COMPANY UPDATE

MFL

The only listed beneficiary of the upcoming revolution in rice industry

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We initiate our coverage on Matco Foods Limited (MFL) with a DCF based Dec-19 TP of Rs.37 which provides an upside potential of 26%. A dividend yield of 4%, if incorporated gives a total return of 30%

In spite of stagnant growth in sales over the past few years, the bottom line of the company has grown by an exceptional 5-year CAGR of 19%.

Going forward, we expect its revenues and earnings to grow at a 5-year CAGR of 11% and 22% respectively on account of devaluation of PKR, expansion in rice glucose and rice protein plant capacities, Implementation of effective agricultural policy under CPEC, reduced competition from India, handsome exchange gains and increased cost efficiency.

Sector Overview

Rice is the most widely consumed staple food at the global level and is an excellent source of compound carbohydrates. Almost all varieties of rice are grown for human consumption which accounts for about 90% of production. Lower quality rice variants and by-products can be sold for animal feed. Additionally, rice is used to manufacture spirits or starch. Approximately 480m Metric Tons (MT) of milled rice is produced annually. China and India alone account for almost 50% of global rice production and consumption (JCRVIS, 2017).

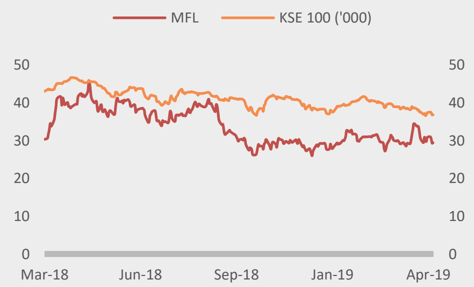
Rice thrives in areas with heavy rainfall. The traditional method of cultivation involves flooding fields – termed as paddies, with water. This helps to repel weeds and pests. When harvested from the field, rice is in the form of ‘Paddy Rice’ where the seed is fully enveloped by the ‘Rice Hull’. In the first stage of milling, the hull is removed after being dried, yielding ‘Brown Rice’. In the second stage, the outer brown layer called ‘Rice Bran’ is removed to produce ‘White Rice’. Rice bran is composed of ‘Rice Germ’ and several sub-layers. These contain over 60% of the nutrients found in each seed.

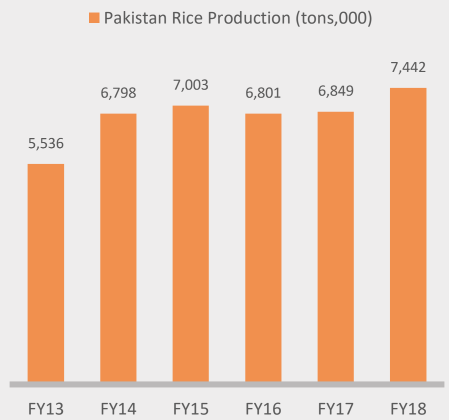
Rice is Pakistan's third largest crop in terms of area sown, after wheat and cotton. About 11% of Pakistan's total agricultural area is rice during the sum mer or "Kharif" season. In Pakistan, the Kharif season starts on April 16th and lasts until October 15th. The seeds of rice are sown between June-July and the harvesting starts in September and continues up to December. Rice crops are primarily grown in the fertile regions of Sindh and Punjab. Both provinces account for more than 88% of total rice production. Punjab, due to its agro-climatic and soil conditions, is producing 100% of the Basmati rice in the country. IRRI rice is grown in both Punjab and Sindh (AgroChart, 2015). Last year, it added significance when production hit 7.4 million tons placing Pakistan on the list of the 10 largest producers on the world rice chart. According to the Economic Survey of Pakistan (2017-18), the area under rice increased by 6.4% — 2.74 million hectares in 2016-17 to 2.89 million hectares and production swelled by 8.7% from 6.84 million tons to 7.44 million tons. Both of these factors helped Pakistan post a 28% increase in rice exports. According to data from the Rice Exporters Association of Pakistan (Reap), the country sent out a little over four million tons (for $2 billion) in 2018, as compared to 3.44 million tons for $1.6 billion in 2017. This showed significant growth of 27.7% in terms of value and 17% in terms of quantity. However, this scenario has two sore points: it is still stuck in a low yield groove and failing in international retail markets.

