SECTOR UPDATE

CEMENT

The recent growth in dispatches to remain intact in future as well

Equity Research | Friday, 3 April, 2020

Despite economic slowdown amid high-interest rate and lower public spending, the cement dispatches have shown phenomenal growth of 34% YoY in Feb-20 and 10% YoY in 8MFY20

Going forward, we expect the dispatches growth to remain on the upward trajectory on account of rising demand amid an upcoming expansionary phase of the economy, construction of dams, lifting of a ban on high rise buildings, launch of Naya Pakistan Housing Scheme and government's upcoming package for construction industry

Sector Overview

All Pakistan Cement Manufacturer Association (APCMA) has recently published the data of total dispatches which depicts a phenomenal growth of 34% YoY in Feb-20 and 10% YoY in 8MFY20. The numbers are totally opposite to the majority of industry analysts' opinions who were expecting a decline in cement dispatches owing to the contraction of the economy amid high-interest rate, higher taxation, and lower public spending. Moreover, the investors were also highly concerned regarding the supply glut as the new capacities have brought the total cement production capacity of the industry to 69mn tons per annum, which further has to be expanded to 72.5mn tons per annum by FY21. However, the recent data of cement dispatches has eliminated most of the investor's concerns regarding future demand as the upcoming expansion of the economy, construction of dams, lifting of a ban on high rise buildings and the launch of Naya Pakistan Housing Scheme would further bolster the cement demand in near future.

(mn' tons)	Feb-20	Jan-20	MoM	Feb-19	YoY	8MFY20	8MFY19	YoY
Local	**3.74**	**3.26**	**14.4%**	**2.84**	**31.4%**	**27.35**	**25.59**	**6.9%**
North	3.17	2.68	18.2%	2.18	45.9%	23.24	20.13	15.5%
South	0.56	0.58	-3.2%	0.67	-15.9%	4.11	5.46	-24.7%
Export	**0.75**	**0.81**	**-6.9%**	**0.51**	**48.2%**	**5.93**	**4.65**	**27.7%**
North	0.20	0.19	8.6%	0.16	22.6%	1.80	1.86	-2.8%
South	0.55	0.62	-11.5%	0.34	60.5%	4.13	2.79	48.0%
Total	**4.49**	**4.07**	**10.2%**	**3.35**	**33.9%**	**33.29**	**30.24**	**10.1%**

Source: APCMA, ACPL Research

Soaring Demand to Bring High Pricing Power

The gross margins of all the cement players have effected so badly during last year amid the increase in input cost due to massive rupee devaluation of around 55%, increased FED from Rs75 per bag to Rs100 per bag, increase in the landed cost of coal due to implementation of axle load restriction on inland transportation, and the inability of the companies to pass on these costs owing to the lower demand. Going forward, we expect the companies to get gradual relief as the recent dispatch numbers have created positive sentiments regarding demand outlook which would allow the companies to sell their products on premium prices. We have assumed the increment of Rs30 per annum in the current average prices of a cement bag in the north region (Rs520) and south region (Rs630) respectively, in our working.

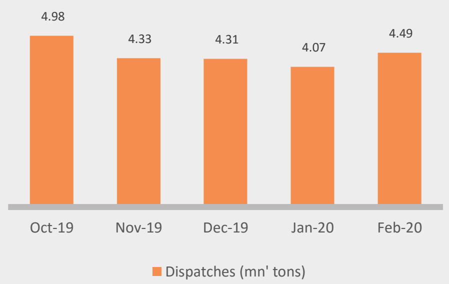
Recommended Picks

We have a **BUY** stance on FCCL, ACPL, MLCF and CHCC for the Dec-20 targets of Rs24, Rs166, Rs38 and Rs101 respectively.

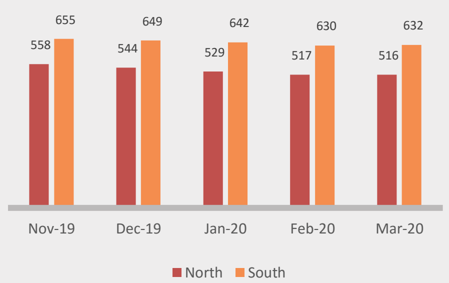
Key Statistics

Scrips	LDCP	Dec-20 TP	Upside
FCCL	15.91	24.0	51%
ACPL	99.11	166.0	67%
MLCF	22.65	38.0	68%
CHCC	62.41	101.0	62%

Dispatches (mn' tons)



Price Per Bag (PKR)



Sources: ACPL Research, Company Financials, PSX, PBS

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Key Ratios / Scoring

Upside Potential		FCCL	MLCF	CHCC	ACPL	Weight	FCCL	MLCF	CHCC	ACPL
Region		North	North	North	South					
Dec-20 Target Price	Rs.	24.0	38.0	101.0	166.0					
LDCP	Rs.	15.9	22.7	62.4	99.1					
Upside	**%**	**50.8**	**67.8**	**61.8**	**67.5**	**5%**	1	4	2	3

Profitability Ratios | FY19		FCCL	MLCF	CHCC	ACPL	Weight	FCCL	MLCF	CHCC	ACPL
GP Margin	%	25.6	18.9	18.2	23.1	7%	4	2	1	3
NP Margin	%	13.6	10.7	11.1	10.0	7%	4	2	3	1
OP Margin	%	21.0	5.6	13.1	13.2	0%	4	1	2	3
ROE	%	13.5	4.8	15.0	12.9	5%	3	1	4	2
ROCE	%	173.6	2.8	6.1	9.0	0%	4	1	2	3
ROA	%	9.8	2.2	5.0	7.6	0%	4	1	2	3
Cost per ton	('m)	5.0	5.9	5.4	5.1	8%	4	1	2	3
EBITDA per ton	('m)	1.9	1.4	1.3	0.7	5%	4	3	2	1

Liquidity Ratios | FY19		FCCL	MLCF	CHCC	ACPL	Weight	FCCL	MLCF	CHCC	ACPL
Current	x	1.5	1.0	1.3	0.9	3%	4	2	3	1
Acid-test	x	0.4	0.2	0.6	0.2	0%	3	2	4	1

Activity Ratios | FY19		FCCL	MLCF	CHCC	ACPL	Weight	FCCL	MLCF	CHCC	ACPL
Inventory Turnover	x	14.1	14.4	12.8	4.5	0%	2	1	3	4
Inventory Days		26	25	28	167	0%	3	4	2	1
Receivables Days		16	38	7	14	0%	2	1	4	3
Payables Days		22	142	52	82	0%	1	4	2	3
Operating Cycle		20	-79	-17	99	5%	2	4	3	1
Utilization	%	85	96	55	81	8%	3	4	1	2
Export Revenue	%	7	9	14	24	5%	1	2	3	4
Local Revenue	%	93	91	86	76	0%	1	2	3	4
Export Market Share	%	9	1	14	15	0%	2	1	3	4
Local Market Share	%	9	8	7	23	0%	3	2	1	4
Total Market Share	%	9	4	5	20	0%	3	1	2	4

Investment Ratios | FY20E		FCCL	MLCF	CHCC	ACPL	Weight	FCCL	MLCF	CHCC	ACPL
EPS	Rs.	0.58	-2.81	-6.36	10.16	0%	3	2	1	4
DPS	Rs.	0.5	0.0	0.0	2.5	0%	3	1	2	4
Div. Yield	%	3.7	0.0	0.0	2.8	5%	4	1	2	3
Dividend Cover	x	1.2	0.0	0.0	4.0	0%	3	1	2	4
BVPS		16.1	29.3	54.1	123.3	0%	4	3	2	1
Payout	%	87	0	0	25	5%	4	1	2	3
Retention	%	13.3	100.0	100.0	75.0	0%	4	2	1	3
No. of Shares	('m)	1379.8	1098.3	194.3	137.4	0%	4	3	2	1
P/E	x	27.6	0.0	0.0	8.9	5%	1	0	0	2
Sales per share		14.6	30.3	98.3	155.4	0%	1	2	3	4
P/BV	x	1.0	0.8	1.2	0.7	5%	2	3	1	4
Price to Sales	x	1.1	0.7	0.6	0.6	5%	1	2	3	4

