

# MARI

## FY22 Result Review: BUY Stance Maintained

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MARI has announced its FY22 result where it posted a profit after tax of Rs33.063bn (EPS: Rs247.84) as compared to profit after tax of Rs31.445bn (EPS: Rs235.71) in the same period last year, up by 5.1% YoY.

The company has posted a revenue of Rs95.13bn against Rs73.01bn in SPLY, recording a growth of 30.3% YoY. We note that this growth is attributed to the increase in gas production and oil prices.

The operating cost has been increased by 15.7% YoY to Rs17.40bn as compared to Rs15.03bn during SPLY. Furthermore, exploration cost has increased by 140.6% YoY to Rs10.93bn as compared to Rs4.54bn during SPLY.

Finance income has increased by 13.8% YoY to Rs4.483bn. Finance cost has been decreased by 25.2% YoY to Rs980mn due to lower provision of decommissioning cost. Moreover, effective taxation has jumped to 55.5% as compared to 26.8% due to the super tax imposed by the government.

MARI is currently trading at a FY23E PE of 6.72x. Furthermore, the scrip is also trading at FY23E PB of 1.30x which provides a discount of 20% relative to its 3-year average of 2.00x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs 2,000 which provides an upside potential of 18%. Furthermore, it also offers a dividend yield of around 7% which makes a total return of 25%.

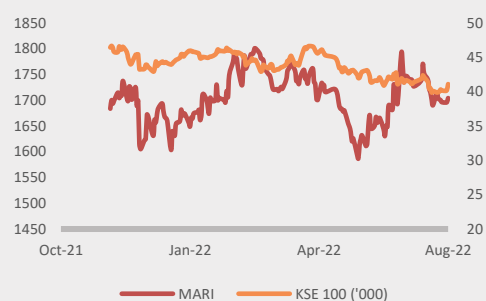
Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	27,517	17,686	55.6% ▲	95,134	73,018	30.3% ▲
Operating Cost	-5,581	-4,402	26.8% ▲	-17,403	-15,040	15.7% ▲
Exploration Cost	-6,413	-569	1026.4% ▲	-10,932	-4,544	140.6% ▲
Other Charges	1,431	-752	290.3% ▼	-3,623	-3,082	17.5% ▲
<b>Operating Profit</b>	<b>13,515</b>	<b>10,384</b>	<b>30.2% ▲</b>	<b>51,226</b>	<b>41,349</b>	<b>23.9% ▲</b>
Finance Income	1,918	1,292	48.4% ▲	4,483	3,941	13.8% ▲
Finance cost	-392	-584	32.9% ▼	-980	-1,310	25.2% ▼
Profit Before Taxation	12,585	11,044	14.0% ▲	52,116	43,931	18.6% ▲
Taxation	-6,982	-2,956	136.2% ▲	-19,053	-12,486	52.6% ▲
<b>Profit After Taxation</b>	<b>5,604</b>	<b>8,089</b>	<b>30.7% ▼</b>	<b>33,063</b>	<b>31,445</b>	<b>5.1% ▲</b>
Earnings Per Share	42.01	60.63	30.7% ▼	247.84	235.71	5.1% ▲
Dividend	62.00	75.00	17.3% ▼	124.00	141.00	12.1% ▼
Bonus	0%	0%		0%	0%	
Closing period; 22 Sep 2022 to 28 Sep 2022						
Operating Cost to Sales	-20.3%	-24.9%	4.6% ▼	-18.3%	-20.6%	2.3% ▼
Exploration Cost to Sales	-23.3%	-3.2%	20.1% ▲	-11.5%	-6.2%	5.3% ▲
Other Charges to Sales	5.2%	-4.3%	0.9% ▲	-3.8%	-4.2%	0.4% ▼
Effective Taxation	-55.5%	-26.8%	28.7% ▲	-36.6%	-28.4%	8.1% ▲
Net Margin	20.4%	45.7%	25.4% ▼	34.8%	43.1%	8.3% ▼

Source: ACPL Research, Company Financials

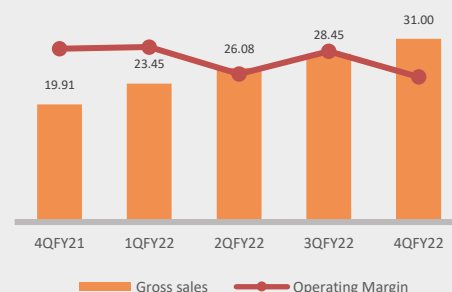
### Key Statistics

Symbol	MARI
TP - Jun 23	2,000.00
LDPC	1,697
Upside (%)	25
Free Float ('mn)	20
Market Cap. (Rs.'mn)	226,384

