

INDU | EPCL | MLCF | DGKC

INDU: Improvement in gross margins to recover earnings in 2QFY24

Indus Motor Company Limited (INDU) is expected to announce the financial result for 1HFY24 on 21st Feb'24. The company is projected to post a net profit of PKR 5.5bn (EPS: PKR 69.7), up by 109% YoY. Gross margins are expected to recover substantially recording at 9.9bps due to stable PKR USD parity and lower commodity prices i.e.: steel. On a quarterly basis, the company is expected to register a profit of PKR 2.3bn (EPS: PKR 28.8) compared to a profit of PKR 1.3bn (EPS: PKR 28.8) owed to i) improved gross margins and, ii) positive operating profits. However, a subdued topline of PKR 19.2bn (-61% YoY) is expected on the back of lower volumetric sales (-72% YoY) with major contributions coming from Fortuner and Hilux (-83% YoY), followed by Yaris and Corolla (-63.8%). Other income is expected decline by 26% YoY owed to lower income from cash and cash equivalent. Alongside the result, we expect the company to announce an interim cash dividend of PKR 17.3/share (PKR 41.8/share in 1HFY24)

Exhibit: Financial Highlights

(PKR Mn)	1HFY24e	1HFY23a	YoY	2QFY24e	2QFY23a	YoY	QoQ
Net Sales	51,824	86,834	-40%	19,153	49,585	-61%	-41%
Gross Profit	5,168	(2,848)	nm	1,867	(491)	nm	-43%
Gross Margins	9.97%	-3.28%		9.75%	-0.99%		
Operating Profit	3,710	(4,586)	nm	1,329	(1,406)	nm	-44%
Other Income	5,369	8,618	-38%	2,548	3,454	-26%	-10%
PAT	5,480	2,628	109%	2,265	1,331	70%	-30%
EPS (PKR)	69.7	33.4		28.8	16.9		-30%
DPS (PKR)	41.8	18.4		17.3	10.2		

Source (s): Company Financials, AHL Research

EPCL: Earnings expected to decline by 54% YoY in 4Q amid lower PVC margins

Engro Polymer and Chemicals Limited (EPCL) is scheduled to announce its CY23 financial result on 20th Feb'24, with earnings projected at PKR 6,492mn (EPS: PKR 7.14), down by 44% YoY. We project the company to post a PAT of PKR 1,105mn (EPS: PKR 1.22) in 4Q, down by 54% YoY | 29% QoQ. The YoY decline in earnings is expected due to lower PVC margins, down by 15% YoY, along with hike in gas prices. Sales are expected to slightly increase by 1% YoY during 4QCY23, primarily due to PKR depreciation against the USD. Finance cost is expected to increase by 37% YoY to PKR 1,190mn due to higher interest rates. Alongside the result, we expect the company in 4QCY24 to announce a DPS of PKR 1.0 (CY23: PKR 6.0/share).

Exhibit: Financial Highlights (Consolidated)

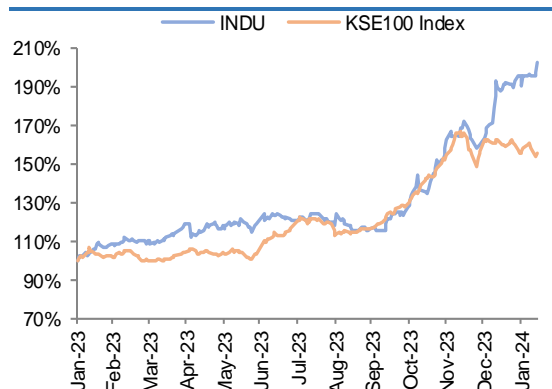
(PKR mn)	CY23e	CY22a	YoY	4QCY23e	4QCY22a	YoY	QoQ
Net Sales	81,947	82,060	0%	19,909	19,751	1%	-20%
Gross Profit	18,846	23,380	-19%	3,279	3,215	2%	-50%
Operating Profit	17,089	21,787	-22%	2,845	2,828	1%	-53%
Other Expense	2,224	3,481	-36%	288	304	-5%	-65%
Other Income	1,596	1,481	8%	444	151	194%	18%
Finance Cost	5,155	3,092	67%	1,190	869	37%	-4%
PAT	6,492	11,689	-44%	1,105	2,380	-54%	-58%
EPS (PKR)*	7.14	12.86		1.22	2.62		
DPS (PKR)	6.00	12.50		1.00	2.50		

Source (s): Company Financials, AHL Research, *@909mn shares

HOLD

Target Price	1571.00
Last Closing	1477.27
Upside	6.3%
PSX Code	INDU
Bloomberg Code	INDU PA

Relative Performance

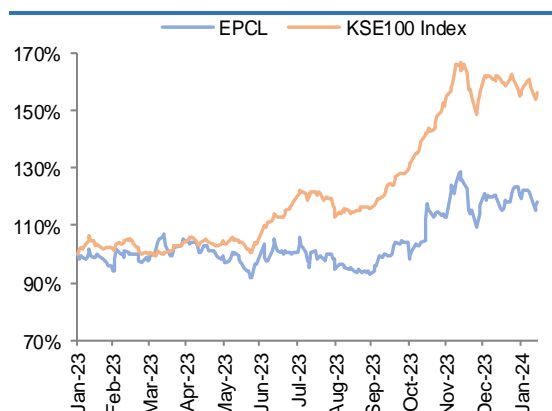


Source (s): PSX, AHL Research

BUY

Target Price	56.80
Last Closing	46.16
Upside	23.1%
PSX Code	EPCL
Bloomberg Code	EPCL PA