Gearing Ratios | FY20E		FCCL	MLCF	CHCC	ACPL	Weight	FCCL	MLCF	CHCC	ACPL
Debt to Equity	x	0.1	0.7	1.8	0.3	5%	4	2	1	3
L.T. Debt to Equity	x	0.0	0.4	1.7	0.1	7%	4	2	1	3
Interest Cover	x	4.5	-0.5	0.3	4.8	5%	3	1	2	4

	FCCL	ACPL	MLCF	CHCC
Final Ranking	3.02	2.62	2.08	1.93

Source: ACPL Research, Company Financials

COMPANY UPDATE

FCCL

A scrip with unlevered balance sheet, offering a return of 54%

Equity Research | Cement | Friday, 3 April, 2020

We initiate our coverage on Fauji Cement Company Limited (FCCL) with a DCF based Dec-20 TP of Rs.22 which provides an upside potential of 51%. A dividend yield of 3%, if incorporated gives a total return of 54%

Despite economic slowdown amid high-interest rate and lower public spending, the sales volume of the company has grown by 7.19% YoY in 6MFY20

Going forward, we expect its revenues and earnings to grow at a 5-year CAGR of 8% and 5% respectively on account of rising demand amid an upcoming expansionary phase of the economy, construction of dams, lifting of a ban on high rise buildings, launch of Naya Pakistan Housing Scheme and government's upcoming package for construction industry

Company Overview

Sponsored by Fauji Foundation, the company was incorporated in Rawalpindi in 1992. Fauji Cement is operating two lines of cement plants at Jhang Bahtar, Tehsil Fateh Jang, District Attock in the province of Punjab, with a total production capacity of 3.43 million tons of cement. FCCL Management has installed two Waste Heat Recovery Power Plants (WHRPP) of 12 MW and 9 MW respectively. Furthermore, the company is making all out efforts to undertake projects for cheap power generation and has commissioned a 12.5 MW Captive Solar Power Plant in May 2019. However, unlike the other industry players, FCCL has not expanded its production capacity in order to retain its market share.

Substantial Growth in Volumetric Sales

Despite an economic slowdown, the company has posted a volumetric growth of 7.19% YoY to 1.6mn tons in 6MFY20 as compared to 1.5mn tons during SPLY. However, the said growth couldn't be translated into revenues as the top line of the company has declined by 8.4% YoY, mainly due to reduced retention prices on account of competition in the local market against the backdrop of excess cement supply. Tougher competition has hampered the cement industry's ability to pass on the increase in FED by Rs. 500 per ton and an increase in outbound freight due to the implementation of axle load restrictions. Going forward, we expect the company's revenues to grow at a 5-year CAGR of 8% to Rs31bn by FY24 as the upcoming expansion of the economy, construction of dams lifting of a ban on high rise buildings, launch of Naya Pakistan Housing Scheme and government's upcoming package for construction industry would further bolster the cement demand in the near future.

Continuous BMR to Bring More Efficiencies

Recently, the company has upgraded its yard clinker feeding system at line-I to increase plant reliability, replaced the old premising bin with a new one at raw mill-I, installed a waste clink hopper to handle the waste clinker moving out of the system, upgraded the cooler system, brought a new bucket elevator at silo-I for material transportation, added cement packing capacity in line-II and improved its coal stacking system. This will no doubt improve the efficiency of the plants while the new WHR and captive facilities will further bring down production costs. (Brecorder, 2019)

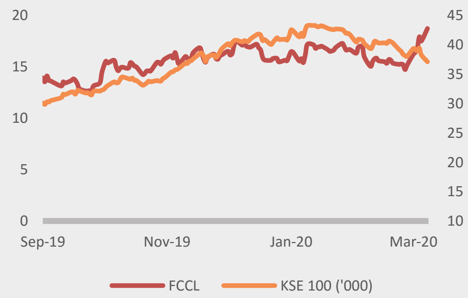
The Decision to not Expand Has Kept the Balance Sheet Unlevered

FCCL is one of the least leveraged companies in the industry with long-term debt to

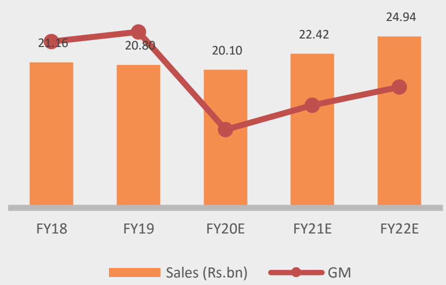
Key Statistics

Symbol	FCCL
TP - Dec 20	24.00
LDCP	15.91
Upside	51%
Free Float (mn)	759
Market Cap. (Rs.mn)	21,953

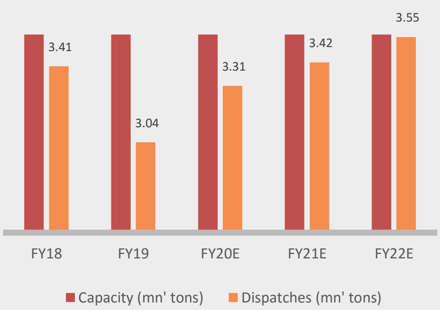
FCCL vs KSE 100



Sales (Rs'bn) vs Gross Margin



FCCL Dispatches vs Capacity



Sources: ACPL Research, Company Financials, PSX,

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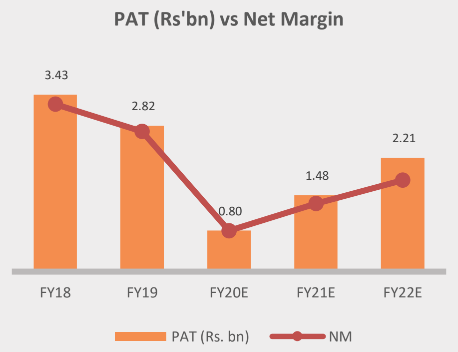
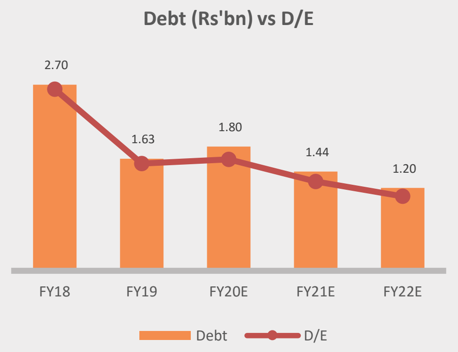




equity ratio of 0.02x and total debt to equity ratio of 0.08x. Although the scenario is the result of the management's decision to not expand the production capacity along with the other industry players which will eventually reduce the market share of the company, Yet being one of the lowest leveraged companies is a huge blessing in the current high-interest rate environment where the company has more capacity to absorb economic shocks with respect to its highly levered peers.

Valuation

FCCL is currently trading at a FY20E P/E of 27.57x. Furthermore, the scrip is also trading at a FY20E P/B of 0.99x which offers a discount of 13% relative to its historical 5-year average of 1.14x. We have a **BUY** stance on the script with a DCF based Dec-20 TP of Rs.24 which provides an upside potential of 51%. A dividend yield of 3%, if incorporated gives a total return of 54%.

