

## APL: 1QFY22 earnings clocked in at PKR 24.0/share, up 61% YoY

- APL announced its 1QFY22 results today wherein the company reported net earnings of PKR 24.0/share, up 61% YoY.
- The company's net sales during the quarter settled at PKR 72.8bn, up 61% YoY as compared to PKR 45.1bn in the SPLY. This growth is primarily due to higher product prices resulting in inventory gains and increase in volumetric sales (HSD/MS up 41%/27% YoY).
- Operating expenses increased by 93% to PKR 1.7bn, whereas, other income surged 69% YoY to PKR 356mn during the quarter.
- Effective tax rate declined to 29.4% in 1QFY22 as against 30.4% in SPLY, further strengthening the bottomline growth.
- On a sequential basis, APL's earnings grew 90% QoQ on the back of 25% QoQ increase in volumetric sales (FO, MS and HSD up 80%, 21% and 4%, respectively). Furthermore, higher product prices also led to improved gross margins of 6.4% during the quarter, compared to 4.4% in the preceding quarter.
- Our June-22 PT of PKR 410/share provides an upside of 28% along with a dividend yield of 9%.
- We have a 'Buy' stance on APL which is trading at FY22 PE and PBV of 5.3x and 1.2x, respectively.

### Key Data

PSX Ticker	APL
Target Price (PKR)	410
Current Price (PKR)	320
Upside/(Downside) (%)	+ 28%
Dividend Yield (%)	9%
Total Return (%)	+ 37%
12-month High (PKR)	390
12-month Low (PKR)	285
Outstanding Shares (mn)	99.53
Market Cap (PKR mn)	31,879
Year End	June

Source: Company Accounts, Akseer Research

### Financial Highlights (PKR mn)

	1QFY21	1QFY22	YoY	4QFY21	QoQ
Net Sales	45,115	72,838	61%	52,947	38%
Cost of Sales	42,055	68,144	62%	50,632	35%
<b>Gross Profit</b>	<b>3,060</b>	<b>4,694</b>	<b>53%</b>	<b>2,315</b>	<b>103%</b>
Operating Expense	864	1,669	93%	1,454	15%
Other Income	211	356	69%	317	12%
Financial Income	385	276	-28%	344	-20%
Finance cost	416	339	-19%	304	11%
<b>Profit before tax</b>	<b>2,133</b>	<b>3,381</b>	<b>59%</b>	<b>1,788</b>	<b>89%</b>
Taxation	647	993	53%	532	86%
<b>Net Income</b>	<b>1,485</b>	<b>2,388</b>	<b>61%</b>	<b>1,256</b>	<b>90%</b>
EPS	14.92	24.00	61%	12.61	90%
DPS	-	-		24.50	

Source: Company Accounts, Akseer Research

### Key Financial Ratios

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	39.8	10.1	49.4	60.1	55.5	61.9
EPS Growth	-30%	-75%	387.9%	21.6%	-7.7%	11.7%
DPS	20.0	9.0	27.0	30.0	31.0	34.0
PER	8.0	NA	6.5	5.3	5.8	5.2
Dividend Yield	6.2%	2.8%	8.4%	9.4%	9.7%	10.6%
EV/EBITDA	2.5	4.3	1.5	1.0	1.0	0.9
P/B	1.7	1.7	1.4	1.2	1.1	1.0
ROE	21.2%	5.4%	23.9%	24.7%	20.5%	20.9%

Source: Company Accounts, Akseer Research

Aftab Awan, ACCA

[aftab.awan@akseerresearch.com](mailto:aftab.awan@akseerresearch.com)

### 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 11.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 17.0%.

### Investment Thesis

We have a 'BUY' stance on the script with the Jun-22 PT of PKR 410/share. Our price target indicates an upside of 28% along with a dividend yield of 9%. 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.

### Risks

Key downside risks to our investment thesis are: 1) sharp decrease in oil prices, 2) significant loss of market share to other industry players & 3) Sharp decline in Asphalt sales.

