

Attock Cement Pakistan Limited

Result Review

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

Pakistan Research

ACPL - FY21 Consolidated EPS settles at PKR 13.61, down 6% YoY

- ACPL announced its financial result today, where in the company posted consolidated EPS of PKR 13.61/share, down 6% YoY mainly on the back of higher SGA expenses and finance cost. The results were accompanied by a dividend of PKR 4/share (lower than our expectation).
- The topline of the company recorded 19% growth and clocked in at PKR 28bn. The growth was supported by robust local operations which recorded 15% growth YoY primarily on account of improved economic conditions and resumption in the construction activity post lockdowns.
- For 4Q alone net sales grew by 32% YoY to PKR 6.6bn, on the back of higher volumes and better retention prices on YoY.
- The cost of sales increased by 22% YoY and settled at PKR 22.1bn. The increase in cost is based on rising coal and energy prices during the year.
- Selling and distribution expenses grew 23% to PKR 2.9bn on the back of improved dispatches and exports.
- Other income declined by 7% YoY and settled at PKR 137mn because of lower profit rates on deposits.
- Finance cost of the company increased by 37% to PKR 723mn, attributable to lower base in FY20 where loans matured. For 4Q alone the financial charges surged almost 2.0x to PKR 138mn.
- We have a 'BUY' recommendation on ACPL with a Dec-21 price target (PT) of PKR 230/share, providing a potential upside of 43.4% along with a dividend yield of 2.5%.

Key Data

PSX Ticker	ACPL
Target Price (PKR)	230
Current Price (PKR)	162
Upside/(Downside) (%)	+ 43.4%
Dividend Yield (%)	+ 2.5%
Total Return (%)	+ 45.8%
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)

	4QFY20	4QFY21	YoY	FY20A	FY21	YoY
Net Sales	4,887	6,464	32%	23,948	28,602	19%
Cost of Sales	3,687	5,751	56%	18,108	22,169	22%
Gross Profit	1,200	713	-41%	5,841	6,432	10%
Selling & Admin. Exp	397	231	-42%	2,383	2,927	23%
Other Income	84	74	-12%	147	137	-7%
Other Charges	17	28	63%	92	114	24%
Finance cost	46	138	198%	526	723	37%
Profit before tax	827	390	-53%	2,986	2,811	-6%
Taxation	296	11	-96%	425	433	2%
Net Income	531	379	-29%	2,567	2,379	-7%
NCI	216	92	-57%	584	508	-13%
Attributable to parent	315	287	-9%	1,983	1,870	-6%
EPS	2.29	2.09	-9%	14.43	13.61	-6%
DPS	3.50	4.00		3.50	4.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios - Consolidated

	FY18A	FY19A	FY20A	FY21A	FY22F	FY23F
EPS	32.02	15.09	14.43	13.61	19.59	34.15
EPS Growth	45%	-53%	-4%	-6%	44%	74%
DPS	8.00	4.00	3.50	4.00	7.00	14.50
PER	5.1	10.8	11.3	12.0	8.3	4.8
Dividend Yield	4.9%	2.5%	2.1%	2.5%	4.3%	8.9%
EV/EBITDA	6.0	7.8	5.4	4.2	2.8	1.2
P/B	1.4	1.2	1.1	0.9	0.7	0.6
ROE	27.4%	11.1%	12.2%	9.3%	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 PKR 230/share. Our price target provides a potential upside of 43.4% along with a dividend yield of 2.5%. 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	FY21A	FY22F	FY23F
Net sales	16,601	20,781	23,948	28,602	31,975	35,326
Cost of sales	11,698	15,978	18,108	22,169	23,846	23,975
Gross Profit	4,904	4,803	5,841	6,432	8,128	11,351
SG & A	1,421	1,920	2,383	2,927	3,554	3,820
Operating Profit	3,483	2,883	3,458	3,506	4,574	7,531
Other income	61	294	147	137	64	63
Other charges	163	150	92	114	148	312
Finance cost	251	648	526	723	456	405
Profit before tax	3,129	2,403	2,992	2,811	4,040	6,883
Taxation	(1,270)	330	425	433	707	1,488
Profit after tax	4,400	2,073	2,567	2,379	3,333	5,395
NCI	-	-	584	508	641	701
Attributable to parent	4,400	2,073	1,983	1,870	2,692	4,694

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) - Consolidated						
	FY18A	FY19A	FY20A	FY21A	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	15,430	20,005	25,172
Total Assets	27,635	30,076	32,082	35,773	40,036	45,227
Non-Current liabilities	3,835	2,814	1,723	2,581	2,558	2,383
Current liabilities	7,763	8,598	9,337	7,731	7,579	6,238
Total Liabilities	11,598	11,412	11,060	10,312	10,138	8,622
Equity	16,036	18,663	21,021	25,461	29,898	36,605
Total Equity & liabilities	27,635	30,074	32,082	35,773	40,036	45,227

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) - Consolidated						
	FY18A	FY19A	FY20A	FY21A	FY22F	FY23F
Net Income	4,400	2,073	2,567	2,379	3,333	5,395
Non-cash Charges	(2,615)	(975)	1,306	765	526	705
Operating Cash flows	1,785	1,099	3,873	3,144	3,859	6,100
FCFF	(1,906)	(892)	3,455	4,080	3,118	4,886
Net borrowings	2,480	802	(1,667)	(597)	49	(1,294)
FCFE	323	(739)	1,261	2,760	2,712	3,187
Net change in cash	(612)	(186)	1,053	3,969	3,816	4,499
Closing cash	634	448	1,501	5,470	9,286	13,785

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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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%

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