

ACPL

1HFY23 Result Review: BUY Stance Maintained

Equity Research | Cement | Tuesday, 28 February, 2023



ACPL has announced its 1HFY23 result where it posted a profit after tax of Rs560mn (EPS: Rs4.08) as compared to a profit after tax of Rs852mn (EPS: Rs6.20) in the same period last year, down by 34.2% YoY owing to a fall in domestic dispatches takeoff and exports.

The company has posted a revenue of Rs10.37bn against Rs9.82bn in SPLY, recording a growth of 5.7% YoY. The gross margin increased to 20.4% as compared to 19.6% during SPLY.

Furthermore, SG&A expenses have decreased by 5.9% YoY to Rs1bn as compared to Rs1.06bn during SPLY. Moreover, finance costs went up by 101.4% YoY to Rs214mn owing to an increase in interest rates. Other income declined by 75.8% to Rs150mn. Lastly, effective taxation increased to 43% as compared to 34.8% during SPLY.

ACPL is currently trading at FY23 PE of 6.90x. Further, the scrip is also trading at a FY23 P/B of 0.42x which offers a discount of 10% relative to its historical 3-year average of 0.47x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs70 which provides an upside potential of 25%. Further, it provides a dividend yield of 6%, which makes the cumulative return of 31%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	6,009	5,391	11.5% ▲	10,373	9,818	5.7% ▲
Cost of Sales	-4,631	-4,309	7.5% ▲	-8,259	-7,896	4.6% ▲
Gross Profit	1,378	1,083	27.3% ▲	2,114	1,922	10.0% ▲
SG&A Expenses	-502	-595	15.7% ▼	-1,001	-1,064	5.9% ▼
Other Expenses	-59	-45	31.0% ▲	-70	-68	2.8% ▲
Operating Profit	818	443	84.8% ▲	1,043	790	32.0% ▲
Other Income	68	577	88.2% ▼	150	620	75.8% ▼
Finance Cost	-78	-68	15.0% ▲	-214	-106	101.4% ▲
Profit Before Taxation	811	954	15.0% ▼	982	1,306	24.8% ▼
Taxation	-367	-373	1.6% ▼	-422	-454	7.1% ▼
Profit After Taxation	445	581	23.5% ▼	560	852	34.2% ▼
Earnings Per Share	3.24	4.23	23.5% ▼	4.08	6.20	34.2% ▼
Dividend	0.00	2.00	100.0% ▼	0.00	2.00	100.0% ▼
Bonus	-	-	-	-	-	-
Gross Margin	22.9%	20.1%	2.9% ▲	20.4%	19.6%	0.8% ▲
SG&A Expenses to Sales	-8.3%	-11.0%	2.7% ▼	-9.7%	-10.8%	1.2% ▼
Other Income to Sales	1.1%	10.7%	9.6% ▼	1.4%	6.3%	4.9% ▼
Ex. Gain / (Loss) to Sales	-8.3%	-11.0%	2.7% ▼	-9.7%	-10.8%	1.2% ▼
Effective Taxation	-45.2%	-39.1%	6.1% ▲	-43.0%	-34.8%	8.2% ▲
Net Margin	7.4%	10.8%	3.4% ▼	5.4%	8.7%	3.3% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	ACPL
TP - Dec 23	70
LDCP	56
Upside (%)	25
Free Float ('mn)	27
Market Cap. (Rs.'mn)	7,696

ACPL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116
Email: salman@abbasiandcompany.com

Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	18,501	21,245	20,479	20,746	23,409	26,518	29,936
Cost of sale	14,252	16,602	16,777	16,519	18,756	21,347	24,312
Gross profit	4,249	4,643	3,702	4,228	4,653	5,171	5,624
Selling and promotion expenses	1,831	2,203	1,295	1,286	1,451	1,928	2,177
Administration expenses	507	568	641	717	809	917	1,035
Other operating expenses	92	114	124	140	210	238	269
Operating Profit	1,819	1,757	1,642	2,085	2,183	2,088	2,143
Other operating income	234	135	921	299	338	383	432
Finance cost	526	357	258	428	778	601	549
Profit before taxation	1,532	1,540	2,312	1,956	1,743	1,869	2,027
Taxation	425	433	1,190	840	575	617	669
Profit after taxation	1,107	1,107	1,122	1,116	1,167	1,252	1,358
EPS	8.06	8.06	8.16	8.12	8.50	9.11	9.88

