

EFERT

1QCY22 Result Review: BUY Stance Maintained

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EFERT has announced its 1QCY22 result where it posted a profit after tax of Rs5.51bn (EPS: Rs4.13) as compared to a profit after tax of Rs5.74bn (EPS: Rs4.3) in the same period last year, down by 4% YoY.

The company had posted a revenue of Rs36.81bn against Rs29.44bn in SPLY, recording a growth of 25% YoY. We assume that growth is attributed to increase in retention prices.

The gross margin has been decreased to 29.5% as compared to 39.3% in SPLY due to an increase in cost. SG&A expenses have increased by 10.1% YoY to Rs2.46bn as compared to Rs2.24bn during SPLY.

Other income has been increased by 6.7% YoY to Rs511mn as compared to Rs479mn during SPLY. Lastly an increase in finance cost by 76.4% YoY plunge the bottom line.

EFERT is currently trading at a CY22E P/E of 6.08x. Furthermore, the scrip is also trading at CY22E P/B of 2.68x which offers a discount of 5% relative to its historical 3-year average of 2.81. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs105 which provides a return of 9%. Further, it also provides a dividend yield of 17% which makes the total return of 26%.

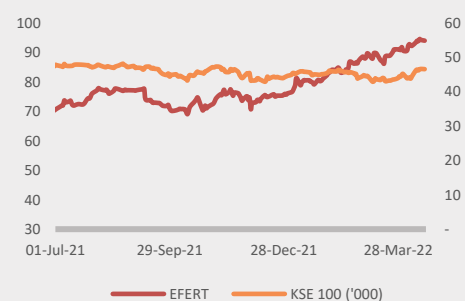
Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Net Sales	36,813	29,444	25.0% ▲	132,363	105,846	25.1% ▲
Cost of Sales	-25,952	-17,886	45.1% ▲	-88,289	-71,592	23.3% ▲
Gross Profit	10,861	11,558	6.0% ▼	44,074	34,255	28.7% ▲
SG&A Expenses	-2,464	-2,239	10.1% ▲	-10,430	-10,365	0.6% ▲
Other Expenses	-760	-869	12.5% ▼	-2,641	-1,905	38.7% ▲
Operating Profit	7,636	8,450	9.6% ▼	31,003	21,985	41.0% ▲
Other Income	511	479	6.7% ▲	490	2,550	80.8% ▼
Finance Cost	-475	-269	76.4% ▲	-1,602	-3,236	50.5% ▼
Profit Before Taxation	7,673	8,660	11.4% ▼	29,890	21,298	40.3% ▲
Taxation	-2,162	-2,919	25.9% ▼	-8,798	-3,165	178.0% ▲
Profit After Taxation	5,511	5,741	4.0% ▼	21,093	18,133	16.3% ▲
Earnings Per Share	4.13	4.30	4.0% ▼	15.80	13.58	16.3% ▲
Dividend	5.50	4.00	37.5% ▲	16.50	11.00	50.0% ▲
Bonus	-	-	-	-	-	-
Closing Period: 29 April 2022 – 02 May 2022						
Gross Margin	29.5%	39.3%	9.8% ▼	33.3%	32.4%	0.9% ▲
SG&A Expenses to Sales	-6.7%	-7.6%	0.9% ▼	-7.9%	-9.8%	1.9% ▼
Other Income to Sales	1.4%	1.6%	0.2% ▼	0.4%	2.4%	2.0% ▼
Ex. Gain / (Loss) to Sales	-6.7%	-7.6%	0.9% ▼	-7.9%	-9.8%	1.9% ▼
Effective Taxation	-28.2%	-33.7%	5.5% ▼	-29.4%	-14.9%	14.6% ▲
Net Margin	15.0%	19.5%	4.5% ▼	15.9%	17.1%	1.2% ▼

Source: ACPL Research, Company Financials

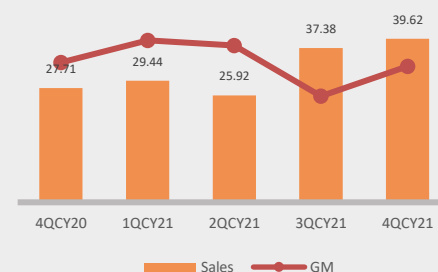
Key Statistics

Symbol	EFERT
TP - Dec 22	105.00
LDPC	96.00
Upside (%)	9
Free Float ('mn)	600
Market Cap. (Rs. 'mn)	128,535

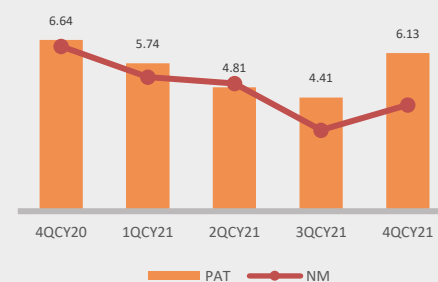
EFERT vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Nauman Naeem

