

## Attock Cement Pakistan Limited

### Result Review

PSX: ACPL Bloomberg: ACPL: PA Reuters: ATOC. KA

Pakistan Research

## ACPL: 1QFY22 Consolidated EPS settles at PKR 2.42, down 28% YoY

- ACPL announced its financial result today, wherein the company posted consolidated EPS of PKR 2.42/share during 1QFY22, down 28% YoY, lower than our expectations primarily on the back of higher energy costs, and lower contribution from Iraq's operations.
- However, the company recorded 15% growth in profit on a sequential basis aided by higher retention prices as the cement MRP prices in South grew by 6% QoQ and through prudent management of coal inventory.
- The company held coal inventory at an average cost of USD 105-110/ton which led to sequential attrition in cost of sales of 18%. Moreover, the company has also switched towards higher use of local coal, Afghan coal and RDF to shield the margins.
- Consequently, gross margins of the company grew by 7pps QoQ to settle at 18% during 1QFY22 compared to 11% in 4QFY21.
- Finance cost of the company declined by 48% YoY during 1QFY22 due to lower interest rates over the year.
- Selling and Admin expenses reduced to PKR 557mn in 1QFY22 (-34% YoY) possibly due to lower exports.
- We have a 'BUY' recommendation on ACPL with a Jun-22 price target (PT) of PKR 192/share, providing a potential upside of 39%.

### Key Data

PSX Ticker	ACPL
Target Price (PKR)	192
Current Price (PKR)	138
Upside/(Downside) (%)	+ 39%
Dividend Yield (%)	0.0%
Total Return (%)	+ 39%
12-month High (PKR)	194
12-month Low (PKR)	120
Outstanding Shares (mn)	137.43
Market Cap (PKR mn)	19,087
Year End	June

Source: Company Accounts, Akseer Research

### Financial Highlights (PKR mn)

	1QFY21	1QFY22	YoY	4QFY21	QoQ
Net Sales	7,309	5,732	-22%	6,464	-11%
Cost of Sales	5,599	4,695	-16%	5,751	-18%
<b>Gross Profit</b>	<b>1,710</b>	<b>1,038</b>	<b>-39%</b>	<b>713</b>	<b>46%</b>
Selling & Admin. Exp	850	557	-34%	231	141%
Other Income	16	43	162%	74	-42%
Other Charges	15	23	53%	28	-18%
Finance cost	89	46	-48%	138	-66%
Profit from Associate	-	-	NA	-	NA
<b>Profit before tax</b>	<b>773</b>	<b>454</b>	<b>-41%</b>	<b>390</b>	<b>17%</b>
Taxation	81	81	0%	11	667%
<b>Net Income</b>	<b>692</b>	<b>373</b>	<b>-46%</b>	<b>382</b>	<b>-2.20%</b>
NCI	229	41	-82%	93	-56%
<b>Attributable to parent</b>	<b>463</b>	<b>332</b>	<b>-28%</b>	<b>289</b>	<b>15%</b>
EPS	3.37	2.42	-28%	2.10	15%

Source: Company Accounts, Akseer Research

### Key Financial Ratios - Consolidated

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	15.09	14.43	13.61	0.90	22.33	33.95
EPS Growth	-53%	-4%	-6%	-93%	2374%	52%
DPS	4.00	3.50	4.00	0.00	7.75	14.00
PER	9.1	9.6	10.1	152.8	6.2	4.1
Dividend Yield	2.9%	2.5%	2.9%	0.0%	5.6%	10.2%
EV/EBITDA	6.9	4.7	4.3	5.9	1.2	0.1
P/B	1.0	0.9	0.8	0.7	0.5	0.4
ROE	11.1%	12.2%	10.6%	2.9%	10.9%	12.8%

Source: Company Accounts, Akseer Research

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### Valuation Basis

Our PT for Attock Cement Pakistan Limited (ACPL) has been computed using Free cash flow to equity (FCFE) method. We have used a risk free rate of 11%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 17%.

### Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of PKR 192/share. Our price target provides a potential upside of 39%. Our revised investment case on ACPL is based on (1) nearing election period (2) higher PSDP releases and, (3) improved retention prices.

