

ACPL

9MFY22 Result Review: BUY Stance Maintained

Equity Research | Cement | Friday, 22 April, 2022

ACPL has announced its 9MFY22 result where it posted a profit after tax of Rs1,181mn (EPS: Rs8.59) as compared to a profit after tax of Rs959mn (EPS: Rs6.98) in the same period last year up by 23.2% YoY amid lower operating cost and surge in other income.

The company has posted a revenue of Rs15.959bn against Rs16.35bn in SPLY, recording a decline of 2.4% YoY. We note that this decline is attributed to the decrease in volumetric sales.

The gross margin decreased to 19.4% as compared to 23.7% during SPLY. SG&A expenses have declined by 27% YoY to Rs1.627bn as compared to Rs2.230bn during SPLY.

Lastly, the decline in finance cost by 34.8% YoY and increase in other income by 1028% during SPLY supported the bottom line.

ACPL is currently trading at FY22 PE of 14.15x. Further, the scrip is also trading at a FY22 P/B of 0.89x which offers a discount of 6% relative to its historical 3-year average of 0.95x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs180 which provides an upside potential of 57%. Further, it provides a dividend yield of 3%, which makes the cumulative return of 60%.

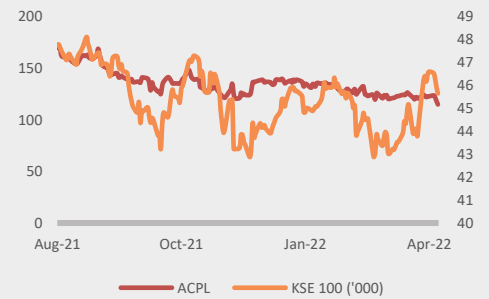
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	6,141	5,356	14.6% ▲	15,959	16,350	2.4% ▼
Cost of Sales	-4,972	-4,122	20.6% ▲	-12,868	-12,474	3.2% ▲
Gross Profit	1,169	1,235	5.4% ▼	3,090	3,876	20.3% ▼
SG&A Expenses	-563	-599	5.9% ▼	-1,627	-2,230	27.0% ▼
Other Expenses	-41	-34	20.6% ▲	-109	-86	26.7% ▲
Operating Profit	564	602	6.3% ▼	1,354	1,560	13.2% ▼
Other Income	71	13	439.8% ▲	691	61	1028.5% ▲
Finance Cost	-53	-66	20.7% ▼	-159	-243	34.8% ▼
Profit Before Taxation	583	549	6.2% ▲	1,889	1,381	36.8% ▲
Taxation	-254	-135	88.1% ▲	-708	-422	67.8% ▲
Profit After Taxation	329	414	20.5% ▼	1,181	959	23.2% ▲
Earnings Per Share	2.39	3.01	20.5% ▼	8.59	6.98	23.2% ▲
Dividend	0.00	0.00	-	0.00	0.00	-
Bonus	-	-	-	-	-	-
Gross Margin	19.0%	23.1%	4.0% ▼	19.4%	23.7%	4.3% ▼
SG&A Expenses to Sales	-9.2%	-11.2%	2.0% ▼	-10.2%	-13.6%	3.4% ▼
Other Income to Sales	1.2%	0.2%	0.9% ▲	4.3%	0.4%	4.0% ▲
Ex. Gain / (Loss) to Sales	-9.2%	-11.2%	2.0% ▼	-10.2%	-13.6%	3.4% ▼
Effective Taxation	-43.6%	-24.6%	19.0% ▲	-37.5%	-30.6%	6.9% ▲
Net Margin	5.4%	7.7%	2.4% ▼	7.4%	5.9%	1.5% ▲

Source: ACPL Research, Company Financials

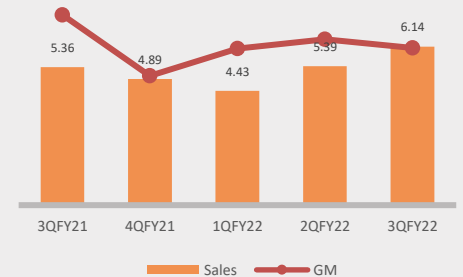
Key Statistics

Symbol	ACPL
TP - Dec 22	180
LDGP	115
Upside (%)	57
Free Float ('mn)	27
Market Cap. (Rs.'mn)	15,804

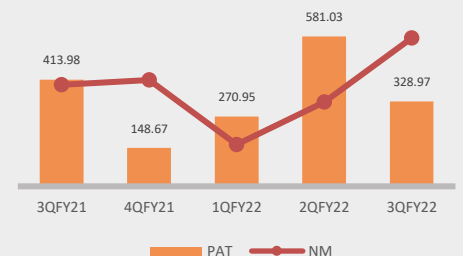
ACPL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Ahmed

