

ACPL

9MFY23 Result Review: BUY Stance Maintained

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ACPL has announced its 9MFY23 result where it posted a profit after tax of Rs1.06bn (EPS: Rs7.69) as compared to a profit after tax of Rs1.18bn (EPS: Rs8.59) in the same period last year, down by 10.5% YoY owing to a fall in domestic dispatches takeoff.

The company has posted a revenue of Rs18.39bn against Rs15.96bn in SPLY, recording a growth of 15.2% YoY. The gross margin improved slightly to 20.8% as compared to 19.4% due to higher prices.

Furthermore, SG&A expenses have increased by 13.6% YoY to Rs1.85bn as compared to Rs1.63bn during SPLY. Moreover, finance costs went up by 93.4% YoY to Rs307mn owing to an increase in interest rates. Other income declined by 77.9% to Rs153mn. Lastly, effective taxation increased to 38.1% as compared to 37.5% during SPLY.

ACPL is currently trading at FY23 PE of 6.30x. Further, the scrip is also trading at a FY23 P/B of 0.48x which offers a discount of 11% relative to its historical 3-year average of 0.54x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs80 which provides an upside potential of 24%. Further, it provides a dividend yield of 6%, which makes the cumulative return of 30%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	8,017	6,141	30.6% ▲	18,390	15,959	15.2% ▲
Cost of Sales	-6,299	-4,972	26.7% ▲	-14,558	-12,868	13.1% ▲
Gross Profit	1,718	1,169	47.0% ▲	3,832	3,090	24.0% ▲
SG&A Expenses	-848	-563	50.4% ▲	-1,849	-1,627	13.6% ▲
Other Expenses	-53	-41	29.3% ▲	-123	-109	12.8% ▲
Operating Profit	817	564	44.9% ▲	1,860	1,354	37.4% ▲
Other Income	3	71	95.8% ▼	153	691	77.9% ▼
Finance Cost	-93	-53	77.3% ▲	-307	-159	93.4% ▲
Profit Before Taxation	727	583	24.8% ▲	1,709	1,889	9.5% ▼
Taxation	-230	-254	9.4% ▼	-652	-708	7.9% ▼
Profit After Taxation	497	329	51.2% ▲	1,057	1,181	10.5% ▼
Earnings Per Share	3.62	2.39	51.2% ▲	7.69	8.59	10.5% ▼
Dividend	0.00	0.00	-	0.00	2.00	100.0% ▼
Bonus	-	-	-	-	-	-
Gross Margin	21.4%	19.0%	2.4% ▲	20.8%	19.4%	1.5% ▲
SG&A Expenses to Sales	-10.6%	-9.2%	1.4% ▲	-10.1%	-10.2%	0.1% ▼
Other Income to Sales	0.0%	1.2%	1.1% ▼	0.8%	4.3%	3.5% ▼
Ex. Gain / (Loss) to Sales	-10.6%	-9.2%	1.4% ▲	-10.1%	-10.2%	0.1% ▼
Effective Taxation	-31.6%	-43.6%	11.9% ▼	-38.1%	-37.5%	0.7% ▲
Net Margin	6.2%	5.4%	0.8% ▲	5.8%	7.4%	1.6% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	ACPL
TP - Dec 23	80
LDCP	64.49
Upside (%)	24
Free Float ('mn)	27
Market Cap. (Rs.'mn)	8,863

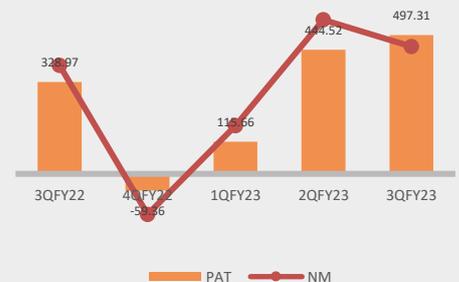
ACPL vs KSE 100



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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	18,501	21,245	20,479	24,520	27,676	31,355	35,394
Cost of sale	14,252	16,602	16,777	19,411	21,998	24,985	28,373
Gross profit	4,249	4,643	3,702	5,109	5,678	6,370	7,021
Selling and promotion expenses	1,831	2,203	1,295	1,752	1,977	2,429	2,741
Administration expenses	507	568	641	714	769	871	983
Other operating expenses	92	114	124	164	160	181	205
Operating Profit	1,819	1,757	1,642	2,480	2,772	2,890	3,093
Other operating income	234	135	921	204	478	542	611
Finance cost	526	357	258	409	936	785	716
Profit before taxation	1,532	1,540	2,312	2,275	2,314	2,646	2,988
Taxation	425	433	1,190	867	764	873	986
Profit after taxation	1,107	1,107	1,122	1,407	1,551	1,773	2,002
EPS	8.06	8.06	8.16	10.24	11.28	12.90	14.57