Key Statistics

Symbol	MFL
TP - Dec 19	37.00
LDCP	29.41
Upside	26%
Free Float (MN)	30,600
Market Cap. (Rs. MN)	3,600

Symbol	PE Ratio
RMPL	13.55
NATF	23.58
ISIL	16.96
SHEZ	11.23
Peer Average	**16.33**
MFL	**11.67**
Discount	**29%**





Sources: ACPL Research, Company Financials, PSX, PBS

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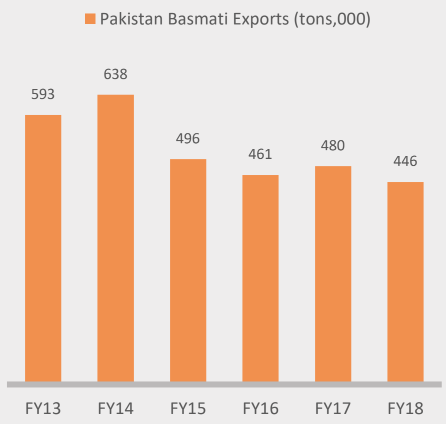
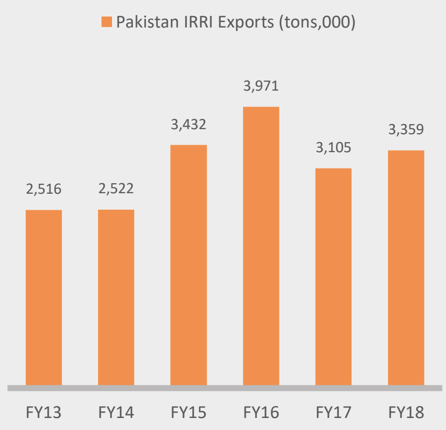
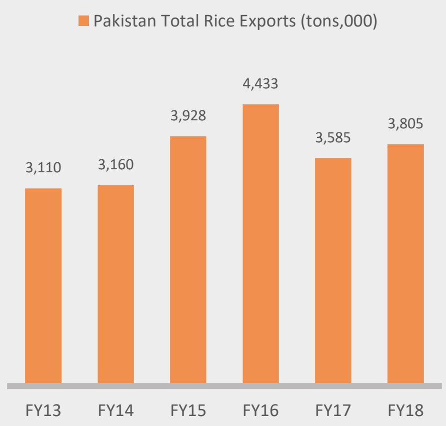
Key Statistics







Sources: ACPL Research, PBS,

Despite a massive influx of seeds, Pakistan has not been able to break beyond 2.56 tons per hectares production. The world average is 4.7 tons per hectare production. With high yielding seeds and recommended practices, 4 tons per hectare is easily achievable. The Federal Ministry for Food Security and Research took an initiative in 2015 for improving yield and tradable surpluses and enlisted the Chinese for help. For the next two years, both sides made a beeline towards each other's' fields and laboratories. It resulted in better hybrid seeds arriving in Pakistan and making a difference the very next year i.e. 2018 (Dawn, 2019).

Rice accounts for 3.1% of the value added in agriculture and 1.6% of gross domestic product. Rice exports remained the second largest foreign exchange earner for the country after cotton. The domestic demand for rice in Pakistan is around 2.2 million tons which makes more than 4 million tons of rice available for exports.

Africa is the major rice importer of the world with a total import of 1.4 million tons per annum. IRRI rice of Sindh is widely been exported to African countries. Furthermore, Pakistan exports 80% of Super Basmati rice to the European Union (SBI, 2018). Other export markets for Pakistani rice include the Middle East (Saudi Arabia, Oman, UAE). Competing producers of Pakistan include Vietnam, Thailand, and India. In recent years, the industry has been facing stiff competition from India. India has been able to achieve comparative advantage on the back of lower cost of production, which enables it to sell at a discount to rates quoted by Pakistan. Additionally, India's volumes are supported by a higher quality of output. But now, the Pakistani exporters have taken a sigh of relief after the European Union has banned the commodity from India because of the use of tricyclazole pesticide, details of which will be mentioned later.