Key Risks to Valuation

- More than expected depreciation of PKR
- Hike in prices of raw material
- Less than expected growth in demand

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	37.69	45.72	21.73	24.17	25.60	11.37	14.92	17.55	19.73
NP Margin	%	22.08	26.78	12.80	16.21	13.58	3.96	6.59	8.84	10.49
OP Margin	%	33.23	40.24	17.82	19.57	21.01	6.18	9.38	12.24	14.40
ROE	%	23.63	29.13	13.28	16.74	13.51	3.58	6.64	9.91	13.04
ROCE	%	63.03	131.22	175.47	126.93	173.59	44.16	102.46	183.31	268.14
ROA	%	13.48	18.28	9.42	11.81	9.75	2.86	5.05	7.01	8.48
Cost per ton	'mn	4.31	3.76	5.64	4.74	5.00	5.38	5.57	5.80	6.03
EBITDA per ton	'mn	2.81	3.26	1.54	1.60	1.89	0.80	0.99	1.21	1.41

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	1.36	1.51	2.40	1.49	1.51	1.28	1.82	2.54	3.31
Acid-test	x	0.67	0.92	0.96	0.42	0.36	0.32	0.74	1.34	2.02
Cash to current liab.	x	0.49	0.34	0.22	0.12	0.11	0.08	0.46	1.03	1.68

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Average Inventory	'mn	1,149	715	806	1,158	1,094	1,015	1,125	1,209	1,305
Inventory Turnover	x	10	15	20	14	14	18	17	17	17
Inventory Days		36	24	18	26	26	21	22	21	21
Receivables Days		11	11	21	21	16	16	18	18	17
Payables Days		65	66	14	23	22	20	20	20	20
Operating Cycle		-17	-31	26	24	20	17	19	19	19
Utilization	%	75	82	85	96	85	93	96	100	103
Export Revenue	%	15	12	4	8	7	11	9	8	7
Local Revenue	%	85	88	96	92	93	89	91	92	93
Export Market Share	%	9	9	4	9	9	13	12	10	9
Local Market Share	%	9	9	10	9	9	8	8	8	8
Total Market Share	%	9	9	9	9	9	9	8	8	8

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
EPS		2.98	3.89	1.89	2.49	2.05	0.58	1.07	1.60	2.10
DPS		1.75	2.75	0.90	2.00	1.50	0.50	0.80	1.15	1.50
Div. Yield	%	11.00	17.28	5.66	12.57	9.43	3.14	5.03	7.23	9.43
Dividend Cover		1.70	1.41	2.10	1.24	1.36	1.15	1.34	1.39	1.40
BVPS		12.62	13.36	14.26	14.85	15.15	16.13	16.13	16.13	16.13
Payout	%	58.66	70.70	47.52	80.47	73.28	86.65	74.68	71.96	71.29
Retention	%	41.34	29.30	52.48	19.53	26.72	13.35	25.32	28.04	28.71
No. of Shares	'mn	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380	1,380
P/E		5.33	4.09	8.40	6.40	7.77	27.57	14.85	9.95	7.56
Sales per share		13.51	14.53	14.80	15.34	15.07	14.57	16.25	18.07	20.06
P/BV		1.26	1.19	1.12	1.07	1.05	0.99	0.99	0.99	0.99
Price to Sales		1.18	1.10	1.07	1.04	1.06	1.09	0.98	0.88	0.79

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Debt to Equity	x	0.37	0.22	0.08	0.13	0.08	0.08	0.06	0.05	0.05
L.T. Debt to Equity	x	0.23	0.08	0.05	0.03	0.02	0.00	0.00	0.00	0.00
Interest Cover	x	8.77	16.02	23.80	28.02	40.94	4.48	9.65	17.03	25.26

Source: ACPL Research, Company Financials

Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Net sales	18,642	20,044	20,423	21,161	20,798	20,100	22,415	24,937	27,677
Cost of sale	11,615	10,879	15,986	16,046	15,475	17,814	19,071	20,559	22,217
Gross profit	**7,027**	**9,165**	**4,438**	**5,115**	**5,323**	**2,286**	**3,345**	**4,377**	**5,461**
Selling and promotion expenses	141	209	166	276	210	219	244	272	302
Administration expenses	272	312	340	386	416	543	605	673	747
Other operating expenses	420	579	291	311	327	281	392	380	427
Operating Profit	**6,195**	**8,066**	**3,640**	**4,142**	**4,370**	**1,243**	**2,103**	**3,052**	**3,985**
Other operating income	191	269	443	104	148	111	123	137	152
Finance cost	706	503	153	148	107	277	218	179	158
Profit before taxation	5,680	7,831	3,930	4,098	4,412	1,076	2,008	3,010	3,979
Taxation	1,564	2,464	1,317	669	1,588	280	530	805	1,076
Profit after taxation	**4,116**	**5,367**	**2,613**	**3,429**	**2,824**	**796**	**1,478**	**2,205**	**2,903**
EPS	**2.98**	**3.89**	**1.89**	**2.49**	**2.05**	**0.58**	**1.07**	**1.60**	**2.10**

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Net sales	6.3%	7.5%	1.9%	3.6%	-1.7%	-3.4%	11.5%	11.2%	11.0%
Cost of sale	1.5%	-6.3%	46.9%	0.4%	-3.6%	15.1%	7.1%	7.8%	8.1%
Gross profit	**15.5%**	**30.4%**	**-51.6%**	**15.3%**	**4.1%**	**-57.1%**	**46.3%**	**30.9%**	**24.7%**
Selling and promotion expenses	12.7%	48.0%	-20.3%	65.9%	-23.8%	4.2%	11.5%	11.2%	11.0%
Administration expenses	20.2%	14.9%	8.9%	13.5%	7.9%	30.5%	11.5%	11.2%	11.0%
Other operating expenses	25.9%	37.8%	-49.7%	6.9%	5.0%	-13.9%	39.4%	-3.2%	12.4%
Operating Profit	**14.7%**	**30.2%**	**-54.9%**	**13.8%**	**5.5%**	**-71.6%**	**69.2%**	**45.1%**	**30.5%**
Other operating income	25.8%	40.4%	64.7%	-76.5%	42.5%	-25.5%	11.5%	11.2%	11.0%
Finance cost	-32.3%	-28.7%	-69.6%	-3.4%	-27.8%	159.8%	-21.4%	-17.7%	-12.0%
Profit before taxation	26.0%	37.9%	-49.8%	4.3%	7.7%	-75.6%	86.6%	49.9%	32.2%
Taxation	-17.0%	57.6%	-46.6%	-49.2%	137.4%	-82.4%	89.4%	51.8%	33.7%
Profit after taxation	**56.7%**	**30.4%**	**-51.3%**	**31.2%**	**-17.6%**	**-71.8%**	**85.7%**	**49.2%**	**31.6%**
EPS	**56.7%**	**30.4%**	**-51.3%**	**31.2%**	**-17.6%**	**-71.8%**	**85.7%**	**49.2%**	**31.6%**

Source: ACPL Research, Company Financials

ACPL

A scrip with substantial export revenues, offering a return of 67%

Equity Research | Cement | Friday, 3 April, 2020

We initiate our coverage on Attock Cement Pakistan Limited (ACPL) with a SOTP based Dec-20 TP of Rs.166 which provides an upside potential of 67%

In order to compensate the downfall in local sales, the company aggressively explored export markets both for cement and clinker

Going forward, we expect its revenues and earnings to grow at a 5-year CAGR of 6% and 12% respectively on account of rising demand amid an upcoming expansionary phase of the economy, lifting of a ban on high rise buildings, launch of Naya Pakistan Housing Scheme and government's upcoming package for construction industry

Company Overview

Attock Cement Pakistan Limited (ACPL) was established in 1981 and started commercial production in 1988 with a plant capacity of 2,000 tons per day of clinker (approx. 0.6 million tons annually). Through a series of expansions, with the latest line added in FY18, the company boasts a production capacity of 3 million tons per annum. With the Factory located in Hub, Balochistan, the Company is currently running three manufacturing plants at its facilities. ACPL has also made an investment in a cement grinding unit in Iraq through a joint venture with the Iraq-based Al Geetan Commercial Agencies to form a subsidiary, a limited liability company. Attock Cement holds a 60 percent share of the company. The mill has a capacity of 0.9 million tons at a cost of $24 million.

