

# Day Break

Wednesday, 10 August 2016

## Company Update

### Attock Cem.Pak.Ltd

Cement

<b>Recommendation</b>	<b>BUY</b>
Target Price	384.6
Last Closing	260.0
Upside	48%

#### Market Data

Bloomberg Tkr.	ACPL PA
Shares (mn)	114.5
Market Cap (PKRbn   USDmn)	29.8   284.7
Exchange	KSE 100

<b>Price Info.</b>	90D	180D	365D
Abs. Return	8.9	44.8	31.1
Low	220.3	157.7	157.7
High	275.9	275.9	275.9

#### Key Company Financials

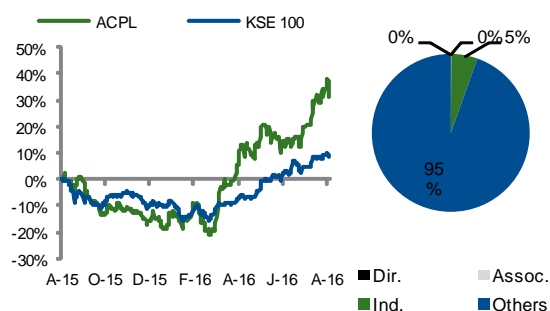
Period End: Jun

PKRbn	FY15A	FY16E	FY17F	FY18F
Total Revenue	13.1	13.8	13.6	17.0
Net Income	2.2	2.8	2.8	3.3
EPS (PKR)	19.3	24.2	24.0	28.4
DPS (PKR)	15.0	11.0	12.0	17.0
Total Assets	12.2	13.6	22.0	24.4
Total Equity	8.9	10.4	11.8	13.1

#### Key Financial Ratios

ROE (%)	25%	27%	23%	25%
P/E (x)	13.5	10.7	10.8	9.2
P/B (x)	3.3	2.9	2.5	2.3
DY (%)	5.8	4.2	4.6	6.5

#### Relative Price Performance & Shareholding



#### About the Company

The company was incorporated in Pakistan on October 14, 1981 as a public limited company. Its main business activity is manufacturing and sale of cement. The Company is a subsidiary of Pharaon Investment Group Limited Holding S.A.L., Lebanon.

Source: Bloomberg, KSE 100 & IGI Research

#### Analyst

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## Attock Cement Company Limited Ending the year on Good Note

- Attock Cement Company Limited's (ACPL) board meeting is scheduled on 16<sup>th</sup> Aug-16 to announce financial results for FY16. We estimate company's bottom line to post double digit growth of +26%YoY to PKR 2.8bn (EPS PKR 24.21) in FY16.
- ACPL is also expected to announce final cash dividend of PKR 11.0/share along with the results
- The scrip is currently trading at FY16/FY17 P/E multiple of 10.7x and 10.8x, respectively. With our Dec-16 TP of PKR 385/share, the stock offers upside of +48%, hence we maintain 'BUY' call on the scrip.

#### Profitability to go up by +26%YoY in FY16 to PKR 24.21/share

Attock Cement Company Limited's (ACPL) board meeting is scheduled on 16<sup>th</sup> Aug-16 to announce financial results for FY16. We estimate company's bottom line to post double digit growth of +26%YoY to PKR 2.8bn (EPS PKR 24.21) in FY16, primarily led by a) +2.6%YoY rise in cement despatches where local sales are predicted to have grown by +23%YoY and exports to drop by 23%YoY (FY16 local sales: export ratio of 72:28 versus 60:40 in last year), b) higher net realized price on the back of increased local sales, c) fuel saving attributed to lower coal prices, and d) lower power cost.

With government extending 3% super tax to another year, we calculate company's earnings to take a hit of PKR 1.17/share in FY16. ACPL is also expected to announce final cash dividend of PKR 11.0/share along with the results.

#### Another Good Quarter-EPS PKR 5.93

Company is probable to record performance jump of +20YoY to PKR 679mn (EPS PKR 5.93) as compared to PKR 564mn (EPS PKR 4.92), despite the higher effective tax rate of 42% in 2QFY16. Gross margin are likely to touch 42% in 4QFY16 versus 37% in same period last year, largely attributable to higher retention prices and lower energy cost.

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**Exhibit: Financial Highlights**

PKR mn	4QFY16E	4QFY15	YoY	FY16E	FY15	YoY
Revenue	3,511	3,296	7%	13,826	13,086	6%
Gross Profit	1,472	1,218	21%	5,444	4,396	24%
Selling and Admin	292	288	1%	1,399	1,334	5%
Other Income	90	80	13%	330	423	-22%
Tax	499	372	34%	1,281	1,015	26%
Net profit	679	564	20%	2,772	2,206	26%
EPS	5.93	4.92		24.21	19.26	
DPS	11.00	10.50		11.00	15.00	
Key Ratios						
Gross Margin	42%	37%		39%	34%	
Net Margin	19%	17%		20%	17%	
Effective Tax Rate	42%	40%		32%	32%	

Source: IGI Research, Company Financials

**Outlook**

Increase in FED from PKR 25/bag to PKR 50/bag in budget 2017 along with changing tide of coal prices, have led to cement price increase of PKR 40-60/bag in North and PKR 10-83/bag in South. We believe, greater demand considering initiation of CPEC projects and firm pricing power of cement manufacturers, would keep the profits on the higher side.

**Recommendation**

The scrip is currently trading at FY16/FY17 P/E multiple of 10.7x and 10.8x, respectively. With our Dec-16 TP of PKR 385/share, the stock offers upside of +48%, hence we maintain **'BUY'** call on the scrip.

### Analyst Certification

The analyst<sup>^</sup> hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

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Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

### Valuation Methodology

The analyst<sup>^</sup> has used following valuation methodology to arrive at the target price of the said security (ies):

- DCF (Discounted Cash Flow)

#### Time Horizon

- Dec - 2016

#### Risk

- Changes in State Bank of Pakistan Policy Rate
- Changes in country (Pakistan) macro-economic environment
- Changes in Company(ies) operating structure
- Change in Exchange Rate (USDPKR)

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