

## 1QFY19 – Result Review

- **Revenue growth suggests pricing power** - Net sales of the company and gross profit increased by 18.61% and 18.37% respectively – this growth is attributed to increase in prices. Sales volumes for the quarter remained the same as the corresponding quarter last year. Our channel checks suggest that prices have further increased in the current quarter by around 4%. This could result in improved margins
- **Retirement of Preference shares** – Company has approved redemption of outstanding preference share capital of Rs 901.21 million which will increase company’s earnings by around 10%
- **Expansion to provide room for further growth** – As current production facilities are operating at optimum achievable capacity, company signed an agreement to acquire a new Board Machine at a cost of \$120 Mn. This project is expected to come online by 2020-2021
- **Implementation of Antidumping duties to increase market share further** – Antidumping duties on Coated Board Products are not yet fully effective due to certain legal constraints. A favorable outcome is expected on this regard

### Income Statement

Rs '000 (except where indicated)	Q1FY19	Q1FY18	YOY
<b>Sales</b>	<b>4,760,583</b>	<b>4,013,758</b>	<b>18.61%</b>
Cost of sales	(4,194,885)	(3,535,845)	18.64%
<b>Gross Profit</b>	<b>565,698</b>	<b>477,913</b>	<b>18.37%</b>
Administrative expense	(116,128)	(99,283)	16.97%
Selling and Distribution Expense	(36,240)	(30,114)	20.34%
Other Operating expense	(25,038)	(25,129)	-0.36%
Other Operating Income	22,714	13,575	67.32%
<b>Operating Profit/(loss)</b>	<b>411,006</b>	<b>336,962</b>	<b>21.97%</b>
Finance Cost	(139,309)	(120,452)	15.66%
<b>Profit before taxation</b>	<b>271,697</b>	<b>216,510</b>	<b>25.49%</b>
Taxation	(67,923)	(64,953)	4.57%
Profit after taxation	203,774	151,557	34.45%
Preference dividend	(20,000)	(16,287)	22.80%
<b>Profit after taxation</b>	<b>183,774</b>	<b>135,270</b>	<b>35.86%</b>
EPS	1.25	0.92	35.86%
Gross Profit Margin	11.88%	11.91%	-0.25%
Net Profit Margin	3.86%	3.37%	14.54%



## Disclaimer

REP-091

Disclaimer: This document is prepared for information purposes only. The information and data on which this report is based are obtained from sources which we believe to be reliable but we do not guarantee that it is accurate or complete. This document does not take account of the investment and trading objectives, financial situation and particular needs of clients, who should seek further professional advice or rely upon their own judgment and acumen before making any investment / trading decision.

## Analyst Certification

The author(s) of this report hereby certifies(y) that this report accurately reflects his/their own independent opinions and views as of the time this report went into publication and that no part of his/their compensation was, is or will be affected by the recommendation(s) in this report. The research analyst or any of his/their close relatives do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company and the research analyst or their close relatives have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months. The Research analyst or his/their close relatives have not traded in the subject security in the past 7 days and will not trade for 5 days post publication of the report.

## Valuation Methodology

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method ( P/E, P/B etc.)
- Discounted Cash flow Method
- Sum of the parts {SOTP}
- Equity and Asset based valuation

## Rating

- BUY Total return more than 20% from last closing of market price
- HOLD Total return is in between 10% and 20% from last closing of market price
- REDUCE Total return is less than 10% from last closing market price



Contact us:  
Email: [research@abbasisecurities.com](mailto:research@abbasisecurities.com)  
Website: [www.abbasisecurities.com](http://www.abbasisecurities.com)  
Telephone: 111-555-275

