

Equity Research | Cement | Wednesday, 27 January, 2021

ACPL has announced its 2QFY21 result where it posted a profit after tax of Rs545mn (EPS: Rs3.96 ; Consolidated EPS: Rs7.02) in 1HFY21 as compared to a profit after tax of Rs763mn (EPS: Rs5.55 ; Consolidated EPS: Rs7.26) in the same period last year, down by 28.6% YoY.s

The company has posted a revenue of Rs10.9bn against Rs10.6bn in SPLY, recording a growth of 3.6% YoY. We note that this growth is attributed to the increase in prices and pick-up in cement dispatches. The gross margin slightly increased to 24% in as compared to 23.5% during SPLY.

SG&A expenses have grown by 22.8% YoY to Rs1.6bn as compared to Rs1.3bn during SPLY.

Lastly, the decline in finance cost by 48.8% YoY was offset by the higher effective taxation of 34.5% as compared to 4.4% during SPLY which further caused the bottom line to plunge.

Going forward, the surge in cement dispatches is expected to continue amid improved post-Covid-19 scenerio. Furthermore, the subsidiary in Iraq is also performing well which eventually would improve the overall value of the firm. ACPL is trading at a FY21E P/B of 1.26x which offers a discount of 21% relative to its historical 5-year average of 1.6x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs200 which provides an upside potential of 27%.

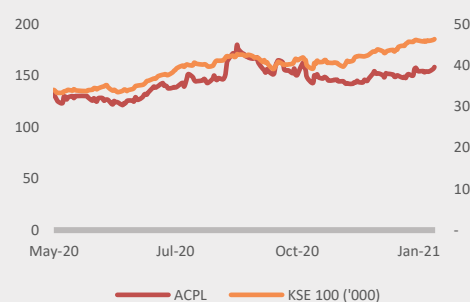
Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	5,769	5,643	2.2% ▲	10,993	10,611	3.6% ▲
Cost of Sales	-4,099	-4,450	7.9% ▼	-8,352	-8,118	2.9% ▲
Gross Profit	1,670	1,193	40.0% ▲	2,641	2,493	5.9% ▲
SG&A Expenses	-905	-709	27.7% ▲	-1,631	-1,328	22.8% ▲
Other Expenses	-37	-32	15.6% ▲	-52	-68	23.5% ▼
Operating Profit	728	452	60.9% ▲	958	1,097	12.7% ▼
Other Income	32	24	30.4% ▲	48	45	7.5% ▲
Finance Cost	-131	-188	30.0% ▼	-177	-346	48.8% ▼
Profit Before Taxation	631	291	116.7% ▲	832	798	4.3% ▲
Taxation	-206	114	281.1% ▼	-287	-35	720.0% ▲
Profit After Taxation	425	405	5.0% ▲	545	763	28.6% ▼
Earnings Per Share	3.09	2.95	5.0% ▲	3.96	5.55	28.6% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	29.0%	21.1%	7.8% ▲	24.0%	23.5%	0.5% ▲
SG&A Expenses to Sales	-15.7%	-12.6%	3.1% ▲	-14.8%	-12.5%	2.3% ▲
Other Income to Sales	0.5%	0.4%	0.1% ▲	0.4%	0.4%	0.0% ▲
Ex. Gain / (Loss) to Sales	-15.7%	-12.6%	3.1% ▲	-14.8%	-12.5%	2.3% ▲
Effective Taxation	-32.6%	39.0%	6.4% ▼	-34.5%	-4.4%	30.1% ▲
Net Margin	7.4%	7.2%	0.2% ▲	5.0%	7.2%	2.2% ▼

Source: ACPL Research, Company Financials

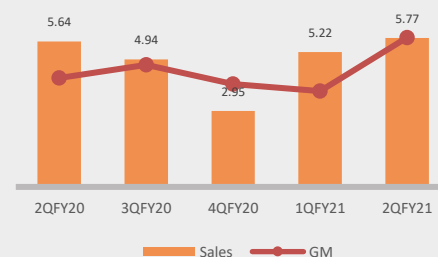
Key Statistics

Symbol	ACPL
TP - Dec 21	200
LDCP	158
Upside (%)	27
Free Float ('mn)	27
Market Cap. (Rs.'mn)	21,729

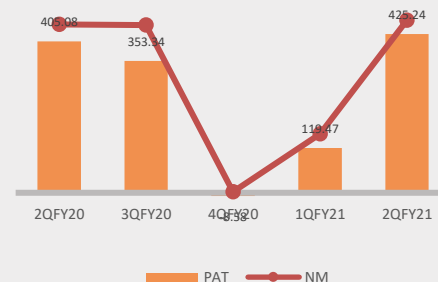
ACPL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	13,086	13,918	14,735	16,496	20,781	18,501	21,913	24,127	25,912
Cost of sale	8,690	8,332	8,843	11,698	15,978	14,252	16,614	17,026	17,826
Gross profit	4,396	5,587	5,892	4,798	4,803	4,249	5,299	7,101	8,086
Selling and promotion expenses	987	955	904	782	1,415	1,831	2,702	2,975	3,195
Administration expenses	347	402	419	533	505	507	549	604	649
Other operating expenses	239	314	334	163	150	92	103	238	190
Operating Profit	2,824	3,916	4,236	3,320	2,733	1,819	1,946	3,284	4,052
Other operating income	-	-	-	-	25	6	-	-	-
Finance cost	423	341	237	61	294	234	96	105	113
Profit before taxation	26	21	28	251	648	526	345	345	345
Taxation	3,221	4,236	4,444	3,129	2,403	1,532	1,696	3,044	3,820
Profit after taxation	1,015	1,346	1,410	- 1,270	330	425	585	913	1,146
EPS	16.05	21.03	22.08	32.02	15.09	8.06	8.08	15.50	19.46

