

ACPL has announced its 3QFY20 result where it posted profit after tax of Rs1.1bn (EPS: Rs8.12) in 9MFY20 as compared to profit after tax of Rs1.4bn (EPS: Rs10.01) in same period last year, down by 18.9% YoY.

The company has posted the revenue of Rs15.6bn against Rs16.2bn in SPLY, recording a decline of 3.7% YoY. We note that this decline is attributed to the slowdown in construction activity owing to economic contractionary phase and winter season.

Despite the rupee devaluation of around 17%, the gross margin has been expanded to 23.5% in 9MFY20 as compared to 22.4% in 9MFY19 due to decline in international coal prices and stable retention prices in south region.

SG&A expenses have grown by 32.4% YoY to Rs2bn in 9MFY20 as compared to Rs1.5bn during SPLY.

Lastly, the decline in finance cost by 7.8% YoY and lower effective taxation of 10.4% as compared to 19.3% during SPLY saved the company from going deep into losses.

Going forward, we expect the sales to remain sluggish during fourth quarter owing to COVID-19 crisis. However, the offtake is expected to improve from next fiscal year. ACPL is currently trading at FY21E PE of 12.07x. Furthermore, the script is trading at a FY21E P/B of 1.00x which offers a discount of 34% relative to its historical 5-year average of 1.51x. We maintain our **BUY** stance on the script with a DCF based Jun-21 TP of Rs160 which provides an upside potential of 23%.

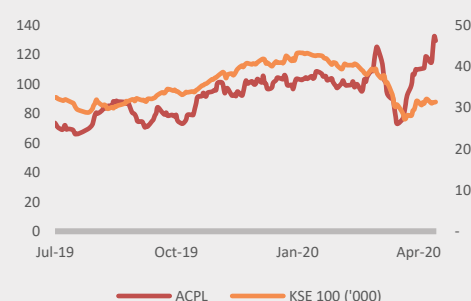
Rupees' millions	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	4,939	5,517	10.5% ▼	15,550	16,151	3.7% ▼
Cost of Sales	-3,771	-4,155	9.2% ▼	-11,889	-12,541	5.2% ▼
<b>Gross Profit</b>	<b>1,169</b>	<b>1,362</b>	<b>14.2% ▼</b>	<b>3,662</b>	<b>3,610</b>	<b>1.4% ▲</b>
SG&A Expenses	-631	-478	32.0% ▼	-1,960	-1,480	32.4% ▲
Other Expenses	-7	-42	83.1% ▲	-75	-103	26.8% ▼
<b>Operating Profit</b>	<b>530</b>	<b>842</b>	<b>37.0% ▼</b>	<b>1,627</b>	<b>2,028</b>	<b>19.8% ▼</b>
Other Income	18	29	35.7% ▼	63	163	61.3% ▼
Finance Cost	-101	-185	45.2% ▼	-448	-485	7.8% ▼
Profit Before Taxation	447	686	34.8% ▼	1,245	1,706	27.0% ▼
Taxation	-94	-127	25.8% ▼	-129	-330	60.9% ▼
<b>Profit After Taxation</b>	<b>353</b>	<b>559</b>	<b>36.8% ▼</b>	<b>1,116</b>	<b>1,376</b>	<b>18.9% ▼</b>
<b>Earnings Per Share</b>	<b>2.57</b>	<b>4.07</b>	<b>36.8% ▼</b>	<b>8.12</b>	<b>10.01</b>	<b>18.9% ▼</b>
<b>Dividend</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	
<b>Bonus</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	
Gross Margin	23.7%	24.7%	1.0% ▼	23.5%	22.4%	1.2% ▲
SG&A Expenses to Sales	-12.8%	-8.7%	4.1% ▲	-12.6%	-9.2%	3.4% ▲
Other Income to Sales	0.4%	0.5%	0.1% ▼	0.4%	1.0%	0.6% ▼
Ex. Gain / (Loss) to Sales	-12.8%	-8.7%	4.1% ▲	-12.6%	-9.2%	3.4% ▲
Effective Taxation	-21.0%	-18.5%	2.5% ▲	-10.4%	-19.3%	9.0% ▼
<b>Net Margin</b>	<b>7.2%</b>	<b>10.1%</b>	<b>3.0% ▼</b>	<b>7.2%</b>	<b>8.5%</b>	<b>1.3% ▼</b>