Phone: (+92) 42 38302028; Ext: 118

Email: mahmed@abbasiandcompany.com

Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	20,781	18,501	21,245	24,385	25,700	27,986	31,073
Cost of sale	15,978	14,252	16,602	19,894	20,283	21,431	22,945
Gross profit	4,803	4,249	4,643	4,491	5,417	6,555	8,128
Selling and promotion expenses	1,415	1,831	2,203	2,195	2,313	2,519	2,797
Administration expenses	505	507	568	732	771	840	1,243
Other operating expenses	150	92	114	146	172	169	466
Operating Profit	2,733	1,819	1,757	1,418	2,161	3,028	3,622
Other operating income	294	234	135	975	386	420	466
Finance cost	648	526	357	798	583	307	70
Profit before taxation	2,403	1,532	1,540	1,596	1,964	3,140	4,018
Taxation	330	425	433	479	589	942	1,206
Profit after taxation	2,073	1,107	1,107	1,117	1,374	2,198	2,813
EPS	15.09	8.06	8.06	8.13	10.00	15.99	20.47

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	26.0%	-11.0%	14.8%	14.8%	5.4%	8.9%	11.0%
Cost of sale	36.6%	-10.8%	16.5%	19.8%	2.0%	5.7%	7.1%
Gross profit	0.1%	-11.5%	9.3%	-3.3%	20.6%	21.0%	24.0%
Selling and promotion expenses	80.9%	29.4%	20.3%	-0.4%	5.4%	8.9%	11.0%
Administration expenses	-5.2%	0.4%	12.1%	28.8%	5.4%	8.9%	48.0%
Other operating expenses	-8.1%	-38.4%	23.7%	28.2%	17.5%	-1.5%	175.2%
Operating Profit	-17.7%	-33.5%	-3.4%	-19.3%	52.4%	40.1%	19.6%
Other operating income	383.2%	-20.5%	-42.3%	623.6%	-60.5%	8.9%	11.0%
Finance cost	158.2%	-18.9%	-32.0%	123.3%	-27.0%	-47.3%	-77.2%
Profit before taxation	-23.2%	-36.2%	0.5%	3.6%	23.1%	59.9%	28.0%
Taxation	-126.0%	28.8%	1.8%	10.7%	23.1%	59.9%	28.0%
Profit after taxation	-52.9%	-46.6%	0.0%	0.9%	23.1%	59.9%	28.0%
EPS	-52.9%	-46.6%	0.0%	0.9%	23.1%	59.9%	28.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	23.11	22.97	21.85	18.42	21.08	23.42	26.16
NP Margin	%	9.98	5.99	5.21	4.58	5.35	7.85	9.05
OP Margin	%	13.15	9.83	8.27	5.82	8.41	10.82	11.66
ROE	%	12.88	6.69	6.44	6.29	7.40	10.95	12.91
ROCE	%	9.03	5.11	4.62	3.74	5.04	8.52	11.30
ROA	%	7.59	4.04	3.39	4.33	5.11	7.79	9.56
Cost per ton	'mn	5.11	4.86	5.35	7.31	7.69	8.03	8.25
EBITDA per ton	'mn	0.61	0.44	0.81	0.21	0.78	1.07	1.19

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	0.91	0.89	1.00	1.07	1.27	1.41	1.56
Acid-test	x	0.16	0.18	0.40	0.29	0.49	0.66	0.81
Cash to current liab.	x	0.04	0.09	0.05	-0.05	0.15	0.33	0.47

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Average Inventory	'mn	3,522	3,431	3,554	3,593	3,577	3,714	3,951
Inventory Turnover	x	5	4	5	6	6	6	6
Inventory Days		167	157	147	151	157	153	123
Receivables Days		14	10	28	8	8	8	8
Payables Days		82	107	107	120	120	120	120
Operating Cycle		99	60	68	39	45	41	11
Utilization	%	81	58	66	69	52	56	60
Export Revenue	%	24	30	26	25	24	23	21
Local Revenue	%	76	70	74	75	76	77	79
Export Market Share	%	15	9	8	7	6	5	4
Local Market Share	%	23	22	20	19	19	19	19
Total Market Share	%	20	15	14	13	12	12	11

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	15.09	8.06	8.06	8.13	10.00	15.99	20.47
DPS	Rs.	4.00	3.50	4.00	4.00	5.00	8.00	10.00
Div. Yield	%	3.48	3.04	3.48	3.48	4.35	6.96	8.70
Dividend Cover	x	3.77	2.30	2.01	2.03	2.00	2.00	2.05
BVPS	Rs.	117.15	120.45	125.16	129.13	135.13	146.13	158.59
Payout	%	26.51	43.43	49.64	49.22	49.99	50.02	48.86
Retention	%	73.49	56.57	50.36	50.78	50.01	49.98	51.14
No. of Shares	'000	137	137	137	137	137	137	137
P/E		7.62	14.27	14.27	14.15	11.50	7.19	5.62
Sales per share		151.21	134.62	154.59	177.44	187.01	203.65	226.11
P/BV		0.98	0.95	0.92	0.89	0.85	0.79	0.73
Price to Sales		0.76	0.85	0.74	0.65	0.61	0.56	0.51

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	0.43	0.31	0.40	0.68	0.47	0.29	0.14
L.T. Debt to Equity	x	0.14	0.02	0.14	0.58	0.37	0.18	0.06
Interest Cover	x	4.21	3.46	4.91	1.78	3.71	9.85	51.62

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%

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Market Weight	Neutral
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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