

Attock Petroleum Limited
Key Takeaways

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

Pakistan Research

Corporate Briefing Key Takeaways

- APL conducted its corporate briefing today following FY22 financial results, wherein the management discussed its annual performance and provided guidance on the latest updates regarding the OMC sector. Main points discussed during the call are presented below.
- Regarding the dividend pay-out during FY22, the management of the company informed that, despite the unprecedented earnings, APL significantly increased its inventory during the year utilizing the own generated cashflows which resulted in lower pay-out. Going forward, company's cashflow position is likely to improve and so is the dividend pay-out, provided the product prices remain at current level. On the flip side, if product prices decline, company expects to book inventory losses. As per the management, more than 50% of the profitability is attributed to inventory gains during FY22.
- Providing the timeline related to deregulation, the management apprised that government is planning to deregulate the oil marketing sector in phased manner. The 1st phase, planned to be implemented by November 1st, will include deregulating the Ex-refinery prices and OMC margins. In the 2nd phase, date yet to be determined, IFEM will be deregulated. Dealer margins will be phased in in deregulation.
- APL de-commissioned 37 non performing outlets during FY22 and added 30 new outlets taking the total number to 731.
- Two storage facilities are under construction in KPK where the company was lacking earlier. One in Tarrujabba and another in Mouza Korai, KPK having total capacity of 50,000 tons. Currently, company's storage capacity stands at ~192,000 tons.
- MS imports during FY22 remained 366k tons or 50% of the total MS volume. Similarly, HSD imports remained 200k tons or 27%. Normally, MS imports are 30% whereas company procures HSD locally instead of imports.
- The company expects uptick in bitumen demand with the resumption of construction activity post floods.
- Currently, expansion in company's EV charging stations across the Motorways and major cities is underway and in couple of months, 8 to 10 charging stations will be operational.
- The company plans to open 50 to 60 new retail outlets in FY23 where the major focus will be in South. Company targets ~25 or 50% of the retail outlets in Sindh.

Key Data

PSX Ticker	APL
Target Price (PKR)	350
Current Price (PKR)	279
Upside/(Downside) (%)	+ 25%
Dividend Yield (%)	11%
Total Return (%)	+ 36%
12-month High (PKR)	399
12-month Low (PKR)	285
Outstanding Shares (mn)	99.53
Market Cap (PKR mn)	27,730
Year End	June

Source: Company Accounts, Akseer Research

Aftab Awan
aftab.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 Jun-23 PT of PKR 350/share. Our price target indicates an upside of 25% along with a dividend yield of 11%. 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	FY22A	FY23E	FY24F
Net Sales	223,054	201,079	188,645	370,075	450,675	380,881
Cost of Sales	214,833	197,441	178,663	329,072	437,301	366,857
Gross Profit	8,221	3,638	9,982	41,003	13,374	14,024
SG & A	3,590	3,079	4,152	10,215	4,567	4,795
Operating Profit	4,560	185	6,239	31,137	9,138	9,544
Other Income Net	835	781	752	(627)	1,117	1,099
Financial Income	1,399	2,232	1,334	1,608	1,628	2,381
Finance Cost	849	1,597	1,419	1,587	1,732	1,950
Profit Before Tax	5,723	1,503	6,939	30,610	10,186	11,110
Taxation	1,762	495	2,019	12,073	3,350	3,654
Profit After Tax	3,961	1,008	4,920	18,536	6,836	7,456

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22A	FY23F	FY24F
PPE	8,349	13,840	16,617	16,598	16,652	16,857
Other LT assets	904	1,873	1,070	1,378	1,424	1,472
Non-Current Assets	9,253	15,712	17,687	17,976	18,076	18,329
Current assets	37,103	35,526	44,211	78,375	101,841	94,340
Total Assets	46,356	51,238	61,898	96,351	119,916	112,669
Non-Current liabilities	793	4,884	7,381	7,346	7,373	7,401
Current liabilities	26,683	27,909	31,795	51,686	71,871	61,245
Total Liabilities	27,476	32,792	39,177	59,032	79,244	68,646
Equity	18,927	18,446	22,721	37,319	40,672	44,022
Total Equity & liabilities	46,403	51,238	61,898	96,351	119,916	112,669

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22A	FY23F	FY24F
Net Income	3,961	1,008	4,920	18,536	6,836	7,456
Non-cash Charges	463	4,636	3,423	(18,634)	5,868	9,612
Operating Cash flows	4,423	5,644	8,342	(98)	12,704	17,068
Investing Cash Flow	(2,131)	(7,683)	(3,568)	(2,187)	(2,043)	(2,210)
Financing Cash Flow	(3,570)	2,602	1,853	(3,973)	(3,456)	(4,078)
Net change in cash	(1,278)	562	6,628	(6,258)	7,205	10,781
Beginning Cash	4,198	2,920	3,482	10,110	3,852	11,057
Closing cash	2,920	3,482	10,110	3,852	11,057	21,838

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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Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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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