

PABC

9MCY21 Result Review: BUY Stance Initiated

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PABC has announced its 9MCY21 result where it posted a profit after tax of Rs1.3bn (EPS: Rs3.61) as compared to a profit after tax of Rs359mn (EPS: Rs0.99) in the same period last year, up by 264% YoY.

The company has posted a revenue of Rs5.75bn against Rs3.96bn in SPLY, recording a growth of 46% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices.

The gross margin has been expanded to 34.9% as compared to 24.7% during SPLY. SG&A expenses went down by 10.6% YoY to Rs133mn as compared to Rs149mn during SPLY.

Furthermore, an increase in the other income by 148% YoY and the decrease in the finance cost 41% YoY contributed to the upsurge of the bottom line.

PABC is trading at a CY21E P/E of 9.97x. Moreover, the scrip is also trading at CY21 P/B of 3.04x which offers a discount of 38% relative to its historical 2-year average of 4.89x. We have a **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 57 which provides an upside potential of 49%.

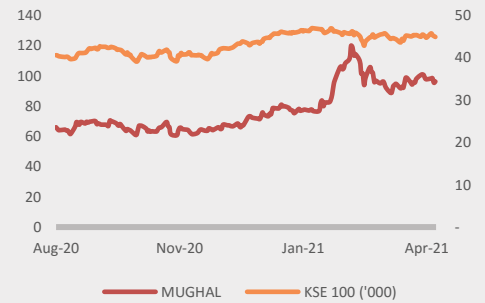
Rupees' millions	3QCY21	3QCY20	YoY	9MCY21	9MCY20	YoY
Net Sales	1,921	1,683	14.2% ▲	5,748	3,951	45.5% ▲
Cost of Sales	-1,264	-1,264	0.0% ▲	-3,740	-2,976	25.7% ▲
Gross Profit	657	419	56.9% ▲	2,007	975	105.9% ▲
SG&A Expenses	-30	-59	49.5% ▼	-133	-149	10.6% ▼
Other Expenses	-110	-34	224.9% ▲	-348	-56	518.4% ▲
Operating Profit	517	326	58.8% ▲	1,526	770	98.2% ▲
Other Income	11	2	515.2% ▲	16	6	148.4% ▲
Finance Cost	-67	-91	26.3% ▼	-206	-350	41.0% ▼
Profit Before Taxation	461	237	94.8% ▲	1,335	427	213.0% ▲
Taxation	-5	-24	77.7% ▼	-31	-68	55.0% ▼
Profit After Taxation	456	213	114.3% ▲	1,305	359	263.9% ▲
Earnings Per Share	1.26	0.59	114.3% ▲	3.61	0.99	263.9% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	0.00	0.00		0.00	0.00	
Right	0.00	0.00		0.00	0.00	
Gross Margin	34.2%	24.9%	9.3% ▲	34.9%	24.7%	10.2% ▲
SG&A Expenses to Sales	-1.6%	-3.5%	2.0% ▼	-2.3%	-3.8%	1.5% ▼
Other Income to Sales	0.6%	0.1%	0.5% ▲	0.3%	0.2%	0.1% ▲
Ex. Gain / (Loss) to Sales	-1.6%	-3.5%	2.0% ▼	-2.3%	-3.8%	1.5% ▼
Effective Taxation	-1.2%	-10.1%	9.0% ▼	-2.3%	-16.0%	13.7% ▼
Net Margin	23.7%	12.6%	11.1% ▲	22.7%	9.1%	13.6% ▲

Source: ACPL Research, Company Financials

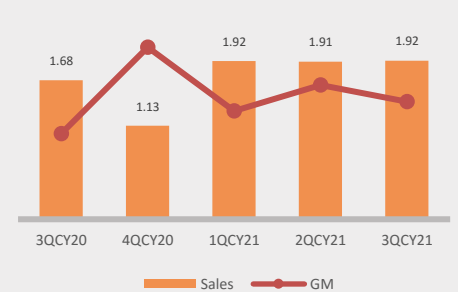
Key Statistics

Symbol	PABC
TP - Jun 22	57.00
LDGP	39.34
Upside (%)	49
Free Float ('mn)	108
Market Cap. (Rs.'mn)	14,083

