

ACPL-FY19 Result Preview

- The board meeting of Attock Cement (ACPL) is scheduled on Monday 29th July 2019 to announce its financial result for FY19.
- We anticipate company to post PAT of Rs1.9bn (EPS: Rs13.99) in FY19E as against PAT of Rs4.4bn (EPS: Rs32.02) in FY18, depicting a decline of 56.3% YoY. Along with the result, we expect company to announce a cash dividend of Rs 7/share.
- The top line of the company is expected to grow by 31.1% YoY to Rs22.13bn during FY19 against Rs16.88bn in the same period last year. The growth is expected due to higher volumetric sales where major support is expected to come from an increase in clinker exports as company has sizeable orders from Bangladesh, Srilanka, Kenya and Tanzania.
- We expect company's gross margin to settle at 23.7% YoY in FY19 against 30.7% in SPLY. We foresee most of the decline can be attributed to higher depreciation which grew ~24 YoY.
- We believe distribution expense of the company to jump by 39.4% Y/Y in FY19. This is because of higher clinker/cement exports.
- Additionally, Finance cost of the company is estimated to grow to Rs706mn in FY19 against Rs251mn in FY18 due to loans taken for 4000tpd expansion and equity participation in Iraq grinding project.

Outlook

We maintain a "BUY" recommendation at current trading levels with Dec'19 target price of Rs115/share, offering a gain of ~57% from the last close.

<i>Income Statement (Rs in mn)</i>	4QFY19E	4QFY18A	Y/Y	FY19E	FY18	Y/Y
Net sales	5,828	4,820	20.9%	22,135	16,884	31.1%
Cost of sales	-4,353	-3,535	23.1%	-16,893	-11,698	44.4%
Gross Profit	1,475	1,285	14.8%	5,241	5,187	1.1%
Distribution expense	-478	-492	-2.9%	-1,734	-1,171	48.1%
Administrative expense	-141	-157	-10.3%	-521	-533	-2.3%
Other operating expense	-60	-31	93.3%	-162	-163	-0.4%
Other income	75	17	340.3%	238	61	291.1%
Finance cost	-220	-99	0.0%	-706	-251	0.0%
Profit before taxation	650	523	24.4%	2,356	3,129	-24.7%
Taxation	-105	2,050	-105.1%	-434	1,270	-134.2%
Profit after taxation	546	2,573	-78.8%	1,922	4,400	-56.3%
EPS	3.97	18.72		13.99	32.02	
DPS				7.00	8.00	
Gross Margins	25.3%	26.7%		23.7%	30.7%	

Source: Co.Financials, Darson Research

Important disclosures

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Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices.

Rating System:

If;

- **Expected return >15%** - Buy Call
- **Expected Return is in between 0% to 15%** - Neutral/Hold Call
- **Expected Return <0%** - Sell Call

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: www.JamaPunji.pk

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