Source: ACPL Research, Company Financials

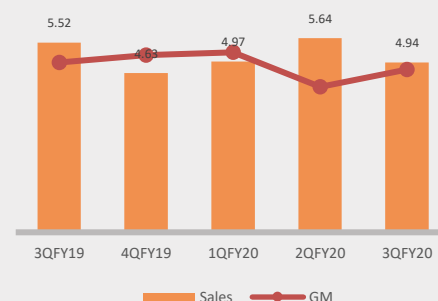
## Key Statistics

Symbol	ACPL
TP - Jun 21	160.00
LDGP	130.46
Upside (%)	22.64
Free Float ('mn)	23
Market Cap. (Rs.'mn)	17,929

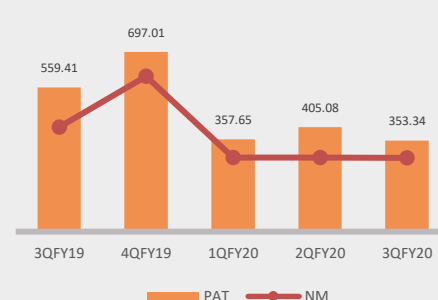
## ACPL vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

**M. Fawad Naveed**

Phone: (+92) 42 38302028; Ext: 117  
Email: fawad@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Net sales	13,086	13,918	14,735	16,496	20,781	17,172	18,416	19,002	19,819
Cost of sale	8,690	8,332	8,843	11,698	15,978	13,109	13,858	14,157	14,281
<b>Gross profit</b>	<b>4,396</b>	<b>5,587</b>	<b>5,892</b>	<b>4,798</b>	<b>4,803</b>	<b>4,063</b>	<b>4,558</b>	<b>4,845</b>	<b>5,537</b>
Selling and promotion expenses	987	955	904	782	1,415	1,717	1,842	1,900	1,982
Administration expenses	347	402	419	533	505	429	460	475	495
Other operating expenses	239	314	334	163	150	86	248	221	187
<b>Operating Profit</b>	<b>2,824</b>	<b>3,916</b>	<b>4,236</b>	<b>3,320</b>	<b>2,733</b>	<b>1,831</b>	<b>2,008</b>	<b>2,248</b>	<b>2,873</b>
Other operating income	-	-	-	-	25	-	-	-	-
Finance cost	423	341	237	61	294	77	83	86	89
Profit before taxation	26	21	28	251	648	438	294	280	266
Taxation	3,221	4,236	4,444	3,129	2,403	1,470	1,797	2,054	2,696
<b>Profit after taxation</b>	<b>1,015</b>	<b>1,346</b>	<b>1,410</b>	<b>- 1,270</b>	<b>330</b>	<b>262</b>	<b>312</b>	<b>350</b>	<b>459</b>
EPS	<b>16.05</b>	<b>21.03</b>	<b>22.08</b>	<b>32.02</b>	<b>15.09</b>	<b>8.79</b>	<b>10.81</b>	<b>12.40</b>	<b>16.28</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Net sales	4.3%	6.4%	5.9%	11.9%	26.0%	-17.4%	7.2%	3.2%	4.3%
Cost of sale	-1.7%	-4.1%	6.1%	32.3%	36.6%	-18.0%	5.7%	2.2%	0.9%
<b>Gross profit</b>	<b>18.7%</b>	<b>27.1%</b>	<b>5.5%</b>	<b>-18.6%</b>	<b>0.1%</b>	<b>-15.4%</b>	<b>12.2%</b>	<b>6.3%</b>	<b>14.3%</b>
Selling and promotion expenses	22.4%	-3.2%	-5.4%	-13.4%	80.9%	21.4%	7.2%	3.2%	4.3%
Administration expenses	13.0%	15.8%	4.4%	27.1%	-5.2%	-15.0%	7.2%	3.2%	4.3%
Other operating expenses	22.2%	31.5%	6.2%	-51.1%	-8.1%	-42.7%	188.7%	-10.8%	-15.4%
<b>Operating Profit</b>	<b>17.9%</b>	<b>38.7%</b>	<b>8.2%</b>	<b>-21.6%</b>	<b>-17.7%</b>	<b>-33.0%</b>	<b>9.7%</b>	<b>12.0%</b>	<b>27.8%</b>
Other operating income	56.9%	-19.3%	-30.6%	-74.3%	383.2%	-73.7%	7.2%	3.2%	4.3%
Finance cost	-12.7%	-18.0%	33.1%	785.4%	158.2%	-32.4%	-32.9%	-4.8%	-5.1%
Profit before taxation	22.2%	31.5%	4.9%	-29.6%	-23.2%	-38.8%	22.2%	14.3%	31.3%
Taxation	63.4%	32.6%	4.8%	-190.1%	-126.0%	-20.7%	19.2%	12.2%	31.3%
<b>Profit after taxation</b>	<b>9.5%</b>	<b>31.0%</b>	<b>5.0%</b>	<b>45.0%</b>	<b>-52.9%</b>	<b>-41.7%</b>	<b>22.9%</b>	<b>14.7%</b>	<b>31.3%</b>
EPS	<b>9.5%</b>	<b>31.0%</b>	<b>5.0%</b>	<b>45.0%</b>	<b>-52.9%</b>	<b>-41.7%</b>	<b>22.9%</b>	<b>14.7%</b>	<b>31.3%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	33.59	40.14	39.99	29.09	23.11	23.66	24.75	25.50	27.94
NP Margin	%	16.85	20.76	20.59	26.67	9.98	7.04	8.06	8.97	11.29
OP Margin	%	21.58	28.13	28.75	20.12	13.15	10.66	10.90	11.83	14.50
ROE	%	24.69	27.66	25.39	29.58	12.88	7.21	8.28	8.88	10.78
ROCE	%	24.69	27.66	19.54	21.03	9.03	5.40	6.66	7.53	9.25
ROA	%	18.03	20.03	14.65	16.66	7.59	5.26	6.39	6.92	8.49
Cost per ton	'mn	4.74	4.14	4.19	4.87	5.11	4.88	5.21	5.50	5.71
EBITDA per ton	'mn	0.87	1.43	1.56	1.10	0.70	1.13	1.18	1.23	1.44

