

Attock Cement Pakistan Limited
Result Review

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

Pakistan Research

ACPL: 3QFY23 consolidated EPS clocked in at PKR 3.97, up 24%

- ACPL announced its 3QFY23 financial result today, wherein the company posted a consolidated EPS of PKR 3.97, up 24% YoY, compared to an EPS of PKR 3.19 in 3QFY22. This takes cumulative earnings in 9MFY23 to PKR 9.75/share, up 24% YoY.
- The profitability of ACPL's local venture increased by 51% YoY to PKR 497mn. The increase in earning can be attributed to improvement in retention prices of cement. In contrast, ACPL's Iraqi venture profitability decreased by 56% YoY to PKR 80mn.
- Company's topline depicted a growth of 29% YoY to PKR 10.4bn in 3Q, mainly due to increase in local venture cement retention prices (up 40% YoY).
- The selling & admin expense increased by 49% YoY in 3QFY23 mainly due to inflationary pressures. Moreover, the finance cost of the company clocked in at PKR 315mn, up 4x YoY, on account of increase in interest rates.
- On sequential basis, the company earnings observed 6% QoQ decline, primarily due to 65% QoQ contraction in Iraqi venture. Where as the local venture observed 12% QoQ increase. This can largely be attributed to resurgence of exports.
- We have a 'BUY' recommendation on ACPL with a Dec-23 price target (PT) of PKR 85/share, providing an upside of 37% along with a dividend yield of 5%.

Key Data

PSX Ticker	ACPL
Target Price (PKR)	85
Current Price (PKR)	62
Upside/(Downside) (%)	+37%
Dividend Yield (%)	+5%
Total Return (%)	+ 42%
12-month High (PKR)	115
12-month Low (PKR)	51
Outstanding Shares (mn)	137.43
Market Cap (PKR mn)	8,507
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	3QFY22	3QFY23	YoY	9MFY22	9MFY23	YoY
Net Sales	8,057	10,387	29%	21,187	25,856	22%
Cost of Sales	6,594	8,222	25%	17,348	20,841	20%
Gross Profit	1,463	2,165	48%	3,839	5,016	31%
Selling & Admin. Exp	665	992	49%	1,917	2,278	19%
Other Income	71	3	-96%	337	153	-55%
Other Charges	41	53	29%	109	123	13%
Finance cost	62	315	405%	191	591	210%
Profit before tax	766	808	5%	1,962	2,180	11%
Taxation	254	230	-9%	708	652	-8%
Net Income	512	578	13%	1,254	1,529	22%
NCI	73	32	-56%	171	188	10%
Attributable to parent	439	546	24%	1,083	1,340	24%
EPS	3.19	3.97		7.88	9.75	

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
EPS	14.43	13.61	8.15	14.64	12.02	17.79
EPS Growth	-4%	-6%	-40%	80%	-18%	48%
DPS	3.50	4.00	3.50	3.00	2.93	4.73
PER	4.3	4.5	7.6	4.2	5.2	3.5
Dividend Yield	5.7%	6.5%	5.7%	4.8%	4.7%	7.6%
EV/EBITDA	2.5	2.2	4.8	4.2	4.2	3.3
P/B	0.4	0.4	0.3	0.3	0.3	0.2
ROE	12.2%	10.6%	5.4%	8.3%	6.5%	8.5%

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 17%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 23%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of PKR 85/share. Our price target provides an upside of 37%, along with a dividend yield of 5%. Our investment case on ACPL is based on (1) higher cement dispatches owing to nearing election period and 2) improved retention prices.

Risks

Key risks to our investment thesis include 1) higher than anticipated increase in input cost (Coal, FO, Gas), 2) lower than anticipated growth in cement demand 3) higher than estimated decline in cement prices.

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	35,382	42,856	45,987
Cost of sales	18,108	22,169	23,606	29,924	37,259	39,092
Gross Profit	5,841	6,432	4,482	5,458	5,597	6,895
SG & A	2,383	2,927	2,070	1,915	2,167	2,460
Operating Profit	3,458	3,506	2,411	3,543	3,430	4,435
Other income	147	137	518	286	467	278
Other charges	92	114	124	131	137	144
Finance cost	526	723	267	640	1,211	818
Profit before tax	2,992	2,811	2,545	3,065	2,555	3,757
Taxation	425	433	1,190	694	473	765
Profit after tax	2,567	2,379	1,355	2,371	2,082	2,992
NCI	584	508	93	359	430	547
Attributable to parent	1,983	1,870	1,120	2,012	1,651	2,445

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
PPE	21,848	23,717	32,340	42,166	47,812	48,671
Other LT assets	174	209	212	200	191	183
Non-Current Assets	22,022	23,925	32,553	42,367	48,003	48,854
Current assets	10,060	14,468	14,664	16,687	21,563	24,411
Total Assets	32,082	38,393	47,216	59,054	69,565	73,265
Non-Current liabilities	1,723	4,298	10,373	15,195	15,722	14,578
Current liabilities	9,337	11,555	11,896	15,359	21,769	23,394
Total Liabilities	11,060	15,854	22,269	30,554	37,491	37,971
Equity	21,021	22,540	24,947	28,500	32,074	35,294
Total Equity & liabilities	32,082	38,393	47,216	59,054	69,565	73,265

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Income	2,567	2,379	1,355	2,371	2,082	2,992
Non-cash Charges	1,306	3,324	(417)	1,509	4,145	2,722
Operating Cash flows	3,873	5,703	937	3,880	6,227	5,715
FCFF	3,455	3,124	(8,958)	(8,026)	(1,224)	2,450
Net borrowings	(1,667)	1,641	5,080	9,077	4,080	(518)
FCFE	1,261	4,041	(4,145)	411	1,645	1,114
Net change in cash	1,053	1,267	(1,178)	1,593	3,137	1,341
Closing cash	1,501	2,768	1,590	3,182	6,320	7,661

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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