

# EFERT

## CY21 Result Review: BUY Stance Maintained

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EFERT has announced its CY21 result where it posted a profit after tax of Rs21.09bn (EPS: Rs15.80) as compared to a profit after tax of Rs18.13bn (EPS: Rs13.58) in the same period last year, up by 16.3% YoY.

The company had posted a revenue of Rs133bn against Rs106bn in SPLY, recording a growth of 25% YoY. We assume that growth is attributed to an increase in demand.

The gross margin has been improved slightly to 33.3% as compared to 32.4% in SPLY due to an increase in retention prices. SG&A expenses have increased by 0.6% YoY to Rs10.4bn as compared to Rs10.37bn during SPLY.

Other income has been declined by 80.8% YoY to Rs490mn as compared to Rs2.55bn during SPLY. Lastly, a decrease in finance cost by 50.5% YoY supported the bottom line.

EFERT is currently trading at a CY22E P/E of 5.70x. Furthermore, the scrip is also trading at CY22E P/B of 2.38x which offers a discount of 5% relative to its historical 3-year average of 2.51. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs100 which provides a return of 19%. Further, it also provides a dividend yield of 16% which makes the total return of 35%.

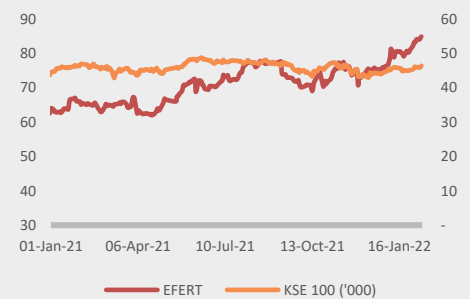
Rupees' millions	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Net Sales	39,621	27,708	43.0% ▲	132,363	105,846	25.1% ▲
Cost of Sales	-26,571	-18,321	45.0% ▲	-88,289	-71,592	23.3% ▲
<b>Gross Profit</b>	<b>13,050</b>	<b>9,387</b>	<b>39.0% ▲</b>	<b>44,074</b>	<b>34,255</b>	<b>28.7% ▲</b>
SG&A Expenses	-3,074	-3,140	2.1% ▼	-10,430	-10,365	0.6% ▲
Other Expenses	-443	-126	251.4% ▲	-2,641	-1,905	38.7% ▲
<b>Operating Profit</b>	<b>9,534</b>	<b>6,121</b>	<b>55.7% ▲</b>	<b>31,003</b>	<b>21,985</b>	<b>41.0% ▲</b>
Other Income	-981	1,544	163.6% ▼	490	2,550	80.8% ▼
Finance Cost	-337	-473	28.9% ▼	-1,602	-3,236	50.5% ▼
Profit Before Taxation	8,216	7,192	14.2% ▲	29,890	21,298	40.3% ▲
Taxation	-2,086	-549	279.9% ▲	-8,798	-3,165	178.0% ▲
<b>Profit After Taxation</b>	<b>6,130</b>	<b>6,643</b>	<b>7.7% ▼</b>	<b>21,093</b>	<b>18,133</b>	<b>16.3% ▲</b>
<b>Earnings Per Share</b>	<b>4.59</b>	<b>4.97</b>	<b>7.7% ▼</b>	<b>15.80</b>	<b>13.58</b>	<b>16.3% ▲</b>
<b>Dividend</b>	<b>5.00</b>	<b>2.00</b>	<b>150.0% ▲</b>	<b>16.50</b>	<b>11.00</b>	<b>50.0% ▲</b>
<b>Bonus</b>	-	-	-	-	-	-
Closing Period: 16 Mar 2022 – 22 Mar 2022						
Gross Margin	32.9%	33.9%	0.9% ▼	33.3%	32.4%	0.9% ▲
SG&A Expenses to Sales	-7.8%	-11.3%	3.6% ▼	-7.9%	-9.8%	1.9% ▼
Other Income to Sales	-2.5%	5.6%	8.0% ▼	0.4%	2.4%	2.0% ▼
Ex. Gain / (Loss) to Sales	-7.8%	-11.3%	3.6% ▼	-7.9%	-9.8%	1.9% ▼
Effective Taxation	-25.4%	-7.6%	17.8% ▲	-29.4%	-14.9%	14.6% ▲
<b>Net Margin</b>	<b>15.5%</b>	<b>24.0%</b>	<b>8.5% ▼</b>	<b>15.9%</b>	<b>17.1%</b>	<b>1.2% ▼</b>

Source: ACPL Research, Company Financials

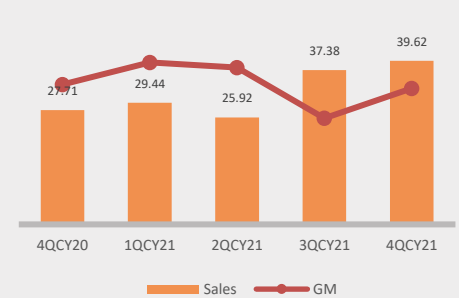
### Key Statistics

Symbol	EFERT
TP - Dec 22	100.00
LDPC	84.84
Upside (%)	19
Free Float ('mn)	600
Market Cap. (Rs. 'mn)	112,338