Relative Performance



Source (s): PSX, AHL Research

Muhammad Abrar

muhammad.abrar@arifhabibltd.com

UAN: +92 21 111 245 111, Ext: 255

MLCF: Earnings in 1HFY24 anticipated to arrive at PKR 3.25/share

Maple Leaf Cement Factory Limited is scheduled to disclose its financial result for 1HFY24 on 20th Feb'24, whereby we anticipate the company to post a profit after tax of PKR 3,493mn (EPS: PKR 3.25) as compared PKR 4,308 (EPS: PKR 4.01), down by 19% YoY. In 2QFY24 earnings are expected to drop by 36% YoY arriving at PKR 1,867 (EPS: PKR 1.74) compared to SPLY. Despite, fall in total dispatches (down 9% YoY), the topline in 2QFY24 is expected to slightly decline by 1% YoY to settle at PKR 17,064mn vis-à-vis PKR 17,224mn in SPLY, amid rise in retention prices. The gross margins in 2QFY24 are forecasted to remain flattish at 33% as compared to SPLY. Finance cost during 2QFY24 is projected to surge by 52% YoY to PKR 792mn vs PKR 525mn in 2QFY23, on the back of higher borrowing cost.

Exhibit: Financial Highlights (Consolidated)

(PKR mn)	1HFY24e	1HFY23a	YoY	2QFY24e	2QFY23a	YoY	QoQ
Net sales	33,739	30,051	12%	17,064	17,224	-1%	2.3%
Gross profit	10,881	9,331	17%	5,654	5,636	0%	8.2%
Selling exp.	2,415	885	173%	1,264	467	170%	10%
Admin exp.	816	690	18%	408	315	30%	0%
Finance cost	1,738	1,084	60%	792	523	52%	-16%
Profit after tax	3,493	4,308	-19%	1,867	2,930	-36%	15%
EPS (PKR)	3.25	4.01		1.74	2.73		

Source (s): Company Financials, AHL Research

DGKC: PAT in 2QFY24 to surge by 79% YoY

D.G. Khan Cement Company Limited is expected to announce its financial result for 1HFY24 soon, where we anticipate the company to post earnings of PKR 1,669mn (EPS: PKR 3.81) as compared PKR 932 (EPS: PKR 2.13), increase of 79% YoY. In 2QFY24 profitability is projected to jump by 86% YoY, arriving at PKR 1,008 (EPS: PKR 2.30) compared to SPLY. Net sales in 2QFY24 are forecasted to climb at 18,731mn vis-à-vis 16,176mn, amid increase in retention prices in tandem with increment in total dispatches. It is pertinent to note that export massive rose by 252x in 2QFY24. The gross margins in 2QFY24 are expected to increase by 722bps, settling at 21%, on the back of increase in retention prices along with decline in coal prices. Finance cost during 2QFY24 is forecasted to soar by 5% YoY to PKR 1,689mn. Other income is anticipated to come at 897mn, rising by 23% YoY.

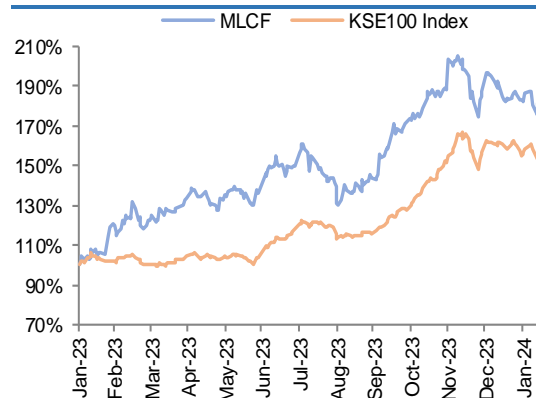
Exhibit: Financial Highlights

(PKR mn)	1HFY24e	1HFY23a	YoY	2QFY24e	2QFY23a	YoY	QoQ
Net sales	35,248	29,761	18%	18,731	16,176	16%	13%
Gross profit	7,094	4,257	67%	3,881	2,184	78%	21%
Admin exp.	534	426	26%	249	215	16%	-13%
Selling exp.	1,392	509	174%	883	176	402%	73%
Other income	1,724	1,392	24%	897	731	23%	9%
Finance cost	3,776	3,203	18%	1,689	1,610	5%	-19%
Profit after tax	1,669	932	79%	1,008	543	86%	53%
EPS (PKR)	3.81	2.13		2.30	1.24		

Source (s): Company Financials, AHL Research

BUY

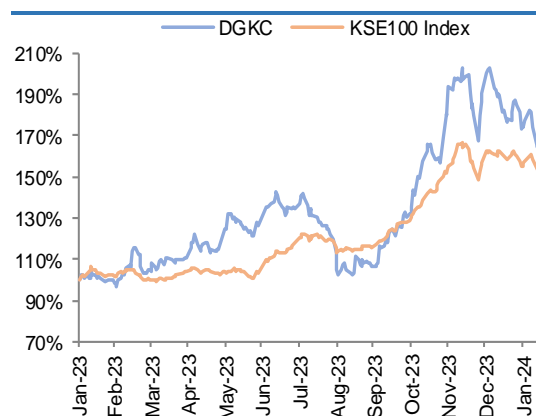
Target Price	59.40
Last Closing	37.01
Upside	60.5%
PSX Code	MLCF
Bloomberg Code	MLCF PA

Relative Performance

Source (s): PSX, AHL Research

BUY

Target Price	98.70
Last Closing	63.55
Upside	55.3%
PSX Code	DGKC
Bloomberg Code	DGKC PA

Relative Performance

Source (s): PSX, AHL Research

Muhammad Amad

muhammad.amad@arifhabibltd.com

UAN: +92 21 111 245 111, Ext: 255

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2024 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -15% and +15% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -15% from last closing of market price(s)

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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In order to avoid any conflict of interest, we hereby disclosed that;

Arif Habib Limited (AHL) has a shareholding in MLCF.