Currently, five sectors enjoy government incentives to promote exports. These export-oriented sectors are exempted from sales tax, electricity load shedding, and gas load shedding for the period between December to February in addition to enjoying reduced electricity tariffs. The Rice Exporters Association of Pakistan (REAP) has asked the government to declare the rice sector as an industry and provide it all incentives in line with other five zero-rated export sectors. The step to declare the rice sector an industry would benefit with 30% higher exports (an additional $500 million) by saving post-harvest losses (20%) and increasing exports to high-valued destinations by 30%. In this regard, the commerce ministry has prepared a proposal to include rice in the list of sectors under special incentives to promote exports (TheFinancialDaily, 2018).

Ban on Indian Basmati Rice by EU

EU imposed a ban on the Indian basmati rice import in the year 2017, by decreasing hundred-fold the import tolerance level of "Tricyclazole". As per the sources, it is really a tedious task for the Indian farmers to bring down the pesticide level to almost zero immediately. According to some estimates, at least two crop cycles would be needed to bring in the desired changes recommended by the EC standards. The Indian farmers are being trained and educated for using the fungicide in a cautious manner. As India and Pakistan are the most significant cultivators of the basmati rice in the entire world, ban on the Indian basmati rice import is a great opportunity for the rice exporters of Pakistan to capture the European Union market and a surge of 16% in Pakistan's total rice exports in FY18 is the clear depiction of the theory mentioned above. Going forward, we expect the rice exports of Pakistan to remain benefitted in FY19 as well on account of EU ban on Indian basmati rice. Later on, by FY20, we expect the Indian farmers to overcome the issue raised by EU as the Indian scientists are finding the solution to make Indian farming and market competent to international standards.

GSP Plus Status

The primary objective of the Generalized System of Preference, commonly called GSP is to contribute to the reduction of poverty and the promotion of sustainable development and good governance. Tariff preferences in the EU market enable Developing Countries to participate more fully in international trade and generate additional export revenue to support the implementation of their own sustainable development and poverty reduction policy strategies. Pakistan has traditionally been benefiting from the standard GSP regime of the EU and our exports to the EU have been subjected to 20% less duty than the normal MFN duties charged by the European Union. This preferential tariff has helped Pakistani products not only to enter the EU market but also to sustain their share in it. Pakistan's inclusion in the EU GSP Plus scheme offers immense benefits in terms of an increase in exports. It is no surprise that the main beneficiary of the GSP Plus scheme is the rice sector after Textiles and Garments sector (TDAP, n.d.). The statistics reveal that around three-quarters of all EU imports from GSP+ program hail from Pakistan, making South Asian country the biggest beneficiary of the scheme.

After the referendum of BREXIT in June 2016, the clouds of uncertainty started to hover around regarding the future of GSP Plus status of Pakistan. However recently, the ambassador of Poland has assured full support of his country for the continuation of GSP Plus status to Pakistan and said that BREXIT will not affect the trade of Pakistan with EU. Furthermore, UK's trade envoy to Pakistan Atta-ur-Rehman Chishti on his visit to Pakistan told that the UK is committed to maintaining the same levels of preferential access, Pakistan receives under the EU's scheme and legislation in this regard has come into force (DailyTimes, 2018).

