

APL: 2QFY23 LPS likely to clock in at PKR 5.2

- APL's board meeting is scheduled on February 27, 2022 to consider 2QFY23 financial results. We expect the company to post an LPS of PKR 5.2, compared to an EPS of 33.9 in SPLY, primarily due to inventory losses and turnover tax during the quarter. Along with the result, we expect the company to announce an interim cash dividend of PKR 10/share.
- The company's net sales are likely to grow by 42% YoY to PKR 115.8bn in 2QFY23 vs PKR 81.4bn in 2QFY22, on the back of higher POL product prices. This is despite the fact that volumetric sales went down during the quarter (HSD -27% YoY, MS -9% YoY and FO -15% YoY).
- Gross margin during the 2Q is likely to contract by 8.3ppt YoY to 1.3% vs 9.6% in SPLY (8.1% in preceding quarter). This is mainly on account of expected inventory loss of ~PKR 1.7 bn.
- Operating expenses are likely to increase by 31% YoY to PKR 2.3bn vs PKR 1.7bn in SPLY, owing to inflationary pressure.
- On the contrary, finance income is expected to go up by 79% YoY to PKR 721mn, due to higher returns on deposits and investments.
- APL is expected to book turnover tax during 2Q to the tune of PKR 579mn, resulting in further erosion in the bottomline.
- We have a 'BUY, stance on APL. Our Dec-23 PT of PKR 364/share provides an upside of 18% along with a dividend yield of 13.3%.

Key Data

PSX Ticker	APL
Target Price (PKR)	364
Current Price (PKR)	309
Upside/(Downside) (%)	+ 18%
Dividend Yield (%)	13.3%
Total Return (%)	+ 31%
12-month High (PKR)	399
12-month Low (PKR)	275
Outstanding Shares (mn)	124.42
Market Cap (PKR mn)	38,467
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	2QFY22	2QFY23E	YoY	1HFY22	1HFY23E	YoY
Net Sales	81,439	115,855	42%	154,277	239,786	55%
Cost of Sales	73,580	114,316	55%	141,724	228,257	61%
Gross Profit	7,859	1,539	-80%	12,553	11,530	-8%
Operating Expense	1,734	2,275	31%	3,403	6,008	77%
Other Income	445	413	-7%	801	804	0%
Financial Income	404	721	79%	680	1,456	114%
Finance cost	400	449	12%	739	936	27%
Profit before tax	5,994	(68)	NM	9,375	6,451	-31%
Taxation	1,773	579	-67%	2,766	2,741	-1%
Net Income	4,221	(647)	NM	6,609	3,710	-44%
EPS	33.9	(5.2)	NM	53.1	29.8	-44%
DPS	15.0	10.0		15.0	10.0	

Key Financial Ratios

	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
EPS	8.1	39.5	149.0	92.1	70.5	71.2
EPS Growth	-75%	387.9%	276.8%	-38.2%	-23.4%	1.0%
DPS	9.0	27.0	45.0	41.0	39.0	43.0
PER	NA	7.8	2.1	3.4	4.4	4.3
Dividend Yield	2.3%	7.0%	11.6%	13.3%	12.6%	13.9%
EV/EBITDA	4.2	1.5	0.4	0.9	0.8	0.4
P/B	2.1	1.7	1.0	0.9	0.8	0.7
ROE	5.4%	23.9%	61.7%	28.2%	19.1%	17.9%

Source: Company Accounts, Akseer Research

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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 17.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 23.0%.

Investment Thesis

We have a 'BUY' stance on the script with our Dec-23 PT of PKR 364/share. Our price target indicates an upside of 18% along with a dividend yield of 13.3%. 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	546,632	462,580	424,772
Cost of Sales	197,441	178,663	329,072	520,861	445,089	407,116
Gross Profit	3,638	9,982	41,003	25,770	17,491	17,656
SG & A	3,079	4,152	10,215	9,100	5,742	5,804
Operating Profit	185	6,239	31,137	17,002	12,063	12,151
Other Income Net	781	752	(627)	(261)	225	243
Financial Income	2,232	1,334	1,608	1,936	2,655	3,060
Finance Cost	1,597	1,419	1,587	1,797	2,083	2,481
Profit Before Tax	1,503	6,939	30,610	17,030	13,017	13,138
Taxation	495	2,019	12,073	5,570	4,244	4,281
Profit After Tax	1,008	4,920	18,536	11,459	8,773	8,857

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	118,366	110,610	108,359
Total Assets	51,238	61,898	96,351	136,313	128,726	126,731
Non-Current liabilities	4,884	7,381	7,346	7,373	7,401	7,430
Current liabilities	27,909	31,795	51,686	85,013	73,477	67,946
Total Liabilities	32,792	39,177	59,032	92,386	80,878	75,377
Equity	18,446	22,721	37,319	43,926	47,847	51,354
Total Equity & liabilities	51,238	61,898	96,351	136,313	128,726	126,731

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Income	1,008	4,920	18,536	11,459	8,773	8,857
Non-cash Charges	4,636	3,423	(18,634)	(5,514)	6,354	3,611
Operating Cash flows	5,644	8,342	(98)	5,946	15,127	12,467
Investing Cash Flow	(7,683)	(3,568)	(2,187)	(1,791)	(1,985)	(2,084)
Financing Cash Flow	2,602	1,853	(3,973)	(4,825)	(4,824)	(5,321)
Net change in cash	562	6,628	(6,258)	(671)	8,317	5,062
Beginning Cash	2,920	3,482	10,110	3,852	3,181	11,499
Closing cash	3,482	10,110	3,852	3,181	11,499	16,561

Source: Company Accounts, Akseer Research

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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