Several Export Avenues Available Through Sea Route

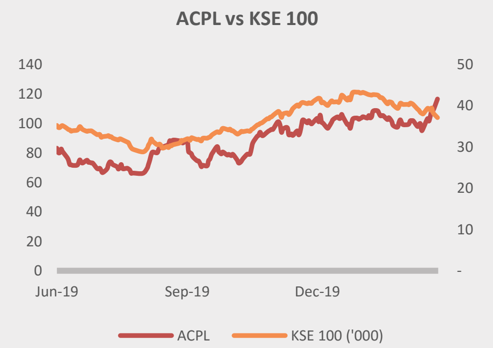
In order to compensate the downfall in local sales which was caused by the reduction in construction activities due to economic slowdown and stiff competition in the markets of South mostly derived from the influx of low price cement brands from North, the company aggressively explored export markets both for cement and clinker and as a result, cement exports increased by 62,600 tons (23% YoY) and clinker exports surged by 223,553 tons (51% YoY) during 6MFY20. The company utilized 104% of its overall clinker production capacity and all the three lines continued to operate well above their original rated capacities as Sri Lanka and Bangladesh remained the primary markets for the company's product, followed by East Africa and Qatar during 6MFY20. Total revenues of the company have grown at a 5-year CAGR of 10.6% to Rs20.7bn in FY19. Going forward, we expect the company's revenues to grow at a 5-year CAGR of 6.3% to Rs28bn by FY24 as the upcoming expansion of the economy, lifting of a ban on high rise buildings, launch of Naya Pakistan Housing Scheme and government's upcoming package for construction industry would bolster the cement demand in the near future and allow the company to shift its sales from low-margin exports towards the high-margin local market.

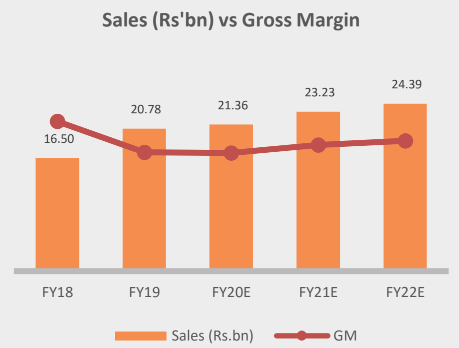
Cut in Interest Rate to Ease the Burden from Bottom line

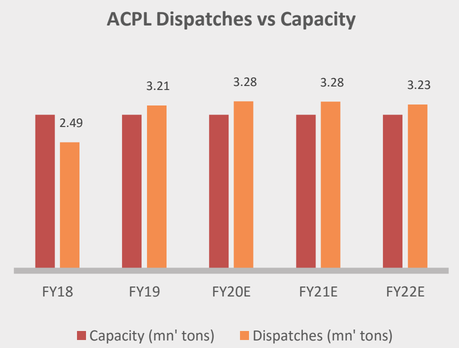
ACPL is one of the highly leveraged companies in the industry with total debt to equity ratio of 0.43x. The company has a total debt of Rs6.3bn outstanding on its balance sheet (74% short-term; 26% long-term). Therefore, the dovish stance adopted by the SBP in its recent MP announcement would relieve the burden from its bottom line as this would provide a breather to the earnings of the company. According to our sensitivity analysis, a cut of 100bps in KIBOR would increase the earning by Rs0.14.

Key Statistics

Symbol	ACPL
TP - Dec 20	166.00
LDCP	99.11
Upside	67%
Free Float (mn)	27
Market Cap. (Rs.mn)	13,620







Sources: ACPL Research, Company Financials, PSX,

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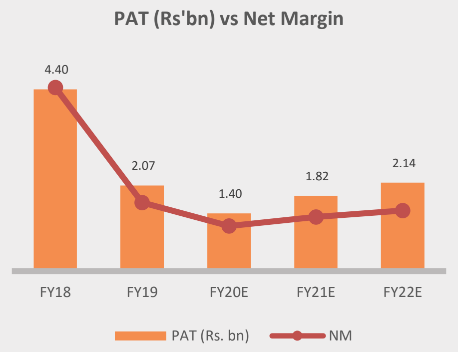
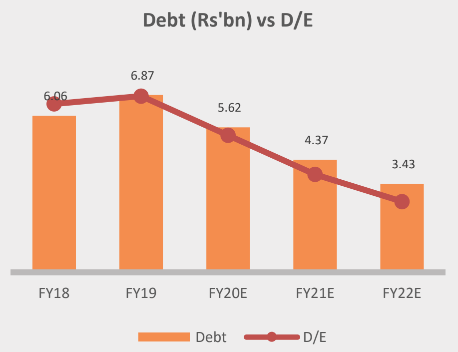
Key Statistics





Valuation

ACPL is currently trading at a FY20E P/E of 9.75x. Furthermore, the scrip is also trading at a FY20E P/B of 0.80x which offers a discount of 30% relative to its historical 5-year average of 1.15x. We have a **BUY** stance on the script with a SOTP based Dec-20 TP of Rs.166 which provides an upside potential of 67%.

Key Risks to Valuation

- More than expected depreciation of PKR
- Hike in prices of raw material
- Less than expected growth in demand

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	24.50	25.33	27.73
NP Margin	%	16.85	20.76	20.59	26.67	9.98	6.54	7.85	8.78	10.98
OP Margin	%	21.58	28.13	28.75	20.12	13.15	9.82	10.63	11.63	14.25
ROE	%	24.69	27.66	25.39	29.58	12.88	8.24	9.90	10.70	13.02
ROCE	%	24.69	27.66	19.54	21.03	9.03	6.19	8.01	9.14	11.27
ROA	%	18.03	20.03	14.65	16.66	7.59	6.23	7.95	8.69	10.71
Cost per ton	'mn	4.74	4.14	4.19	4.87	5.11	5.01	5.35	5.65	5.86
EBITDA per ton	'mn	0.87	1.43	1.56	1.10	0.70	0.93	1.05	1.13	1.36

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	2.75	2.63	0.53	0.87	0.91	0.47	0.59	0.94	1.30
Acid-test	x	1.91	1.90	0.07	0.16	0.16	-0.28	-0.28	-0.14	0.09
Cash to current liab.	x	0.39	0.21	0.02	0.04	0.04	-0.42	-0.44	-0.34	-0.12

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Average Inventory	'mn	1,717	1,833	1,923	2,789	3,522	3,446	3,852	4,539	5,214
Inventory Turnover	x	5	5	5	4	5	5	5	4	4
Inventory Days		161	115	123	149	167	158	159	191	228
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	92	98	135	178
Utilization	%	103	108	114	76	81	71	75	80	87
Export Revenue	%	39	27	24	20	24	31	32	33	33
Local Revenue	%	61	73	76	80	76	69	68	67	67
Export Market Share	%	27	27	32	28	15	11	9	8	7
Local Market Share	%	24	24	24	25	23	23	23	23	24
Total Market Share	%	25	25	26	26	20	17	16	14	14

