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PSO has announced its 9MFY22 result where it posted a profit after tax of Rs64.769bn (EPS: Rs137.96) as compared to a profit after tax of Rs18.242bn (EPS: Rs38.86) in the same period last year, up by 255% YoY majorly because of huge inventory gains.

The company has posted a net sale of Rs1,549.9bn against Rs852.96bn in SPLY, recording a growth of 81.7% YoY. We note that this increase is attributed to the increased prices.

Taxation has increased by 220.9% YoY to Rs28.661bn as compared to Rs8.93bn during SPLY, and other income has increased by 333.4% YoY to 22.326bn compared to 5.152bn during SPLY.

Furthermore, the operating and selling expense has increased to 11.476bn as compared to 10.545bn during SPLY up by 8.8%.

PSO is currently trading at FY22E PE of 0.86x. Furthermore, the scrip is trading at a FY22E P/B of 0.38x which offers a discount of 41% relative to its historical 3-year average of 0.65x. We recommend our investors to **BUY** the scrip with DCF-based Dec-22 TP of Rs.250 which provides an upside potential of 48%. Furthermore, it also offers an attractive dividend yield of 9% which makes a total return of 57%.

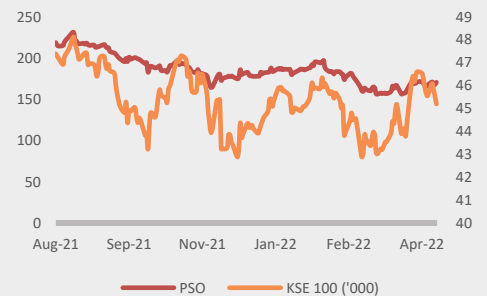
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	567,950	285,529	98.9% ▲	1,549,923	852,962	81.7% ▲
Cost of Sales	-524,041	-268,279	95.3% ▲	-1,457,298	-815,222	78.8% ▲
Gross Profit	43,909	17,251	154.5% ▲	92,625	37,740	145.4% ▲
SG&A Expenses	-3,934	-3,291	19.5% ▲	-11,476	-10,545	8.8% ▲
Operating Profit	35,593	13,115	171.4% ▲	73,224	24,094	203.9% ▲
Other Income	11,620	740	1469.9% ▲	22,328	5,152	333.4% ▲
Share of loss of associated companies	299	134	123.3% ▲	560	430	30.3% ▲
Finance Cost	-1,271	-1,064	19.5% ▲	-2,681	-2,502	7.2% ▲
Profit Before Taxation	46,242	12,925	257.8% ▲	93,430	27,174	243.8% ▲
Taxation	-13,661	-4,205	224.9% ▲	-28,661	-8,932	220.9% ▲
Profit After Taxation	32,580	8,720	273.6% ▲	64,769	18,242	255.1% ▲
Earnings Per Share	69.40	18.57	273.6% ▲	137.96	38.86	255.1% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		0%	0%	
Gross Margin	7.7%	6.0%	1.7% ▲	6.0%	4.4%	1.6% ▲
SG&A Expenses to Sales	-0.7%	-1.2%	0.5% ▼	-0.7%	-1.2%	0.5% ▼
Other Income to Sales	2.0%	0.3%	1.8% ▲	1.4%	0.6%	0.8% ▲
Share of profit of associate	0.1%	0.0%	0.0% ▲	0.0%	0.1%	0.0% ▼
Effective Taxation	-29.5%	-32.5%	3.0% ▼	-30.7%	-32.9%	2.2% ▼
Net Margin	5.7%	3.1%	2.7% ▲	4.2%	2.1%	2.0% ▲

Source: ACPL Research, Company Financials

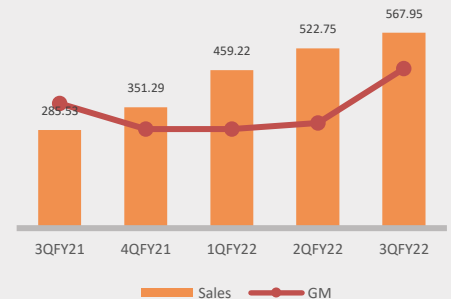
Key Statistics

Symbol	PSO
TP - Dec 22	250
LDCP	169.12
Upside	48%
Free Float (mn)	211
Market Cap. (Rs.mn)	80,233

