

ACPL: 3QFY23 consolidated EPS is expected to clock in at PKR 5.42, up 70% YoY

- ACPL is scheduled to announce its 3QFY23 results on 27th April 2023. The company is expected to post consolidated EPS of PKR 5.42 in 3QFY23 as compared to an EPS of PKR 3.19 in 3QFY22, up 70% YoY. This will take 9MFY23 consolidated EPS to PKR 11.20, up 42% YoY.
- We expect the company to post EPS of PKR 4.85 (up 1.03x YoY) on unconsolidated basis while its overseas business is likely to contribute EPS of PKR 0.57 (down 28% YoY) during 3QFY23.
- ACPL's revenue is expected to increase by 25% YoY to PKR 10.0bn in 3QFY23. We attribute increase in topline to significant increase in retention price by 30% YoY to ~ PKR 13,200/ton. This is despite slowdown in dispatches by 7% YoY.
- Gross margins for the company are likely to clock in at 21% in 3QFY23 vs 18% SPLY. Improvement in gross margins is primarily due to the improvement in local retention prices, resulting in local venture gross margins of 24%.
- Despite a 17% decline in exports, the company's Selling & Administrative Expenses are anticipated to rise by 25% YoY to PKR 829mn due to inflationary pressure.
- Finance cost of the company is likely to increase by 1.27x YoY on account of higher long term borrowing coupled with higher interest rates
- We have a 'BUY' recommendation on ACPL with a Dec-23 price target (PT) of PKR 85/share, providing a potential upside of 47% along with a dividend yield of 5%.

Key Data

PSX Ticker	ACPL
Target Price (PKR)	85
Current Price (PKR)	58
Upside/(Downside) (%)	+47%
Dividend Yield (%)	+ 5%
Total Return (%)	+ 52%
12-month High (PKR)	51
12-month Low (PKR)	120
Outstanding Shares (mn)	137.43
Market Cap (PKR mn)	8,011
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	3QFY22	3QFY23F	YoY	9MFY22	9MFY23F	YoY
Net Sales	8,057	10,036	25%	21,187	25,505	20%
Cost of Sales	6,594	7,950	21%	17,348	20,568	19%
Gross Profit	1,463	2,086	43%	3,839	4,937	29%
Selling & Admin. Exp	665	829	25%	1,917	2,115	10%
Other Income	71	71	0%	337	221	-34%
Other Charges	41	62	50%	109	132	21%
Finance cost	62	141	127%	191	417	119%
Profit before tax	766	1,126	47%	1,962	2,499	27%
Taxation	254	328	29%	708	750	6%
Net Income	512	797	56%	1,254	1,748	39%
NCI	73	52	-28%	171	209	22%
Profit Attributed to Acpl	439	745	70%	1,083	1,540	42%
EPS	3.19	5.42	-	7.88	11.20	-

Key Financial Ratios – Consolidated

	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
EPS	14.43	13.61	8.15	16.18	12.02	17.79
EPS Growth	-4%	-6%	-40%	99%	-26%	48%
DPS	3.50	4.00	3.50	3.00	2.93	4.73
PER	4.0	4.3	7.2	3.6	4.9	3.3
Dividend Yield	6.0%	6.9%	6.0%	5.1%	5.0%	8.1%
EV/EBITDA	2.4	2.1	4.6	3.8	4.1	3.2
P/B	0.4	0.4	0.3	0.3	0.2	0.2
ROE	12.2%	10.6%	5.4%	9.4%	6.4%	8.3%

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 85/share. Our price target provides a potential upside of 47% along with a dividend yield of 5.1%. Our investment case on ACPL is based on (1) increase in local market share owing to capacity expansion during FY23 (2) higher contribution from its overseas business.

Risks

Key risks to our investment thesis include (1) lower than estimated earnings from Iraq grinding mill 2) higher than anticipated increase in input cost (Coal, FO, Gas), 3) lower than anticipated growth in cement demand 4) higher than estimated decline in cement prices 5) increase in interest rates.

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	FY23F	FY24F	FY25F
Net sales	23,948	28,602	28,087	35,746	42,856	45,987
Cost of sales	18,108	22,169	23,606	29,924	37,259	39,092
Gross Profit	5,841	6,432	4,482	5,822	5,597	6,895
SG & A	2,383	2,927	2,070	1,926	2,167	2,460
Operating Profit	3,458	3,506	2,411	3,896	3,430	4,435
Other income	147	137	518	286	467	278
Other charges	92	114	124	131	137	144
Finance cost	526	723	267	640	1,211	818
Profit before tax	2,992	2,811	2,545	3,418	2,555	3,757
Taxation	425	433	1,190	694	473	765
Profit after tax	2,567	2,379	1,355	2,724	2,082	2,992
NCI	584	508	93	500	430	547
Attributable to parent	1,983	1,870	1,120	2,224	1,651	2,445

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
PPE	21,848	23,717	32,340	42,166	47,812	48,671
Other LT assets	174	209	212	200	191	183
Non-Current Assets	22,022	23,925	32,553	42,367	48,003	48,854
Current assets	10,060	14,468	14,664	17,075	22,169	25,187
Total Assets	32,082	38,393	47,216	59,441	70,172	74,041
Non-Current liabilities	1,723	4,298	10,373	15,195	15,722	14,578
Current liabilities	9,337	11,555	11,896	15,359	21,769	23,394
Total Liabilities	11,060	15,854	22,269	30,554	37,491	37,971
Equity	21,021	22,540	24,947	28,887	32,681	36,070
Total Equity & liabilities	32,082	38,394	47,216	59,441	70,172	74,041

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
Net Income	2,567	2,379	1,355	2,724	2,082	2,992
Non-cash Charges	1,306	3,324	(417)	1,507	4,148	2,722
Operating Cash flows	3,873	5,703	937	4,231	6,230	5,715
FCFF	3,455	3,124	(8,958)	(7,675)	(1,222)	2,450
Net borrowings	(1,667)	1,641	5,080	9,077	4,080	(518)
FCFE	1,261	4,041	(4,145)	761	1,647	1,114
Net change in cash	1,053	1,267	(1,178)	1,977	3,360	1,510
Closing cash	1,501	2,768	1,590	3,567	6,927	8,437

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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