

MARI

FY20 Result Review: Stance Upgraded to BUY

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MARI has announced its annual result where it posted profit after tax of Rs30.3bn (EPS: Rs227.23) as compared to profit after tax of Rs24.3bn (EPS: Rs182.36) in same period last year, up by 24.6% YoY.

The company has posted the revenue of Rs72.0bn against Rs59.4bn in SPLY, recording a growth of 21.1% 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 increased by 13.6% YoY to Rs13.3bn as compared to Rs11.7bn during SPLY. However, the operating cost to sales ratio has been declined by 1.2 ppt. Furthermore, the exploration cost has been increased by 138.1% YoY to Rs10.3bn as compared to Rs4.3bn during SPLY.

Finance cost has been increased by 22.9% YoY to Rs986mn due to higher provision of decommissioning cost. Contrarily, the finance income has massively been increased by 181.4% YoY to Rs4.97bn on account of higher interest rates.

Lastly, lower effective taxation of 26.6% as compared to 29.9% during SPLY also contributed to the upsurge of the eps.

MARI is currently trading at a FY21E PE of 5.7x. Furthermore, the scrip is also trading at FY21E PB of 1.55x which provides a discount of 78% relative to its 5-year average of 7.13x. Going forward, we have a **BUY** stance on the scrip with a DCF based Jun-21 TP of Rs 1,800 as the demand for crude oil is set to bounce back next 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.

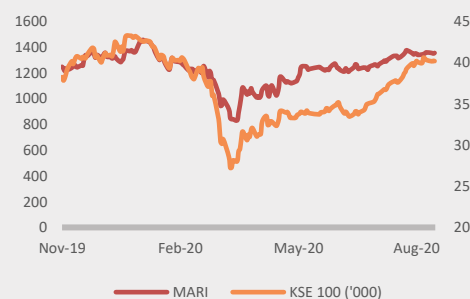
Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	18,486	15,941	16.0% ▲	72,015	59,448	21.1% ▲
Operating Cost	-3,464	-2,728	27.0% ▲	-13,302	-11,713	13.6% ▲
Exploration Cost	-4,519	-854	429.2% ▲	-10,258	-4,308	138.1% ▲
Other Charges	-423	-697	39.3% ▼	-2,698	-2,436	10.8% ▲
Operating Profit	7,956	9,988	20.3% ▼	37,291	33,743	10.5% ▲
Finance Income	1,072	716	49.6% ▲	4,974	1,767	181.4% ▲
Finance cost	-251	-396	36.8% ▼	-986	-802	22.9% ▲
Profit Before Taxation	8,777	10,308	14.9% ▼	41,279	34,708	18.9% ▲
Taxation	-1,689	-2,790	39.5% ▼	-10,967	-10,381	5.6% ▲
Profit After Taxation	7,088	7,518	5.7% ▼	30,313	24,327	24.6% ▲
Earnings Per Share	53.13	56.35	5.7% ▼	227.23	182.36	24.6% ▲
Dividend	2.00	2.00		6.10	6.00	
Bonus	10%	10%		10%	10%	
Closing Period: 22 Sep 2020 - 29 Sep 2020						
Operating Cost to Sales	-18.7%	-17.1%	1.6% ▲	-18.5%	-19.7%	1.2% ▼
Exploration Cost to Sales	-24.4%	-5.4%	19.1% ▲	-14.2%	-7.2%	7.0% ▲
Other Charges to Sales	-2.3%	-4.4%	2.1% ▼	-3.7%	-4.1%	0.4% ▼
Effective Taxation	-19.2%	-27.1%	7.8% ▼	-26.6%	-29.9%	3.3% ▼
Net Margin	38.3%	47.2%	8.8% ▼	42.1%	40.9%	1.2% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	MARI
TP - Jun 21	1,800.00
LDCP	1,352.92
Upside (%)	33.05
Free Float ('mn)	27
Market Cap. (Rs.'mn)	180,483

