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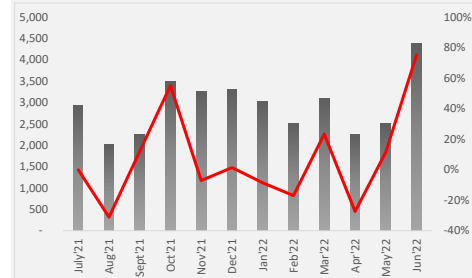
## Millat Tractors Limited (MTL)

### Profitability to decline by 58% YoY/QoQ

We preview MTL for 4QFY22 results, whereby we expect company to post consolidated PAT of PKR743mn (EPS: PKR7.7/share) vs. PKR1,786mn (EPS: PKR18.4/share) during SPLY, depicting a decline of ~58% QoQ/YoY. Cumulatively, this will bring FY22 earnings to PKR5.6bn (EPS:PKR58.4/share), plunge by ~6% YoY mainly attributable to decline in margins followed by implications of super tax and decline in volumetric sales. Topline of the company is expected to grow by 20%/5% YoY/QoQ to PKR 15.3bn during 4QFY22 on the back of increase in tractor's prices followed by volumetric growth. Gross margins are likely to decline by 5% YoY to clock in at 20%, mainly attributable to PKR devaluation. However, recent decline in Iron ore/scrap prices by 4%/20% YoY likely to mitigate the impact. Finance cost is expected to clock in at PKR142mn vs PKR 14.29mn in SPLY. This increase in finance cost is mainly due to higher short term borrowings coupled with rise in policy rate. On YoY basis, other income is likely to decline by ~38% to clock in at PKR 170mn vs PKR 278mn in SPLY. Whereas on QoQ basis, other income is expected to inch up by 84% amid higher returns by bank deposits led by rise in policy rate. Alongside the result, we expect the company to announce cash dividend of PKR 25/share, taking full year dividend to PKR 56/share.

**4QFY22E**  
EPS PKR 7.7 | 58% YoY/QoQ

MTL: Monthly Sales vs. MoM change (%)



RESULT PREVIEW

PKRmn	4QFY22E	4QFY21	YOY	3QFY22	QoQ
Sales	15,301	12,761	20%	14,603	5%
COGS	12,221	9,797	25%	11,303	8%
Gross Profit	3,080	2,964	4%	3,300	-7%
Gross Margins	20%	23%	-3%	23%	-2%
Other income	170	287	-41%	92	84%
Finance Cost	142	14	894%	115	24%
PBT	2,350	2,478	-5%	2,513	-6%
Tax	1,607	691	133%	749	115%
PAT	743	1,786	-58%	1,764	-58%
EPS	7.7	18.4	-58%	18.2	-58%
DPS	25.0	28.9	-14%	-	0%
ETR	68%	28%	40%	30%	38%

Source: Company Accounts, AAH Research

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## Rating Criteria

**Rating** - Expected Total Return

**Buy** - Greater than 10%

**Hold** - Neither Buy nor Sell

**Sell** - Less than and equal to -10%

## Valuation Methodology

To arrive at our 12-months Price Target, ABA Ali Habib Research uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology. In this report, our PT is founded on FCFF based DCF methodology.

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