

## Attock Cement Pakistan Limited

### Key Takeaways

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

**Pakistan Research**

### ACPL: FY21 Analyst briefing key takeaways

- ACPL held analyst briefing today to discuss its FY21 financial results. The company reported consolidated earnings of PKR 13.61/share during FY21 compared to PKR 14.43 during FY20. Moreover, the company also announced a dividend of PKR 4/share in FY21.
- The company witnessed 14% YoY growth in net sales to PKR 28bn driven by healthy local dispatches, up 20% YoY.
- Operations from Iraq contributed earnings of PKR 5.55/share during FY21 with margins of 14-15%.
- Updating on the upcoming expansion, the management told that its brownfield 4000 tpd line (1.2mn per annum) is expected to come online by 1QFY23 along with completion of 6MW WHR plant.
- Moreover, the solar farm project of 20MW is expected to complete by 2QFY22 and is going to have a share of 14% in the total power mix.
- The company mentioned that financing needs of upcoming expansion is going to be catered through a debt to equity mix of 67:33 where PKR 10bn is projected through TERF and LTFF while the remaining PKR 5bn would be generated through internal cash.
- The management discussed that rising costs on all fronts presents a challenge. The royalty charges in Balochistan have increased to PKR 200/ton from previous levels of PKR 120/ton. Freight costs have also multiplied due to port congestion which makes the export market less feasible while the cost of paper bag/ton have also increased by 26% YoY.
- The company is currently carrying coal inventory of 3-4 months at an average price of USD 125-130/ton and intends to minimize the impact of rising coal prices through gradual increase in share of alternative fuels which currently stands at 10% and comprises of local coal, Afghan coal and RDF.
- Moreover, the company also discussed the feasibility of switching towards RB2/RB3 imported coal which is usually USD 15/25/ton cheaper than current consumption of RB1 coal, but surging freight costs is likely to offset the savings incurred through shift towards this coal.
- ACPL holds 22% market share in the South region which according to the management, experienced 29% YoY growth in the 1QFY22. The current retention of the company is around PKR 8000-9000/ton.
- However, the company expects overall local demand to witness single digit growth during FY22 with bleak outlook on exports due to lesser contribution margins.

#### Key Data

PSX Ticker	ACPL
Current Price (PKR)	125.02
12-month High (PKR)	194.00
12-month Low (PKR)	120.00
Outstanding Shares (mn)	137.42
Market Cap (PKR mn)	17,590
Year End	June

Source: Company Accounts, Akseer Research

**Disclaimer**

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alfa Adhi Securities (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alfa Adhi Securities as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of the JV. Action could be taken for unauthorized reproduction, distribution or publication.

**Valuation Methodology**

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.

**Ratings Criteria**

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%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

**Research Dissemination Policy**

The JV endeavours to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

**Analyst Certification**

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

**Contact Details****Akseer Research (Pvt) Limited**

1st Floor, Shaheen Chambers, KCHS block 7 & 8, off. Shahrah-e-Faisal

T: +92-21-34320359 -60

E: [info@akseerresearch.com](mailto:info@akseerresearch.com)

**Alfa Adhi Securities (Pvt) Limited**

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area, KCH

Society, Block 7 & 8, Near Virtual University, Karachi

T: +92-21-38694242

E: [info@alfaadhi.net](mailto:info@alfaadhi.net)