

EFERT

9MCY22 Result Review: BUY Stance Maintained

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EFERT has announced its 9MCY22 result where it posted a profit after tax of Rs9.60bn (EPS: Rs7.19) as compared to a profit after tax of Rs14.92bn (EPS: Rs11.17) in the same period last year, down by 35.7% YoY. The decline in earnings is mainly attributed to the increase in other expenses and higher effective taxation owing to the imposition of super tax.

The company had posted a revenue of Rs110.88bn against Rs92.74bn in SPLY, recording a growth of 19.6% YoY. We assume that growth is attributed to an increase in retention prices.

The gross margin has decreased to 29.1% as compared to 33.5% in SPLY due to an increase in fuel cost. SG&A expenses have increased by 7.5% YoY to Rs7.9bn as compared to Rs7.36bn during SPLY.

Other income has decreased by 8.7% YoY to Rs1.30bn as compared to Rs1.43bn during SPLY. Lastly an increase in finance cost by 29.6% YoY plunge the bottom line.

EFERT is currently trading at a CY22E P/E of 7.23x. Furthermore, the scrip is also trading at CY22E P/B of 2.29x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs100 which provides a return of 23%. Further, it also provides a dividend yield of 13% which makes the total return of 36%.

Rupees' millions	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Net Sales	35,739	37,383	4.4% ▼	110,876	92,742	19.6% ▲
Cost of Sales	-25,987	-27,768	6.4% ▼	-78,572	-61,718	27.3% ▲
Gross Profit	9,752	9,615	1.4% ▲	32,304	31,024	4.1% ▲
SG&A Expenses	-2,734	-2,586	5.7% ▲	-7,908	-7,356	7.5% ▲
Other Expenses	-421	-723	41.7% ▼	-3,019	-2,199	37.3% ▲
Operating Profit	6,596	6,307	4.6% ▲	21,376	21,469	0.4% ▼
Other Income	205	458	55.3% ▼	1,304	1,429	8.7% ▼
Finance Cost	-582	-426	36.7% ▲	-1,640	-1,266	29.6% ▲
Profit Before Taxation	6,219	6,339	1.9% ▼	21,041	21,632	2.7% ▼
Taxation	-2,037	-1,927	5.7% ▲	-11,446	-6,711	70.5% ▲
Profit After Taxation	4,182	4,412	5.2% ▼	9,595	14,921	35.7% ▼
Earnings Per Share	3.13	3.30	5.2% ▼	7.19	11.17	35.7% ▼
Dividend	3.00	3.50	14.3% ▼	8.50	11.50	26.1% ▼
Bonus	-	-	-	-	-	-

Closing Period: Oct 26, 2022 - Oct 28, 2022

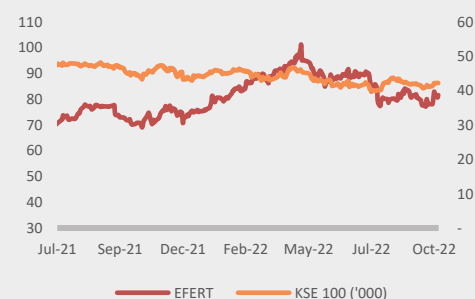
	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Gross Margin	27.3%	25.7%	1.6% ▲	29.1%	33.5%	4.3% ▼
SG&A Expenses to Sales	-7.7%	-6.9%	0.7% ▲	-7.1%	-7.9%	0.8% ▼
Other Income to Sales	0.6%	1.2%	0.7% ▼	1.2%	1.5%	0.4% ▼
Ex. Gain / (Loss) to Sales	-7.7%	-6.9%	0.7% ▲	-7.1%	-7.9%	0.8% ▼
Effective Taxation	-32.8%	-30.4%	2.4% ▲	-54.4%	-31.0%	23.4% ▲
Net Margin	11.7%	11.8%	0.1% ▼	8.7%	16.1%	7.4% ▼

Source: ACPL Research, Company Financials

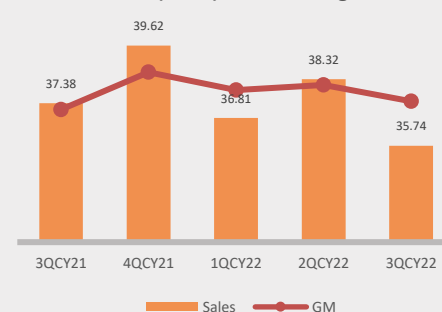
Key Statistics

Symbol	EFERT
TP - Jun 23	100
LDPC	81.54
Upside (%)	23
Free Float ('mn)	600
Market Cap. (Rs. 'mn)	108,426

