

Foundation Alert

ACPL: 1st tranche received on sale of subsidiary Saqr-Al-Keetan

Event

- Attock Cement Pakistan Limited has received the 1st tranche of US\$11.7mn against the sale of its entire shareholding in its subsidiary, Saqr Al Keetan for Cement Production Company Limited (SAK), a company in Iraq.

Impact

- ACPL had sold its entire shareholding (60%) in its subsidiary, SAK for consideration of US\$23.4mn that is envisaged to be realized in 3 tranches.
- In this respect, first tranche of US\$11.7mn has been realized today.
- Second tranche of US\$5.85mn would be realized no later than 15 months from the payment of first tranche. The final tranche of US\$5.85mn will be realized no later than 3 months from the date of payment of second tranche.
- The amount received from the sale of SAK will be remitted back to ACPL in Pakistan for its utilization as working capital.
- Disposal of stake in SAK would result in capital gain of US\$5.343mn, which the Board believes would provide additional liquidity for utilization in other profitable ventures.
- Moreover, company would receive total consideration of Rs6.7bn against investment value of Rs1.8bn which translate into one time gain of Rs4.9bn having an EPS impact of Rs35.5.

Outlook

- Company profitability is expected to remain under pressure in near term due to (1) higher finance cost due to all time high interest rates, (2) steep Rs depreciation, (3) uncertainty over pricing discipline as new capacities achieve COD and (4) increase in other overheads cost due to inflation.
- However, decline in coal prices along with falling freight charges would rejuvenate company's cement exports. To highlight, coal prices plunged ~78.5% from their peak of US\$460.2/ton to US\$98.8/ton, a low of two years.

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