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
EPS	Rs.	16.05	21.03	22.08	32.02	15.09	10.16	13.27	15.58	20.86
DPS	Rs.	15.00	12.50	13.50	8.00	4.00	2.54	3.98	6.23	10.43
Div. Yield	%	15.13	12.61	13.62	8.07	4.04	2.56	4.02	6.29	10.52
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	123.31	134.05	145.65	160.27
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		6.18	4.71	4.49	3.10	6.57	9.75	7.47	6.36	4.75
Sales per share		95.22	101.28	107.22	120.03	151.21	155.40	169.07	177.50	189.92
P/BV		1.52	1.30	1.14	0.92	0.85	0.80	0.74	0.68	0.62
Price to Sales		1.04	0.98	0.92	0.83	0.66	0.64	0.59	0.56	0.52

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	0.33	0.24	0.17	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	4.78	8.39	10.13	13.99

Source: ACPL Research, Company Financials

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	21,356	23,235	24,394	26,100
Cost of sale	8,690	8,332	8,843	11,698	15,978	16,452	17,541	18,215	18,861
Gross profit	**4,396**	**5,587**	**5,892**	**4,798**	**4,803**	**4,905**	**5,693**	**6,179**	**7,238**
Selling and promotion expenses	987	955	904	782	1,415	2,136	2,323	2,439	2,610
Administration expenses	347	402	419	533	505	534	581	610	652
Other operating expenses	239	314	334	163	150	139	320	293	258
Operating Profit	**2,824**	**3,916**	**4,236**	**3,320**	**2,733**	**2,096**	**2,469**	**2,837**	**3,718**
Other operating income	-	-	-	-	25	-	-	-	-
Finance cost	423	341	237	61	294	96	105	110	117
Profit before taxation	26	21	28	251	648	438	294	280	266
Taxation	3,221	4,236	4,444	3,129	2,403	1,754	2,280	2,667	3,570
Profit after taxation	**1,015**	**1,346**	**1,410**	**- 1,270**	**330**	**357**	**456**	**525**	**703**
EPS	**16.05**	**21.03**	**22.08**	**32.02**	**15.09**	**10.16**	**13.27**	**15.58**	**20.86**

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%	2.8%	8.8%	5.0%	7.0%
Cost of sale	-1.7%	-4.1%	6.1%	32.3%	36.6%	3.0%	6.6%	3.8%	3.5%
Gross profit	**18.7%**	**27.1%**	**5.5%**	**-18.6%**	**0.1%**	**2.1%**	**16.1%**	**8.5%**	**17.1%**
Selling and promotion expenses	22.4%	-3.2%	-5.4%	-13.4%	80.9%	50.9%	8.8%	5.0%	7.0%
Administration expenses	13.0%	15.8%	4.4%	27.1%	-5.2%	5.7%	8.8%	5.0%	7.0%
Other operating expenses	22.2%	31.5%	6.2%	-51.1%	-8.1%	-7.3%	130.3%	-8.4%	-12.0%
Operating Profit	**17.9%**	**38.7%**	**8.2%**	**-21.6%**	**-17.7%**	**-23.3%**	**17.8%**	**14.9%**	**31.1%**
Other operating income	56.9%	-19.3%	-30.6%	-74.3%	383.2%	-67.3%	8.8%	5.0%	7.0%
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%	-27.0%	30.0%	17.0%	33.9%
Taxation	63.4%	32.6%	4.8%	-190.1%	-126.0%	8.3%	27.4%	15.3%	33.9%
Profit after taxation	**9.5%**	**31.0%**	**5.0%**	**45.0%**	**-52.9%**	**-32.6%**	**30.6%**	**17.4%**	**33.9%**
EPS	**9.5%**	**31.0%**	**5.0%**	**45.0%**	**-52.9%**	**-32.6%**	**30.6%**	**17.4%**	**33.9%**

Source: ACPL Research, Company Financials

MLCF

A scrip with growth potential, offering a return of 68%

Equity Research | Cement | Friday, 3 April, 2020

We initiate our coverage on Maple Leaf Cement Factory Limited (MLCF) with a DCF based Dec-20 TP of Rs.35 which provides an upside potential of 68%

Despite economic slowdown amid high-interest rate and lower public spending, the sales volume of the company has grown by 76% YoY in 6MFY20

Going forward, we expect its revenues and earnings to grow at a 5-year CAGR of 16% and 27% respectively on account of rising demand amid an upcoming expansionary phase of the economy, construction of dams, lifting of a ban on high rise buildings, launch of Naya Pakistan Housing Scheme and government's upcoming package for construction industry

Company Overview

Maple Leaf Cement Factory Limited was established in 1956 with an initial clinker production capacity of 300,000 tons per annum. In 2018, a 40 MW coal-fired power project was installed which is currently being operated by a wholly-owned subsidiary Maple Leaf Power Limited. Moreover, 12.5% Right issue amounting to Rs. 4.3 billion was also issued to partially finance the new line of grey cement and to reduce the debt burden, which was successfully subscribed. In 2019, a new production line having a capacity of 7,300 tons per day of grey clinker production, a brownfield expansion at the Company's existing site at Iskandarabad has started its commercial operations. As a result of this expansion, the total grey clinker capacity has increased to 18,000 tons per day (5.4mn tons p.a).

Substantial Growth in Volumetric Sales

Despite an economic slowdown, the company has posted a phenomenal volumetric growth of 76% YoY to 2.8mn tons in 6MFY20 as compared to 1.2mn tons during SPLY. However, the said growth couldn't be translated into revenues as the top line of the company has only increased by 30% YoY, mainly due to reduced retention prices on account of competition in the local market against the backdrop of excess cement supply. Tougher competition has hampered the cement industry's ability to pass on the increase in FED by Rs. 500 per ton and an increase in outbound freight due to the implementation of axle load restrictions. Going forward, we expect the company's revenues to grow at a 5-year CAGR of 16% to Rs54bn by FY24 as the upcoming expansion of the economy, construction of dams, lifting of a ban on high rise buildings, launch of Naya Pakistan Housing Scheme and government's upcoming package for construction industry would further bolster the cement demand in the near future.

Resilient to The Hike in Energy Tariff

Relying on own power generation sources, the company is able to avoid the likely adverse impact on its profitability due to hikes in electricity tariff by NEPRA. The company relies mainly on its internal power generation sources to meet its electricity requirements which include coal-fired power plant (CFPP) set up as a wholly-owned subsidiary, Maple Leaf Power Limited (MLPL), a cost-competitive advantage to the Company. After the Waste Heat Recovery Plant, CFPP is the cheapest source of electricity for the Company.

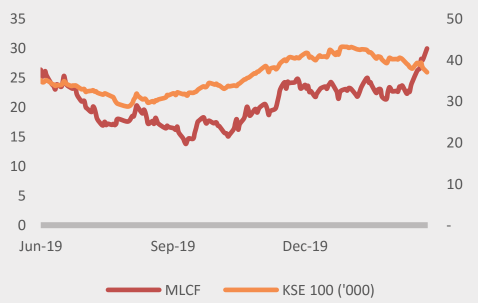
Cut in Interest Rate to Ease the Burden from Bottom line

MLCF is one of the highly leveraged companies in the industry with long-term debt to equity ratio of 0.56x and total debt to equity ratio of 0.73x. Although the company

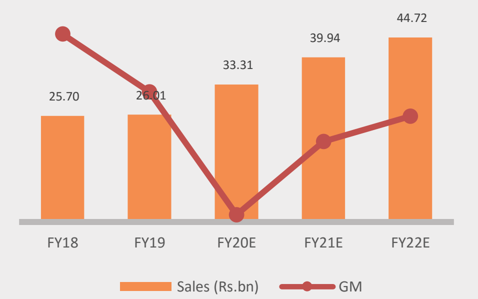
Key Statistics

Symbol	MLCF
TP - Dec 20	38.00
LDCP	22.65
Upside	68%
Free Float (mn)	494
Market Cap. (Rs.mn)	24,878

