

CPHL

1HFY23 Result Review: BUY Stance Maintained

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CPHL has announced its 1HFY23 result where it posted a profit after tax of Rs441mn (EPS: Rs1.93) as compared to profit after tax of Rs343mn (EPS: Rs1.5) in the same period last year, up by 28.4% YoY amid an increase in volumetric sales in addition to higher retention prices.

The company has posted a revenue of Rs6.171bn against Rs4.84bn in SPLY, recording a growth of 27.5% YoY. Moreover, the gross margin has slightly improved to 14.8% as compared to 14.5%.

SG&A expenses have decreased by 33.3% YoY to Rs172mn as compared to Rs258mn during SPLY. Moreover, finance cost has surged by 256.3% YoY to Rs122mn owing to higher short-term borrowings in addition to an increase in the interest rates. Lastly, the effective taxation has surged to 30.3% as compared to 26.2% during SPLY.

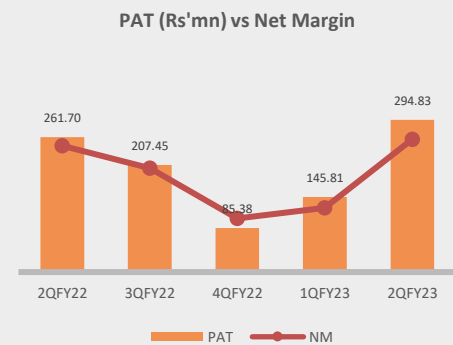
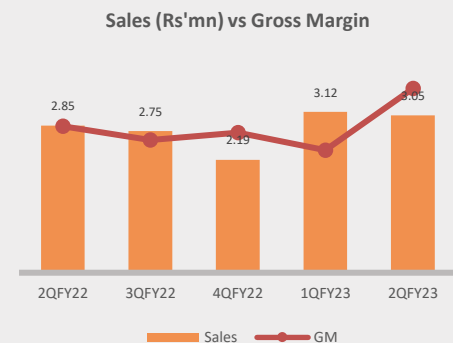
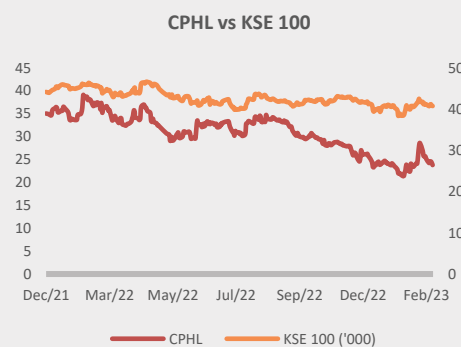
CPHL is currently trading at FY23E PE of 6.74x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs30 which provides an upside potential of 25%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	3,053	2,850	7.1% ▲	6,171	4,841	27.5% ▲
Cost of Sales	-2,508	-2,445	2.6% ▲	-5,255	-4,140	26.9% ▲
Gross Profit	545	405	34.6% ▲	915	701	30.5% ▲
SG&A Expenses	-85	-73	16.4% ▲	-172	-258	33.3% ▼
Other Expenses	-38	-25	55.1% ▲	-42	-33	27.0% ▲
Operating Profit	422	308	37.2% ▲	701	410	71.0% ▲
Other Income	5	58	91.5% ▼	53	89	41.1% ▼
Finance Cost	35	-26	236.7% ▼	-122	-34	256.3% ▲
Profit Before Taxation	463	340	36.0% ▲	632	465	35.9% ▲
Taxation	-168	-78	113.8% ▲	-191	-122	56.7% ▲
Profit After Taxation	295	262	12.7% ▲	441	343	28.4% ▲
Earnings Per Share	1.29	1.15	12.7% ▲	1.93	1.50	28.4% ▲
Dividend	0.00	0.00	-	0.00	0.00	-
Bonus	0.00	0%	-	0.00	0.00	-
Gross Margin	17.9%	14.2%	3.6% ▲	14.8%	14.5%	0.3% ▲
SG&A Expenses to Sales	2.8%	2.6%	0.2% ▲	2.8%	5.3%	2.5% ▼
Other Expenses to Sales	1.2%	0.9%	0.4% ▲	0.7%	0.7%	0.0% ▼
Other Income to Sales	0.2%	2.0%	1.9% ▼	0.9%	1.8%	1.0% ▼
Effective Taxation	36.3%	23.1%	13.2% ▲	30.3%	26.2%	4.0% ▲
Net Margin	9.7%	9.2%	0.5% ▲	7.1%	7.1%	0.1% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	CPHL
TP - Dec 23	30.00
LD/CP	24.11
Upside	25%
Free Float (mn)	79
Market Cap. (Rs.mn)	5,472



