

PAKISTAN MARKET

MARKET VISTA

PSO, PSMC & MUGHAL: Result Previews

PSO – PAT to clock in at Pkr8.4bn (EPS: Pkr17.8) for 1QFY22: Pakistan State Oil (PSO) is expected to announce its 1QFY22 result today where we expect the company to post PAT of Pkr8.4bn (EPS: Pkr17.81), increasing by 63%YoY as low inventory gains kept the base low however on sequential basis, profitability is expected to decrease by 23%QoQ on the back of significant inventory gains in 4QFY21. PSO is expected to record inventory gains of Pkr4.5bn during 1QFY22 as well after ex-refinery prices of MS/HSD increased by 18/11% during the quarter on the back of increase in oil prices. Company's revenue is expected to increase by 47/18% YoY/QoQ as retail prices increased coupled with increase in dispatches which stood at 34%YoY. For the retail fuel segment, company's volumes increased by 23%YoY. We expect the topline contribution from LNG segment to also increase significantly after LNG prices soared globally on the back of energy crunch. Overall, we maintain our Buy stance on the stock with the next tranche of circular debt to be released in near term while market share continues to improve.

PSO: Income Statement

(PKRmn)	1QFY22E	4QFY21	QoQ	1QFY21	YoY
Net Sales	413,792	351,286	18%	280,765	47%
Gross Profit	17,491	16,869	4%	11,496	52%
PBT	12,395	16,882	-27%	7,676	61%
Tax	4,032	5,985	-33%	2,532	59%
PAT	8,363	10,897	-23%	5,144	63%
EPS	17.81	23.23		10.97	
DPS	0	10		0	

Source: Company Reports & AKD Research

PSMC — 3QCY21 earnings to clock in at Pkr6.76/sh: We expect Pak Suzuki Motor Company (PSMC) to post 3QCY21 NPAT of Pkr556mn (EPS: Pkr6.76, +33%QoQ) in contrast to a loss of Pkr136mn (LPS: Pkr1.66) in 3QCY20. This will take 9MCY21 NPAT to Pkr1.75bn (EPS: Pkr21.3) vs loss of Pkr2.6bn (LPS: Pkr31.6). We expect the topline to swell by 121%YoY on account of 120%YoY higher offtake in volumes compared to 3QCY20. In comparison to the previous quarter, we expect the topline to inflate by 66%QoQ on account of 75%QoQ growth in volumes, owing to the budgetary measures, which has fueled the demand for small passenger cars in Pakistan. The volumes are led by Cultus (+87%QoQ), Ravi (+85%QoQ), Alto (+81%QoQ), Bolan (+73%QoQ) and Wagon-R (+45%QoQ). On cumulative basis, total volume offtake for PSMC in 3QCY21 stands at 38,440 units, registering all time high sales in a quarter. On the flipside, we expect gross margin to register at 4% for the quarter (vs 5.8% in previous quarter), taking a hit from currency devaluation of 6.4%QoQ and 5.1/1.8%QoQ increase in CRC/HRC prices. Reiterating our buy stance (TP: Pkr268/sh), we believe that the recent sell off in the market has provided attractive entry point to take exposure in PSMC. The stock is currently trading at an attractive CY22 P/E of 6.6x.

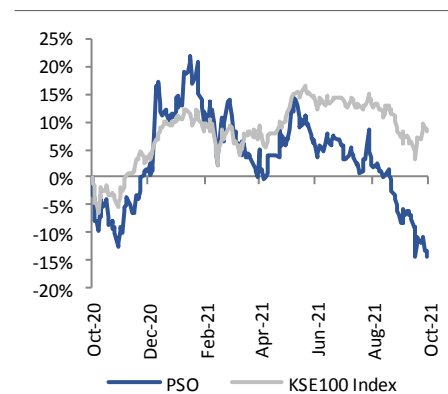
PSMC: Income Statement

(PKRmn)	3QCY21E	3QCY20A	YoY%	2QCY21A	QoQ%
Sales volume	38,440	17,485	120%	22,019	75%
Revenue	49,946	22,603	121%	30,013	66%
COGS	(47,946)	(21,437)	124%	(28,267)	70%
Gross profit	2,000	1,166	71%	1,746	15%
GMs	4.0%	5.2%	N/A	5.8%	N/A
Other income	246	125	97%	248	-1%
NPAT	557	(136)	N/A	419	33%
EPS (PKR)	6.76	(1.66)	N/A	5.09	33%