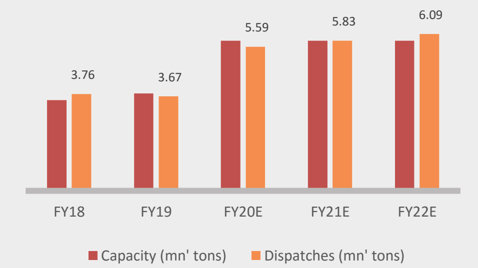
MLCF vs KSE 100



Sales (Rs'bn) vs Gross Margin



MLCF Dispatches vs Capacity



Sources: ACPL Research, Company Financials, PSX,

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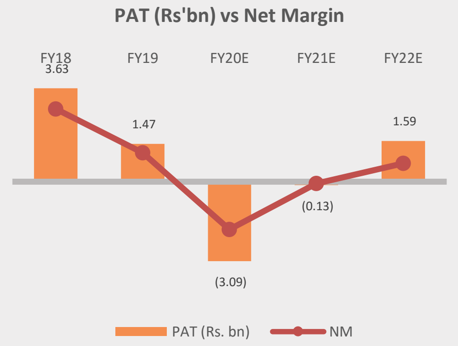
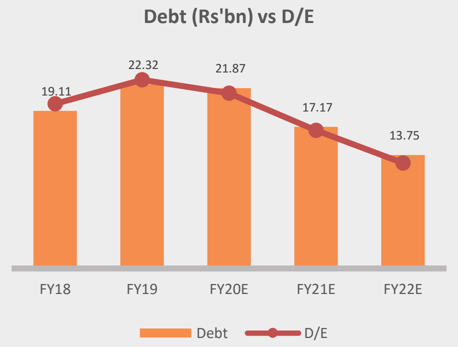
Key Statistics





has settled down some of its debt through a right issue, yet the company still has a long-term and short-term debt of Rs14.8bn and Rs5.3bn respectively outstanding on its balance sheet. Therefore, the dovish stance adopted by the SBP in its recent MP announcement would relieve the burden from its bottom line as this would provide a breather to the earnings of the company. According to our sensitivity analysis, a cut of 100bps in KIBOR would increase the earning by Rs0.11.

Valuation

MLCF is currently trading at a FY20E P/B of 0.77x which offers a discount of 27% relative to its historical 5-year average of 1.27x. We have a **BUY** stance on the script with a DCF based Dec-20 TP of Rs.38 which provides an upside potential of 68%.

Key Risks to Valuation

- More than expected depreciation of PKR
- Hike in prices of raw material
- Less than expected growth in demand

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	36.18	42.77	39.52	27.33	18.91	1.06	11.71	15.41	18.46
OP Margin	%	26.72	32.08	29.38	19.39	10.74	-4.44	4.85	8.54	11.60
NP Margin	%	16.67	20.85	19.91	14.13	5.63	-9.27	-0.33	3.55	6.64
ROE	%	19.56	22.89	20.15	12.14	4.80	-9.60	-0.41	4.72	9.11
ROCE	%	14.98	20.07	15.70	7.41	2.77	-5.71	-0.27	3.35	6.98
ROA	%	11.06	15.25	12.31	6.18	2.22	-5.65	-0.26	3.27	6.49
Cost per ton	'mn	4.50	3.91	4.42	4.82	5.87	5.89	6.04	6.21	6.39
EBITDA per ton	'mn	2.45	2.78	2.62	1.88	1.39	0.28	0.81	1.05	1.28

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	0.91	1.69	1.34	1.07	1.00	0.30	0.24	0.26	0.56
Acid-test	x	0.12	0.26	0.19	0.15	0.23	-0.37	-0.52	-0.57	-0.37
Cash to current liab.	x	0.03	0.08	0.05	0.05	0.03	-0.53	-0.72	-0.79	-0.56

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Average Inventory	'mn	1,179	1,040	1,087	1,247	1,466	2,229	2,813	3,014	2,953
Inventory Turnover	x	11	13	13	15	14	15	13	13	14
Inventory Days		33	28	27	24	25	25	29	29	26
Receivables Days		12	14	15	17	38	38	38	38	25
Payables Days		87	86	90	105	142	142	142	142	120
Operating Cycle		-42	-43	-48	-64	-79	-79	-75	-75	-68
Utilization	%	85	95	95	107	96	96	100	105	109
Export Revenue	%	21	18	13	7	9	4	4	3	3
Local Revenue	%	79	82	87	93	91	96	96	97	97
Export Market Share	%	1.7	1.5	1.1	0.6	0.7	0.5	0.4	0.3	0.3
Local Market Share	%	8.3	8.3	8.2	8.5	8.3	12.9	12.6	12.3	12.0
Total Market Share	%	4.7	4.6	4.4	4.3	4.2	6.1	5.9	5.6	5.4

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
EPS	Rs.	3.14	4.45	4.35	3.31	1.33	-2.81	-0.12	1.44	3.02
DPS	Rs.	2.00	4.00	3.75	2.50	0.50	0.00	0.00	0.54	1.13
Div. Yield	%	0.09	0.18	0.17	0.11	0.02	0.00	0.00	0.02	0.05
Dividend Cover	x	1.57	1.11	1.16	1.32	2.67	0.00	0.00	2.67	2.67
BVPS	Rs.	16.08	19.43	21.59	27.23	27.78	29.30	29.17	30.62	33.09
Payout	%	63.59	89.94	86.22	75.60	37.48	0.00	0.00	37.48	37.48
Retention	%	36.41	10.06	13.78	24.40	62.52	100.00	100.00	62.52	62.52
No. of Shares	'000	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098
P/E		7.20	5.09	5.21	6.85	16.98	0.00	0.00	15.69	7.51
Sales per share		18.86	21.33	21.84	23.40	23.68	30.33	36.36	40.72	45.42
P/BV		1.41	1.17	1.05	0.83	0.82	0.77	0.78	0.74	0.68
Price to Sales		1.20	1.06	1.04	0.97	0.96	0.75	0.62	0.56	0.50

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Debt to Equity	x	0.31	0.14	0.28	0.64	0.73	0.68	0.54	0.41	0.31
L.T. Debt to Equity	x	0.04	0.07	0.13	0.43	0.56	0.43	0.31	0.22	0.16
Interest Cover	x	5.11	17.26	22.14	7.74	2.38	-0.50	0.83	2.05	4.00

Source: ACPL Research, Company Financials

Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Net sales	20,720	23,433	23,992	25,699	26,006	33,314	39,941	44,719	49,892
Cost of sale	13,224	13,411	14,510	18,677	21,089	32,963	35,264	37,830	40,680
Gross profit	**7,496**	**10,022**	**9,482**	**7,023**	**4,917**	**351**	**4,677**	**6,890**	**9,211**
Selling and promotion expenses	1,314	1,360	1,275	736	933	933	1,118	1,252	1,397
Administration expenses	381	486	621	731	734	800	959	1,073	1,197
Other operating expenses	263	660	536	572	456	100	664	744	830
Operating Profit	**5,537**	**7,517**	**7,050**	**4,983**	**2,794**	**- 1,481**	**1,936**	**3,820**	**5,787**
Other operating income	46	36	139	56	43	183	220	246	274
Finance cost	1,083	436	318	644	1,173	2,976	2,339	1,862	1,448
Profit before taxation	4,501	7,118	6,870	4,395	1,664	- 4,273	- 184	2,205	4,613
Taxation	1,047	2,233	2,093	763	199	- 1,186	- 51	619	1,301
Profit after taxation	**3,454**	**4,885**	**4,777**	**3,632**	**1,465**	**- 3,088**	**- 133**	**1,586**	**3,312**
EPS	**3.14**	**4.45**	**4.35**	**3.31**	**1.33**	**- 2.81**	**- 0.12**	**1.44**	**3.02**