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	2.75	2.63	0.53	0.87	0.91	0.59	0.69	1.06	1.41
Acid-test	x	1.91	1.90	0.07	0.16	0.16	-0.14	-0.14	0.02	0.27
Cash to current liab.	x	0.39	0.21	0.02	0.04	0.04	-0.26	-0.29	-0.15	0.08

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Average Inventory	'mn	1,717	1,833	1,923	2,789	3,522	3,091	3,055	3,554	3,997
Inventory Turnover	x	5	5	5	4	5	4	5	4	4
Inventory Days		161	115	123	149	167	141	126	149	175
Receivables Days		3	6	4	16	14	16	16	16	16
Payables Days		74	117	158	156	82	82	77	72	67
Operating Cycle		90	3	-30	9	99	76	65	94	124
Utilization	%	103	108	114	76	81	51	54	58	64
Export Revenue	%	39	27	24	20	24	40	42	43	43
Local Revenue	%	61	73	76	80	76	60	58	57	57
Export Market Share	%	27	27	32	28	15	10	9	8	7
Local Market Share	%	24	24	24	25	23	15	14	14	15
Total Market Share	%	25	25	26	26	20	12	11	11	10

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
EPS	Rs.	16.05	21.03	22.08	32.02	15.09	8.79	10.81	12.40	16.28
DPS	Rs.	15.00	12.50	13.50	8.00	4.00	2.20	3.24	4.96	8.14
Div. Yield	%	11.50	9.58	10.35	6.13	3.07	1.68	2.48	3.80	6.24
Dividend Cover	x	1.07	1.68	1.64	4.00	3.77	4.00	3.33	2.50	2.00
BVPS	Rs.	65.02	76.02	86.94	108.22	117.15	121.94	130.55	139.71	151.03
Payout	%	93.46	59.44	61.15	24.99	26.51	25.00	30.00	40.00	50.00
Retention	%	6.54	40.56	38.85	75.01	73.49	75.00	70.00	60.00	50.00
No. of Shares	'000	137	137	137	137	137	137	137	137	137
P/E		8.13	6.20	5.91	4.07	8.65	14.84	12.07	10.52	8.01
Sales per share		95.22	101.28	107.22	120.03	151.21	124.96	134.00	138.27	144.21
P/BV		2.01	1.72	1.50	1.21	1.11	1.07	1.00	0.93	0.86
Price to Sales		1.37	1.29	1.22	1.09	0.86	1.04	0.97	0.94	0.90

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Debt to Equity	x	0.00	0.00	0.30	0.41	0.43	0.34	0.24	0.18	0.17
L.T. Debt to Equity	x	0.09	0.00	0.13	0.23	0.14	0.06	0.00	0.00	0.00
Interest Cover	x	108.61	183.77	149.31	13.22	4.21	4.18	6.83	8.03	10.81

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

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

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com