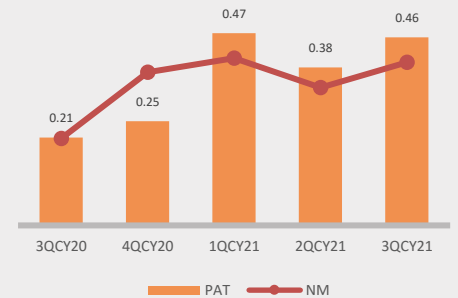
PABC vs KSE 100



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	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	4,809	5,084	6,810	7,691	8,896	10,164	11,100
Cost of sale	- 3,737	- 3,542	- 4,609	- 5,186	- 5,967	- 6,777	- 7,376
Gross profit	1,072	1,542	2,201	2,505	2,930	3,388	3,723
Admin & Selling Expenses	- 270	- 246	- 355	- 271	- 285	- 299	- 314
Other operating expenses	- 20	- 191	- 106	- 131	- 162	- 197	- 226
Operating Profit	782	1,104	1,740	2,103	2,483	2,892	3,184
Other operating income	60	17	18	28	61	119	208
Finance cost	- 578	- 423	- 241	- 254	- 225	- 196	- 167
Profit before taxation	264	698	1,516	1,876	2,319	2,815	3,225
Taxation	- 118	- 87	- 140	- 130	- 107	- 105	- 105
Profit after taxation	146	611	1,376	1,746	2,212	2,709	3,120
EPS	0.40	1.69	3.81	4.84	6.13	7.50	8.64

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Net sales	133.8%	5.7%	33.9%	12.9%	15.7%	14.3%	9.2%
Cost of sale	64.2%	-5.2%	30.1%	12.5%	15.1%	13.6%	8.8%
Gross profit	-588.4%	43.8%	42.8%	13.8%	16.9%	15.6%	9.9%
Admin & Selling Expenses	-7.1%	-8.9%	44.3%	-23.6%	5.0%	5.0%	5.0%
Other operating expenses		858.6%	-44.6%	23.8%	23.6%	21.4%	14.6%
Operating Profit	-253.3%	41.2%	57.6%	20.9%	18.1%	16.5%	10.1%
Other operating income	948.7%	-71.5%	6.0%	55.7%	119.1%	93.7%	74.4%
Finance cost	21.7%	-26.7%	-43.0%	5.3%	-11.5%	-13.0%	-14.9%
Profit before taxation	-126.9%	164.7%	117.3%	23.8%	23.6%	21.4%	14.6%
Taxation	-165.2%	-26.1%	60.7%	-6.9%	-17.9%	-1.5%	-0.8%
Profit after taxation	-118.2%	319.2%	125.4%	26.9%	26.7%	22.5%	15.2%
EPS	-114.9%	319.2%	125.4%	26.9%	26.7%	22.5%	15.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
GP Margin	%	22.29	30.32	32.32	32.57	32.93	0.33	0.34
OP Margin	%	16.26	21.72	25.55	27.34	27.91	0.28	0.29
NP Margin	%	3.03	12.01	20.21	22.70	24.86	0.27	0.28
ROE	%	5.75	19.42	30.45	27.86	26.09	0.24	0.22
ROCE	%	5.75	19.42	30.45	27.86	26.09	0.24	0.22
ROA	%	1.63	6.94	13.68	15.86	18.51	0.20	0.21

Liquidity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Current	x	0.84	1.18	1.85	2.11	2.52	3.08	3.76
Acid-test	x	0.39	0.36	0.49	0.69	1.00	1.48	2.11

Activity Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Inventory Turnover	x	3	3	3	2	2	2	2
Inventory Days		1189	1,594	2074	2,334	2685	3,050	3319
Receivables Days		277	415	473	492	555	643	734
Payables Days		212	404	561	498	560	645	732
Operating Cycle		1254	1,605	1986	2,327	2680	3,047	3321

Investment Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
EPS	Rs.	0.40	1.69	3.81	4.84	6.13	7.50	8.64
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.	7.02	8.71	12.52	17.35	23.48	30.98	39.62
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	'000	361	361	361	361	361	361	361
P/E		97.51	23.26	10.32	8.14	6.42	5.24	4.55
Sales per share		13.32	14.08	18.86	21.30	24.64	28.15	30.74
P/BV		5.61	4.52	3.14	2.27	1.68	1.27	0.99
Price to Sales		2.95	2.79	2.09	1.85	1.60	1.40	1.28

Gearing Ratios		CY19A	CY20A	CY21E	CY22E	CY23E	CY24E	CY25E
Debt to Equity	x	1.96	1.30	0.86	0.60	0.38	0.23	0.14
L.T. Debt to Equity	x	1.12	0.91	0.69	0.47	0.28	0.16	0.08
Interest Cover	x	1.88	3.20	8.14	9.31	12.44	16.70	21.94

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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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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