

MARI

FY21 Result Review: BUY Stance Maintained

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MARI has announced its FY21 result where it posted profit after tax of Rs31bn (EPS: Rs235.71) as compared to profit after tax of Rs30bn (EPS: Rs227.23) in same period last year, up by 3.7% YoY.

The company has posted the revenue of Rs73bn against Rs72bn in SPLY, recording a growth of 1.4% YoY. We note that this growth is attributed to the increase in gas production.

Operating cost has been increased by 13.1% YoY to Rs15bn as compared to Rs13bn during SPLY. Finance cost has been increased by 33% YoY to Rs1.3bn due to higher provision of decommissioning cost. Finance income has been decreased by 20.8% YoY to Rs3.9bn on account of lower interest rates.

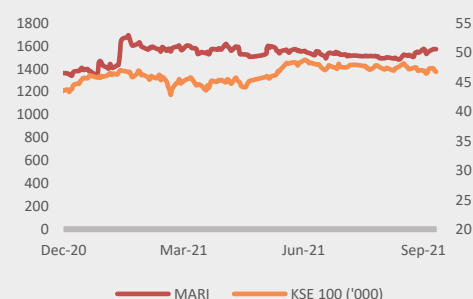
Lastly, decline in exploration cost by 55.7% YoY also contributed to the upsurge of the bottom line.

MARI is currently trading at a FY22E PE of 5.49x. Furthermore, the scrip is also trading at FY22E PB of 1.42x which provides a discount of 74% relative to its 5-year average of 5.50x. We have a **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 2,180 which provides an upside potential of 39%. Furthermore, it also offers a dividend yield of around 11% which makes a total return of 50%.

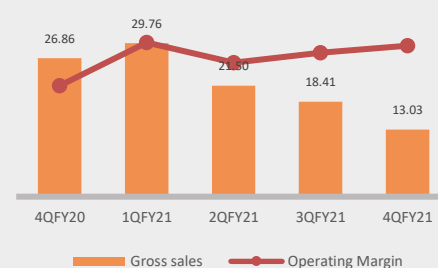
Key Statistics

Symbol	MARI
TP - Jun 22	2,180.33
LDCP	1,570.68
Upside (%)	39
Free Float ('mn)	27
Market Cap. (Rs.'mn)	209,533

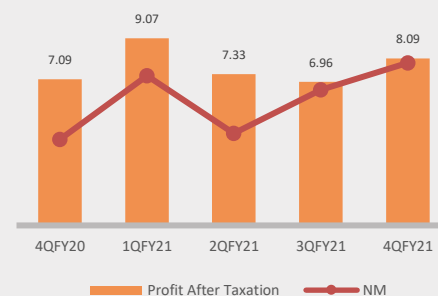
MARI vs KSE 100



Sales (Rs'bn) vs Operating Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	17,677	18,486	4.4% ▼	73,018	72,015	1.4% ▲
Operating Cost	-4,392	-3,464	26.8% ▲	-15,040	-13,302	13.1% ▲
Exploration Cost	-569	-4,519	87.4% ▼	-4,544	-10,258	55.7% ▼
Other Charges	-752	-423	77.8% ▲	-3,082	-2,698	14.2% ▲
Operating Profit	10,336	7,956	29.9% ▲	41,301	37,291	10.8% ▲
Finance Income	1,343	1,072	25.3% ▲	3,941	4,974	20.8% ▼
Finance cost	-635	-251	153.3% ▲	-1,310	-986	33.0% ▲
Profit Before Taxation	11,044	8,777	25.8% ▲	43,931	41,279	6.4% ▲
Taxation	-2,956	-1,689	75.0% ▲	-12,486	-10,967	13.9% ▲
Profit After Taxation	8,089	7,088	14.1% ▲	31,445	30,313	3.7% ▲
Earnings Per Share	60.63	53.13	14.1% ▲	235.71	227.23	3.7% ▲
Dividend	75.00	2.00	3650.0% ▲	141.00	6.00	2250.0% ▲
Bonus	0%	0%		0%	0%	
Closing Period: 19 Oct 2021 - 26 Oct 2021						
Operating Cost to Sales	-24.8%	-18.7%	6.1% ▲	-20.6%	-18.5%	2.1% ▲
Exploration Cost to Sales	-3.2%	-24.4%	21.2% ▼	-6.2%	-14.2%	8.0% ▼
Other Charges to Sales	-4.3%	-2.3%	2.0% ▲	-4.2%	-3.7%	0.5% ▲
Effective Taxation	-26.8%	-19.2%	7.5% ▲	-28.4%	-26.6%	1.9% ▲
Net Margin	45.8%	38.3%	7.4% ▲	43.1%	42.1%	1.0% ▲

