

MARI

1HFY23 Result Review: BUY Stance Maintained

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MARI has announced its 1HFY23 result where it posted a profit after tax of Rs23.86bn (EPS: Rs178.87) as compared to a profit after tax of Rs16.57bn (EPS: Rs124.21) in the same period last year, up by 44% YoY.

The company has posted a revenue of Rs61bn against Rs42.42bn in SPLY, recording a growth of 43.8% YoY. We note that this growth is attributed to the increase in gas production and the devaluation of PKR.

The operating cost has increased by 29.3% YoY to Rs9.54bn as compared to Rs7.38bn during SPLY. Furthermore, exploration cost has jumped by 116.4% YoY to Rs5.72bn as compared to Rs2.64bn during SPLY.

Finance income and finance cost have increased by 28.8% and 154% YoY respectively. Moreover, effective taxation has jumped to 34.0% as compared to 32.4% due to the super tax imposed by the government.

MARI is currently trading at a FY23E PE of 3.97x. Furthermore, the scrip is also trading at FY23E PB of 1.16x which provides a discount of 32% relative to its 3-year average of 1.71x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs 1,770 which provides an upside potential of 25%. Furthermore, it also offers a dividend yield of around 12% which makes a total return of 37%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	29,177	21,692	34.5% ▲	61,002	42,418	43.8% ▲
Operating Cost	-3,683	-4,105	10.3% ▼	-9,537	-7,377	29.3% ▲
Exploration Cost	-4,344	-895	385.1% ▲	-5,723	-2,644	116.4% ▲
Other Charges	-432	-3,236	86.6% ▼	-2,545	-4,024	36.8% ▼
Operating Profit	16,123	10,871	48.3% ▲	34,928	23,151	50.9% ▲
Finance Income	1,192	854	39.6% ▲	2,214	1,720	28.8% ▲
Finance cost	-432	-244	77.3% ▲	-872	-343	154.3% ▲
Profit Before Taxation	16,827	11,481	46.6% ▲	36,152	24,528	47.4% ▲
Taxation	-5,680	-4,010	41.7% ▲	-12,290	-7,958	54.4% ▲
Profit After Taxation	11,147	7,471	49.2% ▲	23,862	16,570	44.0% ▲
Earnings Per Share	83.56	56.00	49.2% ▲	178.87	124.21	44.0% ▲
Dividend	89.00	62.00	43.5% ▲	89.00	62.00	43.5% ▲
Bonus	0%	0%		0.00	0%	

Closing period: 6 Feb 2023 to 8 Feb 2023

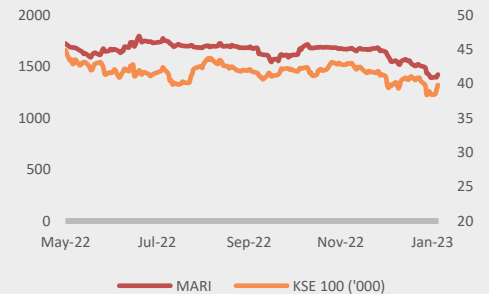
	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Operating Cost to Sales	-12.6%	-18.9%	6.3% ▼	-15.6%	-17.4%	1.8% ▼
Exploration Cost to Sales	-14.9%	-4.1%	10.8% ▲	-9.4%	-6.2%	3.1% ▲
Other Charges to Sales	-1.5%	-14.9%	13.4% ▼	-4.2%	-9.5%	5.3% ▼
Effective Taxation	-33.8%	-34.9%	1.2% ▼	-34.0%	-32.4%	1.6% ▲
Net Margin	38.2%	34.4%	3.8% ▲	39.1%	39.1%	0.1% ▲

Source: ACPL Research, Company Financials

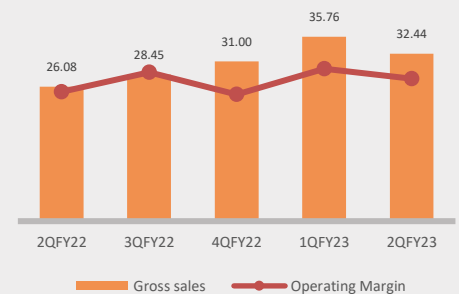
Key Statistics

Symbol	MARI
TP - Dec 23	1,770.00
LDCP	1,419.91
Upside (%)	25
Free Float ('mn)	27
Market Cap. (Rs.'mn)	190,766

