

Attock Cement Pakistan Limited
Result Review

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

Pakistan Research

1QFY23 consolidated EPS reported at PKR 1.54, down 36% YoY

- ACPL announced its financial result today, wherein the company posted consolidated EPS of PKR 1.54 during 1QFY23, down 36% YoY. The decline in EPS is largely due to the higher finance cost.
- Company's topline depicted a growth of 15% YoY to PKR 6.61bn in 4Q mainly due to increase in revenue from Iraqi venture. ACPL's local venture revenue declined by 1% YoY, on account of lower local dispatches by 25%YoY.
- The gross margins settled at 16% in 1QFY23 vs 18% in 1QFY22 mainly due to the increase in coal prices.
- The company's finance cost inflated by 237% to 156mn on account of increase in interest rate coupled with higher long-term loans, deteriorating the bottomline.
- Other income came in at PKR 82mn, up 90% YoY. This could be due to higher exchange gains.
- The company booked effective tax rate of 17% in 1QFY23 as compared to 18% during 1QFY22.
- We have a 'BUY' recommendation on ACPL with a June-23 price target (PT) of PKR 120/share, providing an upside of 31% along with a dividend yield of 2.1%.

Key Data

PSX Ticker	ACPL
Target Price (PKR)	120
Current Price (PKR)	82.4
Upside/(Downside) (%)	+31%
Dividend Yield (%)	2.1%
Total Return (%)	+ 25%
12-month High (PKR)	153
12-month Low (PKR)	63
Outstanding Shares (mn)	137.43
Market Cap (PKR mn)	11,317
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	1QFY22	1QFY23	YoY
Net Sales	5,732	6,610	15%
Cost of Sales	4,695	5,571	19%
Gross Profit	1,038	1,039	0%
Selling & Admin. Exp	557	623	12%
Other Income	43	82	90%
Other Charges	23	11	-52%
Finance cost	46	156	237%
Profit before tax	454	330	-27%
Taxation	81	55	-32%
Net Income	373	275	-26%
NCI	41	37	-10%
Attributable to parent	332	211	-36%
EPS	2.42	1.54	-36%
DPS	-	-	

Source: Company Accounts, Akseer Research

Key Financial Ratios – Consolidated

	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
EPS	14.43	13.61	8.15	9.99	13.54	34.66
EPS Growth	-4%	-6%	-40%	23%	36%	156%
DPS	3.50	4.00	3.50	2.75	1.75	3.00
PER	9.6	10.1	16.9	13.8	10.2	4.0
Dividend Yield	4.3%	4.9%	4.3%	3.3%	2.1%	3.6%
EV/EBITDA	4.7	4.3	6.0	4.9	3.6	1.9
P/B	0.9	0.8	0.6	0.5	0.5	0.4
ROE	12.2%	10.6%	4.5%	5.2%	6.0%	11.7%

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 13%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 19%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of 120/share. Our price target provides a potential upside of 31% along with a dividend yield of 2.1%. Our investment case on ACPL is based on (1) increase in local market share owing to capacity expansion during FY23 (2) higher contribution from its overseas business.

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) 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						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net sales	23,948	28,602	28,087	36,716	51,623	55,117
Cost of sales	18,108	22,169	23,606	31,632	45,826	44,799
Gross Profit	5,841	6,432	4,482	5,085	5,798	10,318
SG & A	2,383	2,927	2,070	1,854	1,940	2,028
Operating Profit	3,458	3,506	2,411	3,231	3,858	8,290
Other income	147	137	518	231	218	227
Other charges	92	114	124	75	129	444
Finance cost	526	723	267	1,238	1,079	875
Share of profit of Associate	6	6	7	7	7	7
Profit before tax	2,992	2,811	2,545	2,156	2,874	7,205
Taxation	425	433	1,190	317	548	1,872
Profit after tax	2,567	2,379	1,355	1,838	2,326	5,332

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
PPE	21,848	23,717	32,340	40,123	41,262	42,451
Other LT assets	174	209	212	169	165	162
Non-Current Assets	22,022	23,925	32,553	40,291	41,427	42,612
Current assets	10,060	14,468	14,663	26,666	32,516	36,249
Total Assets	32,082	38,393	47,216	66,958	73,943	78,862
Non-Current liabilities	1,723	4,298	10,373	15,248	15,171	13,835
Current liabilities	9,337	11,555	11,895	16,664	19,876	19,754
Total Liabilities	11,060	15,854	22,268	31,912	35,046	33,589
Equity	21,021	22,540	24,947	35,046	38,897	45,273
Total Equity & liabilities	32,082	38,395	47,216	66,958	73,943	78,862

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Income	2,567	2,379	1,355	1,838	2,326	5,332
Non-cash Charges	1,306	3,324	(725)	1,485	3,397	1,739
Operating Cash flows	3,873	5,703	630	3,323	5,723	7,072
FCFF	3,455	3,124	(8,959)	(5,632)	2,704	3,608
Net borrowings	(1,667)	1,641	5,080	7,934	(892)	(1,256)
FCFE	1,261	4,041	(4,146)	1,064	733	1,477
Net change in cash	1,053	1,267	(1,178)	8,472	2,258	2,520
Closing cash	1,501	2,768	1,589	10,061	12,319	14,839

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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JV employs a three- tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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