

overview

Symbol: PAKS1
Estimated EPS for 1396: 830
Market cap.:324 Billion tomans
Industry P/E : 5.83
Capital: 54 Billion tomans
Share price: 6043 Rial
Average daily volume: 8616 million share
Suggestion: sales
Fiscal Year: 09/30
P/E: 7.23
Estimated return
Target Price: 6537

The company activity history

Paxan production company has been incorporated In the sixth Dey of 1341 With Pak Kon Ltd name. The company's main center is located in Tehran And Given that more than 51 percent of its shares belongs to Behshahr Industrial Development company indirectly, Paxan Company Is Among the companies of Behshahr Industrial Development Group.

This company Is active With a nominal production capacity of 250 thousand tons of detergents and cleaners and health products. Famous Brands: Sepid, Rakhsha, Gola, Poosh, Orchid, Barf, Kimiya, Nasim, Pooneh, Siv, Shabnam, Primax, Golnar and Aroos.

Company's Capital and shareholders:

Capital of the company at its inception was the amount of 5 million rials (including 100 shares with the nominal value 50,000 rials per share) which during multi-stages, has been increased the amount of 540,000 million rials .

Holder/shareholder	share	percent
Behshahr industry development detergents industry management- S-	366 M	68
Mellat Insurance- joint Stock	19 M	4
Private Joint Stock- IRIS	14 M	3
Ansar Bank Company	13 M	2
natural person	8 M	2
natural person	8 M	1
natural person	7 M	1



Detergents manufacturing industry in Iran

- Production capacity created in the Detergents industry is 2 times the amount of domestic needs. Now 60% of the capacity is inactive.
- The production capacity of detergent powder is about one million and five hundred thousand tons, domestic consumption of powder is about 450 thousand tons. Production amount of industrial units in this area is 500 thousand tons currently.
- Also in the production of soap context, there is about 40 tons consumption in the year and production equally too due to the reducing its consumption.
- Currently, about 220 industrial production units are active in the field of Detergents, which about 70% of the market is in hands of 15 large industrial units.
- Companies active in the industry are responsible for about 90% of domestic demand.
- Volume of imported products of this area is not so much.

Financial position

In following table, balance sheet of the company during last 7 years and some important ratios of company are expressed:

Balance sheet	1395/09/30	1394/09/30	1393/09/30	1392/09/30	1391/09/30	1390/09/30	1389/09/30
Materials and goods inventory	618,866	959,477	972,298	1,051,546	528,638	451,042	216,604
Receivable accounts	1,264,308	1,030,629	950,690	638,653	413,016	318,256	289,266
Total current assets	2,161,184	2,283,201	2,240,111	2,417,162	1,174,382	999,837	729,721
Net Fixed Assets	282,655	500,619	236,188	168,305	143,776	152,849	137,586
Total non-current assets	316,444	560,824	316,871	283,242	258,508	268,371	246,935
Total assets	2,477,628	2,844,025	2,556,982	2,700,404	1,432,890	1,268,208	976,656
Total current debts	1,044,454	1,525,692	1,248,376	1,704,904	1,070,050	893,272	577,498
Non-current debts	25,481	32,084	33,334	28,555	24,385	26,074	31,804
Total debts	1,069,935	1,557,776	1,281,710	1,733,459	1,094,435	919,346	609,302
Total equities in the end of fiscal year	1,407,693	1,286,249	1,275,272	966,945	338,455	348,862	367,354
Total Debts and equities	2,477,628	2,844,025	2,556,982	2,700,404	1,432,890	1,268,208	976,656
Financial ratios	1395/09/30	1394/09/30	1393/09/30	1392/09/30	1391/09/30	1390/09/30	1389/09/30
Current ratio	1.73	1.63	1.58	1.29	1.11	1.18	1.26
Debt ratio	0.49	0.53	0.57	0.68	0.75	0.68	0.62
Net profit margin	0.14	0.11	0.13	0.2	0.05	0.07	0.11
ROE	0.39	0.28	0.43	1.09	0.26	0.25	0.37
Return on assets	0.2	0.13	0.18	0.34	0.07	0.08	0.14
Inventory turnover period	99	137	128	126	133	107	76
Collection Period	111	110	79	55	74	84	84

Operating Company position

In following table, important loss & profit items of the company are expressed since 1389 until now:

Loss and profit statement	1395/09/30	1394/09/30	1393/09/30	1392/09/30	1391/09/30	1390/09/30	1389/09/30
capital	540000	540000	540000	135000	135000	135000	135000
Total revenues	3769554	3290187	3675374	3461542	1812085	1317856	1252367
Cost of goods sold	2897386	2566619	2878304	2286257	1346583	1133771	1034103
Gross profit	872168	723568	797070	1175285	465502	184085	218264
Operating profit (loss)	679864	555090	807524	1029809	172851	146838	177412
Net profit (loss) before deducting tax	616975	437661	576689	836072	97232	104574	160521
Net profit (loss)	531751	361978	485842	709490	90646	90608	135156
Allocable profit	835557	732750	708737	818445	199471	200362	229243
Profit to sales ratio	16	13	16	24	5	8	13
Gross EPS	1143	810	1068	6193	720	775	1189
Net EPS	985	670	900	5255	671	671	1001

The company's capacity:

The Company products are divided to Three classes, Powder, soap and other products (including Floor cleaning Powder And industrial products) Generally And the bulk of products are Powders. In the table below, Tonnage of the Company Products Is expressed:

product	Measurement unit	Nominal capacity		Practical capacity		Foreseen capacity	
		year 1396	year 1395	year 1396	year 1395	year 1396	year 1395
powders	ton	150,000	150,000	100,000	100,000	84,394	83,483