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Net sales	9.2%	13.1%	2.4%	7.1%	1.2%	28.1%	19.9%	12.0%	11.6%
Cost of sale	6.3%	1.4%	8.2%	28.7%	12.9%	56.3%	7.0%	7.3%	7.5%
Gross profit	**14.9%**	**33.7%**	**-5.4%**	**-25.9%**	**-30.0%**	**-92.9%**	**1230.7%**	**47.3%**	**33.7%**
Selling and promotion expenses	24.6%	3.5%	-6.2%	-42.3%	26.8%	0.0%	19.9%	12.0%	11.6%
Administration expenses	28.5%	27.4%	27.8%	17.6%	0.4%	9.0%	19.9%	12.0%	11.6%
Other operating expenses	33.3%	150.6%	-18.7%	6.7%	-20.3%	-78.1%	564.8%	12.0%	11.6%
Operating Profit	**11.3%**	**35.7%**	**-6.2%**	**-29.3%**	**-43.9%**	**-153.0%**	**-230.7%**	**97.4%**	**51.5%**
Other operating income	-42.7%	-21.2%	282.0%	-59.8%	-23.1%	326.1%	19.9%	12.0%	11.6%
Finance cost	-26.1%	-59.8%	-26.9%	102.3%	82.0%	153.8%	-21.4%	-20.4%	-22.2%
Profit before taxation	25.4%	58.1%	-3.5%	-36.0%	-62.1%	-356.8%	-95.7%	-1298.3%	109.3%
Taxation	37.7%	113.3%	-6.3%	-63.5%	-73.9%	-696.1%	-95.7%	-1304.7%	110.2%
Profit after taxation	**22.1%**	**41.4%**	**-2.2%**	**-24.0%**	**-59.7%**	**-310.7%**	**-95.7%**	**-1295.8%**	**108.9%**
EPS	**22.1%**	**41.4%**	**-2.2%**	**-24.0%**	**-59.7%**	**-310.7%**	**95.7%**	**1295.8%**	**108.9%**

Source: ACPL Research, Company Financials

COMPANY UPDATE

CHCC

A scrip with growth potential, offering a return of 62%

Equity Research | Cement | Friday, 3 April, 2020

We initiate our coverage on Cherat Cement Company Limited (CHCC) with a DCF based Dec-20 TP of Rs.101 which provides an upside potential of 62%

Despite economic slowdown amid high-interest rate and lower public spending, the sales volume of the company has grown by 65% YoY in 6MFY20

Going forward, we expect its revenues and earnings to grow at a 5-year CAGR of 15% and 13% respectively on account of rising demand amid an upcoming expansionary phase of the economy, construction of dams, lifting of a ban on high rise buildings, launch of Naya Pakistan Housing Scheme and government's upcoming package for construction industry

Company Overview

Cherat Cement has been in the business of cement manufacturing since the 1980s like many of its current peers. It has remained one of the smaller cement firms until very recently when new expansion brought its capacity at par with some of the mid-tier players. In the third quarter of FY19, the company has commissioned its third line bringing its total capacity to 4.5 million tons. Cherat started with a production capacity of 1100 tons per day (more than 300,000 annually), and doubled it by 1994 after series of expansions. Cherat supplies cement to the markets in the north particularly KP, Punjab and Azad Kashmir while exporting to Afghanistan. (Brecorder, 2019)

Substantial Growth in Volumetric Sales

Despite an economic slowdown, the company has posted a phenomenal volumetric growth of 65% YoY to 1.8mn tons in 6MFY20 as compared to 1.1mn tons during SPLY. However, the said growth couldn't be translated into revenues as the top line of the company has only increased by 35% YoY, mainly due to reduced retention prices on account of competition in the local market against the backdrop of excess cement supply. Tougher competition has hampered the cement industry's ability to pass on the increase in FED by Rs. 500 per ton and an increase in outbound freight due to the implementation of axle load restrictions. Going forward, we expect the company's revenues to grow at a 5-year CAGR of 15% to Rs33bn by FY24 as the upcoming expansion of the economy, construction of dams, lifting of a ban on high rise buildings, launch of Naya Pakistan Housing Scheme and government's upcoming package for construction industry would further bolster the cement demand in the near future.

Cost Efficiency to Remain a Key Trait

Over the years, the company has added tyre derived fuel processing plant and refuses derived fuel processing plant along with WHR and diesel power plants to the mix for energy self-sufficiency and cutting power costs down. In order to reduce further production costs, the Company is installing 12.3 MW solar panels at the factory. Furthermore, it has also signed the Wheeling Regime Energy Purchase Agreement with the Pakhtunkhwa Energy Development Organization (PEDO) for the supply of cheap electricity. Additionally, the Company is also expected to start receiving gas supply shortly. The above measures will help in curtailing production costs.

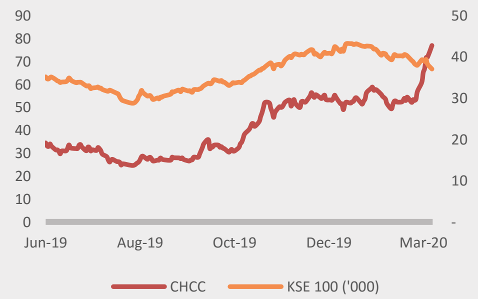
Cut in Interest Rate to Ease the Burden from Bottom line

CHCC is one of the highly leveraged companies in the industry with long-term debt

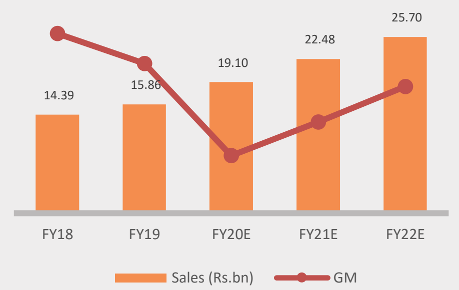
Key Statistics

Symbol	CHCC
TP - Dec 20	101.00
LDCP	62.41
Upside	62%
Free Float (mn)	107
Market Cap. (Rs.mn)	12,126

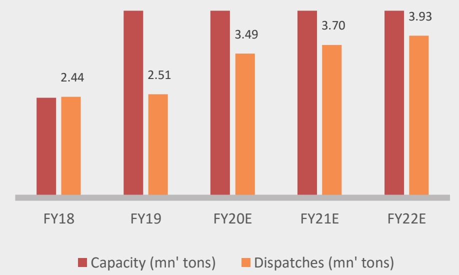
CHCC vs KSE 100



Sales (Rs'bn) vs Gross Margin



CHCC Dispatches vs Capacity



Sources: ACPL Research, Company Financials, PSX,

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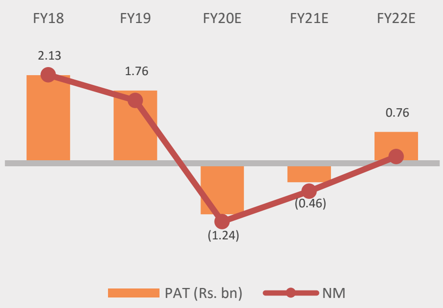
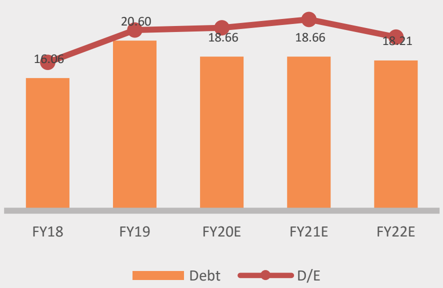
Key Statistics

PAT (Rs'bn) vs Net Margin



Debt (Rs'bn) vs D/E



Sources: ACPL Research, Company Financials,

to equity ratio of 1.51x and total debt to equity ratio of 1.75x. The company has a total debt of Rs19.2bn outstanding on its balance sheet (91% long-term; 9% short-term). Therefore, the dovish stance adopted by the SBP in its recent MP announcement would relieve the burden from its bottom line as this would provide a breather to the earnings of the company. According to our sensitivity analysis, a cut of 100bps in KIBOR would increase the earning by Rs0.74.