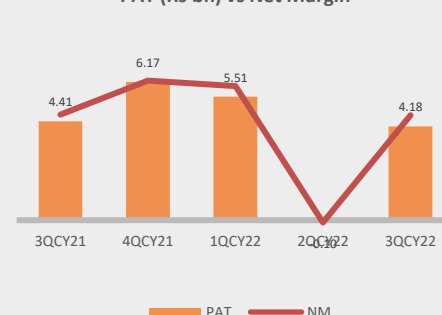
EFERT vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	105,846	132,363	153,710	146,613	144,867	141,232	138,419
Cost of sale	71,592	88,289	105,055	101,705	100,347	98,306	96,598
Gross profit	34,255	44,074	48,656	44,908	44,520	42,926	41,821
Selling and promotion expenses	8,457	8,530	8,362	7,976	7,881	7,683	7,530
Administration expenses	1,908	1,900	2,613	2,492	2,463	2,401	2,353
Other operating expenses	1,905	3,942	4,181	3,988	3,940	3,842	3,765
Operating Profit	21,985	29,702	33,500	30,452	30,236	29,000	28,173
Other operating income	2,550	1,790	2,244	2,141	2,115	2,062	2,021
Finance cost	3,236	1,602	2,719	1,995	1,396	1,227	92
Profit before taxation	21,298	29,890	33,025	30,598	30,955	29,835	30,102
Taxation	3,165	8,798	17,965	10,097	10,215	9,845	9,934
Profit after taxation	18,133	21,093	15,060	20,501	20,740	19,989	20,168
EPS	13.58	15.80	11.28	15.35	15.53	14.97	15.10

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Net sales	11.1%	25.1%	16.1%	-4.6%	-1.2%	-2.5%	-2.0%
Cost of sale	10.7%	23.3%	19.0%	-3.2%	-1.3%	-2.0%	-1.7%
Gross profit	12.0%	28.7%	10.4%	-7.7%	-0.9%	-3.6%	-2.6%
Selling and promotion expenses	9.1%	0.9%	-2.0%	-4.6%	-1.2%	-2.5%	-2.0%
Administration expenses	-21.3%	-0.4%	37.5%	-4.6%	-1.2%	-2.5%	-2.0%
Other operating expenses	83.2%	106.9%	6.1%	-4.6%	-1.2%	-2.5%	-2.0%
Operating Profit	10.9%	35.1%	12.8%	-9.1%	-0.7%	-4.1%	-2.9%
Other operating income	111.1%	-29.8%	25.3%	-4.6%	-1.2%	-2.5%	-2.0%
Finance cost	87.7%	-50.5%	69.7%	-26.6%	-30.0%	-12.1%	-92.5%
Profit before taxation	12.8%	-40.3%	10.5%	-7.3%	1.2%	-3.6%	0.9%
Taxation	53.3%	-178.0%	104.2%	-43.8%	1.2%	-3.6%	0.9%
Profit after taxation	-3.1%	-16.3%	-28.6%	36.1%	1.2%	-3.6%	0.9%
EPS	-3.1%	-16.3%	-28.6%	36.1%	1.2%	-3.6%	0.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
GP Margin	%	32.36	33.30	31.65	30.63	30.73	30.39	30.21
OP Margin	%	23.18	23.79	23.25	22.23	22.33	21.99	21.81
NP Margin	%	17.13	15.94	9.80	13.98	14.32	14.15	14.57
ROE	%	40.29	44.97	31.86	42.98	42.95	40.83	40.88
ROCE	%	18.96	23.81	24.92	21.45	21.75	21.25	21.12
ROA	%	14.02	15.95	10.50	13.49	13.95	13.68	14.10

Liquidity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Current	x	1.24	0.99	1.46	1.50	1.53	1.47	1.39
Acid-test	x	0.18	0.12	0.39	0.39	0.40	0.38	0.35
Cash to current liab.	x	0.07	0.02	0.03	0.03	0.03	0.03	0.01

Activity Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Inventory Turnover	x	4	4	4	3	3	3	3
Inventory Days		50	55	55	55	55	55	55
Receivables Days		30	40	40	40	40	40	40
Payables Days		170	150	150	150	150	150	150
Operating Cycle		-90	-55	-55	-55	-55	-55	-55

Investment Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
EPS	Rs.	13.58	15.80	11.28	15.35	15.53	14.97	15.10
DPS	Rs.	13.00	16.50	11.00	15.00	15.00	14.50	15.00
Div. Yield	%	15.94	20.24	13.49	18.40	18.40	17.78	18.40
Dividend Cover	x	1.04	0.96	1.03	1.02	1.04	1.03	1.01
BVPS	Rs.	35.00	35.26	35.54	35.89	36.43	36.90	37.00
Payout	%	95.73	104.46	98.00	98.00	98.00	98.00	98.00
Retention	%	4.27	-4.46	2.00	2.00	2.00	2.00	2.00
No. of Shares	'mn	1,335	1,335	1,335	1,335	1,335	1,335	1,335
P/E		6.00	5.16	7.23	5.31	5.25	5.45	5.40
Sales per share		79.27	99.13	115.11	109.80	108.49	105.77	103.66
P/BV		2.33	2.31	2.29	2.27	2.24	2.21	2.20
Price to Sales		1.03	0.82	0.71	0.74	0.75	0.77	0.79

Gearing Ratios		CY20A	CY21A	CY22E	CY23E	CY24E	CY25E	CY26E
Debt to Equity	x	0.51	0.45	0.37	0.22	0.15	0.18	0.22
L.T. Debt to Equity	x	0.50	0.37	0.28	0.11	0.01	0.01	0.01
Interest Cover	x	7.58	19.66	13.15	16.34	23.17	25.31	328.43

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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