

Cements

ACPL: EPS PKR 5.86, Dividend curtailed on back of planned Capex

- Profitability posted a growth of +22%YoY to PKR 671mn (EPS: PKR 5.86) in 2QFY16, taking 1HFY16 earnings to PKR 1.15bn (EPS PKR 10.07), depicting a growth of +13%YoY.
- Revenue went up by 11%YoY to PKR 3.5bn in 2QFY16, on the back of +29%/-29%YoY increase/decrease in local sales/exports.
- Gross Margin improved by 233bpsYoY to 35% in 2QFY16 as compared to 33% in same period last year, as local sales contribution towards total sales, is anticipated to have increased to 69% in 2QFY16 as compared to 55% in same period last year, resulting in improved net retention.
- Effective tax rate has decreased to 21% in 2QFY16 as compared to 27% in same period last year.
- Company curtailed the dividend payout in the quarter, which in our view is due to future capex plans.

Recommendation

Company plans to enhance the production capacity in South region by 3,300mt/day at project cost of USD 120mn. This would increase ACPL's total production capacity to 2.9mn tons. A Joint Venture Agreement with an Iraqi company has also being signed to establish 0.9mnton cement grinding unit in Basra, at cost of USD 40mn, with ACPL's 60% share in the project. To reduce the dependency on national grid, a coal fired power plant is also being considered. The scrip is currently trading at FY16 P/E of 8.8x and offers +48% upside from last close. With our Dec-16 TP of PKR 266/share, we maintain our **'BUY'** call on the scrip.

Exhibit: Financial Highlights

PKR mn	2QFY16	2QFY15	YoY	1HFY16	1HFY15	YoY
Revenue	3,531	3,193	11%	6,397	6,369	0%
Gross Profit	1,249	1,055	18%	2,242	1,997	12%
Selling and Admin	395	362	9%	682	720	-5%
Other Income	62	122	-49%	150	214	-30%
Tax	178	201	-11%	428	352	22%
Net profit	671	552	22%	1,153	1,023	13%
EPS	5.86	4.82		10.07	8.93	
DPS	-	4.50		-	4.50	
Key Ratios						
Gross Margin	35%	33%		35%	31%	
Net Margin	19%	17%		18%	16%	
Effective Tax Rate	21%	27%		27%	26%	

Source: IGI Research, Company Financials

Analyst

Rashmina Lalani

rashmina.lalani@igi.com.pk

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

Analyst Certification

The analyst[^] 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.

Disclaimer

This document has been prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose.

Rating system

IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

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[^] 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

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.queishi@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- Liaqat 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