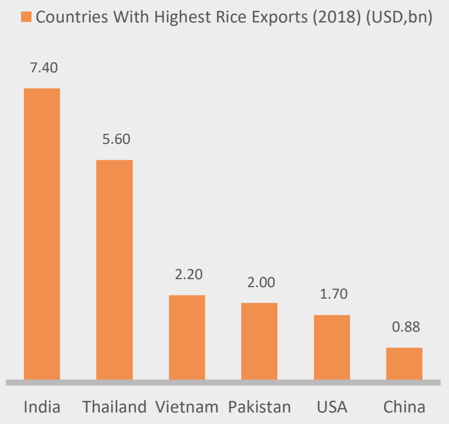
Company Overview

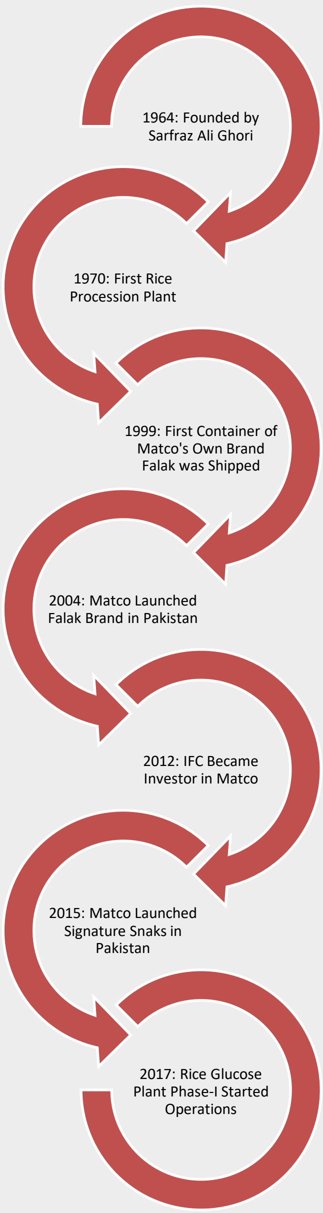
Matco Foods Limited ("the Company" or "MATCO"), founded by Syed Sarfaraz Ali Ghori in 1964, was initially a supplier of Rice husking and polishing plants, grain dryers, grain handling, seed cleaning, and grading plants to various companies and the Government of Pakistan ("GOP"). In 1967, the Company set up its first own rice processing plant in Larkana, Sindh. As per GOP's policies, the private companies were prohibited to export rice by themselves. Therefore, the RECP, GOP's export monopoly, used to purchase rice from the Private Sector and export it. In 1989, when rice export from the Private Sector was allowed for the first time, Matco established a state-of-the-art rice processing plant in Karachi. Since then, Matco has established itself as one of the largest Basmati rice exporters from Pakistan. The management has over 50 years of rice milling and industry experience with a strong record of accomplishment.

The Company's current rice processing facilities are spread over 1,000,000 sq. feet at four separate locations in Karachi and one in Sadhoke District Punjab. It has a total annual processing capacity of around 134,700 Metric Tons, which is broken into eight different production lines. In 2017, Matco has established another production plant in Karachi for the manufacture of Rice Glucose and Rice Protein from broken rice generated in the current rice processing operations.

Revenue is generated through recurring export and local sales of its brand "Falak" Basmati Rice and private label Basmati and IRRI rice processed and packed as per customers' specifications. Revenue is also generated through the sale of Rice Glucose which is manufactured by using broken rice. Sales are made through various distributive channels in more than 65 countries around the globe.

Key Statistics

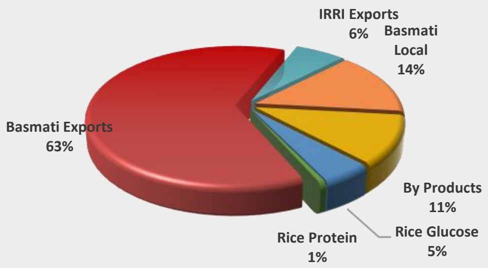




Sources: ACPL Research, Company Financials, WTE

Key Statistics

Components of Sales



Sources: ACPL Research, Company Financials

In Pakistan, the "Falak" brand is available at about 4,000 shops of major cities and gradually gaining further distribution strength. Main revenue drivers are sales volume, international prices of Basmati rice and IRRI rice, and FX rate. Apart from export sales, a significant portion of the Company's revenue is driven from sales of by-products which include rice bran, husk, broken rice, rice flour, and color sorter rice. Main cost drivers are domestic paddy / raw rice prices, utilities, wages, and logistics. Company has incurred major capital expenditures for paddy storage, drying, and processing as well as set up a Rice Glucose plant. Depreciation from capital expenditure is also a major cost driver. Basmati rice is aged and matured before exporting, and the carrying cost of inventory which includes financial charges on short term loans, insurance, and warehousing costs are also a major cost driver. Direct taxes, provincial sales tax levies and delays in sales tax refunds are also another major cost element.

