

Flash Note

Monday, 29 July 2019

Cements

Attock Cement Pakistan Limited (ACPL)

FY19 EPS clocks in at PKR 15.09 falls by 17%YoY to PKR 4.07; Volumes fail to deliver as margins fall substantially

- Attock Cement Pakistan Limited (ACPL) announced its financial results for 4QFY19 with earnings clocking in at PKR 697mn (EPS: PKR 5.07) as compared to PKR 2,573mn (EPS: PKR 18.72) reported in the same period last year. This brings FY19 EPS to PKR 15.09, down by 53%YoY, as against PKR 32.02 recorded in the comparative period last year. The Company announced dividends of PKR 4.0/share along with the result.
- The substantial decline in FY19 earnings is reflective of base effect anomaly present in FY18 earnings due to the mammoth onetime tax benefit claimed therein with respect to expansion plant commissioned last year, not available this year.
- During the financial year under review, sales of the Company grew by +23%YoY, largely driven by stable growth in domestic offtakes in South, exorbitant rise in clinker export volumes (courtesy excess available capacity from new plant) and positive impact of currency devaluation on export proceeds.
- Higher volumes during FY19 led to higher gross profits which inclined by +13%YoY, however, margins fell sharply by 760bps due to rising input costs, lower retentions and substantial sale of clinker, a comparatively invaluable product.
- Finance charges of the Company increased by 2.6x, majorly due to substantial rise in short term financing requirements of the Company and full year charge of liabilities subject to new plant during the current year as against half year charge in the comparative period.
- Effective tax rate of the Company stood at 14%, largely due to higher exports sales mix in the period, however, we await publication of annual report for further information in this respect.

Exhibit:

ACPL Result Highlights

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	4,630	5,027	-8%	20,781	16,884	23%
Gross Profit	1,193	1,492	-20%	4,803	5,187	-7%
Sell. / Dist. & Admin	440	856	-49%	1,920	1,704	13%
Non-Operating Income	155	17	9.2x	318	61	5.2x
EBIT	860	622	38%	3,052	3,381	-10%
Financial Charges	163	99	n/a	648	251	2.6x
Pre-tax Profits	697	523	33%	2,403	3,129	-23%
Taxation	0	(2,050)	n/m	330	(1,270)	n/m
Post-tax Profits	697	2,573	-73%	2,073	4,400	-53%
EPS	5.07	18.72		15.09	32.02	
DPS	4.00	8.00		4.00	8.00	
Key Ratios						
Gross Margin (%)	25.8	29.7		23.1	30.7	
Net Margin (%)	15.1	51.2		10.0	26.1	
Effective Tax Rate (%)	0.0	n/m		13.7	n/m	

Source: Company Accounts, IGI Research

No. of Shares : 137mn

Analyst

Muhammad Saad

muhammad.saad@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 816