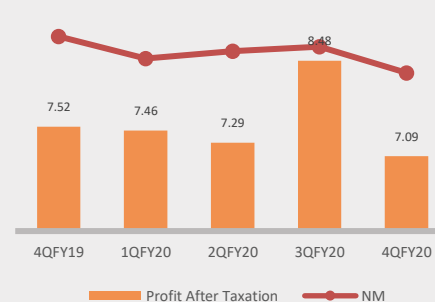
MARI vs KSE 100



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	130,296	137,006	144,334
Gas development surcharge	-18,018	-25,860	-19,581	-11,030	-9,280	-18,916	-19,430	-20,431	-21,524
General sales tax	-12,371	-13,509	-13,746	-11,668	-12,098	-12,767	-13,114	-13,789	-14,527
Excise duty	-1,630	-1,694	-1,794	-1,907	-1,888	-1,876	-1,927	-2,027	-2,135
Gas infrastructure development	-36,050	-31,933	-33,480	-34,762	-34,827	-21,273	-21,851	-22,977	-24,206
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	73,972	77,782	81,942
Royalty	-2,519	-2,750	-3,584	-5,181	-7,575	-8,806	-9,045	-9,511	-10,019
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	-2,772	-2,914	-3,070
Other income / Expenses	35	587	-820	-207	326	340	349	367	387
Profit from operations	7,823	6,795	11,715	20,166	33,743	37,291	38,945	42,164	45,680
Finance Income	517	341	233	766	1,767	4,974	7,166	3,269	3,444
Finance Cost	-1,788	-574	-798	-640	-802	-986	-912	-912	-912
Profit before income tax	6,552	6,561	11,149	20,292	34,708	41,279	45,199	44,521	48,211
Income tax expense	-902	-510	-2,013	-4,917	-10,381	-10,967	-13,519	-13,316	-14,420
Profit for the year	5,650	6,051	9,136	15,374	24,327	30,313	31,680	31,205	33,791
EPS	42.4	45.4	68.5	115.2	182.4	227.2	237.5	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%	2.7%	5.2%	5.3%
Gas development surcharge	-9.7%	43.5%	-24.3%	-43.7%	-15.9%	103.8%	2.7%	5.2%	5.3%
General sales tax	24.3%	9.2%	1.7%	-15.1%	3.7%	5.5%	2.7%	5.2%	5.3%
Excise duty	5.3%	3.9%	5.9%	6.2%	-1.0%	-0.6%	2.7%	5.2%	5.3%
Gas infrastructure development	51.9%	-11.4%	4.8%	3.8%	0.2%	-38.9%	2.7%	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%	2.7%	5.2%	5.3%
Royalty	31.1%	9.2%	30.3%	44.6%	46.2%	16.3%	2.7%	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%	2.7%	5.2%	5.3%
Other income / Expenses	-95.8%	1573.5%	-239.7%	-74.8%	-257.7%	4.3%	2.7%	5.2%	5.3%
Profit from operations	66.0%	-13.1%	72.4%	72.1%	67.3%	10.5%	4.4%	8.3%	8.3%
Finance Income	-21.0%	-34.1%	-31.6%	228.6%	130.8%	181.4%	44.1%	-54.4%	5.3%
Finance Cost	80.9%	-67.9%	39.0%	-19.8%	25.3%	22.9%	-7.4%	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%	23.3%	-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	24.31	22.78	23.41
OP Margin	%	8.87	7.15	12.10	20.16	28.71	29.40	29.89	30.78	31.65
ROE	%	49.15	35.67	35.78	38.25	38.25	34.76	27.15	21.16	19.00
ROA	%	8.61	10.16	9.76	10.66	11.05	10.86	8.60	7.61	7.39
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	1.06	0.93	1.16	1.19	1.25	1.61	1.62	1.77	1.91
Quick	x	0.95	0.79	1.09	1.16	1.20	1.54	1.56	1.71	1.85
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Receivables Days		133.9	103.4	205.4	347.8	462.7	550.2	550.2	550.2	550.2
Payables Days		194.3	172.7	293.5	576.5	881.9	934.4	1225.3	1175.7	1135.2
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		5.22	5.10	5.20	6.00	6.00	6.10	6.38	6.28	6.80
Div. Yield	%	0.39	0.38	0.38	0.44	0.44	0.45	0.47	0.46	0.50
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	237.5	233.9	253.3
BVPS		86	127	191	301	477	654	875	1106	1333
P/E	x	31.94	29.82	19.75	11.74	7.42	5.95	5.70	5.78	5.34
Sales per share		145	163	211	305	881	951	977	1027	1082
P/BV	x	15.70	10.64	7.07	4.49	2.84	2.07	1.55	1.22	1.01
P/S	x	9.31	8.31	6.41	4.44	1.54	1.42	1.39	1.32	1.25
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	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	50.55	49.80

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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- 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
Underweight	Negative

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