

Attock Cement Pakistan Limited
Result Review

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

Pakistan Research

ACPL: 2QFY23 consolidated EPS clocked in at PKR 4.2, up 87%

- ACPL announced its 2QFY23 financial result today, wherein the company posted a consolidated EPS of PKR 4.2, up 87% YoY, compared to an EPS of PKR 2.3 in 2QFY22. This takes cumulative earnings in 1HFY23 to PKR 5.8/share, up 23% YoY.
- The profitability of ACPL's local venture declined by 23% YoY to PKR 445mn. This decrease can largely be attributed to absence of large dividend income realized in corresponding period last year. In contrast, ACPL's Iraqi operations demonstrated a substantial growth of 63% YoY to PKR 139mn, owing to the devaluation of the local currency.
- Company's topline depicted a growth of 20% YoY to PKR 8.9bn in 2Q, mainly due to increase in overall cement retention prices (up 25% YoY to 560/bag). However, the total dispatches of the company fell by 11% YoY.
- The selling & admin expense increased by 5% YoY in 2QFY23 due to inflationary pressure. Moreover, the finance cost of the company clocked in at PKR 120mn, up 46%, mainly due to increase in interest rates.
- On a sequential basis, the earnings of the company demonstrated a noteworthy increase of 1.76x QoQ, primarily attributable to a 4ppts rise in gross margins and a 41% increase in local dispatches.
- We have a 'BUY' recommendation on ACPL with a Dec-23 price target (PT) of PKR 75/share, providing an upside of 31% along with a dividend yield of 5%.

Key Data

PSX Ticker	ACPL
Target Price (PKR)	75
Current Price (PKR)	57
Upside/(Downside) (%)	+31%
Dividend Yield (%)	+5%
Total Return (%)	+36%
12-month High (PKR)	133
12-month Low (PKR)	53
Outstanding Shares (mn)	137.43
Market Cap (PKR mn)	7,971
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	2QFY22	2QFY23	YoY	1HFY22	1HFY23	YoY
Net Sales	7,397	8,859	20%	13,130	15,469	18%
Cost of Sales	6,059	7,047	16%	10,754	12,618	17%
Gross Profit	1,338	1,812	35%	2,376	2,851	20%
Selling & Admin. Exp	695	663	-5%	1,252	1,286	3%
Other Income	223	68	-70%	266	150	-44%
Other Charges	45	59	31%	68	70	3%
Finance cost	82	120	46%	128	276	115%
Profit before tax	742	1,042	41%	1,196	1,373	15%
Taxation	373	367	-2%	454	422	-7%
Net Income	369	676	83%	742	951	28%
NCI	57	92	63%	98	156	60%
Attributable to parent	312	583	87%	645	795	23%
EPS	2.27	4.24	87%	4.69	5.78	23%

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
EPS	14.43	13.61	8.15	9.20	7.19	19.79
EPS Growth	-4%	-6%	-40%	13%	-22%	175%
DPS	3.5	4.0	3.5	3.0	2.0	5.7
PER	4.0	4.3	7.1	6.3	8.1	2.9
Dividend Yield	6%	7%	6%	5%	4%	10%
EV/EBITDA	2.4	2.1	4.6	4.7	4.6	2.8
P/B	0.4	0.4	0.3	0.3	0.3	0.2
ROE	12%	11%	5%	5%	4%	9%

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 17%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 23%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of PKR 75/share. Our price target provides an upside of 31%, along with a dividend yield of 5%. Our investment case on ACPL is based on (1) higher cement dispatches owing to nearing election period and 2) improved retention prices.

Risks

Key risks to our investment thesis include 1) higher than anticipated increase in input cost (Coal, FO, Gas), 2) lower than anticipated growth in cement demand 3) higher than estimated decline in cement prices.

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						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net sales	23,948	28,602	28,087	30,530	39,763	41,552
Cost of sales	18,108	22,169	23,606	26,007	35,314	34,397
Gross Profit	5,841	6,432	4,482	4,523	4,449	7,155
SG & A	2,383	2,927	2,070	1,805	2,100	2,394
Operating Profit	3,458	3,506	2,411	2,717	2,349	4,761
Other income	147	137	518	250	517	284
Other charges	92	114	124	131	137	144
Finance cost	526	723	267	931	1,167	757
Profit before tax	2,992	2,811	2,545	1,913	1,569	4,150
Taxation	425	433	1,190	467	187	920
Profit after tax	2,567	2,379	1,355	1,446	1,382	3,230
NCI	584	508	93	182	394	510
Attributable to parent	1,983	1,870	1,120	1,264	988	2,720

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
PPE	21,848	23,717	32,340	40,784	44,522	45,256
Other LT assets	174	209	212	169	165	162
Non-Current Assets	22,022	23,925	32,553	40,952	44,687	45,418
Current assets	10,060	14,468	14,664	18,279	22,604	25,641
Total Assets	32,082	38,394	47,216	59,231	67,291	71,058
Non-Current liabilities	1,723	4,298	10,373	15,273	15,581	14,375
Current liabilities	9,337	11,555	11,896	15,805	20,526	21,664
Total Liabilities	11,060	15,854	22,269	31,078	36,107	36,040
Equity	21,021	22,540	24,947	28,153	31,183	35,019
Total Equity & liabilities	32,082	38,394	47,216	59,231	67,291	71,058

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Income	2,567	2,379	1,355	1,446	1,382	3,230
Non-cash Charges	1,306	3,324	(417)	1,642	4,035	1,972
Operating Cash flows	3,873	5,703	937	3,089	5,418	5,201
FCFF	3,455	3,124	(8,958)	(6,924)	1	2,193
Net borrowings	(1,667)	1,641	5,080	9,620	1,973	(195)
FCFE	1,261	4,041	(4,145)	1,765	807	1,240
Net change in cash	1,053	1,267	(1,178)	3,524	2,455	1,846
Closing cash	1,501	2,768	1,590	5,114	7,569	9,415

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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