

Attock Cement Pakistan Limited
Result Review

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

Pakistan Research

ACPL: 4QFY22 consolidated EPS reported at PKR 0.3, down 87% YoY

- ACPL announced its financial result today, wherein the company posted consolidated EPS of PKR 0.3 during 4QFY22, down 87% YoY. This takes FY22 EPS to PKR 8.2 compared to 13.6 in FY21, down 40% YoY. The result came in lower than our expectation on account of lower gross margins.
- Company's topline depicted a growth of 7% YoY to PKR 6.90bn in 4Q mainly due to increase in revenue from Iraqi venture. ACPL's local venture revenue declined by 8% YoY, on account of lower dispatches.
- The gross margins settled at 9% in 4QFY22 vs 11% in 4QFY21 mainly due to the increase in cost of goods sold, fuelled by the rising coal prices.
- The selling expense are down by 34% YoY to PKR 153mn in 4QFY22 due to lower exports during the quarter.
- Company recorded higher effective tax rate of 83% in 4QFY22 as compared to 2.7% during 4QFY21. This can be attributable to imposition of 10% super tax on FY22 profits. We believe company has also booked a deferred tax adjustment during 4QFY22.
- Other income came in at PKR 181mn, up 144% YoY. This could be due to higher exchange gains.
- On a sequential basis, earnings of the company declined by 91% QoQ. This can be attributable to higher tax expense in 4QFY22.
- We have a 'BUY' recommendation on ACPL with a Dec-22 price target (PT) of PKR 100/share, providing an upside of 33% along with a dividend yield of 2%.

Key Data

PSX Ticker	ACPL
Target Price (PKR)	100
Current Price (PKR)	75
Upside/(Downside) (%)	+33%
Dividend Yield (%)	2%
Total Return (%)	+35%
12-month High (PKR)	174
12-month Low (PKR)	63
Outstanding Shares (mn)	137.43
Market Cap (PKR mn)	10,328
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	4QFY21	4QFY22	YoY	FY21	FY22	YoY
Net Sales	6,464	6,900	7%	28,602	28,087	-2%
Cost of Sales	5,751	6,257	9%	22,169	23,606	6%
Gross Profit	713	643	-10%	6,432	4,482	-30%
Selling & Admin. Exp	231	153	-34%	2,927	2,070	-29%
Other Income	74	181	144%	137	518	279%
Other Charges	28	15	-45%	114	124	9%
Finance cost	138	76	-45%	723	267	-63%
Profit from Associate	3	4	49%	6	7	20%
Profit before tax	392	583	49%	2,811	2,545	-9%
Taxation	11	482	4467%	433	1,190	175%
Net Income	382	101	-74%	2,379	1,355	-43%
NCI	93	64	-31%	508	234	-54%
Attributable to parent	289	39	-87%	1,870	1,120	-40%
EPS	2.1	0.3	-87%	13.6	8.2	-40%
DPS	4.00	1.50	-63%	4.00	3.50	-13%

Source: Company Accounts, Akseer Research

Key Financial Ratios – Consolidated

	FY19A	FY20A	FY21A	FY22A	FY23F	FY24F
EPS	15.09	14.43	13.61	8.15	11.37	9.41
EPS Growth	-53%	-4%	-6%	-40%	40%	-17%
DPS	4.00	3.50	4.00	3.50	1.25	1.25
PER	5.0	5.3	5.6	9.3	6.7	8.1
Dividend Yield	5.3%	4.6%	5.3%	4.6%	1.6%	1.6%
EV/EBITDA	4.6	2.9	2.5	4.1	3.4	2.7
P/B	0.6	0.5	0.5	0.4	0.3	0.3
ROE	11.1%	12.2%	10.6%	4.8%	6.1%	4.4%

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 100/share. Our price target provides a potential upside of 31.8% along with a dividend yield of 4.6%. 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						
	FY19A	FY20A	FY21A	FY22A	FY23F	FY24F
Net sales	20,781	23,948	28,602	28,087	35,525	49,531
Cost of sales	15,978	18,108	22,169	23,606	28,555	42,253
Gross Profit	4,803	5,841	6,432	4,482	6,971	7,278
SG & A	1,920	2,383	2,927	2,070	2,876	3,109
Operating Profit	2,883	3,458	3,506	2,411	4,095	4,169
Other income	294	147	137	518	148	187
Other charges	150	92	114	124	106	97
Finance cost	648	526	723	267	1,697	2,116
Share of profit of Associate	25	6	6	7	7	7
Profit before tax	2,403	2,992	2,811	2,545	2,447	2,149
Taxation	330	425	433	1,190	466	511
Profit after tax	2,073	2,567	2,379	1,355	1,982	1,638

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	22,269	21,848	23,717	31,562	42,461	43,721
Other LT assets	177	174	209	167	162	158
Non-Current Assets	22,446	22,022	23,925	31,729	42,623	43,879
Current assets	7,630	10,060	14,468	20,933	25,439	31,510
Total Assets	30,076	32,082	38,393	52,662	68,062	75,389
Non-Current liabilities	2,814	1,723	4,298	13,807	14,555	13,348
Current liabilities	8,598	9,337	11,555	10,548	21,008	25,041
Total Liabilities	11,412	11,060	15,853	24,355	35,562	38,389
Equity	18,663	21,021	22,540	28,307	32,500	37,000
Total Equity & liabilities	30,074	32,082	38,393	52,662	68,062	75,389

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	2,073	2,567	2,379	1,355	1,982	1,638
Non-cash Charges	(975)	1,306	3,324	673	2,619	2,469
Operating Cash flows	1,099	3,873	5,703	2,027	4,600	4,107
FCFF	(892)	3,455	3,124	(6,818)	(6,913)	2,086
Net borrowings	802	(1,667)	1,640	7,705	7,968	715
FCFE	(739)	1,261	4,041	620	(642)	685
Net change in cash	(186)	1,053	1,266	5,033	1,569	3,547
Closing cash	448	1,501	2,767	7,800	9,368	12,916

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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