Source: ACPL Research, Company Financials

Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Net Sales	19,376	21,713	28,175	40,676	59,448	72,015	73,018	93,883	96,684
Royalty	-2,519	-2,750	-3,584	-5,181	-7,575	-8,806	-9,315	-11,977	-12,334
Operating Expenses	-5,376	-5,791	-7,450	-9,985	-11,713	-13,302	-15,040	-19,337	-19,914
Exploration and prospecting expenditure	-3,194	-6,462	-3,881	-3,690	-4,308	-10,258	-4,544	-5,842	-6,016
Other Charges	-499	-502	-726	-1,448	-2,436	-2,698	-3,082	-3,963	-4,082
Other income / Expenses	35	587	-820	-207	326	340	264	339	350
Profit from operations	7,823	6,795	11,715	20,166	33,743	37,291	41,301	53,103	54,688
Finance Income	517	341	233	766	1,767	4,974	3,941	2,381	2,452
Finance Cost	-1,788	-574	-798	-640	-802	-986	-1,310	-985	-986
Profit before income tax	6,552	6,561	11,149	20,292	34,708	41,279	43,931	54,499	56,153
Income tax expense	-902	-510	-2,013	-4,917	-10,381	-10,967	-12,486	-16,300	-16,795
Profit for the year	5,650	6,051	9,136	15,374	24,327	30,313	31,445	38,198	39,358
EPS	42.4	45.4	68.5	115.2	182.4	227.2	235.7	286.3	295.0

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Net Sales	30.2%	12.1%	29.8%	44.4%	46.1%	21.1%	1.4%	28.6%	3.0%
Royalty	31.1%	9.2%	30.3%	44.6%	46.2%	16.3%	5.8%	28.6%	3.0%
Operating Expenses	-4.7%	7.7%	28.7%	34.0%	17.3%	13.6%	13.1%	28.6%	3.0%
Exploration and prospecting expenditure	2.5%	102.3%	-39.9%	-4.9%	16.8%	138.1%	-55.7%	28.6%	3.0%
Other Charges	54.6%	0.6%	44.7%	99.3%	68.2%	10.8%	14.2%	28.6%	3.0%
Other income / Expenses	-95.8%	1573.5%	-239.7%	-74.8%	-257.7%	4.3%	-22.4%	28.6%	3.0%
Profit from operations	66.0%	-13.1%	72.4%	72.1%	67.3%	10.5%	10.8%	28.6%	3.0%
Finance Income	-21.0%	-34.1%	-31.6%	228.6%	130.8%	181.4%	-20.8%	-39.6%	3.0%
Finance Cost	80.9%	-67.9%	39.0%	-19.8%	25.3%	22.9%	33.0%	-24.8%	0.1%
Profit before income tax	49.7%	0.1%	69.9%	82.0%	71.0%	18.9%	6.4%	24.1%	3.0%
Income tax expense	107.6%	-43.4%	294.8%	144.2%	111.1%	5.6%	13.9%	30.5%	3.0%
Profit for the year	43.3%	7.1%	51.0%	68.3%	58.2%	24.6%	3.7%	21.5%	3.0%
EPS	43.3%	7.1%	51.0%	68.3%	58.2%	24.6%	3.7%	21.5%	3.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
GP Margin	%	21.96	22.86	29.11	40.66	50.58	56.77	88.30	88.30	88.30
NP Margin	%	6.40	6.37	9.44	15.37	20.70	23.90	38.03	35.93	35.94
OP Margin	%	8.87	7.15	12.10	20.16	28.71	29.40	49.95	49.95	49.95
ROE	%	49.15	35.67	35.78	38.25	38.25	32.54	25.64	25.83	22.04
ROA	%	8.61	10.16	9.76	10.66	11.05	10.75	8.95	10.54	9.15
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21A	FY22E	FY23E
Current	x	1.06	0.93	1.16	1.19	1.25	1.34	1.72	1.94	1.84
Quick	x	0.95	0.79	1.09	1.16	1.20	1.29	1.66	1.85	1.77
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21A	FY22E	FY23E
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	6419.3	4553.7	5685.3
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
DPS		5.22	5.10	5.20	6.00	6.00	6.10	141.00	171.28	176.48
Div. Yield	%	0.33	0.32	0.33	0.38	0.38	0.39	8.98	10.90	11.24
Dividend Cover	x	8.1	8.9	13.2	19.2	30.4	37.3	1.7	1.7	1.7
Retention	%	-8.3	8.1	12.0	-2.6	-5.3	-3.9	40.2	40.2	40.2
Payout	%	108.3	91.9	88.0	102.6	105.3	103.9	59.8	59.8	59.8
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	235.7	286.3	295.0
BVPS		86	127	191	301	477	698	919	1109	1339
P/E	x	37.08	34.63	22.93	13.63	8.61	6.91	6.66	5.49	5.32
Sales per share		145	163	211	305	881	951	620	797	821
P/BV	x	18.23	12.35	8.20	5.21	3.29	2.25	1.71	1.42	1.17
P/S	x	10.81	9.65	7.44	5.15	1.78	1.65	2.53	1.97	1.91
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	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	34.52	56.32

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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SELL	Less than and equal to -5%

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