

CPHL

1QFY23 Result Review: BUY Stance Maintained

Equity Research | Pharmaceuticals | Thursday, 3 November, 2022

CPHL has announced its 1QFY23 result where it posted a profit after tax of Rs146mn (EPS: Rs0.64) as compared to profit after tax of Rs81mn (EPS: Rs0.37) in the same period last year, up by 79.2% YoY amid an increase in volumetric sales in addition to higher retention prices.

The company has posted a revenue of Rs3.12bn against Rs1.99bn in SPLY, recording a growth of 56.6% YoY. However, the gross margin has dropped to 11.9% as compared to 14.9% due to higher input costs.

Furthermore, SG&A expenses have decreased by 52.8% YoY to Rs87mn as compared to Rs185mn during SPLY. Moreover, finance cost has surged by 1814.9% YoY to Rs157mn owing to higher short-term borrowings in addition to an increase in the interest rates. Lastly, the effective taxation has decreased to 13.9% as compared to 34.9% during SPLY.

CPHL is currently trading at FY23E PE of 11.2x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs40 which provides an upside potential of 40%.

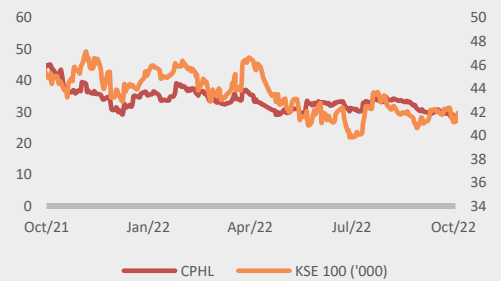
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	3,118	1,991	56.6% ▲	9,780	5,795	68.8% ▲
Cost of Sales	-2,748	-1,695	62.1% ▲	-8,428	-5,015	68.1% ▲
Gross Profit	370	296	25.0% ▲	1,352	780	73.2% ▲
SG&A Expenses	-87	-185	52.8% ▼	-370	-210	76.4% ▲
Other Expenses	-4	-9	51.9% ▼	-75	-35	114.0% ▲
Operating Profit	279	102	172.6% ▲	907	536	69.3% ▲
Other Income	48	31	54.3% ▲	197	5	3984.6% ▲
Finance Cost	-157	-8	1814.9% ▲	-71	-41	74.2% ▲
Profit Before Taxation	169	125	35.6% ▲	1,033	500	106.7% ▲
Taxation	-24	-44	46.0% ▼	-397	-148	168.3% ▲
Profit After Taxation	146	81	79.2% ▲	636	352	80.8% ▲
Earnings Per Share	0.64	0.37	79.2% ▲	2.78	1.54	80.8% ▲
Dividend	0.00	0.00	-	0.00	0.00	
Bonus	0%	0%	-	0%	0%	
Gross Margin	11.9%	14.9%	3.0% ▼	13.8%	13.5%	0.4% ▲
SG&A Expenses to Sales	2.8%	9.3%	6.5% ▼	3.8%	3.6%	0.2% ▲
Other Expenses to Sales	0.1%	0.4%	0.3% ▼	0.8%	0.6%	0.2% ▲
Other Income to Sales	1.5%	1.5%	0.0% ▼	2.0%	0.1%	1.9% ▲
Effective Taxation	13.9%	34.9%	21.0% ▼	38.4%	29.6%	8.8% ▲
Net Margin	4.7%	4.1%	0.6% ▲	6.5%	6.1%	0.4% ▲

Source: ACPL Research, Company Financials

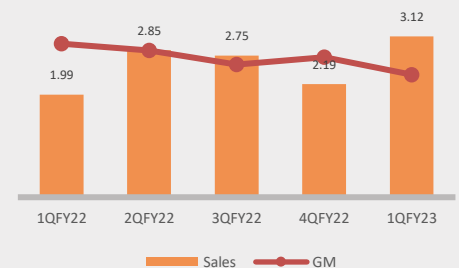
Key Statistics

Symbol	CPHL
TP - Jun 23	40.00
LDCP	28.50
Upside	40%
Free Float (mn)	79
Market Cap. (Rs.mn)	6,511

