

Equity Research | Automobile Parts & Accessories | Wednesday, 12 April, 2023

PTL has announced its 3QFY23 result where it posted a profit after tax of Rs237mn (EPS: Rs1.41) as compared to a profit after tax of Rs10mn (EPS: Rs0.06) in the same period last year, up by 2228.6% YoY amid an increase in sales and better gross margins.

The company has posted a revenue of Rs4.88bn against Rs4.43bn in SPLY, recording a growth of 10.2% YoY. The gross margin has increased to 16.7% as compared to 10.1% in the SPLY.

Furthermore, SG&A expenses have increased by 20% YoY to Rs276mn as compared to Rs230mn in SPLY. Other income has increased by 49.8% to Rs21mn and other operating expenses increased by 558% to Rs29mn. Moreover, the finance cost has surged by 47.4% YoY to Rs258mn owing to higher interest rates.

PTL is currently trading at FY23E P/B of 3.01x, which offers a discount of 51% relative to its historical 3-year average of 1.99x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs25 which provides an upside potential of 24%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	4,881	4,427	10.2% ▲	14,187	13,908	2.0% ▲
Cost of Sales	-4,067	-3,980	2.2% ▲	-12,401	-12,416	0.1% ▼
Gross Profit	814	448	81.7% ▲	1,786	1,492	19.7% ▲
SG&A Expenses	-276	-230	20.0% ▲	-882	-709	24.4% ▲
Other Charges	-29	-4	558.0% ▲	-54	-31	72.6% ▲
Operating Profit	509	213	138.8% ▲	849	752	13.0% ▲
Other Income	21	14	49.8% ▲	66	49	34.8% ▲
Finance Cost	-258	-175	47.4% ▲	-807	-408	97.8% ▲
Profit Before Taxation	272	52	421.5% ▲	108	393	72.4% ▼
Taxation	-35	-42	15.9% ▼	-7	-123	94.2% ▼
Profit After Taxation	237	10	2228.6% ▲	101	270	62.5% ▼
Earnings Per Share	1.41	0.06	2228.6% ▲	0.60	1.61	62.5% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0%	0%		0%	0%	
Gross Margin	16.7%	10.1%	6.6% ▲	12.6%	10.7%	1.9% ▲
SG&A Expenses to Sales	-5.7%	-5.2%	0.5% ▼	-6.2%	-5.1%	1.1% ▲
Other Income to Sales	0.4%	0.3%	0.1% ▲	0.5%	0.4%	0.1% ▲
Ex. Gain / (Loss) to Sales	-5.7%	-5.2%	0.5% ▼	-6.2%	-5.1%	1.1% ▲
Effective Taxation	-13.0%	-80.5%	67.5% ▲	-6.6%	-31.4%	24.7% ▼
Net Margin	4.8%	0.2%	4.6% ▲	0.7%	1.9%	1.2% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	PTL
TP - Dec 23	25
LDCP	20.22
Upside (%)	24
Free Float ('mn)	50.4
Market Cap. (Rs.'mn)	3,345

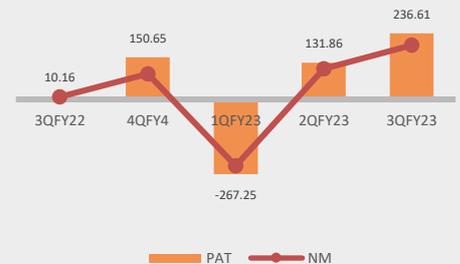
PTL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116
Email: salman@abbasiandcompany.com

Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	11,585	16,202	20,460	18,915	20,240	21,656	23,822
Cost of sale	9,908	13,731	18,217	16,400	17,811	18,949	20,725
Gross profit	1,677	2,471	2,244	2,516	2,429	2,707	3,097
Selling And Distribution	415	581	687	805	725	776	853
Administrative Expenses	261	296	363	371	424	453	499
Other Expenses	29	87	66	72	77	83	91
Other Income	6	42	190	88	94	101	111
Operating Profit	978	1,548	1,317	1,356	1,297	1,496	1,765
Finance cost	598	328	650	1,076	512	522	536
Profit before taxation	380	1,220	667	279	785	974	1,229
Taxation	128	369	247	19	259	321	405
Profit after taxation	252	851	420	261	526	653	823
EPS	1.50	5.07	2.50	1.55	3.13	3.88	4.90

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	18.5%	39.9%	26.3%	-7.6%	7.0%	7.0%	10.0%
Cost of sale	17.4%	38.6%	32.7%	-10.0%	8.6%	6.4%	9.4%
Gross profit	25.3%	47.3%	-9.2%	12.1%	-3.5%	11.5%	14.4%
Selling And Distribution	35.4%	40.2%	18.3%	17.1%	-9.9%	7.0%	10.0%
Administrative Expenses	0.8%	13.5%	22.6%	2.2%	14.2%	7.0%	10.0%
Other Expenses	-26.7%	193.3%	-24.2%	10.0%	7.0%	7.0%	10.0%
Other Income	221.7%	550.3%	356.0%	-53.5%	7.0%	7.0%	10.0%
Operating Profit	33.1%	58.3%	-14.9%	2.9%	-4.3%	15.3%	18.0%
Finance cost	48.0%	-45.2%	98.0%	65.6%	-52.4%	2.0%	2.7%
Profit before taxation	14.9%	221.3%	-45.3%	-58.1%	181.0%	24.0%	26.2%
Taxation	10.1%	188.3%	-33.1%	-92.5%	1294.8%	24.0%	26.2%
Profit after taxation	17.5%	238.0%	-50.6%	-37.9%	101.7%	24.0%	26.2%
EPS	17.5%	238.0%	-50.6%	-37.9%	101.7%	24.0%	26.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	14.48	15.25	10.97	13.30	12.00	12.50	13.00
NP Margin	%	2.17	5.25	2.05	1.38	2.60	3.01	3.46
OP Margin	%	8.44	9.56	6.44	7.17	6.41	6.91	7.41
ROE	%	6.97	12.94	6.13	4.56	8.72	10.16	11.90
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.11	1.52	1.09	1.07	0.95	0.94	0.92
Quick	x	0.68	0.93	0.63	0.60	0.54	0.55	0.55
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	6.12	5.34	4.81	4.09	4.79	5.06	5.50
Inventory Days		59.59	68.31	75.89	89.28	76.22	72.15	66.38
Receivables Days		76.88	74.43	76.68	74.00	72.00	72.00	69.00
Payables Days		27.29	23.73	32.91	35.91	38.91	41.91	44.91
Operating Cycle		109.18	119.01	119.65	127.37	109.31	102.25	90.47
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		0.00	2.00	1.00	0.00	1.50	1.50	2.00
Div. Yield	%	0.00	9.89	4.95	0.00	7.42	7.42	9.89
Retention	%	100.00	60.53	60.03	60.03	60.03	60.03	60.03
Payout	%	0.00	39.47	39.97	39.97	39.97	39.97	39.97
No. of Shares	('m)	168.00	168.00	168.00	168.00	168.00	168.00	168.00
EPS		1.50	5.07	2.50	1.55	3.13	3.88	4.90
BVPS		6.00	13.44	18.38	6.71	4.35	4.35	2.27
P/E	x	13.49	3.99	8.08	13.02	6.46	5.21	4.13
Sales per share		68.96	96.44	121.79	112.59	120.47	128.91	141.80
P/BV	x	3.37	1.50	1.10	3.01	4.64	4.64	8.92
P/S	x	0.29	0.21	0.17	0.18	0.17	0.16	0.14
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	1.14	0.83	1.33	1.29	1.31	1.27	1.16
L.T Debt to Equity	x	0.14	0.15	0.23	0.20	0.12	0.11	0.06

Source: ACPL Research, Company Financials

DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

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:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com