

# CPHL

## 3QFY23 Result Review: BUY Stance Maintained

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CPHL has announced its 3QFY23 result where it posted a profit after tax of Rs93mn (Diluted EPS: Rs0.41) as compared to profit after tax of Rs207mn (Diluted EPS: Rs0.91) in the same period last year, down by 55.3% YoY amid a decline in volumetric sales and higher finance costs.

The company has posted a revenue of Rs2.69bn against Rs2.75bn in SPLY, recording a decline of 2.2% YoY. However, the gross margin has improved slightly to 13.0% as compared to 12.9%.

SG&A expenses have increased by 49.5% YoY to Rs62mn as compared to Rs42mn during SPLY. Moreover, finance costs have surged by 7.57x YoY to Rs156mn owing to higher short-term borrowings in addition to an increase in the interest rates. Lastly, the effective taxation has declined to 33.3% as compared to 34.2% during SPLY.

CPHL is currently trading at FY23E PE of 8.63x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs34 which provides an upside potential of 27%.

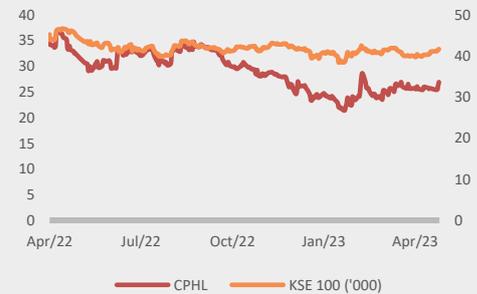
Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	2,689	2,748	2.2% ▼	8,860	7,589	16.7% ▲
Cost of Sales	-2,338	-2,395	2.4% ▼	-7,594	-6,535	16.2% ▲
<b>Gross Profit</b>	<b>350</b>	<b>353</b>	<b>0.8% ▼</b>	<b>1,266</b>	<b>1,055</b>	<b>20.0% ▲</b>
SG&A Expenses	-62	-42	49.5% ▲	-234	-300	21.9% ▼
Other Expenses	-10	-24	55.8% ▼	-53	-57	7.4% ▼
<b>Operating Profit</b>	<b>278</b>	<b>288</b>	<b>3.6% ▼</b>	<b>979</b>	<b>698</b>	<b>40.2% ▲</b>
Other Income	17	45	61.7% ▼	70	135	48.1% ▼
Finance Cost	-156	-18	757.0% ▲	-278	-52	430.5% ▲
Profit Before Taxation	139	315	55.8% ▼	771	780	1.2% ▼
Taxation	-46	-108	56.9% ▼	-238	-230	3.5% ▲
<b>Profit After Taxation</b>	<b>93</b>	<b>207</b>	<b>55.3% ▼</b>	<b>533</b>	<b>551</b>	<b>3.1% ▼</b>
Earnings Per Share	0.41	0.91	55.3% ▼	2.33	2.41	3.1% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0.00	0%		0.00	0.00	
Gross Margin	13.0%	12.9%	0.2% ▲	14.3%	13.9%	0.4% ▲
SG&A Expenses to Sales	2.3%	1.5%	0.8% ▲	2.6%	3.9%	1.3% ▼
Other Expenses to Sales	0.4%	0.9%	0.5% ▼	0.6%	0.8%	0.2% ▼
Other Income to Sales	0.6%	1.6%	1.0% ▼	0.8%	1.8%	1.0% ▼
Effective Taxation	33.3%	34.2%	0.8% ▼	30.8%	29.4%	1.4% ▲
Net Margin	3.5%	7.5%	4.1% ▼	6.0%	7.3%	1.2% ▼

Source: ACPL Research, Company Financials

### Key Statistics

Symbol	CPHL
TP - Dec 23	34
LDCP	26.86
Upside	27%
Free Float (mn)	80
Market Cap. (Rs.mn)	6,136

