PAKISTAN November 30, 2022

Foundation Alert

ACPL: Analyst Briefing Takeaways

Event

- Attock Cement Company Limited (ACPL PA) held its Analyst briefing today to discuss its financial/operational performance for FY22 and future outlook of the company. Following are the key takeaways of the briefing.

Impact

- Attock Cement Company Limited (ACPL PA) profitability clocked in at Rs1.12bn (EPS of Rs8.16) in FY22 as compared to Rs1.10bn (EPS of Rs8.06) in FY21. Whereas, 1QFY23 profitability came in at Rs116mn (EPS 0.84) against Rs271mn (EPS1.97) in 1QFY22.
- Management attributes increase in profitability to (1) higher cement retention prices as total dispatches declined and (2) increase in other income on the back of dividend income from associated companies. However, higher interest charges and effective tax rate has restricted profitability growth.
- ACPL management also discussed 4% YoY decrease in company revenue in FY22 and disclosed that the decline was mainly due to lower sales as total dispatches declined 31.5% YoY. Specifically, domestic/export dispatches increased/decreased by 6.1/60.3% YoY.
- In addition, 80% of revenue was generated from local market while remaining 20% from exports (mainly from Sri Lanka and Bangladesh).
- ACPL total installed capacity for clinker is 2.9mn ton which will be increased to 4.2mn ton/annum after the expansion.
- Regarding coal mix, management informed that consumption of local/imported is 30/70% in FY22. Imported coal from RBCT/Mozambique is costing US$200/169/ton.
- ACPL management also discussed current power mix of the company which stands at 30-40/50-60% on national grid/ captive generation. To highlight, company installed solar power plant of 21MW at its Karachi site, operational since January 1, 2022.
- On expansion front, management has shared that ACPL is in the process of installing Line-4 of 4000 TPD, which expected to get operational in 2HFY23.
- To highlight, company also has installed cement grinding unit in Basra, Iraq with capacity 540,000 ton/annum.
- Management is expecting cement demand to squeeze by ~10% in FY23.

Outlook

- Company profitability is expected to remain under pressure in near term due to (1) lower dispatches in both domestic and export market, (2) higher finance cost given increase in interest rates, (3) higher fuel cost due to increase in international coal prices amid restricted supply of Afghan coal in south region and (4) increase in energy cost for company cement operations in Iraq.

Fig 01: ACPL 1QFY23 Financial Highlights (Rs mn)

	1QFY23	1QFY22	YoY	QoQ	FY22	FY21	YoY
Sales - net	4,364	4,427	-1%	-3%	20,479	21,245	-4%
COGS	3,629	3,588	1%	-7%	16,777	16,602	1%
Gross profit	**735**	**839**	**-12%**	**20%**	**3,702**	**4,643**	**-20%**
Distribution Expenses	300	320	-6%	92%	1,295	2,203	-41%
Admin Expenses	200	149	34%	32%	641	568	13%
Other operating income	82	43	90%	-65%	927	140	560%
Other operating expenses	11	23	-52%	-29%	124	114	9%
EBIT	**307**	**390**	**-21%**	**-41%**	**2,570**	**1,897**	**35%**
Financial Charges	136	38	255%	37%	258	357	-28%
PBT	**171**	**352**	**-52%**	**-60%**	**2,312**	**1,540**	**50%**
Taxation	55	81	-32%	-89%	1,190	433	175%
PAT	**116**	**271**	**-57%**	**na**	**1,122**	**1,107**	**1%**
EPS@137.4mn sh	0.84	1.97			8.16	8.06	
GP Margins	16.90%	19.00%			18.08%	21.85%	
EBIT Margins	7.00%	8.80%			12.55%	8.93%	
NP Margins	2.70%	6.10%			5.48%	5.21%	

Source: PSX, Company Accounts, Foundation Research, November 2022

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Recommendations definitions

If

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