### Risks

Key risks to our investment thesis include (1) lower than estimated earnings from Iraq grinding mill 2) higher than anticipated increase in input cost (Coal, FO, Gas), 3) lower than anticipated growth in cement demand 4) higher than estimated decline in cement prices 5) prolonged pandemic situation and 5) increase in interest rates.

### Company Description

ACPL manufactures and sells cement in Pakistan. The company offers ordinary Portland cement, sulphate resistant cement, and block cement under the Falcon brand name. It also exports its products. The company was incorporated in 1981 and is headquartered in Karachi, Pakistan. Attock Cement Pakistan Limited is a subsidiary of Pharaon Investment Group Limited Holding S.A.L.

### Financial Highlights - ACPL

Income Statement (PKR mn) - Consolidated						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net sales	20,781	23,948	28,602	34,882	41,031	44,787
Cost of sales	15,978	18,108	22,169	30,463	31,423	32,398
<b>Gross Profit</b>	<b>4,803</b>	<b>5,841</b>	<b>6,432</b>	<b>4,419</b>	<b>9,608</b>	<b>12,389</b>
SG & A	1,920	2,383	2,927	3,673	4,360	4,885
<b>Operating Profit</b>	<b>2,883</b>	<b>3,458</b>	<b>3,506</b>	<b>746</b>	<b>5,248</b>	<b>7,504</b>
Other income	294	147	137	91	59	38
Other charges	150	92	114	(99)	205	366
Finance cost	648	526	723	478	531	365
<b>Profit before tax</b>	<b>2,403</b>	<b>2,992</b>	<b>2,811</b>	<b>464</b>	<b>4,576</b>	<b>6,817</b>
Taxation	330	425	433	(364)	761	1,356
<b>Profit after tax</b>	<b>2,073</b>	<b>2,567</b>	<b>2,379</b>	<b>828</b>	<b>3,815</b>	<b>5,460</b>
NCI	-	584	508	704	747	795
<b>Attributable to parent</b>	<b>2,073</b>	<b>1,983</b>	<b>1,870</b>	<b>124</b>	<b>3,068</b>	<b>4,665</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	22,269	21,848	23,717	22,991	22,725	22,493
Other LT assets	177	174	209	167	162	158
Non-Current Assets	22,446	22,022	23,925	23,158	22,887	22,651
Current assets	7,630	10,060	14,468	21,992	26,625	32,577
<b>Total Assets</b>	<b>30,076</b>	<b>32,082</b>	<b>38,393</b>	<b>45,150</b>	<b>49,512</b>	<b>55,229</b>
Non-Current liabilities	2,814	1,723	4,298	2,588	2,312	2,004
Current liabilities	8,598	9,337	11,555	13,748	12,345	10,460
<b>Total Liabilities</b>	<b>11,412</b>	<b>11,060</b>	<b>15,854</b>	<b>16,336</b>	<b>14,657</b>	<b>12,463</b>
Equity	18,663	21,021	22,540	28,814	34,856	42,765
<b>Total Equity &amp; liabilities</b>	<b>30,074</b>	<b>32,082</b>	<b>38,394</b>	<b>45,150</b>	<b>49,512</b>	<b>55,229</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	2,073	2,567	2,379	828	3,815	5,460
Non-cash Charges	(975)	1,306	3,324	2,419	398	483
<b>Operating Cash flows</b>	<b>1,099</b>	<b>3,873</b>	<b>5,703</b>	<b>3,246</b>	<b>4,213</b>	<b>5,943</b>
<b>FCFF</b>	<b>(892)</b>	<b>3,455</b>	<b>3,124</b>	<b>2,948</b>	<b>3,448</b>	<b>4,911</b>
Net borrowings	802	(1,667)	1,641	(890)	(1,519)	(1,979)
<b>FCFE</b>	<b>(739)</b>	<b>1,261</b>	<b>4,041</b>	<b>1,581</b>	<b>1,398</b>	<b>2,567</b>
Net change in cash	(186)	1,053	1,267	8,089	3,624	5,016
<b>Closing cash</b>	<b>448</b>	<b>1,501</b>	<b>2,768</b>	<b>10,857</b>	<b>14,481</b>	<b>19,497</b>

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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