### 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	11,813	14,707	17,649	21,179
Cost of sale	3,088	5,015	8,428	10,125	12,454	14,945	17,934
<b>Gross profit</b>	<b>440</b>	<b>780</b>	<b>1,352</b>	<b>1,688</b>	<b>2,253</b>	<b>2,704</b>	<b>3,245</b>
Administration expenses	93	111	266	187	395	474	569
Marketing and selling expenses	88	99	103	125	316	379	454
Other operating expenses	15	35	75	70	88	105	126
<b>Operating Profit</b>	<b>243</b>	<b>536</b>	<b>907</b>	<b>1,305</b>	<b>1,455</b>	<b>1,746</b>	<b>2,096</b>
Other operating income	7	5	197	93	116	139	167
Finance cost	44	41	71	370	295	318	345
Profit before taxation	192	490	639	842	1,045	1,289	1,583
Taxation	61	148	397	317	421	517	633
<b>Profit after taxation</b>	<b>146</b>	<b>352</b>	<b>636</b>	<b>711</b>	<b>856</b>	<b>1,050</b>	<b>1,285</b>
EPS	<b>0.64</b>	<b>1.54</b>	<b>2.78</b>	<b>3.11</b>	<b>3.74</b>	<b>4.60</b>	<b>5.62</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	35.3%	64.3%	68.8%	20.8%	24.5%	20.0%	20.0%
Cost of sale	35.7%	62.4%	68.1%	20.1%	23.0%	20.0%	20.0%
<b>Gross profit</b>	<b>32.9%</b>	<b>77.5%</b>	<b>73.2%</b>	<b>24.8%</b>	<b>33.5%</b>	<b>20.0%</b>	<b>20.0%</b>
Administration expenses	-10.1%	18.3%	141.1%	-29.8%	111.1%	20.0%	20.0%
Marketing and selling expenses	-2.9%	12.8%	4.2%	21.3%	152.1%	20.0%	20.0%
Other operating expenses	78.6%	133.1%	114.0%	-6.7%	24.5%	20.0%	20.0%
<b>Operating Profit</b>	<b>89.5%</b>	<b>120.9%</b>	<b>72.1%</b>	<b>40.0%</b>	<b>12.2%</b>	<b>20.0%</b>	<b>20.0%</b>
Other operating income	56.5%	-35.4%	3984.6%	-52.6%	24.5%	20.0%	20.0%
Finance cost	137.9%	-7.2%	74.2%	421.2%	-20.4%	8.1%	8.5%
Profit before taxation	78.6%	133.1%	114.0%	-6.7%	24.5%	20.0%	20.0%
Taxation	-29.2%	141.6%	168.3%	-20.2%	32.9%	22.8%	22.3%
<b>Profit after taxation</b>	<b>423.8%</b>	<b>141.5%</b>	<b>80.8%</b>	<b>11.9%</b>	<b>20.3%</b>	<b>22.8%</b>	<b>22.3%</b>
EPS	<b>9.8%</b>	<b>-1.4%</b>	<b>-8.7%</b>	<b>28.3%</b>	<b>13.6%</b>	<b>13.6%</b>	<b>13.6%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	12.46	13.47	13.83	14.29	15.32	15.32	15.32
NP Margin	%	4.13	6.07	6.50	6.02	5.82	5.95	6.07
OP Margin	%	7.33	9.85	10.05	11.65	10.49	10.49	10.49
ROE	%	14.81	8.06	13.57	12.44	13.02	13.78	14.42
ROCE	%	11.93	7.54	12.50	12.03	12.70	13.49	14.17
ROA	%	5.89	5.41	7.87	9.05	9.49	9.73	9.89
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.11	2.45	1.85	1.34	1.52	1.64	1.76
Acid-test	x	1.02	2.34	1.04	1.21	1.40	1.53	1.68
Cash to current liab.	x	0.07	1.67	0.01	0.55	0.64	0.76	0.89
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	3.11	3.74	4.60	5.62
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	25.03	28.77	33.37	38.99
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		42.14	17.44	9.65	8.63	7.17	5.84	4.78
Sales per share		15.44	25.37	42.81	51.71	64.38	77.25	92.70
P/BV		6.24	1.41	1.31	1.07	0.93	0.80	0.69
Price to Sales		15.44	25.37	42.81	51.71	64.38	77.25	92.70
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.37	0.04	0.16	0.30	0.25	0.26	0.26
Interest Cover	x	7.71	15.68	16.99	4.12	6.41	7.11	7.87

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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
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