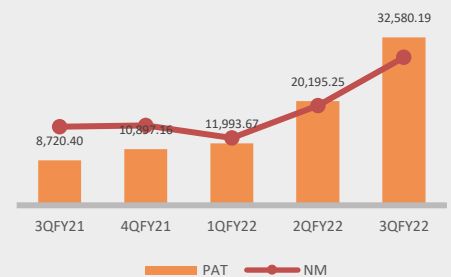
PSO vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	1,154,298	1,108,358	1,204,247	2,090,269	2,244,012	2,136,867	2,352,689
Cost of sales	-1,118,281	-1,096,131	-1,149,638	-1,955,957	-2,181,764	-2,068,390	-2,274,616
Gross profit	36,017	12,227	54,609	134,312	62,248	68,477	78,073
Distribution cost	-9,912	-11,490	-11,833	-12,154	-13,048	-12,425	-13,680
Administrative expenses	-2,502	-3,148	-3,057	-3,322	-3,567	-3,396	-3,739
Other operating expenses	-4,699	-51	-4,829	-10,688	-11,475	-10,927	-12,030
Profit from operations	18,904	-2,461	34,890	108,147	34,158	41,729	48,623
Other income	7,305	10,210	18,826	30,112	32,326	30,783	33,892
Finance cost	-8,939	-13,427	-10,242	-5,196	-3,800	-2,894	-2,227
Profit before income tax	17,270	-5,678	43,474	133,063	62,684	69,618	80,288
Income tax expense	-6,890	-1,332	-14,917	-40,819	-19,229	-21,356	-24,629
Profit for the year	10,380	-7,010	28,558	92,244	43,455	48,262	55,659
EPS	22.11	(14.93)	60.83	196.48	92.56	102.80	118.56
EBITDA	20,032	-848	36,646	109,773	36,003	43,858	51,144

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	8.5%	-4.0%	8.7%	73.6%	7.4%	-4.8%	10.1%
Cost of sales	9.2%	-2.0%	4.9%	70.1%	11.5%	-5.2%	10.0%
Gross profit	-9.1%	-66.1%	346.6%	146.0%	-53.7%	10.0%	14.0%
Distribution cost	8.2%	15.9%	3.0%	2.7%	7.4%	-4.8%	10.1%
Administrative expenses	-9.7%	25.8%	-2.9%	8.7%	7.4%	-4.8%	10.1%
Other operating expenses	41.0%	-98.9%	9399.2%	121.4%	7.4%	-4.8%	10.1%
Profit from operations	-22.4%	-113.0%	-1517.6%	210.0%	-68.4%	22.2%	16.5%
Other income	-2.6%	39.8%	84.4%	59.9%	7.4%	-4.8%	10.1%
Finance cost	74.5%	50.2%	-23.7%	-49.3%	-26.9%	-23.9%	-23.0%
Profit before income tax	-35.7%	-129.4%	-958.1%	202.0%	-52.9%	11.1%	15.3%
Income tax expense	-41.1%	-80.7%	1020.3%	173.6%	-52.9%	11.1%	15.3%
Profit for the year	-31.5%	-161.1%	-550.7%	216.6%	-52.9%	11.1%	15.3%
EPS	-31.5%	-161.1%	-550.7%	216.6%	-52.9%	11.1%	15.3%
EBITDA	0.0%	-104.2%	-4421.5%	199.6%	-67.2%	21.8%	16.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	3.12	1.10	4.53	6.43	2.77	3.20	3.32
NP Margin	%	0.92	-0.58	2.42	4.41	1.94	2.26	2.37
OP Margin	%	1.64	-0.22	2.90	5.17	1.52	1.95	2.07
ROE	%	8.88	-5.72	20.82	43.94	17.89	17.27	17.30
ROCE	%	14.92	-1.97	22.92	49.83	13.68	14.66	14.90
ROA	%	2.54	-1.89	7.68	16.59	7.10	7.75	8.07
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.32	1.35	1.44	1.51	1.56	1.70	1.76
Quick	x	0.97	1.03	1.07	1.07	1.11	1.24	1.29
Activity Ratios		FY19A	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	13.06	14.93	16.88	18.32	15.34	14.16	15.24
Inventory Days		27.95	24.45	21.63	19.92	23.79	25.78	23.95
Receivables Days		18.33	7.83	5.79	10.58	10.58	10.58	10.58
Payables Days		58.76	49.10	53.24	55.00	55.00	55.00	55.00
Operating Cycle		-12.49	-16.81	-25.82	-24.50	-20.63	-18.64	-20.47
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		15.00	0.00	15.00	15.00	22.00	25.00	29.00
Div. Yield	%	8.87	0.00	8.87	8.87	13.01	14.78	17.15
Dividend Cover	x	1.50	0.00	4.14	13.10	4.21	4.11	4.09
Retention	%	33.48	100.00	75.83	75.83	75.83	75.83	75.83
Payout	%	66.52	0.00	24.17	24.17	24.17	24.17	24.17
No. of Shares	('m)	0.47	0.47	0.47	0.47	0.47	0.47	0.47
EPS		22.55	-13.77	62.07	196.48	92.56	102.80	118.56
BVPS		253.86	240.83	298.16	447.16	517.35	595.31	685.21
P/E	x	7.50	-12.28	2.72	0.86	1.83	1.65	1.43
Sales per share		2459	2361	2565	4452	4780	4552	5011
P/BV	x	0.67	0.70	0.57	0.38	0.33	0.28	0.25
P/S	x	0.07	0.07	0.07	0.04	0.04	0.04	0.03
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.90	0.59	0.40	0.20	0.13	0.08	0.06
L.T Debt to Equity	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	2.11	-0.18	3.41	20.82	8.99	14.42	21.84

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
- 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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