Fundamental Analysis of Paksan Company

soap	ton	27,000	27,000	25,000	25,000	23,177	22,788
others	ton	70,250	70,250	45,700	45,700	36,865	37,787

- Powders and soaps constitute Most of the company's sales revenue Approximately With Equal share. The Company Is In the first category Among the companies active in this industry in relation to soaps and other products (footwear and industrial products) And In Second rank In conjunction with detergents. Budget forecast is realized.
- Due to the competitiveness of the market and the granting of discounts to customers and this year, the Company sales does not have Interesting situation. The company always produces Lower than its nominal and practical capacity.
- The price of ordinary goods (such as typical powder and soap) of companies producing detergents is Determined By The consumer protection organization And Companies have The right to raise prices Only products that have variety.
- The most important ingredient Is Cost of raw materials That A significant part Of it is Provided inside the country.
- The most important raw material forming the Company products Are Linear alkyl benzene or LAB And other raw materials are also often Are Of oil derivatives.
- Paxan is in first rank among its competitors regarding soap, flook-cleaner and industrial products and is in fourth rank regarding detergent powders.
- Exportation customer of the company are Turkmenistan, Georgia, Iraq and Turkey.

Important events and news of the company

- ❖ In Aban, 1395, during a interview, the company's CEO referred to some points of which most important are as following:
- ❖ 10% growth of the company's products production and 19% reduction of costs as well as 10% reduction of two main competitors production.
- ❖ 41% increase of profit compared to previous year and lack of 15% increase impact of powder price which is applied since Shahrivar and Mehr during two 5% stages and from next year, it will reach to 15% level.
- ❖ Behshahr industry development detergents industry management company with 100 billion tomans capital which is main shareholder of three companies Paxan, Goltash and Sayna, is accepted in OTC and its shares will be released next month primarily.
- ❖ 80% of the cost of the products includes raw materials with 60 percent combination of imports and with exchange rate and In the event of the single price of currency, Paxan product prices will increase.
- ❖ 32 thousand tons Export of Paxan goods in 9-months with 15 million dollars value to neighboring countries and planning exportation to Africa.
- ❖ During the next month, the budget for the next fiscal year with respect to a floating dollar price will be announced to exchange.
- ❖ The average profit margin of company is 17% and the average market share of products is 12% (soap, 55 and powder, 22 percent).
- ❖ The lack of Capital increase planning in the current situations and to hold annual meeting in winter (probably "45 days after the end of the fiscal year, 30 Azar) with the dividend policy of 90 percent.
- ❖ Positive evaluation of the current stock prices of the Company



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Fundamental Analysis of Paksan Company

- ❖ The biggest challenge of Company Is to Produce 4 million tons of detergent products despite the need for 1.5 million dollars and intense competition.
- ❖ Spending 8 billion tomans costs of Paxan promotion against 70 billion tomans promotion of a competitor and promotion program with new methods and internet sales of new produced products
- ❖ To be ready for partnership with external investors and negotiating with several clients
- ❖ In Esfand of 95, the company's CEO declared: this company intends to increase the capital from accumulated profits place for Fiscal year 1396.

Opportunities and threats

Exchange rate fluctuations, Competitors Discount To seize the market. Is Of the factors that Increases Company risk.

Companies in this field Must Try to increase their sales revenue In order to increase their profits on the one hand With the increase in advertising and diversification of products with update formulations and creating new brands And Reduce Their cost By optimizing production lines.

Prediction of the Earnings per share

To predict the earnings per share, following hypotheses are applied:

The operation volume of company has not been grown in this prediction.

The products price are increased according to inflation. In predicting raw materials price according to raw materials dependence on oil price, the inflation rate is considered 10%, wage increase is considered 15%.

Loss and profit statement	expertise 96	Budget 96	1395/09/30	1394/09/30
Operating revenues	4,618,500	3,828,846	3,769,554	3,290,187
Operating revenues	-3,544,836	-2,929,695	-2,897,386	-2,571,921
Gross profit (loss)	1,073,664	899,151	872,168	718,266
Selling, general and administrative costs	-386,670	-368,342	-315,595	-289,887
Other operating revenues	100,085	0	123,291	115,021
Other operating costs	0	123,205	0	0
Operating profit (loss)	787,079	654,014	679,864	543,400
Financial costs	-78,000	-141,500	-134,827	-153,781
Investments revenue non-operating	12,500	12,800	60,547	23,758
Miscellaneous items		3,790	11,391	12,594
Profit (loss) before taxation	721,579	529,104	616,975	425,971
income tax	-159,543	-80,858	-85,224	-75,682
Net Profit (loss)	562,036	448,246	531,751	350,289
Net Profit (loss) per share -rial capital	1,041	830	985	649
	540,000	540,000	540,000	540,000



valuation

Due to inherent limitations of valuation in Iran and inflation rate fluctuations, valuation of Paxan company is done by following hypotheses:

- This company will work with its all capacity due to supply excess and competitors share from the market
- Inflation conditions of 95 is considered predictable for future.

According to mentioned items, the company's value is evaluated in 600 tomans range. In higher prices, the mentioned range is out of reasonable share.

- Note: above analysis and 600 tomans price in current non-inflation conditions and compared to other shares price have been led to sales suggestion. It is obvious that a investor who is no interested in exchanging with other share and has invested for inflation conditions (which its occurrence is not far from mind), should not put the results of this analysis as decision basis.