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-11.0%	14.8%	-3.6%	19.7%	12.9%	13.3%	12.9%
Cost of sale	-10.8%	16.5%	1.1%	15.7%	13.3%	13.6%	13.6%
Gross profit	-11.5%	9.3%	-20.3%	38.0%	11.1%	12.2%	10.2%
Selling and promotion expenses	29.4%	20.3%	-41.2%	35.3%	12.9%	22.8%	12.9%
Administration expenses	0.4%	12.1%	12.8%	11.4%	7.7%	13.3%	12.9%
Other operating expenses	-38.4%	23.7%	9.0%	31.7%	-2.4%	13.3%	12.9%
Operating Profit	-33.5%	-3.4%	-6.5%	51.0%	11.8%	4.2%	7.0%
Other operating income	-20.5%	-42.3%	582.9%	-77.9%	134.8%	13.3%	12.9%
Finance cost	-18.9%	-32.0%	-27.8%	58.6%	128.8%	-16.1%	-8.8%
Profit before taxation	-36.2%	0.5%	50.1%	-1.6%	1.8%	14.3%	12.9%
Taxation	28.8%	1.8%	175.2%	-27.1%	-12.0%	14.3%	12.9%
Profit after taxation	-46.6%	0.0%	1.3%	25.5%	10.2%	14.3%	12.9%
EPS	-46.6%	0.0%	1.3%	25.5%	10.2%	14.3%	12.9%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	22.97	21.85	18.08	20.84	20.52	20.32	19.84
NP Margin	%	5.99	5.21	5.48	5.74	5.60	5.65	5.66
OP Margin	%	9.83	8.27	8.02	10.11	10.02	9.22	8.74
ROE	%	6.69	6.44	7.24	7.64	7.99	8.59	9.12
ROCE	%	5.11	4.62	4.10	6.86	4.97	5.59	6.35
ROA	%	4.04	3.39	2.86	5.75	6.33	7.24	8.20
Cost per ton	'mn	4.86	4.86	7.27	10.94	11.40	11.86	12.33
EBITDA per ton	'mn	0.03	0.81	0.40	1.82	1.66	1.53	1.46

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	0.89	1.00	0.92	0.56	0.50	0.36	0.26
Acid-test	x	0.18	0.40	0.20	-0.40	-0.58	-0.64	-0.74
Cash to current liab.	x	0.09	0.05	0.08	-0.60	-0.83	-0.90	-1.03

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory	'mn	3,431	3,554	4,523	5,908	6,930	8,056	9,368
Inventory Turnover	x	4	5	4	3	3	3	3
Inventory Days		157	147	190	259	286	251	214
Receivables Days		10	28	17	20	23	27	31
Payables Days		107	146	144	144	144	144	144
Operating Cycle		60	28	63	135	165	134	101
Utilization	%	58	66	59	29	31	35	39
Export Revenue	%	30	26	12	7	7	8	9
Local Revenue	%	70	74	88	93	93	92	91
Export Market Share	%	9	8	5	3	3	3	3
Local Market Share	%	22	20	19	17	17	17	17
Total Market Share	%	15	14	14	12	12	12	12

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	8.06	8.06	8.16	10.24	11.28	12.90	14.57
DPS	Rs.	3.50	4.00	3.50	4.00	4.00	5.00	5.50
Div. Yield	%	5.43	6.20	5.43	6.20	6.20	7.75	8.53
Dividend Cover	x	2.30	2.01	2.33	2.56	2.82	2.58	2.65
BVPS	Rs.	120.45	125.16	112.73	134.02	141.30	150.20	159.77
Payout	%	43.43	49.64	42.89	39.06	35.45	38.76	37.75
Retention	%	56.57	50.36	57.11	60.94	64.55	61.24	62.25
No. of Shares	'000	137	137	137	137	137	137	137
P/E		8.00	8.00	7.90	6.30	5.72	5.00	4.43
Sales per share		134.62	154.59	149.02	178.42	201.39	228.15	257.55
P/BV		0.54	0.52	0.57	0.48	0.46	0.43	0.40
Price to Sales		0.48	0.42	0.43	0.36	0.32	0.28	0.25

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.31	0.40	0.77	0.12	0.61	0.54	0.44
L.T. Debt to Equity	x	0.02	0.14	0.47	0.02	0.57	0.46	0.36
Interest Cover	x	3.46	4.91	6.37	6.06	2.96	3.68	4.32

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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- 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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