

Equity Research | Cement | Wednesday, 17 August, 2022

ACPL has announced its FY22 result where it posted a profit after tax of Rs1,122mn (EPS: Rs8.16) as compared to a profit after tax of Rs1,107mn (EPS: Rs8.06) in the same period last year up by 1.3% YoY amid lower operating cost and surge in other income.

The company has posted a revenue of Rs20.48bn against Rs21.25bn in SPLY, recording a decline of 3.6% YoY. We note that this decline is attributed to the decrease in volumetric sales amid the economic slowdown in the country.

The gross margin decreased to 18.1% as compared to 21.9% during SPLY. SG&A expenses have declined by 30% YoY to Rs1.935bn as compared to Rs2.771bn during SPLY.

Furthermore, the decline in finance costs by 27.8% YoY and increase in other income by 582.9% during SPLY supported the bottom line. Lastly, effective taxation has increased to 51.5% as compared to 28% SPLY amid Super tax imposition by the government.

ACPL is currently trading at FY23 PE of 12.62x. Further, the scrip is also trading at a FY23E P/B of 0.6x which offers a discount of 5% relative to its historical 3-year average of 0.63x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs100 which provides an upside potential of 26%. Further, it provides a dividend yield of 3.8%, which makes the cumulative return of 30%.

Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	4,521	4,895	7.6% ▼	20,479	21,245	3.6% ▼
Cost of Sales	-3,908	-4,128	5.3% ▼	-16,777	-16,602	1.1% ▲
Gross Profit	612	767	20.2% ▼	3,702	4,643	20.3% ▼
SG&A Expenses	-308	-542	43.2% ▼	-1,935	-2,771	30.2% ▼
Other Expenses	-15	-28	45.1% ▼	-124	-114	9.0% ▲
Operating Profit	289	197	46.5% ▲	1,642	1,757	6.5% ▼
Other Income	229	74	211.9% ▲	921	135	582.9% ▲
Finance Cost	-99	-114	13.1% ▼	-258	-357	27.8% ▼
Profit Before Taxation	423	159	165.7% ▲	2,312	1,540	50.1% ▲
Taxation	-482	-11	4466.8% ▲	-1,190	-433	175.2% ▲
Profit After Taxation	-59	149	139.9% ▼	1,122	1,107	1.3% ▲
Earnings Per Share	-0.43	1.08	139.9% ▼	8.16	8.06	1.3% ▲
Dividend	1.50	4.00		3.50	4.00	-
Bonus	-	-		-	-	

Closing Period: Oct 12, 2022 - Oct 19, 2022

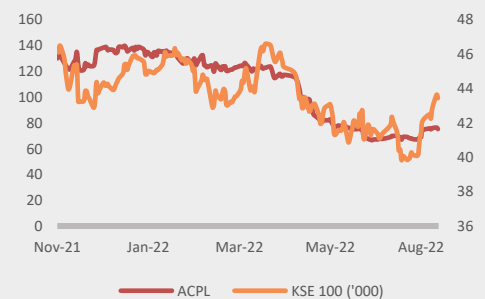
	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Gross Margin	13.5%	15.7%	2.1% ▼	18.1%	21.9%	3.8% ▼
SG&A Expenses to Sales	-6.8%	-11.1%	4.3% ▼	-9.5%	-13.0%	3.6% ▼
Other Income to Sales	5.1%	1.5%	3.6% ▲	4.5%	0.6%	3.9% ▲
Ex. Gain / (Loss) to Sales	-6.8%	-11.1%	4.3% ▼	-9.5%	-13.0%	3.6% ▼
Effective Taxation	-114.0%	-6.6%	107.4% ▲	-51.5%	-28.1%	23.4% ▲
Net Margin	-1.3%	3.0%	4.4% ▼	5.5%	5.2%	0.3% ▲

Source: ACPL Research, Company Financials

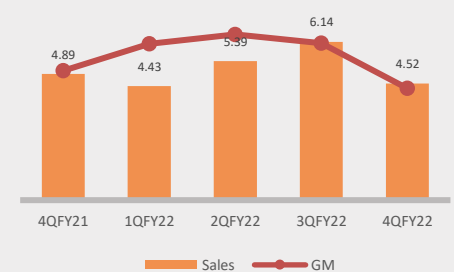
Key Statistics

Symbol	ACPL
TP - Jun 23	100
LDCP	79
Upside (%)	26
Free Float ('mn)	27
Market Cap. (Rs.'mn)	10,778

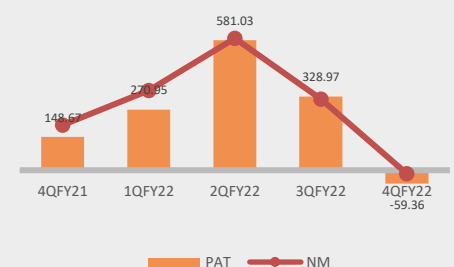
ACPL vs KSE 100



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	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	20,781	18,501	21,245	20,479	20,522	21,693	22,978
Cost of sale	15,978	14,252	16,602	16,777	17,637	16,947	17,574
Gross profit	4,803	4,249	4,643	3,702	2,885	4,746	5,403
Selling and promotion expenses	1,415	1,831	2,203	1,295	1,026	1,657	1,755
Administration expenses	505	507	568	641	718	759	919
Other operating expenses	150	92	114	124	112	126	345
Operating Profit	2,733	1,819	1,757	1,642	1,029	2,204	2,385
Other operating income	294	234	135	921	821	491	520
Finance cost	648	526	357	258	583	307	70
Profit before taxation	2,403	1,532	1,540	2,312	1,267	2,388	2,835
Taxation	330	425	433	1,190	407	766	910
Profit after taxation	2,073	1,107	1,107	1,122	860	1,622	1,925
EPS	15.09	8.06	8.06	8.16	6.26	11.80	14.01

