

## 3QFY22 EPS clocks in at PKR 46.6/share, up 2.1x YoY

- APL announced its 3QFY22 financial result today, where the company reported an EPS of PKR 46.6, up 2.1x YoY. This growth in earning is mainly attributable to higher volumetric sales and hefty inventory gains. This takes 9MFY22 earnings to PKR 113/share, up 2.1x YoY.
- APL's net sales increased by 90% YoY to PKR 86.8bn owing to 42% and 16% YoY growth in HSD and MS volumetric sales.
- The gross margin for 3QFY22 clocks in at 9.8%, compared to 6.4% in SPLY owing to inventory gains amid higher oil prices during the quarter.
- Operating expenses went up by 1.2x YoY to PKR 2.0bn in line with increase in topline. On the contrary, net finance income increased to PKR 135.3mn vs net finance cost of PKR 25.4mn in SPLY primarily due to high interest rates during the quarter.
- Moreover, effective tax rate came in at 29% during 3Q vs 29.6% in SPLY, further supporting the bottom-line.
- On sequential basis, APL's earnings grew by 10% QoQ mainly on account of higher product prices, slightly improved gross margins and lower effective tax rate during 3Q.
- We have a 'BUY' stance on APL. Our Dec-22 PT of PKR 415/share provides an upside of 25% along with a dividend yield of 17%.

### Key Data

PSX Ticker	APL
Target Price (PKR)	415
Current Price (PKR)	332
Upside/(Downside) (%)	+ 25%
Dividend Yield (%)	17%
Total Return (%)	+ 42%
12-month High (PKR)	362
12-month Low (PKR)	285
Outstanding Shares (mn)	99.53
Market Cap (PKR mn)	33,016
Year End	June

Source: Company Accounts, Akseer Research

### Financial Highlights (PKR mn)

	3QFY21	3QFY22	YoY	9MFY21	9MFY22	YoY
Net Sales	45,728	86,760	90%	135,699	241,036	78%
Cost of Sales	42,821	78,219	83%	128,032	219,943	72%
<b>Gross Profit</b>	<b>2,907</b>	<b>8,541</b>	<b>194%</b>	<b>7,667</b>	<b>21,093</b>	<b>175%</b>
Operating Expense	900	2,014	124%	2,697	5,417	101%
Other Income	409	401	-2%	944	1,202	27%
Financial Income	298	469	57%	990	1,149	16%
Finance cost	324	334	3%	1,114	1,073	-4%
<b>Profit before tax</b>	<b>2,157</b>	<b>6,530</b>	<b>203%</b>	<b>5,151</b>	<b>15,904</b>	<b>209%</b>
Taxation	639	1,892	196%	1,487	4,657	213%
<b>Net Income</b>	<b>1,518</b>	<b>4,638</b>	<b>206%</b>	<b>3,664</b>	<b>11,247</b>	<b>207%</b>
EPS	15.25	46.60	206%	36.81	113.00	207%
DPS	-	-		2.50	15.00	

Source: Company Accounts, Akseer Research

### Key Financial Ratios

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	39.8	10.1	49.4	138.1	53.5	64.9
EPS Growth	-30%	-75%	387.9%	179.4%	-61.3%	21.4%
DPS	20.0	9.0	27.0	55.0	29.0	36.0
PER	8.3	NA	6.7	2.4	6.2	5.1
Dividend Yield	6.0%	2.7%	8.1%	16.6%	8.7%	10.9%
EV/EBITDA	2.6	4.5	1.6	0.4	0.6	0.5
P/B	1.7	1.8	1.5	1.1	1.0	0.9
ROE	21.2%	5.4%	23.9%	51.2%	16.5%	18.5%

Source: Company Accounts, Akseer Research

### 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 12.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 18.0%.

### Investment Thesis

We have a 'BUY' stance on the script with our Dec-22 PT of PKR 415/share. Our price target indicates an upside of 25% along with a dividend yield of 17%. 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)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Sales	223,054	201,079	188,645	342,549	278,537	263,468
Cost of Sales	214,833	197,441	178,663	318,127	267,225	250,122
<b>Gross Profit</b>	<b>8,221</b>	<b>3,638</b>	<b>9,982</b>	<b>24,422</b>	<b>11,312</b>	<b>13,347</b>
SG & A	3,590	3,079	4,152	4,740	4,567	4,795
<b>Operating Profit</b>	<b>4,560</b>	<b>185</b>	<b>6,239</b>	<b>20,071</b>	<b>7,114</b>	<b>8,902</b>
Other Income Net	835	781	752	(568)	614	500
Financial Income	1,399	2,232	1,334	1,502	1,394	1,366
Finance Cost	849	1,597	1,419	1,696	1,780	1,907
Profit Before Tax	<b>5,723</b>	<b>1,503</b>	<b>6,939</b>	<b>19,344</b>	<b>7,379</b>	<b>8,901</b>
Taxation	1,762	495	2,019	5,599	2,056	2,437
<b>Profit After Tax</b>	<b>3,961</b>	<b>1,008</b>	<b>4,920</b>	<b>13,744</b>	<b>5,323</b>	<b>6,464</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	8,349	13,840	16,617	20,118	22,258	24,181
Other LT assets	951	1,873	1,070	1,112	1,156	1,203
Non-Current Assets	9,300	15,712	17,687	21,230	23,414	25,384
Current assets	37,103	35,526	44,211	59,205	52,681	51,387
<b>Total Assets</b>	<b>46,403</b>	<b>51,238</b>	<b>61,898</b>	<b>80,434</b>	<b>76,096</b>	<b>76,771</b>
Non-Current liabilities	793	4,884	7,381	7,407	7,433	7,460
Current liabilities	26,683	27,909	31,795	42,037	35,235	33,002
<b>Total Liabilities</b>	<b>27,476</b>	<b>32,792</b>	<b>39,177</b>	<b>49,444</b>	<b>42,668</b>	<b>40,463</b>
Equity	18,927	18,446	22,721	30,991	33,428	36,308
<b>Total Equity &amp; liabilities</b>	<b>46,403</b>	<b>51,238</b>	<b>61,898</b>	<b>80,434</b>	<b>76,096</b>	<b>76,771</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	3,961	1,008	4,920	13,744	5,323	6,464
Non-cash Charges	463	4,636	3,423	2,429	3,002	2,474
Operating Cash flows	4,423	5,644	8,342	16,173	8,325	8,938
Investing Cash Flow	(2,131)	(7,683)	(3,568)	(5,470)	(4,411)	(4,412)
Financing Cash Flow	(3,570)	2,602	1,853	(5,449)	(2,860)	(3,556)
<b>Net change in cash</b>	<b>(1,278)</b>	<b>562</b>	<b>6,628</b>	<b>5,254</b>	<b>1,054</b>	<b>970</b>
Beginning Cash	4,198	2,920	3,482	10,110	15,364	16,418
<b>Closing cash</b>	<b>2,920</b>	<b>3,482</b>	<b>10,110</b>	<b>15,364</b>	<b>16,418</b>	<b>17,387</b>

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](mailto:info@akseerresearch.com)

**Alpha Capital (Pvt) Limited**

3<sup>rd</sup> 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)