

ACPL - FY21 Consolidated EPS expected at PKR 15.16, up 5% YoY

- ACPL is scheduled to announce its 4QFY21 results on 11th August 2021. The company is estimated to post consolidated profit after tax of PKR 501mn (EPS PKR 3.64), as compared to PKR 315mn (EPS PKR 2.29) in the same period last year, up 59% YoY mainly on back of robust Iraq based operations. This will take FY21 consolidated earnings to PKR 15.16/share, +5% YoY. The company is also expected to announce PKR 5.50 dividend along with FY21 results compared to PKR 3.50 declared in FY20.
- Local operations are estimated to post a profit after tax of PKR 393mn (EPS PKR 2.83) in 4QFY21 compared to a loss of PKR 9mn (LPS PKR 0.06) in 4QFY20.
- ACPL's topline is expected to accelerate by 67% YoY to PKR 8.2bn in 4QFY21. We attribute increase in sales to upbeat cement dispatches, up 80% YoY to 0.98mn tons along with an expected 20% YoY growth in Iraq sales during 4Q. The growth is also supported by 1) resumption in the construction activity post lockdowns accompanied with an accommodative policy rate and 2) Commencement of government's low-cost housing projects.
- Gross margins for the 4QFY21 are likely to settle at 25% compared to 24% in 4QFY20. Despite rising cost of sales (+75% YoY), fuelled by surge in coal and energy prices, the lower variance in Gross margin is primarily because of high cement dispatches (up 80% YoY).
- Comprehensively, sales for FY21 are expected to increase by 27% YoY to PKR 30.3bn on the back of positive sales growth and better retention prices.
- Other income for FY21 is expected to decline and clock in at PKR 68mn (-53% YoY), attributable to the decline in profit rates on deposits and lower exchange gains in FY21.
- Finance cost is likely to increase two folds to PKR162mn in 4Q because of low base in 4QFY20 where majority loans were matured and for full year it will come at PKR 747mn (+42% YoY).
- We have a 'BUY' recommendation on ACPL with a Dec-21 price target (PT) of PKR230 /share, providing a potential upside of 42.3% along with a dividend yield of 3.4%.

Key Data

PSX Ticker	ACPL
Target Price (PKR)	230
Current Price (PKR)	162
Upside/(Downside) (%)	+ 42.3%
Dividend Yield (%)	+ 3.4%
Total Return (%)	+ 45.7%
12-month High (PKR)	194
12-month Low (PKR)	139
Outstanding Shares (mn)	137.43
Market Cap (PKR mn)	21,850
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	4QFY20A	4QFY21E	YoY	FY20A	FY21E	YoY
Net Sales	4,887	8,178	67%	23,948	30,316	27%
Cost of Sales	3,687	6,465	75%	18,108	22,883	26%
Gross Profit	1,200	1,714	43%	5,841	7,433	27%
Selling & Admin. Exp	397	826	108%	2,383	3,521	48%
Other Income	84	6	-93%	147	69	-53%
Other Charges	17	30	71%	92	116	25%
Finance cost	46	162	250%	526	747	42%
Profit before tax	827	703	-15%	2,986	3,124	5%
Taxation	296	130	-56%	425	552	30%
Net Income	531	573	8%	2,567	2,572	0.2%
NCI	216	72	-67%	584	488	-16%
Attributable to parent	315	501	59%	1,983	2,084	5%
EPS	2.29	3.64		14.43	15.16	
DPS				3.50	5.50	

Source: Company Accounts, Akseer Research

Key Financial Ratios - Consolidated

	FY18A	FY19A	FY20A	FY21F	FY22F	FY23F
EPS	32.02	15.09	14.43	15.16	19.54	34.16
EPS Growth	45%	-53%	-4%	5%	29%	75%
DPS	8.00	4.00	3.50	5.50	7.00	14.50
PER	4.8	10.2	10.7	11.8	9.1	5.2
Dividend Yield	5.2%	2.6%	2.3%	3.4%	4.3%	9.0%
EV/EBITDA	5.7	7.5	5.1	4.2	3.1	1.5
P/B	1.3	1.1	1.0	1.0	0.8	0.7
ROE	27.4%	11.1%	12.2%	10.1%	11.1%	14.7%

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 11%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 17%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of 230/share. Our price target provides a potential upside of 42.3% along with a dividend yield of 3.4%. Our revised investment case on ACPL is based on (1) normalcy in economic activity (2) boom in construction sector.

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) prolonged pandemic situation and 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						
	FY18A	FY19A	FY20A	FY21F	FY22F	FY23F
Net sales	16,601	20,781	23,948	30,316	31,975	35,326
Cost of sales	11,698	15,978	18,108	22,883	23,846	23,975
Gross Profit	4,904	4,803	5,841	7,433	8,128	11,351
SG & A	1,421	1,920	2,383	3,521	3,554	3,820
Operating Profit	3,483	2,883	3,458	3,912	4,574	7,531
Other income	61	294	147	69	65	64
Other charges	163	150	92	116	148	312
Finance cost	251	648	526	747	467	405
Profit before tax	3,129	2,403	2,992	3,124	4,031	6,884
Taxation	(1,270)	330	425	552	705	1,488
Profit after tax	4,400	2,073	2,567	2,572	3,326	5,396
NCI	-	-	584	488	641	701
Attributable to parent	4,400	2,073	1,983	2,084	2,686	4,695

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) - Consolidated						
	FY18A	FY19A	FY20A	FY21F	FY22F	FY23F
PPE	20,425	22,269	21,848	20,176	19,870	19,899
Other LT assets	152	177	174	167	161	156
Non-Current Assets	20,708	22,446	22,022	20,343	20,031	20,055
Current assets	6,927	7,630	10,060	15,977	20,035	25,203
Total Assets	27,635	30,076	32,082	36,320	40,066	45,258
Non-Current liabilities	3,835	2,814	1,723	2,580	2,558	2,383
Current liabilities	7,763	8,599	9,337	8,241	7,579	6,238
Total Liabilities	11,598	11,413	11,060	10,821	10,137	8,621
Equity	16,036	18,663	21,021	25,499	29,929	36,637
Total Equity & liabilities	27,635	30,075	32,082	36,320	40,066	45,258

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) - Consolidated						
	FY18A	FY19A	FY20A	FY21F	FY22F	FY23F
Net Income	4,400	2,073	2,567	2,572	3,326	5,396
Non-cash Charges	(2,615)	(975)	1,306	835	456	705
Operating Cash flows	1,785	1,099	3,873	3,407	3,783	6,101
FCFF	(1,906)	(892)	3,455	4,367	3,053	4,887
Net borrowings	2,480	803	(1,668)	(336)	(212)	(1,294)
FCFE	323	(738)	1,260	3,284	2,374	3,188
Net change in cash	(612)	(185)	1,052	4,337	3,478	4,500
Closing cash	634	449	1,501	5,838	9,316	13,816

Source: Company Accounts, Akseer Research

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