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-11.0%	14.8%	-3.6%	1.3%	12.8%	13.3%	12.9%
Cost of sale	-10.8%	16.5%	1.1%	-1.5%	13.5%	13.8%	13.9%
Gross profit	-11.5%	9.3%	-20.3%	14.2%	10.1%	11.1%	8.8%
Selling and promotion expenses	29.4%	20.3%	-41.2%	-0.7%	12.8%	32.9%	12.9%
Administration expenses	0.4%	12.1%	12.8%	11.9%	12.8%	13.3%	12.9%
Other operating expenses	-38.4%	23.7%	9.0%	12.4%	50.4%	13.3%	12.9%
Operating Profit	-33.5%	-3.4%	-6.5%	27.0%	4.7%	-4.4%	2.7%
Other operating income	-20.5%	-42.3%	582.9%	-67.5%	12.8%	13.3%	12.9%
Finance cost	-18.9%	-32.0%	-27.8%	66.0%	81.7%	-22.7%	-8.7%
Profit before taxation	-36.2%	0.5%	50.1%	-15.4%	-10.9%	7.3%	8.4%
Taxation	28.8%	1.8%	175.2%	-29.4%	-31.6%	7.3%	8.4%
Profit after taxation	-46.6%	0.0%	1.3%	-0.5%	4.6%	7.3%	8.4%
EPS	-46.6%	0.0%	1.3%	-0.5%	4.6%	7.3%	8.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	22.97	21.85	18.08	20.38	19.88	19.50	18.79
NP Margin	%	5.99	5.21	5.48	5.38	4.99	4.72	4.54
OP Margin	%	9.83	8.27	8.02	10.05	9.32	7.87	7.16
ROE	%	6.69	6.44	7.24	6.16	6.21	6.39	6.66
ROCE	%	5.11	4.62	4.10	5.35	3.80	4.04	4.39
ROA	%	4.04	3.39	2.86	4.45	4.78	5.32	6.05
Cost per ton	'mn	4.86	4.86	7.27	10.49	10.97	11.45	11.95
EBITDA per ton	'mn	0.03	0.81	0.40	1.70	1.59	1.32	1.20

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	0.89	1.00	0.92	0.63	0.52	0.28	0.10
Acid-test	x	0.18	0.40	0.20	-0.24	-0.49	-0.61	-0.72
Cash to current liab.	x	0.09	0.05	0.08	-0.41	-0.71	-0.82	-0.94

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory	'mn	3,431	3,554	4,523	5,431	5,878	6,822	7,954
Inventory Turnover	x	4	5	4	3	3	3	3
Inventory Days		157	147	190	238	243	213	182
Receivables Days		10	28	17	20	23	26	29
Payables Days		107	146	144	151	156	161	166
Operating Cycle		60	28	63	107	110	78	45
Utilization	%	58	66	59	24	26	29	33
Export Revenue	%	30	26	12	8	9	9	10
Local Revenue	%	70	74	88	92	91	91	90
Export Market Share	%	9	8	5	3	3	3	3
Local Market Share	%	22	20	19	14	14	14	14
Total Market Share	%	15	14	14	10	10	10	10

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	8.06	8.06	8.16	8.12	8.50	9.11	9.88
DPS	Rs.	3.50	4.00	3.50	3.50	3.50	4.00	4.00
Div. Yield	%	6.25	7.14	6.25	6.25	6.25	7.14	7.14
Dividend Cover	x	2.30	2.01	2.33	2.32	2.43	2.28	2.47
BVPS	Rs.	120.45	125.16	112.73	131.90	136.89	142.51	148.39
Payout	%	43.43	49.64	42.89	43.10	41.20	43.90	40.49
Retention	%	56.57	50.36	57.11	56.90	58.80	56.10	59.51
No. of Shares	'000	137	137	137	137	137	137	137
P/E		6.95	6.95	6.86	6.90	6.59	6.15	5.67
Sales per share		134.62	154.59	149.02	150.96	170.34	192.96	217.83
P/BV		0.46	0.45	0.50	0.42	0.41	0.39	0.38
Price to Sales		0.42	0.36	0.38	0.37	0.33	0.29	0.26

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.31	0.40	0.77	0.15	0.64	0.59	0.52
L.T. Debt to Equity	x	0.02	0.14	0.47	0.02	0.59	0.48	0.39
Interest Cover	x	3.46	4.91	6.37	4.87	2.81	3.47	3.91

Source: ACPL Research, Company Financials

DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited 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, Abbasi & Company (Private) Limited and or any of its 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 professional advisers 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 Abbasi & Company (Private) Limited 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 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 Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. 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 Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

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

VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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

Abbasi & Company (Private) Limited endeavors 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. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. 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

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com