Subsidiaries and Group Companies

JKT General Trading ("JKT") is 100% owned subsidiary of Matco Foods. In October 2013, Matco set up JKT General Trading (FZE), in Sharjah Airport International Free Zone authority in the emirate of Sharjah, UAE. The principal activities of the Company are commercial-general trading, export, and import. This has allowed Matco Foods to expand its boundaries and increase its presence in important GCC markets like UAE, Oman, and the Kingdom of Saudi Arabia.

Matco Marketing (Pvt) Ltd was incorporated on June 16, 2016. However, no business activity has been carried out by the Company since its incorporation.

MATCO Engineering Company was formed as a private limited company in 1969. The scope of the business was therefore enlarged to deal in plants and machinery of all sorts for rice milling and processing along with oil rigs and production equipment for oil well drilling, water supply pumps and ductile iron pipes, PVC pipes and accessories, power generators, radio and broadcasting equipment, radio telecommunication, microwave system and SCADA system. Various multinationals appointed MATCO Engineering as their local agent in Pakistan. For telecommunication projects, the Company has been working as a local agent in Pakistan with the collaboration of M/s. Moseley Associates Inc. USA as principal since 1987.

Rice Glucose / Syrup and Rice Protein Plant

Matco has recently diversified its operation within domain specialized products i.e. Rice Glucose and Rice Protein with a plant capacity of 10,000 MT per annum of rice glucose and 1,000 MT of Rice Protein per annum. Project is complete and commercial production of Rice Glucose and Rice Protein has started on October 02, 2017. Rice Glucose is used in the pharmaceutical, confectionery and baby food industry while Rice Protein is used in the dietary supplement, nutrition, and animal feed industry. Matco has also started selling rice glucose in the local market to various end users in the confectionary industry. Currently, the company is expanding its rice glucose and rice protein capacities to 30,000 MT per annum and 3,000 MT per annum respectively, for which it had raised Rs712mn through an IPO earlier in FY18. The project is expected to complete and start its production in 1HFY20.

Financial Performance

The top line of the company has grown at a meager 5-year CAGR of 2% to Rs6.9bn in FY18. Exports have contributed around 85% in top-line whereas the local sales contributed around 15% of the total sales of the company. Currently, Matco has around 8% share in Pakistan's total basmati rice exports and 0.25% in IRRI rice exports. Cumulatively, the company enjoys the market share of around 1.3% in Pakistan's total rice exports.

Going Forward, we expect the top line of the company to grow at a 5-year CAGR of 11% to Rs10.8bn by FY23. The rationale of our such expectation is as follows: 1) The company is going through the expansion of its rice glucose and rise protein plant capacities which are expected to come online by 1HFY20. We expect the utilization of these plants at 65%, 70% and 80% in FY20, FY21, and FY22 respectively. As both products have a decent demand in local as well as international markets, we expect both products to contribute around 16%-17% in total revenue of the company. 2) The devaluation of PKR by around 34% since November 2017 has made Pakistani products much more competitive as compared to its peers in the international market which can be seen in the exports of last year (FY18). As the government has now decided to keep the rupee value near to its fair value instead of keeping it higher artificially, we expect the revenue of the company to grow at a faster pace in coming years. 3) Making Pakistan a hub of rice production is part of agriculture policy under CPEC. Private sector and Chinese experts are largely contributing to achieving this target. Different areas in Sindh have witnessed a revolution in paddy yield during the last couple of year due to hybrid rice cultivation. Furthermore, the government has also entered into an agreement with China and 12 hybrid rice scientists arrived here to train local scientists and farmers on hybrid rice cultivation technologies to improve per acre crop productivity. 4) Reduced competition from India in the short term due to the ban of the EU on Indian basmati rice due to the increased level of Tricyclazole in their commodity.

Gross margins have remained volatile during the past years with a 5-year average of 13.5% on account of volatility in international commodity prices and dynamic agrarian conditions within the country. Last year, the company posted the gross margin at 14.7% due to the favorable international prices. Going forward, we expect the gross margins to remain intact around 15% in coming years on account of auspicious market conditions and increased revenue from rice glucose and protein divisions which offer the gross margin of around 16% according to the company estimates.

Finance cost has been increased by around 13% YoY to Rs240mn in FY18 on account of the long-term debt raised for the expansion of rice glucose and rice protein plant and short-term borrowing for working capital requirements. Going forward, we expect the finance to reduce to Rs200mn by FY23.