Phone: (+92) 42 38302028; Ext: 116

Email: nauman@abbasiandcompany.com

Financial Projections

Rupees' millions	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	121,355	105,846	132,363	148,985	151,299	155,633	163,162
Cost of sale	81,815	71,592	88,289	102,984	106,286	110,736	118,522
Gross profit	39,540	34,255	44,074	46,001	45,013	44,897	44,640
Selling and promotion expenses	8,736	8,457	8,530	9,601	9,750	10,029	10,514
Administration expenses	1,248	1,908	1,900	2,139	2,172	2,235	2,343
Other operating expenses	2,623	1,905	3,942	2,235	2,269	2,334	2,447
Operating Profit	26,933	21,985	29,702	32,026	30,821	30,299	29,335
Other operating income	4,352	2,550	1,790	2,015	2,047	2,105	2,207
Finance cost	3,887	3,236	1,602	1,860	1,378	951	746
Profit before taxation	27,398	21,298	29,890	32,182	31,489	31,453	30,797
Taxation	10,526	3,165	8,798	9,333	9,132	9,121	8,931
Profit after taxation	16,871	18,133	21,093	22,849	22,358	22,332	21,866
EPS	12.63	13.58	15.80	17.11	16.74	16.72	16.38

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY23E	CY23E
Net sales	11.1%	-12.8%	25.1%	12.6%	1.6%	2.9%	4.8%
Cost of sale	10.7%	-12.5%	23.3%	16.6%	3.2%	4.2%	7.0%
Gross profit	12.0%	-13.4%	28.7%	4.4%	-2.1%	-0.3%	-0.6%
Selling and promotion expenses	9.1%	-3.2%	0.9%	12.6%	1.6%	2.9%	4.8%
Administration expenses	-21.3%	52.8%	-0.4%	12.6%	1.6%	2.9%	4.8%
Other operating expenses	83.2%	-27.4%	106.9%	-43.3%	1.6%	2.9%	4.8%
Operating Profit	10.9%	-18.4%	35.1%	7.8%	-3.8%	-1.7%	-3.2%
Other operating income	111.1%	-41.4%	-29.8%	12.6%	1.6%	2.9%	4.8%
Finance cost	87.7%	-16.7%	-50.5%	16.1%	-25.9%	-31.0%	-21.6%
Profit before taxation	12.8%	22.3%	-40.3%	7.7%	-2.2%	-0.1%	-2.1%
Taxation	53.3%	-69.9%	-178.0%	6.1%	-2.2%	-0.1%	-2.1%
Profit after taxation	-3.1%	7.5%	-16.3%	8.3%	-2.2%	-0.1%	-2.1%
EPS	-3.1%	7.5%	-16.3%	8.3%	-2.2%	-0.1%	-2.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	32.58	32.36	33.30	30.88	29.75	28.85	27.36
OP Margin	%	25.78	23.18	23.79	22.85	21.72	20.82	19.33
NP Margin	%	13.90	17.13	15.94	15.34	14.78	14.35	13.40
ROE	%	38.00	40.29	44.97	48.11	46.19	45.22	43.34
ROCE	%	25.56	18.96	23.81	23.88	21.59	21.26	20.50
ROA	%	13.79	14.02	15.95	16.03	14.69	14.65	14.21
Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	1.14	1.24	0.99	1.45	1.51	1.56	1.53
Acid-test	x	0.42	0.18	0.12	0.38	0.40	0.41	0.41
Cash to current liab.	x	0.07	0.07	0.02	0.03	0.03	0.03	0.03
Activity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	4	4	4	3	3	3
Inventory Days		56	50	55	55	55	55	55
Receivables Days		43	30	40	40	40	40	40
Payables Days		168	170	150	150	150	150	150
Operating Cycle		-70	-90	-55	-55	-55	-55	-55
Investment Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	12.63	13.58	15.80	17.11	16.74	16.72	16.38
DPS	Rs.	13.00	13.00	16.50	16.50	16.00	16.00	15.50
Div. Yield	%	13.54	13.54	17.19	17.19	16.67	16.67	16.15
Dividend Cover	x	0.97	1.04	0.96	1.04	1.05	1.05	1.06
BVPS	Rs.	32.41	35.00	35.26	35.87	36.62	37.34	38.22
Payout	%	102.89	95.73	104.46	95.00	95.00	95.00	95.00
Retention	%	-2.89	4.27	-4.46	5.00	5.00	5.00	5.00
No. of Shares	'mn	1,335	1,335	1,335	1,335	1,335	1,335	1,335
P/E		7.60	7.07	6.08	5.61	5.73	5.74	5.86
Sales per share		90.88	79.27	99.13	111.57	113.31	116.55	122.19
P/BV		2.96	2.74	2.72	2.68	2.62	2.57	2.51
Price to Sales		1.06	1.21	0.97	0.86	0.85	0.82	0.79
Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.76	0.51	0.45	0.36	0.20	0.11	0.11
L.T. Debt to Equity	x	0.72	0.50	0.37	0.27	0.11	0.01	0.01
Interest Cover	x	8.05	7.58	19.66	18.30	23.85	34.08	42.29

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

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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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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com