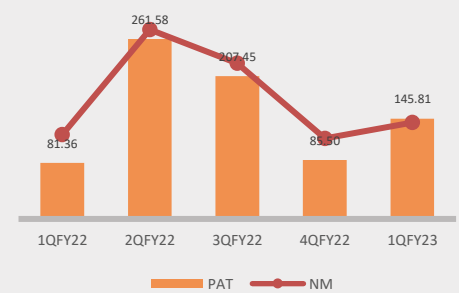
CPHL vs KSE 100



Sales (Rs'mn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



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	12,473	15,716	18,859	22,631
Cost of sale	3,088	5,015	8,428	10,992	13,674	16,381	19,625
Gross profit	440	780	1,352	1,481	2,042	2,478	3,006
Administration expenses	93	111	266	200	422	507	608
Marketing and selling expenses	88	99	103	152	341	410	491
Other operating expenses	15	35	75	17	71	85	102
Operating Profit	243	536	907	1,112	1,207	1,476	1,804
Other operating income	7	5	197	191	240	289	346
Finance cost	44	41	71	628	555	659	632
Profit before taxation	192	490	639	293	412	528	826
Taxation	61	148	397	94	295	365	501
Profit after taxation	146	352	636	581	598	741	1,018
EPS	0.64	1.54	2.78	2.54	2.62	3.24	4.45

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	35.3%	64.3%	68.8%	27.5%	26.0%	20.0%	20.0%
Cost of sale	35.7%	62.4%	68.1%	30.4%	24.4%	19.8%	19.8%
Gross profit	32.9%	77.5%	73.2%	9.5%	37.9%	21.3%	21.3%
Administration expenses	-10.1%	18.3%	141.1%	-25.1%	111.6%	20.0%	20.0%
Marketing and selling expenses	-2.9%	12.8%	4.2%	46.9%	125.2%	20.0%	20.0%
Other operating expenses	78.6%	133.1%	114.0%	-76.9%	306.0%	20.0%	20.0%
Operating Profit	89.5%	120.9%	72.1%	15.0%	13.1%	22.1%	22.1%
Other operating income	56.5%	-35.4%	3984.6%	-3.1%	26.0%	20.0%	20.0%
Finance cost	137.9%	-7.2%	74.2%	784.2%	-11.7%	18.8%	-4.2%
Profit before taxation	78.6%	133.1%	114.0%	-76.9%	306.0%	20.0%	20.0%
Taxation	-29.2%	141.6%	168.3%	-76.4%	214.2%	23.8%	37.4%
Profit after taxation	423.8%	141.5%	80.8%	-8.6%	2.9%	23.8%	37.4%
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	11.87	12.99	13.14	13.28
NP Margin	%	4.13	6.07	6.50	4.66	3.81	3.93	4.50
OP Margin	%	7.33	9.85	10.05	9.06	8.13	8.28	8.42
ROE	%	14.81	8.06	13.57	10.40	9.67	10.69	12.81
ROCE	%	11.93	7.54	12.50	10.05	9.42	10.45	12.56
ROA	%	5.89	5.41	7.87	5.94	5.62	5.93	7.31
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.11	2.45	1.85	1.20	1.29	1.33	1.45
Acid-test	x	1.02	2.34	1.04	1.12	1.21	1.27	1.39
Cash to current liab.	x	0.07	1.67	0.01	0.65	0.65	0.70	0.74
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	2.54	2.62	3.24	4.45
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	24.46	27.08	30.32	34.77
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		44.71	18.51	10.24	11.20	10.88	8.79	6.40
Sales per share		15.44	25.37	42.81	54.60	68.79	82.55	99.06
P/BV		6.62	1.49	1.39	1.17	1.05	0.94	0.82
Price to Sales		15.44	25.37	42.81	54.60	68.79	82.55	99.06
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.37	0.04	0.16	0.65	0.55	0.59	0.49
Interest Cover	x	7.71	15.68	16.99	2.32	3.22	3.30	4.18

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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