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	3,528	5,795	9,780	12,345	15,370	18,444	22,132
Cost of sale	3,088	5,015	8,428	10,514	12,984	15,555	18,635
Gross profit	440	780	1,352	1,831	2,385	2,888	3,497
Administration expenses	93	111	266	204	414	497	597
Marketing and selling expenses	88	99	103	141	332	398	478
Other operating expenses	15	35	75	85	83	100	120
Operating Profit	243	536	907	1,402	1,556	1,893	2,303
Other operating income	7	5	197	105	131	157	188
Finance cost	44	41	71	247	307	331	359
Profit before taxation	192	490	639	1,050	1,118	1,405	1,756
Taxation	61	148	397	416	455	567	704
Profit after taxation	146	352	636	844	924	1,151	1,428
EPS	0.64	1.54	2.78	3.70	4.05	5.04	6.25

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	35.3%	64.3%	68.8%	26.2%	24.5%	20.0%	20.0%
Cost of sale	35.7%	62.4%	68.1%	24.8%	23.5%	19.8%	19.8%
Gross profit	32.9%	77.5%	73.2%	35.5%	30.2%	21.1%	21.1%
Administration expenses	-10.1%	18.3%	141.1%	-23.5%	103.4%	20.0%	20.0%
Marketing and selling expenses	-2.9%	12.8%	4.2%	36.4%	135.8%	20.0%	20.0%
Other operating expenses	78.6%	133.1%	114.0%	12.8%	-2.1%	20.0%	20.0%
Operating Profit	89.5%	120.9%	72.1%	51.4%	10.2%	21.6%	21.6%
Other operating income	56.5%	-35.4%	3984.6%	-46.7%	24.5%	20.0%	20.0%
Finance cost	137.9%	-7.2%	74.2%	247.0%	24.4%	8.0%	8.4%
Profit before taxation	78.6%	133.1%	114.0%	12.8%	-2.1%	20.0%	20.0%
Taxation	-29.2%	141.6%	168.3%	4.7%	9.5%	24.6%	24.1%
Profit after taxation	423.8%	141.5%	80.8%	32.8%	9.5%	24.6%	24.1%
EPS	9.8%	-1.4%	-5.6%	31.4%	12.8%	12.8%	12.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	12.46	13.47	13.83	14.84	15.52	15.66	15.80
NP Margin	%	4.13	6.07	6.50	6.84	6.01	6.24	6.45
OP Margin	%	7.33	9.85	10.05	12.05	10.66	10.81	10.95
ROE	%	14.81	8.06	13.57	14.43	13.64	14.53	15.27
ROCE	%	11.93	7.54	12.50	13.96	13.32	14.23	15.01
ROA	%	5.89	5.41	7.87	11.30	9.86	10.20	10.47
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.11	2.45	1.85	1.43	1.54	1.67	1.81
Acid-test	x	1.02	2.34	1.04	1.28	1.43	1.57	1.73
Cash to current liab.	x	0.07	1.67	0.01	0.49	0.67	0.80	0.94
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	6	6	7	7	7	7	7
Inventory Days		59	61	53	53	53	53	53
Receivables Days		24	23	34	34	34	34	34
Payables Days		55	71	64	64	64	64	64
Operating Cycle		27	13	24	24	24	24	24
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	0.64	1.54	2.78	3.70	4.05	5.04	6.25
DPS	Rs.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	Rs.	4.30	19.11	20.51	25.61	29.66	34.70	40.95
Payout	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00
No. of Shares	mn	228	228	228	228	228	228	228
P/E		39.06	16.17	8.95	6.74	6.15	4.94	3.98
Sales per share		15.44	25.37	42.81	54.04	67.27	80.73	96.88
P/BV		5.78	1.30	1.21	0.97	0.84	0.72	0.61
Price to Sales		15.44	25.37	42.81	54.04	67.27	80.73	96.88
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.37	0.04	0.16	0.20	0.25	0.26	0.26
Interest Cover	x	7.71	15.68	16.99	6.68	6.58	7.39	8.27

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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