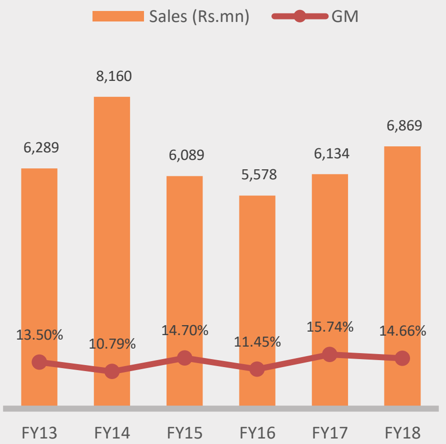
The effective tax rate of the company was at 8.7% in FY18. Going forward, we expect the effective exchange rate to remain around 10%-11% in coming years.

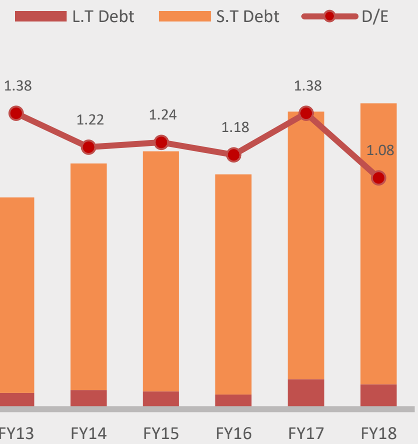
Despite stagnant growth in sales, the bottom line of the company has grown by an exceptional 5-year CAGR of 19% to Rs308mn with a net margin of 4.5% in FY18 on account of handsome exchange gains and operating cost efficiency. Going forward, we expect the bottom line of the company to grow at a 5-year CAGR of 22% to Rs819mn along with a net margin of around 7% by FY23 on account of reduced finance cost and exchange gains in coming years.

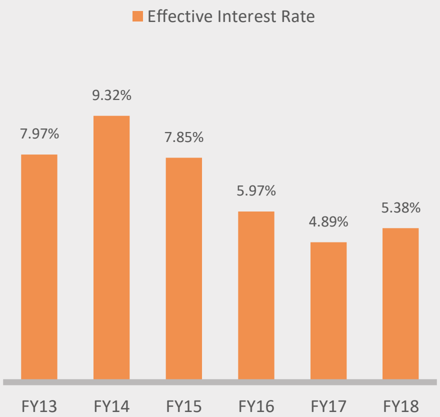
Immune to Interest rate risk

During the current phase of monetary tightening, the earnings of highly geared companies are in extreme stress. However, at the same time, Matco Foods Limited is enjoying the privileges, the government has provided to export-oriented companies. Although, the debt to equity ratio of Matco Foods Limited is 1.08x which seems too high, yet only 3% of the total debt is based on KIBOR and is prone to interest rate risk. The remaining 97% debt has a mark-up rate of exports refinance rate (3%) along with a spread of 1%-2%. Collectively, the effective interest rate of the company stands around 5% which is far less than the current policy rate of 10.75%. Going forward, we expect the debt to equity ratio to come down to 0.54x by FY23.

Key Statistics







Sources: ACPL Research, Company Financials

Key Statistics

Investment Perspective

Pakistan is likely to witness a revolution in paddy production in the next couple of years because of Chinese cooperation with the government and private sector in the field. Private sector and Chinese experts are largely contributing to achieving the target of making Pakistan a hub of rice production. Furthermore, the massive rupee devaluation has made the rice exports much more competitive against our peers i.e. Vietnam, Thailand, and India. Going forward, the commencement of new capacities of rice glucose and rice protein would further improve the top line and gross margin of the company. Lastly, the reduced competition from India would further enhance the growth and profitability of the company manifolds in the coming years.

Valuation

MFL is currently trading at FY19E and FY20E PE of 6.84x and 6.97x respectively. Furthermore, the script is trading at a FY19E P/B of 0.80x which offers a significant discount of 30% relative to its historical 5-year average of 1.14x. We have a **BUY** stance on the script with a DCF based Dec-19 TP of Rs.37 which provides an upside potential of 26%. Furthermore, it also offers a dividend yield of 4% which makes the total return of 30%.