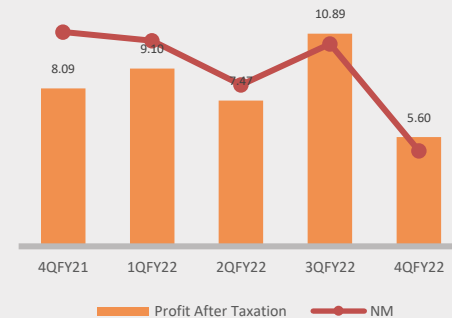
### MARI vs KSE 100



### 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	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net Sales	59,448	72,015	73,018	95,134	106,588	110,955	115,369
Royalty	-7,575	-8,806	-9,315	-12,000	-13,100	-13,637	-14,179
Operating Expenses	-11,713	-13,302	-15,040	-17,403	-21,786	-22,679	-23,581
Exploration and prospecting expenditure	-4,308	-10,258	-4,544	-10,932	-25,034	-26,059	-27,096
Other Charges	-2,436	-2,698	-3,082	-3,623	5,587	5,816	6,047
Other income / Expenses	326	340	264	-2,565	-9,916	-10,322	-10,733
<b>Profit from operations</b>	<b>33,743</b>	<b>37,291</b>	<b>41,301</b>	<b>48,613</b>	<b>42,339</b>	<b>44,074</b>	<b>45,828</b>
Finance Income	1,767	4,974	3,941	4,483	7,488	7,795	8,105
Finance Cost	-802	-986	-1,310	-980	-1,454	-1,310	-1,087
<b>Profit before income tax</b>	<b>34,708</b>	<b>41,279</b>	<b>43,931</b>	<b>52,116</b>	<b>48,373</b>	<b>50,558</b>	<b>52,845</b>
Income tax expense	-10,381	-10,967	-12,486	-19,053	-14,688	-15,352	-16,046
<b>Profit for the year</b>	<b>24,327</b>	<b>30,313</b>	<b>31,445</b>	<b>33,063</b>	<b>33,685</b>	<b>35,207</b>	<b>36,799</b>
EPS	182.4	227.2	235.7	247.8	252.5	263.9	275.8

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net Sales	46.1%	21.1%	1.4%	30.3%	12.0%	4.1%	4.0%
Royalty	46.2%	16.3%	5.8%	28.8%	9.2%	4.1%	4.0%
Operating Expenses	17.3%	13.6%	13.1%	15.7%	25.2%	4.1%	4.0%
Exploration and prospecting expenditure	16.8%	138.1%	-55.7%	140.6%	129.0%	4.1%	4.0%
Other Charges	68.2%	10.8%	14.2%	17.5%	-254.2%	4.1%	4.0%
Other income / Expenses	-257.7%	4.3%	-22.4%	-1071.6%	286.6%	4.1%	4.0%
<b>Profit from operations</b>	<b>67.3%</b>	<b>10.5%</b>	<b>10.8%</b>	<b>17.7%</b>	<b>-12.9%</b>	<b>4.1%</b>	<b>4.0%</b>
Finance Income	130.8%	181.4%	-20.8%	13.8%	67.0%	4.1%	4.0%
Finance Cost	25.3%	22.9%	33.0%	-25.2%	48.4%	-9.9%	-17.0%
<b>Profit before income tax</b>	<b>71.0%</b>	<b>18.9%</b>	<b>6.4%</b>	<b>18.6%</b>	<b>-7.2%</b>	<b>4.5%</b>	<b>4.5%</b>
Income tax expense	111.1%	5.6%	13.9%	52.6%	-22.9%	4.5%	4.5%
<b>Profit for the year</b>	<b>58.2%</b>	<b>24.6%</b>	<b>3.7%</b>	<b>5.1%</b>	<b>1.9%</b>	<b>4.5%</b>	<b>4.5%</b>
EPS	58.2%	24.6%	3.7%	5.1%	1.9%	4.5%	4.5%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	50.58	56.77	88.30	87.30	88.09	88.09	88.09
NP Margin	%	20.70	23.90	38.03	30.34	27.84	27.95	28.10
OP Margin	%	28.71	29.40	49.95	44.61	34.99	34.99	34.99
ROE	%	38.25	32.54	27.22	23.48	19.38	16.96	15.16
ROA	%	11.05	10.75	20.91	15.34	13.52	12.43	11.72
Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	1.25	1.34	3.61	6.09	5.74	5.66	6.20
Quick	x	1.20	1.29	3.24	5.60	5.30	5.28	5.81
Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Receivables Days		462.7	516.1	124.6	140.8	130.8	120.7	110.7
Payables Days		881.9	1132.6	651.1	508.5	671.0	796.8	797.7
Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
DPS		6.00	6.10	141.00	124.00	126.00	132.00	138.00
Div. Yield	%	0.35	0.36	8.31	7.31	7.42	7.78	8.13
Dividend Cover	x	30.4	37.3	1.7	2.0	2.0	2.0	2.0
Retention	%	-5.3	-3.9	40.2	50.0	50.0	50.0	50.0
Payout	%	105.3	103.9	59.8	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		182.4	227.2	235.7	247.8	252.5	263.9	275.8
BVPS		477	698	866	1055	1303	1556	1820
P/E	x	9.31	7.47	7.20	6.85	6.72	6.43	6.15
Sales per share		881	951	620	817	907	944	982
P/BV	x	3.56	2.43	1.96	1.61	1.30	1.09	0.93
P/S	x	1.93	1.78	2.74	2.08	1.87	1.80	1.73
Solvency Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	32.72	44.29	42.88	34.52	54.19	34.28	39.58

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

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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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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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