### Company Description

Attock Petroleum Limited was incorporated in 1995 and is based in Rawalpindi, Pakistan. It procures, stores, and markets petroleum and related products in Pakistan. It offers various petroleum products, such as high speed diesel, premier motor gasoline, jet fuels etc.

### Financial Highlights - APL

Income Statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net sales	223,054	201,079	188,645	270,747	244,690	234,042
Cost of sales	214,833	197,441	178,663	258,819	233,531	221,698
<b>Gross Profit</b>	<b>8,221</b>	<b>3,638</b>	<b>9,982</b>	<b>11,928</b>	<b>11,159</b>	<b>12,343</b>
SG & A	3,590	3,079	4,152	4,740	4,567	4,795
<b>Operating Profit</b>	<b>4,560</b>	<b>185</b>	<b>6,239</b>	<b>7,577</b>	<b>6,961</b>	<b>7,899</b>
Other income	835	781	752	854	925	917
Financial Income	1,399	2,232	1,334	1,539	1,417	1,380
Finance cost	849	1,597	1,419	1,696	1,780	1,907
<b>Profit before tax</b>	<b>5,723</b>	<b>1,503</b>	<b>6,939</b>	<b>8,309</b>	<b>7,559</b>	<b>8,328</b>
Taxation	1,762	495	2,019	2,325	2,039	2,164
<b>Profit after tax</b>	<b>3,961</b>	<b>1,008</b>	<b>4,920</b>	<b>5,984</b>	<b>5,520</b>	<b>6,164</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	8,349	13,840	16,617	20,118	22,258	24,181
Other LT assets	904	1,873	1,070	1,112	1,156	1,203
Non-Current Assets	9,253	15,712	17,687	21,230	23,414	25,384
Current assets	37,103	35,526	44,211	57,925	53,709	52,463
<b>Total Assets</b>	<b>46,356</b>	<b>51,238</b>	<b>61,898</b>	<b>79,155</b>	<b>77,123</b>	<b>77,847</b>
Non-Current liabilities	793	4,884	7,381	7,407	7,433	7,460
Current liabilities	26,683	27,909	31,795	46,029	41,537	39,454
<b>Total Liabilities</b>	<b>27,476</b>	<b>32,792</b>	<b>39,177</b>	<b>53,436</b>	<b>48,970</b>	<b>46,914</b>
Equity	18,927	18,446	22,721	25,719	28,154	30,933
<b>Total Equity &amp; liabilities</b>	<b>46,403</b>	<b>51,238</b>	<b>61,898</b>	<b>79,155</b>	<b>77,123</b>	<b>77,847</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	3,961	1,008	4,920	5,984	5,520	6,164
Non-cash Charges	463	4,636	3,423	2,123	2,498	2,531
Operating Cash flows	4,423	5,644	8,342	8,107	8,019	8,695
Investing Cash Flow	(2,131)	(7,683)	(3,568)	(5,470)	(4,411)	(4,412)
Financing Cash Flow	(3,570)	2,602	1,853	(2,961)	(3,059)	(3,357)
<b>Net change in cash</b>	<b>(1,278)</b>	<b>562</b>	<b>6,628</b>	<b>(323)</b>	<b>548</b>	<b>926</b>
Beginning Cash	4,198	2,920	3,482	10,110	9,786	10,334
<b>Closing cash</b>	<b>2,920</b>	<b>3,482</b>	<b>10,110</b>	<b>9,786</b>	<b>10,334</b>	<b>11,260</b>

Source: Company Accounts, Akseer Research

**Disclaimer**

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alfa Adhi Securities (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alfa Adhi Securities as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of the JV. Action could be taken for unauthorized reproduction, distribution or publication.

**Valuation Methodology**

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.

**Ratings Criteria**

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.

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

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

**Research Dissemination Policy**

The JV endeavours to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

**Analyst Certification**

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

**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](mailto:info@akseerresearch.com)

Alfa Adhi Securities (Pvt) Limited

3<sup>rd</sup> 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](mailto:info@alfaadhi.net)