

Attock Petroleum Limited

Result Review

PSX: APL Bloomberg: APL: PA Reuters: APL. KA

Pakistan Research

EPS clocks in at PKR 34.5, up 80% YoY

- APL announced its 1QFY23 financial results today where the company reported an EPS of PKR 34.5, up 80% YoY. The result came in higher than our expectation owing to more than expected inventory gains during the quarter.
- The company's net sales grew by 70% YoY to PKR 123.9bn as compared to PKR 72.8bn in SPLY, mainly due to higher POL product prices. This is despite the fact that volumetric sales went down during 1Q (HSD -18% YoY, MS -14% YoY and FO -40% YoY).
- Operating expenses increased by 124% YoY to PKR 3.7bn due to higher exchange losses. Similarly, finance cost also went up by 44% to PKR 0.48bn owing to higher interest rates during the quarter.
- APL's effective tax rate during 1QFY23 remained 33.5%, compared to 29.4% in SPLY owing to super tax imposed in budget FY23, restricting the bottomline growth.
- On sequential basis, APL's earnings declined by 41% QoQ owing to high base effect as APL booked exorbitant inventory gains during the preceding quarter.
- We have a 'BUY, stance on APL. Our Jun-23 PT of PKR 357/share provides an upside of 24% along with a dividend yield of 18%.

Key Data

PSX Ticker	APL
Target Price (PKR)	357
Current Price (PKR)	287
Upside/(Downside) (%)	+ 24%
Dividend Yield (%)	18%
Total Return (%)	+ 42%
12-month High (PKR)	399
12-month Low (PKR)	275
Outstanding Shares (mn)	124.42
Market Cap (PKR mn)	35,748
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	1QFY22	1QFY23	YoY
Net Sales	72,838	123,931	70%
Cost of Sales	68,144	113,941	67%
Gross Profit	4,694	9,991	113%
Operating Expense	1,669	3,733	124%
Other Income	356	391	10%
Financial Income	276	734	166%
Finance cost	339	487	44%
Profit before tax	3,381	6,451	91%
Taxation	993	2,162	118%
Net Income	2,388	4,290	80%
EPS	19.2	34.5	80%
DPS	-	-	

Key Financial Ratios

	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
EPS	8.1	39.5	149.0	93.4	54.6	65.1
EPS Growth	-75%	387.9%	276.8%	-37.3%	-41.5%	19.2%
DPS	9.0	27.0	45.0	51.0	30.0	39.0
PER	NA	7.3	1.9	3.1	5.3	4.4
Dividend Yield	2.5%	7.5%	12.5%	17.7%	10.4%	13.6%
EV/EBITDA	3.8	1.3	0.4	0.7	0.7	0.5
P/B	1.9	1.6	1.0	0.8	0.8	0.7
ROE	5.4%	23.9%	61.7%	29.0%	15.3%	17.0%

Source: Company Accounts, Akseer Research

Aftab Awanaftab.awan@alphacapital.com.pk

Valuation Basis

Our PT for Attock Petroleum Limited (APL) has been computed using Free cash flow to equity (FCFE) method. We have used a risk free rate of 13.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 19.0%.

Investment Thesis

We have a 'BUY' stance on the script with our June-23 PT of PKR 357/share. Our price target indicates an upside of 24% along with a dividend yield of 18%. Our investment case on APL is based on 1) Improving market share on back of growing storage and retail network, and 2) Cash rich balance sheet & 3) Group synergies to augment earnings.

Risks

Key downside risks to our investments thesis are: 1) sharp decrease in oil prices, 2) significant loss of market share to other industry players & 3) Decline in OMC volumes due to economic slowdown.

Company Description

Attock Petroleum Limited (APL) was incorporated in 1995. It procures, stores, and markets petroleum and related products in Pakistan including high-speed diesel, premier motor gasoline, jet fuels, etc. APL markets and supplies fuels to retail outlets, industries, armed forces, power producers, government/semi-government entities, developmental sector and agricultural customers.

Financial Highlights - APL

Income Statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Sales	201,079	188,645	370,075	480,476	407,034	366,287
Cost of Sales	197,441	178,663	329,072	459,970	394,197	351,264
Gross Profit	3,638	9,982	41,003	20,506	12,837	15,024
SG & A	3,079	4,152	10,215	4,567	4,795	5,106
Operating Profit	185	6,239	31,137	16,270	8,357	10,217
Other Income Net	781	752	(627)	742	1,150	1,079
Financial Income	2,232	1,334	1,608	2,006	2,536	3,016
Finance Cost	1,597	1,419	1,587	1,732	1,950	2,277
Profit Before Tax	1,503	6,939	30,610	17,320	10,130	12,075
Taxation	495	2,019	12,073	5,704	3,331	3,972
Profit After Tax	1,008	4,920	18,536	11,616	6,799	8,103

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
PPE	13,840	16,617	16,598	16,523	16,644	16,850
Other LT assets	1,873	1,070	1,378	1,424	1,472	1,522
Non-Current Assets	15,712	17,687	17,976	17,946	18,115	18,372
Current assets	35,526	44,211	78,375	107,736	100,690	97,427
Total Assets	51,238	61,898	96,351	125,682	118,806	115,799
Non-Current liabilities	4,884	7,381	7,346	7,373	7,401	7,430
Current liabilities	27,909	31,795	51,686	75,470	65,498	59,212
Total Liabilities	32,792	39,177	59,032	82,843	72,900	66,642
Equity	18,446	22,721	37,319	42,839	45,906	49,157
Total Equity & liabilities	51,238	61,898	96,351	125,682	118,806	115,799

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Income	1,008	4,920	18,536	11,616	6,799	8,103
Non-cash Charges	4,636	3,423	(18,634)	632	2,016	656
Operating Cash flows	5,644	8,342	(98)	12,248	8,815	8,760
Investing Cash Flow	(7,683)	(3,568)	(2,187)	(1,906)	(2,105)	(2,210)
Financing Cash Flow	2,602	1,853	(3,973)	(6,069)	(3,704)	(4,823)
Net change in cash	562	6,628	(6,258)	4,273	3,006	1,726
Beginning Cash	2,920	3,482	10,110	3,852	8,126	11,131
Closing cash	3,482	10,110	3,852	8,126	11,131	12,857

Source: Company Accounts, Akseer Research

Disclaimer

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (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 Alpha Capital 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

Alpha Capital (Pvt) Limited (Formerly: 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