

ACPL has announced its annual result where it posted a profit after tax of Rs1.1bn (EPS: Rs8.06) in FY20 as compared to a profit after tax of Rs2.1bn (EPS: Rs15.09) in the same period last year, down by 46.6% YoY.

The company has posted the revenue of Rs18.5bn against Rs20.8bn in SPLY, recording a decline of 11% YoY. We note that this decline is attributed to the slowdown in construction activity owing to the economic contractionary phase and COVID-19 impact.

Despite the rupee devaluation, the gross margin slightly decreased to 23% in FY20 as compared to 23.1% in FY19 as the negative impact of devaluation on input costs was canceled out by the positive impact on sales due to exports. SG&A expenses have grown by 21.8% YoY to Rs2.3bn in FY20 as compared to Rs1.9bn during SPLY.

Lastly, the decline in finance cost by 18.9% YoY was offset by the higher effective taxation of 27.7% as compared to 13.7% during SPLY which caused the bottom line to decline.

Going forward, we expect the sales to pick up as the GoP is encouraging the construction industry. ACPL is currently trading at FY21E PE of 11.6x. Furthermore, the script is trading at a FY21E P/B of 1.15x which offers a discount of 24% relative to its historical 5-year average of 1.52x. We maintain our **HOLD** stance on the script with a DCF based Jun-21 TP of Rs160 which provides an upside potential of 7%.

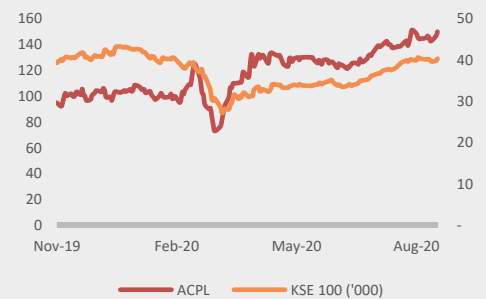
Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	2,950	4,630	36.3% ▼	18,501	20,781	11.0% ▼
Cost of Sales	-2,363	-3,437	31.3% ▼	-14,252	-15,978	10.8% ▼
Gross Profit	587	1,193	50.7% ▼	4,249	4,803	11.5% ▼
SG&A Expenses	-378	-440	14.1% ▲	-2,338	-1,920	21.8% ▲
Other Expenses	-17	-47	63.4% ▲	-92	-150	38.4% ▼
Operating Profit	192	705	72.8% ▼	1,819	2,733	33.5% ▼
Other Income	170	131	30.5% ▲	234	294	20.5% ▼
Finance Cost	-78	-163	52.0% ▼	-526	-648	18.9% ▼
Profit Before Taxation	287	697	58.8% ▼	1,532	2,403	36.2% ▼
Taxation	-296	0	91825.5% ▲	-425	-330	28.8% ▲
Profit After Taxation	-9	697	101.2% ▼	1,107	2,073	46.6% ▼
Earnings Per Share	-0.06	5.07	101.2% ▼	8.06	15.09	46.6% ▼
Dividend	3.50	4.00		3.50	4.00	
Bonus	-	-		-	-	
Gross Margin	19.9%	25.8%	5.8% ▼	23.0%	23.1%	0.1% ▼
SG&A Expenses to Sales	-12.8%	-9.5%	3.3% ▲	-12.6%	-9.2%	3.4% ▲
Other Income to Sales	5.8%	2.8%	3.0% ▲	1.3%	1.4%	0.2% ▼
Ex. Gain / (Loss) to Sales	-12.8%	-9.5%	3.3% ▲	-12.6%	-9.2%	3.4% ▲
Effective Taxation	-103.0%	0.0%	102.9% ▲	-27.7%	-13.7%	14.0% ▲
Net Margin	-0.3%	15.1%	15.3% ▼	6.0%	10.0%	4.0% ▼

Source: ACPL Research, Company Financials

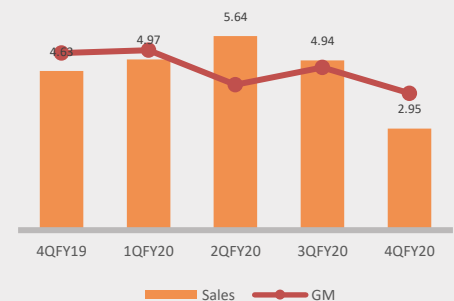
Key Statistics

Symbol	ACPL
TP - Jun 21	160.00
LDGP	149.89
Upside (%)	7
Free Float ('mn)	27
Market Cap. (Rs.'mn)	20,599