Key Risks to Valuation

- Appreciation of PKR
- Hike in prices of raw material
- Less than expected growth in demand
- Earlier than expected removal of the ban on Indian basmati rice from the EU

Key Ratios

Profitability Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
GP Margin	%	10.79	14.70	11.45	15.74	14.66	15.65	15.17	15.60	15.89	16.14
NP Margin	%	2.17	1.61	0.07	4.38	4.49	6.74	5.43	5.97	6.64	7.14
OP Margin	%	4.95	7.40	3.43	7.86	7.09	8.08	7.59	8.03	8.31	8.56
ROE	%	6.04	3.24	0.14	8.56	7.47	11.52	10.45	11.33	12.47	12.92
ROCE	%	12.80	13.83	5.97	13.24	10.70	12.75	13.73	14.54	15.10	15.12
ROA	%	2.39	1.31	0.06	3.27	3.41	5.35	4.83	5.47	6.56	7.23

Liquidity Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Current	x	1.27	1.32	1.37	1.32	1.52	1.43	1.47	1.57	1.73	1.89
Quick	x	0.04	0.04	0.04	0.04	0.20	0.13	0.13	0.15	0.13	0.19

Activity Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	2.02	1.28	1.20	1.26	1.32	1.44	1.58	1.54	1.58	1.63
Inventory Days		202.06	334.48	344.94	344.10	323.14	299.87	271.77	281.01	274.29	267.58
Receivables Days		2.36	2.63	3.35	5.04	4.54	4.06	3.34	3.12	2.88	2.72
Payables Days		18.24	22.98	14.42	23.49	14.07	16.46	16.46	16.46	16.46	16.46
Operating Cycle		186.18	314.13	333.87	325.66	313.61	287.47	258.64	267.66	260.70	253.83

Investment Ratios		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
DPS		0.00	0.00	0.00	0.00	0.70	1.29	1.27	1.50	1.77	2.05
Div. Yield	%	0.00	0.00	0.00	0.00	2.38	4.39	4.30	5.10	6.03	6.98
Dividend Cover	x	0.00	0.00	0.00	0.00	3.60	3.33	3.33	3.33	3.33	3.33
Retention	%	100.00	100.00	100.00	100.00	72.21	70.00	70.00	70.00	70.00	70.00
Payout	%	0.00	0.00	0.00	0.00	27.79	30.00	30.00	30.00	30.00	30.00
No. of Shares	('m)	122.40	122.40	122.40	122.40	122.40	122.40	122.40	122.40	122.40	122.40
EPS		1.45	0.80	0.03	2.20	2.52	4.30	4.22	5.00	5.92	6.84
BVPS		23.94	24.66	23.57	25.68	33.73	36.74	39.70	43.20	47.34	52.13
P/E	x	20.33	36.82	919.32	13.38	11.68	6.84	6.97	5.88	4.97	4.30
Sales per share		66.67	49.75	45.57	50.12	56.12	62.70	76.22	81.68	88.50	93.73
P/BV	x	1.23	1.19	1.25	1.15	0.87	0.80	0.74	0.68	0.62	0.56
P/S	x	0.44	0.59	0.65	0.59	0.52	0.47	0.39	0.36	0.33	0.31

		FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Solvency Ratios		1.22	1.24	1.18	1.38	1.08	0.92	0.92	0.81	0.70	0.54
Total Debt to Equity	x	0.07	0.07	0.05	0.11	0.07	0.05	0.03	0.02	0.01	0.00
L.T Debt to Equity	x	0.48	0.50	0.49	0.53	0.49	0.44	0.44	0.41	0.37	0.32
Total Debt to Assets	x	0.03	0.03	0.02	0.04	0.03	0.02	0.02	0.01	0.00	0.00
L.T Debt to Assets	x	1.21	1.53	0.94	2.28	2.03	2.79	3.01	3.57	4.29	5.47
Interest Cover	x	1.22	1.24	1.18	1.38	1.08	0.92	0.92	0.81	0.70	0.54