Source: Company Reports & AKD Research

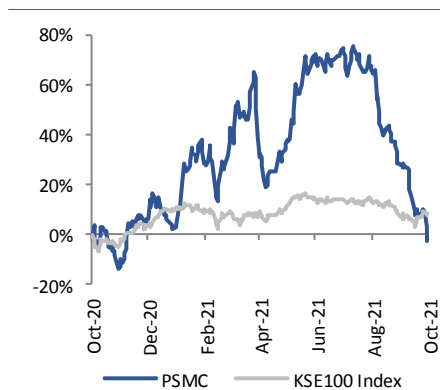
AKD Research
research@akdsecurities.net
111-253-111 Ext:639

KSE100 Index vs. PSO



Source: PSX & AKD Research

KSE100 Index vs. PSMC



Source: PSX & AKD Research



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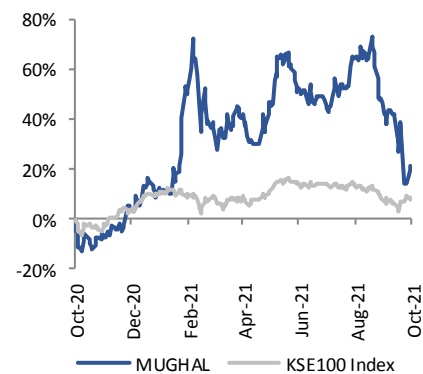
MUGHAL – Earnings to remain robust in 1QFY22: MUGHAL is scheduled to announce its 1QFY22 result (29th Oct'21), where we expect the company to record NPAT of PkR1.37bn (EPS: PkR4.09) vs NPAT of PkR352mn (EPS: PkR1.05) in 1QFY21. The expected earnings primarily emanates from: i) 119/12%YoY/QoQ growth in the topline largely on account of higher rebar prices (+15.4%QoQ), and ii) higher offtakes of copper ingots (+10%QoQ) where we have assumed copper selling price of US\$9000/ton for 1QFY22. Gross margin is likely to remain robust compared to YoY and QoQ basis (GM: 13.7% in 1QFY22 vs. 11.2% in 1QFY21 and 12.5% in 4QFY21). Moreover, earnings are expected to be increased by 49%QoQ. The company currently trades at FY22F P/E of 5.2x while 3-yr PEG stands at 0.21x with our (bonus adjusted) TP of PkR135/sh provides a capital upside of 50% from last close – Buy.

MUGHAL: Income Statement

(PkRmn)	1QFY22E	1QFY21	YoY	4QFY21	QoQ
Net Sales	16,969	7,734	119%	15,153	12%
COGS	14,650	6,872	113%	13,256	11%
GP	2,319	862	169%	1,897	22%
Finance cost	468	312	50%	408	15%
PBT	1,561	406	284%	1,231	27%
NPAT	1,373	352	290%	920	49%
EPS (PkR)	4.09	1.05	290%	2.75	49%

Source: Company Reports & AKD Research

KSE100 Index vs. MUGHAL



Source: PSX & AKD Research

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To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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Buy	> 14.5% expected total return (Rf: 8.5% + Rp: 6%)
Neutral	> 8.5% to < 14.5% expected total return
Sell	< 8.5% expected total return (Rf: 8.5%)



AKD Securities Limited

602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsecurities.net