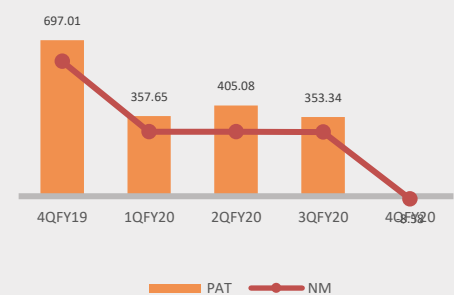
ACPL vs KSE 100



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	19,291	20,185	20,947
Cost of sale	8,690	8,332	8,843	11,698	15,978	14,252	14,375	14,727	14,973
Gross profit	4,396	5,587	5,892	4,798	4,803	4,249	4,916	5,459	5,974
Selling and promotion expenses	987	955	904	782	1,415	1,831	1,909	1,998	2,073
Administration expenses	347	402	419	533	505	507	529	553	574
Other operating expenses	239	314	334	163	150	92	260	235	198
Operating Profit	2,824	3,916	4,236	3,320	2,733	1,819	2,219	2,673	3,130
Other operating income	-	-	-	-	25	6	-	-	-
Finance cost	423	341	237	61	294	234	244	255	264
Profit before taxation	26	21	28	251	648	526	294	280	266
Taxation	3,221	4,236	4,444	3,129	2,403	1,532	2,168	2,648	3,128
Profit after taxation	1,015	1,346	1,410	- 1,270	330	425	392	479	566
EPS	16.05	21.03	22.08	32.02	15.09	8.06	12.92	15.78	18.64

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%	4.3%	4.6%	3.8%
Cost of sale	-1.7%	-4.1%	6.1%	32.3%	36.6%	-10.8%	0.9%	2.4%	1.7%
Gross profit	18.7%	27.1%	5.5%	-18.6%	0.1%	-11.5%	15.7%	11.0%	9.4%
Selling and promotion expenses	22.4%	-3.2%	-5.4%	-13.4%	80.9%	29.4%	4.3%	4.6%	3.8%
Administration expenses	13.0%	15.8%	4.4%	27.1%	-5.2%	0.4%	4.3%	4.6%	3.8%
Other operating expenses	22.2%	31.5%	6.2%	-51.1%	-8.1%	-38.4%	181.3%	-9.5%	-15.9%
Operating Profit	17.9%	38.7%	8.2%	-21.6%	-17.7%	-33.5%	22.0%	20.5%	17.1%
Other operating income	56.9%	-19.3%	-30.6%	-74.3%	383.2%	-20.5%	4.3%	4.6%	3.8%
Finance cost	-12.7%	-18.0%	33.1%	785.4%	158.2%	-18.9%	-44.1%	-4.8%	-5.1%
Profit before taxation	22.2%	31.5%	4.9%	-29.6%	-23.2%	-36.2%	41.5%	22.1%	18.1%
Taxation	63.4%	32.6%	4.8%	-190.1%	-126.0%	28.8%	-7.7%	22.1%	18.1%
Profit after taxation	9.5%	31.0%	5.0%	45.0%	-52.9%	-46.6%	60.4%	22.1%	18.1%
EPS	9.5%	31.0%	5.0%	45.0%	-52.9%	-46.6%	60.4%	22.1%	18.1%

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	22.97	25.48	27.04	28.52
NP Margin	%	16.85	20.76	20.59	26.67	9.98	5.99	9.21	10.75	12.23
OP Margin	%	21.58	28.13	28.75	20.12	13.15	9.83	11.50	13.24	14.94
ROE	%	24.69	27.66	25.39	29.58	12.88	6.65	9.89	11.21	12.22
ROCE	%	24.69	27.66	19.54	21.03	9.03	4.97	7.96	9.53	10.51
ROA	%	18.03	20.03	14.65	16.66	7.59	4.85	7.60	8.71	9.61
Cost per ton	'mn	4.74	4.14	4.19	4.87	5.11	4.88	5.18	5.37	5.57
EBITDA per ton	'mn	0.87	1.43	1.56	1.10	0.70	1.02	1.13	1.26	1.35

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	2.75	2.63	0.53	0.87	0.91	0.55	0.70	1.09	1.43
Acid-test	x	1.91	1.90	0.07	0.16	0.16	-0.18	-0.14	0.03	0.28
Cash to current liab.	x	0.39	0.21	0.02	0.04	0.04	-0.31	-0.29	-0.15	0.09

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Average Inventory	'mn	1,717	1,833	1,923	2,789	3,522	3,212	3,239	3,693	4,175
Inventory Turnover	x	5	5	5	4	5	4	4	4	4
Inventory Days		161	115	123	149	167	147	134	155	183
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	81	73	99	132
Utilization	%	103	108	114	76	81	51	58	64	70
Export Revenue	%	39	27	24	20	24	40	39	39	39
Local Revenue	%	61	73	76	80	76	60	61	61	61
Export Market Share	%	27	27	32	28	15	11	10	9	8
Local Market Share	%	24	24	24	25	23	16	17	17	17
Total Market Share	%	25	25	26	26	20	13	13	13	12

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	12.92	15.78	18.64
DPS	Rs.	15.00	12.50	13.50	8.00	4.00	3.50	5.61	6.85	8.10
Div. Yield	%	10.01	8.34	9.01	5.34	2.67	2.34	3.74	4.57	5.40
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	121.21	130.63	140.80	152.59
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		9.34	7.13	6.79	4.68	9.94	18.60	11.60	9.50	8.04
Sales per share		95.22	101.28	107.22	120.03	151.21	134.62	140.37	146.88	152.42
P/BV		2.31	1.97	1.72	1.39	1.28	1.24	1.15	1.06	0.98
Price to Sales		1.57	1.48	1.40	1.25	0.99	1.11	1.07	1.02	0.98

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	0.16
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	3.46	7.54	9.55	11.78

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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SELL	Less than and equal to -5%

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