

Flash Note

Wednesday, 15 August 2018

Cements

Attock Cement Pakistan Limited (ACPL)

FY18 earnings close at PKR 38.42/share; Substantial tax credit on expansion plant dominates earnings result

- The company announced its FY18 annual financial results with earnings clocking in at PKR 4.40bn (EPS: PKR 38.42) as compared to PKR 3.03bn (EPS: PKR 26.49) in the same period last year. On a quarterly basis, the Company reported 4QFY18 earnings at PKR 2.57bn (EPS: PKR 22.47) as against PKR 796mn (EPS: PKR 6.95) in the corresponding period last year.
- The Company announced a cash dividend of PKR 8.00/share and 20% bonus share issue along with the result.
- Net sales of the Company during FY18 have increased by +15%YoY to 4.74bn, mainly achieved on account of impressive growth trend witnessed in local offtakes and impact of fresh capacity worth 1.24mn tons resolving capacity constraints.
- Gross profits during FY18 fell by 12%YoY to PKR 5.19bn largely owing to lower retentions due to imposition of higher FED, elevated coal prices globally, PKR devaluation against the greenback and impact of incremental depreciation emanating from expansion plant. Accordingly, gross profit margins of the Company fell to 31% in contrast to 40% reported in the similar period last year.
- The Company has recorded a substantial tax reversal amounting to PKR 2.01bn in 4QFY18 likely owing to 10% tax credit on the amount of plant and machinery invested in its expansion plant (brought around in Jan this year) as allowed by Section 65B of the Income Tax Ordinance. This brings annual tax refundable to PKR 1.27bn as against a charge of PKR 1.41bn reported in the similar period of the corresponding year.

Exhibit:

ACPL Result Highlights

Period end (JUN) - PKRmn	4QFY18	4QFY17	YoY	FY18	FY17	YoY
Net Sales	4,742	3,493	36%	16,884	14,735	15%
Gross Profit	1,207	1,318	-8%	5,187	5,892	-12%
Sell. / Dist. & Admin	571	240	2.38x	1,704	1,323	29%
Non-Operating Income	17	109	-84%	61	237	-74%
EBIT	622	1,107	-44%	3,381	4,472	-24%
Financial Charges	99	10	9.80x	251	28	8.85x
Pre-tax Profits	523	1,097	-52%	3,129	4,444	-30%
Taxation	(2,050)	302	8.8x	(1,270)	1,410	-0.90x
Post-tax Profits	2,573	796	3.23x	4,400	3,034	45%
EPS	22.47	6.95	3.23x	38.42	26.49	
DPS	8.00	13.50		8.00	13.50	

Key Ratios

Gross Margin (%)	25.5	37.7		30.7	40.0	
Net Margin (%)	54.3	22.8		26.1	20.6	
Effective Tax Rate (%)	n/m	27.5		(40.6)	31.7	

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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