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	26.0%	-11.0%	14.8%	-3.6%	0.2%	5.7%	5.9%
Cost of sale	36.6%	-10.8%	16.5%	1.1%	5.1%	-3.9%	3.7%
Gross profit	0.1%	-11.5%	9.3%	-20.3%	-22.1%	64.5%	13.8%
Selling and promotion expenses	80.9%	29.4%	20.3%	-41.2%	-20.7%	61.4%	5.9%
Administration expenses	-5.2%	0.4%	12.1%	12.8%	12.1%	5.7%	21.1%
Other operating expenses	-8.1%	-38.4%	23.7%	9.0%	-10.1%	12.5%	173.8%
Operating Profit	-17.7%	-33.5%	-3.4%	-6.5%	-37.3%	114.2%	8.2%
Other operating income	383.2%	-20.5%	-42.3%	582.9%	-10.8%	-40.2%	5.9%
Finance cost	158.2%	-18.9%	-32.0%	-27.8%	126.1%	-47.3%	-77.2%
Profit before taxation	-23.2%	-36.2%	0.5%	50.1%	-45.2%	88.5%	18.7%
Taxation	-126.0%	28.8%	1.8%	175.2%	-65.8%	88.5%	18.7%
Profit after taxation	-52.9%	-46.6%	0.0%	1.3%	-23.3%	88.5%	18.7%
EPS	-52.9%	-46.6%	0.0%	1.3%	-23.3%	88.5%	18.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	23.11	22.97	21.85	18.08	14.06	21.88	23.52
NP Margin	%	9.98	5.99	5.21	5.48	4.19	7.48	8.38
OP Margin	%	13.15	9.83	8.27	8.02	5.01	10.16	10.38
ROE	%	12.88	6.69	6.44	6.32	4.76	8.41	9.45
ROCE	%	9.03	5.11	4.62	3.76	3.22	6.49	8.20
ROA	%	7.59	4.04	3.39	4.18	3.16	5.61	6.45
Cost per ton	'mn	5.11	4.86	5.35	8.00	10.69	10.18	10.41
EBITDA per ton	'mn	0.61	0.44	0.81	0.34	0.16	1.23	1.29

Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	0.91	0.89	1.00	1.36	1.46	1.77	1.97
Acid-test	x	0.16	0.18	0.40	0.55	0.66	0.99	1.18
Cash to current liab.	x	0.04	0.09	0.05	0.18	0.31	0.63	0.81

Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Average Inventory	'mn	3,522	3,431	3,554	3,315	3,064	3,079	3,074
Inventory Turnover	x	5	4	5	5	6	6	6
Inventory Days		167	157	147	139	134	127	96
Receivables Days		14	10	28	8	8	8	8
Payables Days		82	107	107	120	120	120	120
Operating Cycle		99	60	68	27	22	15	-16
Utilization	%	81	58	66	69	30	32	33
Export Revenue	%	24	30	26	25	30	29	29
Local Revenue	%	76	70	74	75	70	71	71
Export Market Share	%	15	9	8	7	6	6	5
Local Market Share	%	23	22	20	19	13	13	12
Total Market Share	%	20	15	14	13	10	9	9

Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
EPS	Rs.	15.09	8.06	8.06	8.16	6.26	11.80	14.01
DPS	Rs.	4.00	3.50	4.00	4.00	3.00	6.00	7.00
Div. Yield	%	5.06	4.43	5.06	5.06	3.80	7.59	8.86
Dividend Cover	x	3.77	2.30	2.01	2.04	2.09	1.97	2.00
BVPS	Rs.	117.15	120.45	125.16	129.17	131.43	140.23	148.23
Payout	%	26.51	43.43	49.64	49.01	47.92	50.85	49.97
Retention	%	73.49	56.57	50.36	50.99	52.08	49.15	50.03
No. of Shares	'000	137	137	137	137	137	137	137
P/E		5.24	9.80	9.80	9.68	12.62	6.70	5.64
Sales per share		151.21	134.62	154.59	149.02	149.33	157.85	167.20
P/BV		0.67	0.66	0.63	0.61	0.60	0.56	0.53
Price to Sales		0.52	0.59	0.51	0.53	0.53	0.50	0.47

Gearing Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Debt to Equity	x	0.43	0.31	0.40	0.68	0.48	0.30	0.15
L.T. Debt to Equity	x	0.14	0.02	0.14	0.58	0.38	0.19	0.06
Interest Cover	x	4.21	3.46	4.91	6.37	1.76	7.17	33.99

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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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

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
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