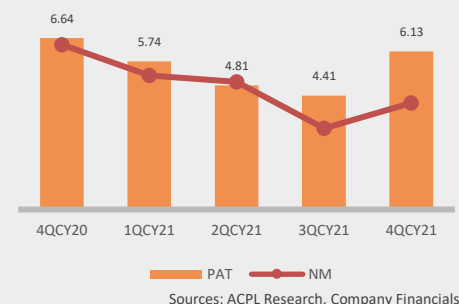
### EFERT vs KSE 100



### 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	CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Net sales	121,355	105,846	132,363	143,481	146,549	151,501	159,635
Cost of sale	81,815	71,592	88,289	102,756	106,058	110,508	118,294
<b>Gross profit</b>	<b>39,540</b>	<b>34,255</b>	<b>44,074</b>	<b>40,725</b>	<b>40,490</b>	<b>40,993</b>	<b>41,341</b>
Selling and promotion expenses	8,736	8,457	8,530	9,246	9,444	9,763	10,287
Administration expenses	1,248	1,908	1,900	2,060	2,104	2,175	2,292
Other operating expenses	2,623	1,905	3,942	2,152	2,198	2,273	2,395
<b>Operating Profit</b>	<b>26,933</b>	<b>21,985</b>	<b>29,702</b>	<b>27,266</b>	<b>26,744</b>	<b>26,782</b>	<b>26,367</b>
Other operating income	4,352	2,550	1,790	1,941	1,982	2,049	2,159
Finance cost	3,887	3,236	1,602	1,206	733	366	183
Profit before taxation	27,398	21,298	29,890	28,001	27,994	28,466	28,344
Taxation	10,526	3,165	8,798	8,120	8,118	8,255	8,220
<b>Profit after taxation</b>	<b>16,871</b>	<b>18,133</b>	<b>21,093</b>	<b>19,881</b>	<b>19,876</b>	<b>20,211</b>	<b>20,124</b>
EPS	<b>12.63</b>	<b>13.58</b>	<b>15.80</b>	<b>14.89</b>	<b>14.88</b>	<b>15.14</b>	<b>15.07</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	CY19A	CY20A	CY21A	CY22E	CY23E	CY23E	CY23E
Net sales	11.1%	-12.8%	25.1%	8.4%	2.1%	3.4%	5.4%
Cost of sale	10.7%	-12.5%	23.3%	16.4%	3.2%	4.2%	7.0%
<b>Gross profit</b>	<b>12.0%</b>	<b>-13.4%</b>	<b>28.7%</b>	<b>-7.6%</b>	<b>-0.6%</b>	<b>1.2%</b>	<b>0.8%</b>
Selling and promotion expenses	9.1%	-3.2%	0.9%	8.4%	2.1%	3.4%	5.4%
Administration expenses	-21.3%	52.8%	-0.4%	8.4%	2.1%	3.4%	5.4%
Other operating expenses	83.2%	-27.4%	106.9%	-45.4%	2.1%	3.4%	5.4%
<b>Operating Profit</b>	<b>10.9%</b>	<b>-18.4%</b>	<b>35.1%</b>	<b>-8.2%</b>	<b>-1.9%</b>	<b>0.1%</b>	<b>-1.6%</b>
Other operating income	111.1%	-41.4%	-29.8%	8.4%	2.1%	3.4%	5.4%
Finance cost	87.7%	-16.7%	-50.5%	-24.7%	-39.2%	-50.1%	-50.0%
Profit before taxation	12.8%	22.3%	-40.3%	-6.3%	0.0%	1.7%	-0.4%
Taxation	53.3%	-69.9%	-178.0%	-7.7%	0.0%	1.7%	-0.4%
<b>Profit after taxation</b>	<b>-3.1%</b>	<b>7.5%</b>	<b>-16.3%</b>	<b>-5.7%</b>	<b>0.0%</b>	<b>1.7%</b>	<b>-0.4%</b>
EPS	<b>-3.1%</b>	<b>7.5%</b>	<b>-16.3%</b>	<b>-5.7%</b>	<b>0.0%</b>	<b>1.7%</b>	<b>-0.4%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
GP Margin	%	32.58	32.36	33.30	28.38	27.63	27.06	25.90
OP Margin	%	25.78	23.18	23.79	20.36	19.60	19.03	17.87
NP Margin	%	13.90	17.13	15.94	13.86	13.56	13.34	12.61
ROE	%	38.00	40.29	45.60	42.56	40.92	39.95	38.17
ROCE	%	25.56	18.96	22.01	18.63	18.07	18.10	17.73
ROA	%	13.79	14.02	14.74	12.68	12.50	12.69	12.51

Liquidity Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Current	x	1.14	1.24	1.98	1.92	1.99	2.04	1.99
Acid-test	x	0.42	0.18	0.48	0.46	0.48	0.50	0.49
Cash to current liab.	x	0.07	0.07	0.10	0.09	0.09	0.10	0.09

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	14.89	14.88	15.14	15.07
DPS	Rs.	13.00	13.00	16.50	13.50	13.50	13.50	13.50
Div. Yield	%	15.32	15.32	19.45	15.91	15.91	15.91	15.91
Dividend Cover	x	0.97	1.04	0.96	1.10	1.10	1.12	1.12
BVPS	Rs.	32.41	35.00	34.29	35.68	37.07	38.70	40.27
Payout	%	102.89	95.73	104.46	90.00	90.00	90.00	90.00
Retention	%	-2.89	4.27	-4.46	10.00	10.00	10.00	10.00
No. of Shares	'mn	1,335	1,335	1,335	1,335	1,335	1,335	1,335
P/E		6.71	6.25	5.37	5.70	5.70	5.61	5.63
Sales per share		90.88	79.27	99.13	107.45	109.75	113.46	119.55
P/BV		2.62	2.42	2.47	2.38	2.29	2.19	2.11
Price to Sales		0.93	1.07	0.86	0.79	0.77	0.75	0.71

Gearing Ratios		CY19A	CY20A	CY21A	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	0.76	0.51	0.44	0.27	0.12	0.03	0.02
L.T. Debt to Equity	x	0.72	0.50	0.43	0.26	0.11	0.02	0.01
Interest Cover	x	8.05	7.58	19.66	24.22	39.21	78.81	155.87

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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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

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

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Stock Rating	Expected Total Return
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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