Valuation

CHCC is currently trading at a FY20E P/B of 1.15x which offers a discount of 5.7% relative to its historical 5-year average of 1.22x. We have a **BUY** stance on the script with a DCF based Dec-20 TP of Rs.101 which provides an upside potential of 62%.

Key Risks to Valuation

- More than expected depreciation of PKR
- Hike in prices of raw material
- Less than expected growth in demand

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	30.21	37.21	33.31	21.82	18.18	6.99	11.06	15.38	19.02
NP Margin	%	19.62	19.85	20.28	14.82	11.11	-6.47	-2.04	2.96	7.22
OP Margin	%	22.97	28.98	26.59	16.84	13.13	3.46	6.55	11.09	14.86
ROE	%	16.05	15.37	18.70	19.08	14.99	-11.75	-4.55	7.02	16.50
ROCE	%	14.91	10.29	12.05	7.94	6.06	-4.32	-1.65	2.78	7.66
ROA	%	13.61	9.09	10.40	6.99	5.00	-8.38	-4.01	9.68	48.71
Cost per ton	'mn	4.81	4.14	4.47	4.42	5.39	5.09	5.40	5.54	5.68
EBITDA per ton	'mn	1.63	2.19	2.10	1.40	1.34	0.54	0.71	1.00	1.29

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	2.74	1.11	1.78	1.72	1.31	-2.68	-2.75	-2.75	-2.81
Acid-test	x	1.21	0.56	0.93	0.83	0.62	-2.87	-2.93	-2.91	-2.98
Cash to current liab.	x	0.02	0.01	0.02	0.01	0.00	-4.17	-4.16	-4.03	-4.05

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Average Inventory	'mn	417	384	574	799	1,011	1,608	2,069	2,287	2,489
Inventory Turnover	x	11	12	11	14	13	11	10	10	10
Inventory Days		33	32	33	26	28	33	38	38	38
Receivables Days		0	0	5	5	7	7	7	7	7
Payables Days		52	119	46	65	52	50	50	50	50
Operating Cycle		-19	-87	-9	-34	-17	-10	-5	-4	-4
Utilization	%	93	99	61	101	55	77	82	87	92
Export Revenue	%	29	21	13	12	14	20	21	22	23
Local Revenue	%	71	79	87	88	86	80	79	78	77
Export Market Share	%	6	6	6	10	14	26	29	32	35
Local Market Share	%	3	3	5	7	7	8	8	8	7
Total Market Share	%	3	3	4	5	5	7	7	7	6

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
EPS		6.63	7.23	10.07	10.97	9.07	-6.36	-2.36	3.91	10.86
DPS		3.00	3.25	4.50	5.00	1.00	0.00	0.00	0.75	3.00
Div. Yield	%	4.81	5.21	7.21	8.01	1.60	0.00	0.00	1.20	4.81
Dividend Cover		2.21	2.23	2.24	2.19	9.07	0.00	0.00	5.21	3.62
BVPS		41.31	47.04	53.84	57.51	60.51	54.14	51.79	55.70	65.81
Payout	%	45.25	44.94	44.69	45.56	11.02	0.00	0.00	19.19	27.62
Retention	%	54.75	55.06	55.31	54.44	88.98	100.00	100.00	80.81	72.38
No. of Shares	'mn	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E		9.41	8.63	6.20	5.69	6.88	0.00	0.00	15.97	5.75
Sales per share		33.79	36.44	49.64	74.05	81.64	98.32	115.71	132.25	150.46
P/BV		1.51	1.33	1.16	1.09	1.03	1.15	1.21	1.12	0.95
Price to Sales		1.85	1.71	1.26	0.84	0.76	0.63	0.54	0.47	0.41

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Debt to Equity	x	0.03	0.46	0.61	1.44	1.75	1.77	1.85	1.68	1.33
L.T. Debt to Equity	x	0.02	0.44	0.47	1.35	1.51	1.68	1.76	1.59	1.26
Interest Cover	x	39.84	46.94	13.63	6.79	1.82	0.28	0.68	1.43	2.46

Source: ACPL Research, Company Financials

Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Net sales	6,565	7,079	9,645	14,388	15,863	19,103	22,483	25,696	29,233
Cost of sale	4,582	4,445	6,432	11,249	12,980	17,768	19,995	21,744	23,672
Gross profit	**1,984**	**2,634**	**3,213**	**3,139**	**2,883**	**1,336**	**2,488**	**3,952**	**5,561**
Selling and promotion expenses	206	234	280	337	396	363	427	488	555
Administration expenses	164	192	225	245	294	292	344	393	447
Other operating expenses	105	156	143	134	109	19	243	220	214
Operating Profit	**1,508**	**2,052**	**2,565**	**2,423**	**2,083**	**661**	**1,473**	**2,850**	**4,345**
Other operating income	201	43	133	81	107	96	112	128	146
Finance cost	38	44	188	357	1,143	2,368	2,181	1,994	1,764
Profit before taxation	1,671	2,051	2,510	2,147	1,048	- 1,611	- 595	984	2,726
Taxation	383	646	553	15	- 715	- 375	- 137	225	616
Profit after taxation	**1,288**	**1,405**	**1,957**	**2,132**	**1,763**	**- 1,236**	**- 458**	**759**	**2,110**
EPS	**6.63**	**7.23**	**10.07**	**10.97**	**9.07**	**- 6.36**	**- 2.36**	**3.91**	**10.86**

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Net sales	1.8%	7.8%	36.2%	49.2%	10.2%	20.4%	17.7%	14.3%	13.8%
Cost of sale	5.4%	-3.0%	44.7%	74.9%	15.4%	36.9%	12.5%	8.7%	8.9%
Gross profit	**-5.7%**	**32.8%**	**22.0%**	**-2.3%**	**-8.2%**	**-53.7%**	**86.3%**	**58.9%**	**40.7%**
Selling and promotion expenses	9.2%	13.8%	19.5%	20.4%	17.6%	-8.4%	17.7%	14.3%	13.8%
Administration expenses	16.2%	17.0%	17.1%	9.0%	19.8%	-0.6%	17.7%	14.3%	13.8%
Other operating expenses	-20.7%	47.8%	-8.0%	-6.6%	-18.4%	-82.5%	1172.9%	-9.4%	-2.9%
Operating Profit	**-8.0%**	**36.1%**	**25.0%**	**-5.5%**	**-14.0%**	**-68.3%**	**122.8%**	**93.4%**	**52.4%**
Other operating income	162.5%	-78.4%	207.7%	-39.2%	31.7%	-10.6%	17.7%	14.3%	13.8%
Finance cost	31.7%	15.5%	330.6%	89.5%	220.4%	107.2%	-7.9%	-8.6%	-11.5%
Profit before taxation	-1.0%	22.8%	22.3%	-14.4%	-51.2%	-253.7%	63.0%	265.3%	177.1%
Taxation	3.1%	68.7%	-14.4%	-97.2%	-4789.1%	47.6%	63.4%	263.7%	174.3%
Profit after taxation	**-2.1%**	**9.1%**	**39.2%**	**9.0%**	**-17.3%**	**-170.1%**	**62.9%**	**265.8%**	**177.9%**
EPS	**-2.1%**	**9.1%**	**39.2%**	**9.0%**	**-17.3%**	**-170.1%**	**62.9%**	**265.8%**	**177.9%**

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
IV. Sum of Parts Valuation

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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

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