

Flash Note

Tuesday, 17 April 2018

Cements

ACPL: Lower retentions and high input prices drove 3QFY18 earnings down by 22%YoY to PKR 5.88/share

- Attock Cement Pakistan Limited (ACPL) announced its financial results for 3QFY18 with earnings clocking in at PKR 674mn (EPS: PKR 5.88) as compared to PKR 860mn (EPS: PKR 7.51) in the same period last year. On a cumulative basis this brings 9MFY18 earnings to PKR 1.83bn (EPS: PKR 15.95) as against PKR 2.24bn (EPS: PKR 19.55) in the corresponding period last year.
- Net sales of the Company have increased by +15%YoY (+14%QoQ) to arrive at a level of 4.57bn mainly achieved on account of impressive growth trend witnessed in local offtakes and impact of fresh capacity worth 1.24mn tpa resolving capacity constraints.
- Gross profits during 3QFY18 fell by 21%YoY to PKR 1.38bn largely owing to lower retentions due to imposition of higher FED, elevated coal prices globally and impact of incremental depreciation emanating from expansion plant. Accordingly, gross profit margins of the Company fell to 30% in contrast to 43% reported in the similar period last year.
- Effective tax rate stood at 23% during 3QFY18 compared to 34% recorded in the corresponding period last year, likely due to application of tax holiday on profits driven by new plant as per clause 126L of the Income Tax Ordinance (ITO). The Company has not taken the impact of 942mn tax credit available as per section 65B of the ITO on account of its expansion plant, which we expect it to avail it by year end.

Exhibit:

ACPL Result Highlights

Period end (JUN) - PKRmn	3QFY18	3QFY17	QoQ	9MFY18	9MFY17	YoY
Net Sales	4,572	4,014	14%	12,142	11,242	8%
Gross Profit	1,375	1,730	-21%	3,980	4,574	-13%
Sell. / Dist. & Admin	405	347	17%	1,133	1,083	5%
Non-Operating Income	16	24	-31%	44	127	-66%
EBIT	945	1,304	-28%	2,759	3,365	-18%
Financial Charges	74	2	3926%	152	18	733%
Pre-tax Profits	871	1,302	-33%	2,606	3,347	-22%
Taxation	198	442	-55%	780	1,108	-30%
Post-tax Profits	674	860	-22%	1,827	2,238	-18%
EPS	5.88	7.51	-22%	15.95	19.55	
DPS	-	-		-	-	

Key Ratios

Gross Margin (%)	30.1	43.1		32.8	40.7	
Net Margin (%)	14.7	21.4		15.0	19.9	
Effective Tax Rate (%)	22.7	33.9		29.9	33.1	

Source: Company Accounts, IGI Research

No. of Shares : 115mn

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Time Horizon: Dec – 2018

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Discounted Cash Flow)

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