



**Rising demand for residential constructions and commercial space to drive PARQ's bottom line**

Recommendation : BUY

Target Price: LKR 34.56

Sector: Materials

**PARQ profits to jump by 15% in FY 22E**

YE 31 March	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenue (LKR Mn)	4,077	4,294	4,635	5,393	6,154	6,906
YoY growth (%)	19%	5%	8%	16%	14%	12%
Net Profit (LKR Mn)	346	17	173	597	686	775
YoY growth (%)	-11%	-95%	947%	245%	15%	13%
Reported EPS (LKR)	12.7	0.6	6.3	4.4	5.0	5.7
EPS on current no. of shares(LKR)	2.5	0.1	1.3	4.4	5.0	5.7
DPS (LKR)	3.5	2.0	0.0	2.4	2.9	3.4
BVPS (LKR)	14.4	14.2	15.5	19.7	21.8	24.1
<b>Ratios (%)</b>						
Dividend Payout(%)	28%	332%	0%	55%	58%	60%
Dividend Yield (%)	2.3%	1.3%	0.0%	8.1%	9.8%	11.4%
ROE (%)	18%	1%	8%	22%	23%	24%
PE (x)	11.7	245.5	23.4	6.8	5.9	5.2
PBV (x)	2.1	2.1	1.9	1.5	1.4	1.2

**Key Statistics**

Market Cap (LKR Bn)	3.8
Market Cap (USD Mn)	19.3
Issued Quantity (Mn)	136.9
Current Trading Range	28.00-29.00
52 week High/Low	7.64/33.85
YTD High/Low	19.18/33.85

**Valuation**

Market PE (x)	9.9
Market PBV (x)	1.0
PE (x)	5.6
PBV (x)	1.5
Bloomberg Ticker	PARQ SL
GICS Industry Group	Materials

Note: Prices as at 11.08.2021 and adjusted for the share split of 1:5 which came into effect on 01.04.21

**Main Shareholders as at 31.03.2021**

Lanka Tiles PLC	47.80%
Lanka Walltiles PLC	11.47%
Royal Ceramics Lanka PLC	6.87%
Hotel International (Pvt) Ltd.	1.41%
Sandwave Limited	1.26%



**Global aluminum prices grew by 51%YoY in Jul'21**



**PARQ trades at a heavy discount to peers**

Listed peers	Market Cap. (LKR Mn)	No. Shares (Mn)	PER (x)
Alumex PLC	7,961	599	8.7
Tokyo Cement Company (Lanka) PLC	14,915	267	4.4
Lanka Aluminium Industries PLC	1,610	68	6.2
Kelani Cables PLC	2,976	21	8.3
Sierra Cables PLC	3,709	537	11.7
Central Industries PLC	2,359	21	5.1
ACL Cables PLC	9,391	240	7.9
Royal Ceramics Lanka PLC	43,983	1108	5.9
Lanka Tiles PLC	16,525	265	6.7
Lanka Walltiles PLC	19,410	273	5.3
Swisstek (Ceylon) PLC	3,873	137	5.6
<b>Average sector PE</b>			<b>6.9</b>

- Swisstek Ceylon PLC (PARQ) is mainly engaged in manufacturing and sale of aluminum extrusions (72% of revenue), tile related products - tile mortar and tile grout (23% of revenue) and installation of wooden flooring (4% of revenue).
- We forecast a profit growth of 15%YoY in FY22E for PARQ driven by pickup in residential and commercial space, strengthened distribution network (PARQ made products available through Rocell Distribution channel in addition to 347 strong distributor network), diversified product range (multi-purpose ladders, modular pantry cupboards, aluminium furniture and the Swisstek Allura products) and higher capacity utilization .
- We forecast a revenue growth of 14%YoY for 2022E , given the cost-effective nature and durability of aluminum compared to conventional materials like wood which is preferred by high-rise vertical living and commercial space builders.
- Single digit interest rate environment and 13%YoY rise in loans disbursed for construction sector alone for 2020, laid the foundation for the pickup in construction sector, which should augur well with PARQ's while import ban on aluminum giving an additional nudge.
- Moreover Swisstek is expected to benefit directly from the surge in demand for local tiles as increasing customer footfall to its sister outlets- Rocell and Lanka Tiles- leading to a parallel increase in demand for tile accessories (tile mortar and tile grout)
- Although there could be some pressure on margins due to continuous rise in global aluminum prices (aluminum prices have increased by 51%YoY after declining by 11% in 2020) and weaker LKR, the impact could be mitigated to a greater extent with recycled aluminum percentage increasing from 20% to 40%. Moreover, banning of exporting of iron scrap should also help local players like PARQ with sufficient raw material left for production while possibility of increasing retail prices to also help managing the margins.
- We valued PARQ at one year forward PE of 6.0x which is at a discount of 13% to the construction material sector PE of 6.9x. Hence, we estimate a value of LKR 34.56, a upside of 22%. With a dividend yield of 9.8% PARQ is expected to generate a total return of >30%. Thus, we recommend BUY.

Source : Company annual reports, CBSL, CSE, Bloomberg

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