

## Foundation Alert

### ATRL: Analyst Briefing Takeaways

#### Event

- Attock Refinery Limited (ATRL PA) held its Analyst briefing today to discuss its financial/operational performance for FY21 and future outlook of the company. Following are the key takeaways of the briefing.

#### Impact

- Company profitability clocked in at Rs1,068mn (EPS Rs10.02) in FY21 against loss of Rs4,685mn (LPS Rs43.95) in FY20. Management attributes company's better profitability to (1) lower fixed cost contribution given higher utilization levels, (2) inventory gains, (3) reversal of impairment booked earlier and (4) lower finance cost.
- ATRL management also discussed plans regarding US\$500mn investment in upgradation projects contingent upon incentives offered in upcoming refinery policy. ATRL plans to invest US\$500mn in upgradation of Continuous Catalyst Regeneration (CCR) and to revamp its DHDS unit for production of Euro-V. Management expects to achieve COD of these project in 4-5 years. To highlight, some of the suggestions by companies in the Refinery Policy have already been incorporated in the Finance Act, 2021.
- Furthermore, company has already completed Licensor Front End Engineering Design (FEED)/Basic Engineering Design Package (BEDP) for CCR Platforming Unit and feasibility study for DHDS unit revamp project.
- The company management also disclosed that 30-40% of the project cost would be financed through incremental revenues earned under the new policy while remaining would be financed through debt taken from local consortium of banks.
- Company has also discussed its Bottom-of-the-Barrel (BOB) Upgradation project for furnace oil and disclosed that it would be a greenfield project with equity stake of majority oil refineries operating in Pakistan (including PARCO) with investment of US\$1.5bn. To highlight, feasibility study of the project is in progress and is being prepared by a renowned international consultant.
- Moreover, ATRL management also discussed its plan regarding new deep conversion Greenfield refinery of 50K BPD capacity. Management disclosed that project is at initial planning stage and its execution depends on enhanced supplies of local crude in north market.
- Furthermore, management also discussed upcoming refinery policy 2021 and disclosed that policy to be formally approved in CY21 as deadline for obtaining fiscal incentives under Finance Act 2021 is Jan'22.
- To highlight, incremental amount under new refinery policy will be booked initially as revenue and then would be transferred to reserved account for expansion project.

#### Outlook

- The company is not in our formal coverage.

#### Analyst

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Fig 01: ATRL FY21 Key Consolidated Financial Highlights

Rs (mn)	4QFY21	4QFY20	YoY	QoQ	FY21	FY20	YoY
Net sales	38,505	10,615	263%	9%	127,836	119,901	7%
Cost of sales	39,491	12,258	222%	11%	130,299	125,000	4%
<b>Gross profit</b>	<b>(986)</b>	<b>(1,643)</b>	<b>-40%</b>	<b>279%</b>	<b>(2,463)</b>	<b>(5,099)</b>	<b>-52%</b>
Admin expenses	216	204	6%	9%	830	879	-6%
Distribution expenses	19	14	38%	56%	52	48	9%
Other expense	(533)	169	-415%	-1424%	(401)	361	na
Other income	139	566	-75%	-64%	1,483	2,785	-47%
<b>EBIT</b>	<b>(549)</b>	<b>(1,464)</b>	<b>-63%</b>	<b>340%</b>	<b>(1,461)</b>	<b>(3,602)</b>	<b>-59%</b>
Finance cost	222	29	655%	-5%	853	1,064	-20%
PBT	(771)	(1,493)	-48%	115%	(2,313)	(4,666)	-50%
Taxation	(360)	425	na	-458%	79	1,293	-94%
Profit from refinery operation	(1,130)	(1,068)	6%	339%	(2,234)	(3,373)	-34%
Income from Non-refinery operations	2,289	(1,729)	na	485%	3,302	(1,312)	na
<b>PAT</b>	<b>1,159</b>	<b>(2,797)</b>	<b>na</b>	<b>765%</b>	<b>1,068</b>	<b>(4,685)</b>	<b>na</b>
EPS from refinery operations	10.87	(26.24)			10.02	(43.95)	
GP Margins	-2.6%	-15.5%			-1.9%	2.3%	
EBIT Margins	-1.4%	-13.8%			-1.1%	-1.1%	

Source: Company Accounts, Foundation Research, September 2021

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.