

Flash Note

Wednesday, 27 January 2021

Cements

Attock Cement Pakistan Limited (ACPL)

Resumed Demand and improved retention lightup performance; 2QFY21 earnings clock in at PKR 3.09/share

- Attock Cement Pakistan Limited (ACPL) announced its financial result for 2QFY21 wherein it reported a net profit of PKR 425mn (EPS: PKR 3.09), as against net profitability of PKR 405mn (EPS: PKR 2.95) in 2QFY20. This takes 1HFY21 earnings to PKR 544mn (EPS: PKR 3.96), down by 29% y/y as against PKR 763mn (EPS: PKR 5.55) reported in 1HFY20. In conjunction with the result the company did not announce any cash dividend.
- Net Sales of the Company during 2QFY21, as against 1QFY21 increased by 10%q/q and mere 2% y/y. This was largely driven by increase in sales volumes (up by mere ~1%y/y and 23% q/q) amid economic revival, higher retention, reduced FED and lower discounts.
- Gross margins of the company jacked up to 29% y/y as against 21% registered in last year. This was largely driven by better absorption of fixed cost amid higher volumetric sales.
- Selling and Distribution cost of the company jacked up by 25% y/y driven largely from freight cost associated with enhanced export sales made during the quarter.
- Finance charges shrunk by 30%y/y possibly due to series of rate cuts in benchmark inters rates however on a sequential basis it increased by 1.87x largely due to increased short term borrowing requirement during the period.
- Along with the result the Company also announced Board's approval of enhancing the capacity of its earlier announced Solar Power Plant of 7MW to 20MW. This would help the company to reduce its reliance on national grid and manage a sustainable energy mix.

| Exhibit: ACPL 2QFY21 Result Highlights | | | | | | | | |
|---|--------|--------|------|--------|------|----------------------|--------|------|
| Period end (JUN) - PKRmn | 2QFY21 | 2QFY20 | YoY | 1QFY21 | QoQ | 1HFY21 | 1HFY20 | YoY |
| Net Sales | 5,769 | 5,643 | 2% | 5,224 | 10% | 10,993 | 10,611 | 4% |
| Gross Profit | 1,670 | 1,193 | 40% | 970 | 72% | 2,641 | 2,493 | 6% |
| Sell. / Dist. & Admin | 905 | 709 | 28% | 725 | 25% | 1,631 | 1,328 | 23% |
| Other Operating expense | 37 | 32 | 16% | 15 | 147% | 52 | 68 | -24% |
| Other Income | 32 | 24 | 30% | 16 | 94% | 48 | 45 | 7% |
| EBIT | 760 | 477 | 59% | 246 | 208% | 1,006 | 1,142 | -12% |
| Financial Charges | 131 | 188 | -30% | 46 | 187% | 177 | 346 | -49% |
| Share of Profit | 3 | 3 | 19% | - | | 3 | 3 | 19% |
| Pre-tax Profits | 631 | 291 | 117% | 200 | 215% | 832 | 798 | 4% |
| Taxation | 206 | (114) | n/a | 81 | 154% | 287 | 35 | 720% |
| Post-tax Profits | 425 | 405 | 5% | 119 | 256% | 545 | 763 | -29% |
| EPS | 3.09 | 2.95 | | 0.87 | | 3.96 | 5.55 | |
| Key Ratios | | | | | | | | |
| Gross Margin (%) | 29% | 21% | | 23.7 | | 24% | 23% | |
| Net Margin (%) | 7% | 7% | | 7.2 | | 5% | 7% | |
| Source: IGI Research, Company Accounts, PSX | | | | | | No. of Shares: 137mn | | |

Analyst

Shumail Rauf

shumail.rauf@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 957

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views 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(s) 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: The information and opinions contained herein are 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. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to subject company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

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 target price on aforementioned security(ies) is more than 10%, from its last closing price(s) |
| Hold | If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s) |
| Sell | If target price on aforementioned security(ies) is less than -10%, from its last closing price(s) |

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2021 IGI Finex Securities Limited

Contact Details

Research Team

| | | | |
|-----------------|------------------|------------------------------------|----------------------------|
| Saad Khan | Head of Research | Tel: (+92-21) 111-234-234 Ext: 810 | saad.khan@igi.com.pk |
| Abdullah Farhan | Senior Analyst | Tel: (+92-21) 111-234-234 Ext: 912 | abdullah.farhan@igi.com.pk |
| Shumail Rauf | Research Analyst | Tel: (+92-21) 111-234-234 Ext: 957 | shumail.rauf@igi.com.pk |
| Bharat Kishore | Database Officer | Tel: (+92-21) 111-234-234 Ext: 974 | bharat.kishore@igi.com.pk |

Equity Sales

| | | | |
|-------------------|--|---------------------------|----------------------------|
| Faisal Jawed Khan | Head of Equities | Tel: (+92-21) 35301779 | faisal.jawed@igi.com.pk |
| Zaem Haider Khan | Regional Head (North) | Tel: (+92-42) 38303559-68 | zaem.haider@igi.com.pk |
| Muhammad Naveed | Regional Manager (Islamabad & Upper North) | Tel: (+92-51) 2604861-62 | muhammad.naveed@igi.com.pk |
| Irfan Ali | Regional Manager (Faisalabad) | Tel: (+92-41) 2540843-45 | irfan.ali@igi.com.pk |
| Asif Saleem | Branch Manager (RY Khan) | Tel: (+92-68) 5871652-56 | asif.saleem@igi.com.pk |
| Mehtab Ali | Branch Manager (Multan) | Tel: (+92-61) 4512003 | mahtab.ali@igi.com.pk |

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan 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 # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

| | |
|--|--|
| <p>Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559</p> | <p>Islamabad Office Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861</p> |
| <p>Faisalabad Office Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815</p> | <p>Rahim Yar Khan Office Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651</p> |
| <p>Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183</p> | |

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2021 IGI Finex Securities Limited