Source: ACPL Research, Company Financials

Financial Projections

Rupees' millions	FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Revenue	8,160	6,089	5,578	6,134	6,869	7,675	9,330	9,998	10,832	11,473
Cost of sales	-7,279	-5,194	-4,939	-5,169	-5,862	-6,473	-7,915	-8,438	-9,111	-9,621
Gross profit	**881**	**895**	**639**	**965**	**1,007**	**1,201**	**1,415**	**1,560**	**1,721**	**1,852**
Distribution cost	-338	-274	-284	-292	-300	-335	-408	-437	-473	-501
Administrative expenses	-132	-166	-159	-175	-198	-221	-269	-288	-312	-331
Other operating expenses	-7	-5	-5	-16	-22	-25	-30	-33	-35	-37
Profit from operations	**404**	**450**	**191**	**482**	**487**	**620**	**708**	**802**	**900**	**983**
Other income	183	3	51	72	91	188	109	116	126	133
Finance cost	-333	-294	-204	-212	-240	-222	-235	-225	-210	-180
Profit before income tax	**254**	**160**	**38**	**342**	**338**	**586**	**582**	**694**	**816**	**937**
Income tax expense	-77	-62	-34	-73	-29	-59	-65	-82	-92	-99
Profit for the year	**177**	**98**	**4**	**269**	**308**	**527**	**517**	**612**	**724**	**838**
EPS	**1.45**	**0.80**	**0.03**	**2.20**	**2.52**	**4.30**	**4.22**	**5.00**	**5.92**	**6.84**
EBITDA	**518**	**604**	**336**	**620**	**649**	**817**	**927**	**1,004**	**1,085**	**1,153**

Source: ACPL Research, Company Financials

Horizontal Analysis

Horizontal Analysis	FY14A	FY15A	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Revenue	29.74%	-25.38%	-8.39%	9.98%	11.98%	11.72%	21.56%	7.16%	8.35%	5.92%
Cost of sales	33.80%	-28.65%	-4.91%	4.66%	13.41%	10.43%	22.26%	6.61%	7.98%	5.60%
Gross profit	**3.75%**	**1.62%**	**-28.62%**	**51.12%**	**4.35%**	**19.27%**	**17.79%**	**10.24%**	**10.33%**	**7.60%**
Distribution cost	13.99%	-19.09%	3.80%	2.69%	2.83%	11.72%	21.56%	7.16%	8.35%	5.92%
Administrative expenses	23.96%	26.03%	-4.15%	10.28%	13.05%	11.72%	21.56%	7.16%	8.35%	5.92%
Other operating expenses	32.93%	-26.20%	-6.58%	247.21%	40.35%	11.72%	21.56%	7.16%	8.35%	5.92%
Profit from operations	**-8.34%**	**11.47%**	**-57.58%**	**152.41%**	**0.92%**	**27.33%**	**14.25%**	**13.31%**	**12.21%**	**9.13%**
Other income	-83553.86%	-98.09%	1350.71%	41.52%	26.66%	107.29%	-42.29%	7.16%	8.35%	5.92%
Finance cost	35.74%	-11.61%	-30.71%	4.00%	13.12%	-7.28%	5.76%	-4.29%	-6.62%	-14.52%
Profit before income tax	**30.13%**	**-37.16%**	**-76.26%**	**801.35%**	**-1.24%**	**73.37%**	**-0.68%**	**19.28%**	**17.67%**	**14.72%**
Income tax expense	19.62%	-19.74%	-45.20%	114.73%	-59.69%	100.40%	10.19%	25.31%	13.16%	7.04%
Profit for the year	**35.32%**	**-44.78%**	**-96.00%**	**6768.91%**	**14.63%**	**70.78%**	**-1.90%**	**18.52%**	**18.27%**	**15.70%**
EPS	**35.32%**	**-44.78%**	**-96.00%**	**6768.91%**	**14.63%**	**70.78%**	**-1.90%**	**18.52%**	**18.27%**	**15.70%**
EBITDA	**-3.02%**	**16.68%**	**-44.43%**	**84.62%**	**4.70%**	**25.88%**	**13.48%**	**8.23%**	**8.15%**	**6.22%**

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

VALUATION METHODOLOGY

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

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II. Dividend Discount Model
III. Relative Valuation Model
IV. Sum of Parts Valuation

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