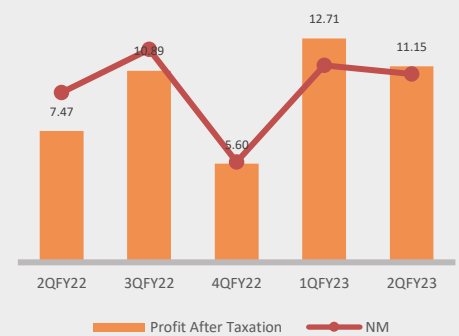
MARI vs KSE 100



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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net Sales	72,015	73,018	95,134	122,158	127,303	132,499	133,838
Royalty	-8,806	-9,315	-12,000	-15,406	-16,055	-16,710	-16,879
Operating Expenses	-13,302	-15,040	-17,403	-19,126	-22,874	-23,808	-24,048
Exploration and prospecting expenditure	-10,258	-4,544	-10,932	-11,463	-11,401	-11,867	-11,987
Other Charges	-2,698	-3,082	-3,623	-5,103	-5,318	-5,535	-5,591
Other income / Expenses	340	264	-2,565	-1,177	-1,227	-1,277	-1,290
Profit from operations	37,291	41,301	48,613	69,882	70,427	73,302	74,043
Finance Income	4,974	3,941	4,483	4,441	4,628	4,817	4,866
Finance Cost	-986	-1,310	-980	-2,100	-2,240	-2,100	-1,960
Profit before income tax	41,279	43,931	52,116	72,223	72,815	76,019	76,948
Income tax expense	-10,967	-12,486	-19,053	-24,553	-24,029	-25,086	-25,393
Profit for the year	30,313	31,445	33,063	47,670	48,786	50,933	51,555
EPS	227.2	235.7	247.8	357.3	365.7	381.8	386.5

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net Sales	21.1%	1.4%	30.3%	28.4%	4.2%	4.1%	1.0%
Royalty	16.3%	5.8%	28.8%	28.4%	4.2%	4.1%	1.0%
Operating Expenses	13.6%	13.1%	15.7%	9.9%	19.6%	4.1%	1.0%
Exploration and prospecting expenditure	138.1%	-55.7%	140.6%	4.9%	-0.5%	4.1%	1.0%
Other Charges	10.8%	14.2%	17.5%	40.9%	4.2%	4.1%	1.0%
Other income / Expenses	4.3%	-22.4%	-1071.6%	-54.1%	4.2%	4.1%	1.0%
Profit from operations	10.5%	10.8%	17.7%	43.8%	0.8%	4.1%	1.0%
Finance Income	181.4%	-20.8%	13.8%	-0.9%	4.2%	4.1%	1.0%
Finance Cost	22.9%	33.0%	-25.2%	114.3%	6.7%	-6.2%	-6.7%
Profit before income tax	18.9%	6.4%	18.6%	38.6%	0.8%	4.4%	1.2%
Income tax expense	5.6%	13.9%	52.6%	28.9%	-2.1%	4.4%	1.2%
Profit for the year	24.6%	3.7%	5.1%	44.2%	2.3%	4.4%	1.2%
EPS	24.6%	3.7%	5.1%	44.2%	2.3%	4.4%	1.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	56.77	88.30	87.30	89.31	89.31	89.31	89.31
NP Margin	%	23.90	38.03	30.34	34.85	34.22	34.33	34.40
OP Margin	%	29.40	49.95	44.61	51.09	49.41	49.41	49.41
ROE	%	32.54	27.22	25.27	29.08	23.07	19.57	16.57
ROA	%	10.75	20.91	17.86	21.60	19.45	17.99	16.37
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.34	3.61	2.26	3.09	3.35	3.62	3.84
Quick	x	1.29	3.24	1.96	2.68	2.96	3.24	3.46
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		516.1	124.6	110.7	116.0	105.9	95.8	85.8
Payables Days		1132.6	651.1	614.7	581.3	648.5	678.5	699.2
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		6.10	141.00	124.00	179.00	183.00	191.00	193.00
Div. Yield	%	0.43	9.93	8.73	12.61	12.89	13.45	13.59
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	357.3	365.7	381.8	386.5
BVPS		698	866	981	1229	1586	1951	2333
P/E	x	6.25	6.02	5.73	3.97	3.88	3.72	3.67
Sales per share		951	620	817	1025	1069	1112	1123
P/BV	x	2.03	1.64	1.45	1.16	0.90	0.73	0.61
P/S	x	1.49	2.29	1.74	1.38	1.33	1.28	1.26
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	35.40	33.51	37.20

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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- II. Dividend Discount Model
- 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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