0.00
L.T Debt to Equity	x	0.00	0.00	0.01	0.00	0.00	0.00	0.00
Interest Cover	x	44.29	42.88	34.52	54.19	46.89	37.23	40.58

Source: ACPL Research, Company Financials

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

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

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

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

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

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

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

RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com