

Flash Note

Tuesday, 16 August 2016

Cements

ACPL: EPS PKR 25.24, up +31%YoY, accompanied by PKR 12.5/share cash dividend

- Attock Cement Pakistan Limited (ACPL) posted a phenomenal growth of +41%YoY to PKR 796mn (EPS: PKR 6.95) in 4QFY16, taking FY16 earnings to PKR 2.9bn (EPS PKR 25.24), depicting a growth of +31%YoY. Company also announced a final cash dividend of PKR 12.5/share, implying a 50% payout.
- Revenue went up by +6%YoY to PKR 13.9bn in FY16, on the back of +23%/-28%YoY increase/decrease in local sales/exports, resulting in higher net retention of PKR 7,114/ton as compared to PKR 6,865/ton in same period last year.
- Gross Margin improved by 654bpsYoY to 40% in FY16 as compared to 34% in same period last year, as local sales contribution towards total sales, is anticipated to have increased to 72% in FY16 as compared to 60% in same period last year, in tandem with low energy and fuel cost.
- Effective tax rate clocked in at 41% in 4QFY16 as compared to 40% in 4QFY15, due to super tax of 3%.

Recommendation

ACPL is on track with South expansion and we expect plant to come online in Jan-18. With our Dec-16 TP of PKR 384/share, stock provides +42% return.

Exhibit: Financial Highlights

PKR mn	4QFY16	4QFY15	YoY	FY16	FY15	YoY
Revenue	3,604	3,296	9%	13,918	13,086	6%
Gross Profit	1,615	1,218	33%	5,587	4,396	27%
Selling and Admin	250	288	-13%	1,357	1,334	2%
Other Income	101	80	28%	341	423	-19%
Tax	564	372	52%	1,346	1,015	33%
Net profit	796	564	41%	2,890	2,206	31%
EPS	6.95	4.92		25.24	19.26	
DPS	12.50	10.50		12.50	15.00	
Key Ratios						
Gross Margin	45%	37%		40%	34%	
Net Margin	22%	17%		21%	17%	
Effective Tax Rate	41%	40%		32%	32%	

Source: IGI Research, Company Financials

Analyst

Rashmina Lalani

rashmina.lalani@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 826

Analyst Certification

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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[^] 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)

Contact Details

Research Team

Saad Khan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext.: 810	saad.khan@igi.com.pk
Rashmina Lalani	Senior Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 826	rashmina.lalani@igi.com.pk
Abdullah Farhan	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 912	abdullah.farhan@igi.com.pk
Yawar Saeed	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 973	yawar.saeed@igi.com.pk
Abdul Sajid	Database	Tel: (+92-21) 111-234-234 Ext.: 974	abdul.sajid@igi.com.pk
Umesh Solanki	Database Assistant	Tel: (+92-21) 111-234-234 Ext.: 966	umesh.solanki@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Branch Manager (Islamabad)	Tel: (+92-51) 2604861-2	muhammad.naveed@igi.com.pk
Gul Hussain	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	gul.hussain@igi.com.pk
Laiq-Ur-Rehman	Branch Manager (RY Khan)	Tel: (+92-68) 5871653-6	Laiq.queeshi@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited | Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780
 Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, KSE Building, Stock Exchange Road, Karachi.
 Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
 Gulberg II, Lahore
 Tel: (+92-42) 35777863-70, 35876075-76
 Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
 Building, 2- Liaquat Road, Faisalabad
 Tel: (+92-41) 2540843-45
 Fax: (+92-41) 2540815

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area, Islamabad
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road, Rahim Yar Khan
 Tel: (+92-68) 5871653-6, 5871652
 Fax: (+92-68) 5871651