

# Attock Cement Pakistan Limited

9MFY16 EPS expected at PKR17.0/sh

## ACPL – Market-weight

Target Price: PKR 234

Current Price: PKR 221

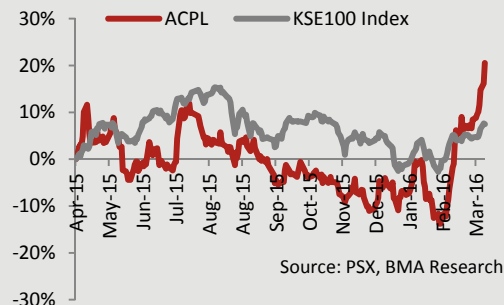
### ACPL Performance

	1M	3M	12M
Absolute %	29%	26%	21%
Relative to KSE %	25%	24%	13%

Source: PSX, BMA Research

Bloomberg	ACPL.PA
Reuters	ATOC.KA
MCAP (USD mn)	241
12M ADT (USD mn)	0.1
Shares Outstanding (mn)	115

### Relative Chart KSE-100 vs ACPL



The meeting of the Board of Directors of Attock Cement Pakistan Limited (ACPL) is scheduled on Apr 13'16 to consider financial results for the period ended 9MFY16. We expect the company to post earnings of PKR1.9bn (EPS: PKR17.0) in 9MFY16, representing a growth of 14.5%YoY. The growth will primarily be a factor of i) 24%YoY higher local dispatches, driving up the topline by 4%YoY and ii) ~10%YoY and 22%YoY decline in effective power tariff and coal prices, respectively. On a sequential basis, earnings are expected to jump 17%QoQ in 3QFY16, on the back of i) 9.2%QoQ increase in topline following 8%QoQ growth in dispatches and ii) 18%QoQ cut in effective tariff due to PKR3.5/unit fuel adjustments. However, 11ppsQoQ expected increase in effective tax rate in 3QFY16 is expected to limit the QoQ growth in earnings. Even though the company is expected to reduce its dividend payout to 40% (the mandatory dividend requirement), however, substantial earnings growth and first commissioning of the expanded capacity in the South will keep the company fundamentals upbeat. At our target price of PKR234/sh, the scrip offers a total return of 14%, as of last close - Market-weight

**Southern dispatch boom; augmenting earnings growth:** Total dispatches for ACPL in 9MFY16 are expected to witness a growth of 1%YoY with local dispatches expected to increase by 24%YoY. However, 30%YoY decline in exports is expected to restrict the overall growth in dispatches. On a sequential basis, total dispatches are expected to grow by 8%QoQ (15% local; -6% exports) primarily due to seasonal uptick in demand coupled with heavy private and public sector construction activity. Going forward, the dispatches are expected to remain strong following development in Gwadar coupled with continued boom in housing and residential construction.

**Tariff cut; a major margins driver:** ACPL's gross margins are expected to clock in at 37% in 9MFY16, up 4.4ppsYoY compared to 33% in the same period last year. In 3QFY16 alone, the company is expected to post margins of 41%, up 5.3ppsQoQ. The expansion in margins is led by i) 18%QoQ lower power tariffs due to average PKR3.5/unit fuel adjustments (taking average tariff down to PKR11.0/unit), ii) 7%QoQ decline in coal prices and iii) higher local dispatches in total sales mix (up 4pps).

**Investment perspective:** Even though the company is expected to reduce its dividend payout to 40% (the mandatory dividend requirement), however, substantial earnings growth and first commissioning of the expanded capacity in the South will keep the company fundamentals upbeat. At our target price of PKR234/sh, the scrip offers a total return of 14%, as of last close – Market-weight

### Financial Summary

	3QFY16	2QFY16	▲	9MFY16	9MFY15	▲
Sales	3,856	3,530	9.2%	10,253	9,898	3.6%
GM	41%	35%	5.3%	37%	33%	4.4%
PBT	1,161	849	36.8%	2,742	2,225	23.2%
PAT	790	671	17.7%	1,942	1,696	14.5%
EPS	6.9	5.8	17.7%	17.0	14.8	14.5%

Source: Company accounts, BMA Research

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Rating definitions	
Overweight	Total stock return > expected market return + 2%
Market-weight	Expected market return $\pm$ 2%
Underweight	Total stock return < expected market return - 2%

\*Total stock return = capital gain + dividend yield

Old rating system (discarded effective Feb 29'16)

Buy	>20% upside potential
Accumulate	>=5% to <=20% upside potential
Hold	<5% to >5% potential
Reduce	<=-5% to >=-20% downside potential
Sell	<-20% downside potential

## Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

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