

# Flash Note

Tuesday, 23 January 2018



Securities

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## Cement

### ACPL: Higher effective tax rate pushes 2QFY18 earnings down by 20%YoY to PKR 4.78/share

- Attock Cement Pakistan Limited (ACPL) announced its financial results for 2QFY18 with unconsolidated earnings clocking in at PKR 548mn (EPS: PKR 4.78), down by 20%YoY (-9%QoQ), as against PKR 687mn (EPS PKR 6.00) in the same period last year.
- Net sales of the Company have increased by +3%YoY (+11%QoQ) to arrive at a level of 3.98bn mainly achieved on account of stable growth trend witnessed in local offtakes.
- The gross profit margin of the Company has declined by 257bps on a yearly basis to arrive at 35% during 2QFY18 owing to rising coal prices and impact of enhanced Federal Excise Duty (FED) on cement products.
- However major dent to earnings comes from enhanced effective tax rate of 42% as against corporate tax rate of 30%, thereby reducing 2QFY18 net profit margins to 14% in contrast to 18% in the same period last year.
- ACPL has started commercial operations of its 1.2mn tons per annum brownfield expansionary plant from January 09, 2018 which is expected to provide hefty earnings accretion in the upcoming periods.
- We maintain our **'BUY'** call on the scrip with our Dec-18 TP of PKR 359/share, offering upside of +80% from its last close. ACPL is currently trading at FY18E P/E of 7.0x having an estimated dividend yield of 5.7%.

Exhibit:

#### ACPL Result Highlights

Period end (JUN) - PKRmn	2QFY18	QoQ	YoY	1HFY18	1HFY17	YoY
Net Sales	3,979	11%	3%	7,570	7,229	5%
Gross Profit	1,388	14%	-4%	2,605	2,845	-8%
Sell. / Dist. & Admin	336	-14%	-6%	728	736	-1%
Non-Operating Income	17	53%	-61%	28	104	-73%
EBIT	1,013	27%	-4%	1,813	2,061	-12%
Financial Charges	68	542%	918%	78	16	376%
Pre-tax Profits	945	20%	-10%	1,735	2,044	-15%
Taxation	397	115%	9%	582	666	-13%
Post-tax Profits	548	-9%	-20%	1,153	1,378	-16%
EPS	4.78	-9%	-20%	10.1	12.0	-16%
DPS	-					
<b>Key Ratios</b>						
Gross Margin (%)	34.9			34.4	39.4	
Net Margin (%)	13.8			15.2	19.1	
Effective Tax Rate (%)	42.0			33.6	32.6	

Source: Company Accounts, IGI Research

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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**Time Horizon:** Dec – 2018

**Valuation Methodology:** The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

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