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	4.3%	6.4%	5.9%	11.9%	26.0%	-11.0%	18.4%	10.1%	7.4%
Cost of sale	-1.7%	-4.1%	6.1%	32.3%	36.6%	-10.8%	16.6%	2.5%	4.7%
Gross profit	18.7%	27.1%	5.5%	-18.6%	0.1%	-11.5%	24.7%	34.0%	13.9%
Selling and promotion expenses	22.4%	-3.2%	-5.4%	-13.4%	80.9%	29.4%	47.6%	10.1%	7.4%
Administration expenses	13.0%	15.8%	4.4%	27.1%	-5.2%	0.4%	8.2%	10.1%	7.4%
Other operating expenses	22.2%	31.5%	6.2%	-51.1%	-8.1%	-38.4%	11.6%	131.5%	-20.3%
Operating Profit	17.9%	38.7%	8.2%	-21.6%	-17.7%	-33.5%	7.0%	68.8%	23.4%
Other operating income	56.9%	-19.3%	-30.6%	-74.3%	383.2%	-20.5%	-59.0%	10.1%	7.4%
Finance cost	-12.7%	-18.0%	33.1%	785.4%	158.2%	-18.9%	-34.3%	0.0%	0.0%
Profit before taxation	22.2%	31.5%	4.9%	-29.6%	-23.2%	-36.2%	10.7%	79.5%	25.5%
Taxation	63.4%	32.6%	4.8%	-190.1%	-126.0%	28.8%	37.7%	56.0%	25.5%
Profit after taxation	9.5%	31.0%	5.0%	45.0%	-52.9%	-46.6%	0.3%	91.8%	25.5%
EPS	9.5%	31.0%	5.0%	45.0%	-52.9%	-46.6%	0.3%	91.8%	25.5%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	33.59	40.14	39.99	29.09	23.11	22.97	24.18	29.43	31.21
NP Margin	%	16.85	20.76	20.59	26.67	9.98	5.99	5.07	8.83	10.32
OP Margin	%	21.58	28.13	28.75	20.12	13.15	9.83	8.88	13.61	15.64
ROE	%	24.69	27.66	25.39	29.58	12.88	6.69	6.46	11.32	12.99
ROCE	%	24.69	27.66	19.54	21.03	9.03	5.11	4.16	7.59	8.96
ROA	%	18.03	20.03	14.65	16.66	7.59	4.04	5.19	9.19	10.69
Cost per ton	'mn	4.74	4.14	4.19	4.87	5.11	4.86	5.61	5.56	5.76
EBITDA per ton	'mn	0.66	1.25	1.41	0.98	0.60	0.90	0.96	1.43	1.57

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	2.75	2.63	0.53	0.87	0.91	0.89	0.28	0.45	0.62
Acid-test	x	1.91	1.90	0.07	0.16	0.16	0.18	-0.22	-0.06	0.10
Cash to current liab.	x	0.39	0.21	0.02	0.04	0.04	0.09	-0.29	-0.13	0.02

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Average Inventory	'mn	1,717	1,833	1,923	2,789	3,522	3,431	3,753	4,091	4,238
Inventory Turnover	x	5	5	5	4	5	4	4	4	4
Inventory Days		161	115	123	149	167	157	155	172	186
Receivables Days		3	6	4	16	14	10	10	10	10
Payables Days		74	117	158	156	82	107	107	107	107
Operating Cycle		90	3	-30	9	99	60	57	74	88
Utilization	%	103	108	114	76	81	58	64	74	83
Export Revenue	%	39	27	24	20	24	30	29	26	25
Local Revenue	%	61	73	76	80	76	70	71	74	75
Export Market Share	%	27	27	32	28	15	9	8	7	6
Local Market Share	%	24	24	24	25	23	22	22	24	25
Total Market Share	%	25	25	26	26	20	15	15	15	14

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EPS	Rs.	16.05	21.03	22.08	32.02	15.09	8.06	8.08	15.50	19.46
DPS	Rs.	15.00	12.50	13.50	8.00	4.00	3.50	3.51	6.73	8.45
Div. Yield	%	9.49	7.91	8.54	5.06	2.53	2.21	2.22	4.26	5.34
Dividend Cover	x	1.07	1.68	1.64	4.00	3.77	2.30	2.30	2.30	2.30
BVPS	Rs.	65.02	76.02	86.94	108.22	117.15	120.45	125.03	137.02	149.75
Payout	%	93.46	59.44	61.15	24.99	26.51	43.43	43.43	43.43	43.43
Retention	%	6.54	40.56	38.85	75.01	73.49	56.57	56.57	56.57	56.57
No. of Shares	'000	137	137	137	137	137	137	137	137	137
P/E		9.85	7.52	7.16	4.94	10.48	19.62	19.56	10.20	8.13
Sales per share		95.22	101.28	107.22	120.03	151.21	134.62	159.45	175.56	188.55
P/BV		2.43	2.08	1.82	1.46	1.35	1.31	1.26	1.15	1.06
Price to Sales		1.66	1.56	1.47	1.32	1.05	1.17	0.99	0.90	0.84

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Debt to Equity	x	0.00	0.00	0.30	0.41	0.43	0.31	0.56	0.49	0.45
L.T. Debt to Equity	x	0.09	0.00	0.13	0.23	0.14	0.02	0.00	0.00	0.00
Interest Cover	x	108.61	183.77	149.31	13.22	4.21	3.46	5.63	9.51	11.73

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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