

ACPL

1QFY22 Result Review: Stance upgraded to BUY

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ACPL has announced its 1QFY22 result where it posted a profit after tax of Rs271mn (EPS: Rs1.97) as compared to a profit after tax of Rs119mn (EPS: Rs0.87) in the same period last year up by 127% YoY.

The company has posted a revenue of Rs4.4bn against Rs5.2bn in SPLY, recording a decline of 15% YoY. We note that this decline is attributed to the decrease in volumetric sales.

The gross margin slightly increased to 19% as compared to 18.6% during SPLY. SG&A expenses have declined by 35.4% YoY to Rs469mn as compared to Rs725mn during SPLY.

Lastly, the decline in finance cost by 16.4% YoY and increase in other income by 164% during SPLY supported the bottom line.

Going forward, we expect the coal prices to ease down amid worldwide efforts to ensure supply which would reduce the cost pressure. ACPL is currently trading at FY22 PE of 12.15x. Further, the script is also trading at a FY22E P/B of 1.03x which offers a discount of 9% relative to its historical 3-year average of 1.13x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs193 which provides an upside potential of 42%. Further, it provides a dividend yield of 4%, which makes the cumulative return of 46%.

Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	4,427	5,224	15.3% ▼	21,245	18,501	14.8% ▲
Cost of Sales	-3,588	-4,254	15.7% ▼	-16,602	-14,252	16.5% ▲
Gross Profit	839	970	13.5% ▼	4,643	4,249	9.3% ▲
SG&A Expenses	-469	-725	35.4% ▼	-2,771	-2,338	18.5% ▲
Other Expenses	-23	-15	53.3% ▲	-114	-92	23.7% ▲
Operating Profit	347	230	51.0% ▲	1,757	1,819	3.4% ▼
Other Income	43	16	164.3% ▲	135	234	42.3% ▼
Finance Cost	-38	-46	16.4% ▼	-357	-526	32.0% ▼
Profit Before Taxation	352	200	75.6% ▲	1,540	1,532	0.5% ▲
Taxation	-81	-81	-	-433	-425	1.8% ▲
Profit After Taxation	271	119	126.8% ▲	1,107	1,107	0.0% ▼
Earnings Per Share	1.97	0.87	126.8% ▲	8.06	8.06	0.0% ▼
Dividend	0.00	0.00	-	4.00	3.50	14.3% ▲
Bonus	-	-	-	-	-	-
Gross Margin	19.0%	18.6%	0.4% ▲	21.9%	23.0%	1.1% ▼
SG&A Expenses to Sales	-10.6%	-13.9%	3.3% ▼	-13.0%	-12.6%	0.4% ▲
Other Income to Sales	1.0%	0.3%	0.7% ▲	0.6%	1.3%	0.6% ▼
Ex. Gain / (Loss) to Sales	-10.6%	-13.9%	3.3% ▼	-13.0%	-12.6%	0.4% ▲
Effective Taxation	-23.0%	-40.4%	17.4% ▼	-28.1%	-27.7%	0.4% ▲
Net Margin	6.1%	2.3%	3.8% ▲	5.2%	6.0%	0.8% ▼

Source: ACPL Research, Company Financials

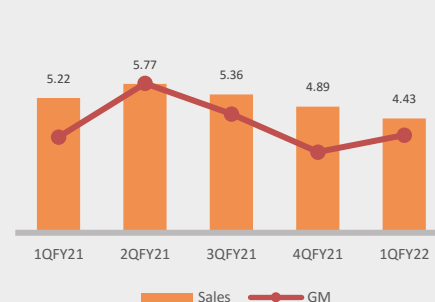
Key Statistics

Symbol	ACPL
TP - Jun 22	193
LDCP	138
Upside (%)	42
Free Float ('mn)	27
Market Cap. (Rs.'mn)	18,588

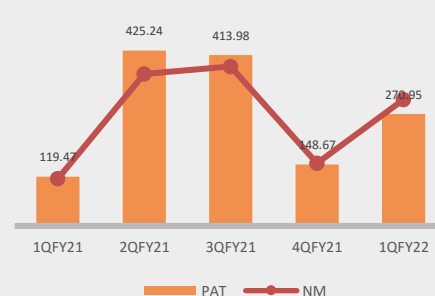
ACPL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Nauman Naeem

Phone: (+92) 42 38302028; Ext: 116

Email: nauman@abbasiandcompany.com

Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	20,781	18,501	21,245	23,779	25,234	27,787	30,116
Cost of sale	15,978	14,252	16,602	19,866	20,369	21,972	23,609
Gross profit	4,803	4,249	4,643	3,913	4,865	5,815	6,507
Selling and promotion expenses	1,415	1,831	2,203	892	946	1,042	1,129
Administration expenses	505	507	568	476	505	556	602
Other operating expenses	150	92	114	235	185	190	203
Operating Profit	2,733	1,819	1,757	2,311	3,229	4,028	4,572
Other operating income	294	234	135	232	246	271	293
Finance cost	648	526	357	345	345	345	345
Profit before taxation	2,403	1,532	1,540	2,197	3,130	3,953	4,520
Taxation	330	425	433	659	939	1,186	1,356
Profit after taxation	2,073	1,107	1,107	1,538	2,191	2,767	3,164
EPS	15.09	8.06	8.06	11.19	15.94	20.13	23.02

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	26.0%	-11.0%	14.8%	11.9%	6.1%	10.1%	8.4%
Cost of sale	36.6%	-10.8%	16.5%	19.7%	2.5%	7.9%	7.4%
Gross profit	0.1%	-11.5%	9.3%	-15.7%	24.3%	19.5%	11.9%
Selling and promotion expenses	80.9%	29.4%	20.3%	-59.5%	6.1%	10.1%	8.4%
Administration expenses	-5.2%	0.4%	12.1%	-16.3%	6.1%	10.1%	8.4%
Other operating expenses	-8.1%	-38.4%	23.7%	105.9%	-21.3%	2.5%	7.2%
Operating Profit	-17.7%	-33.5%	-3.4%	31.5%	39.7%	24.7%	13.5%
Other operating income	383.2%	-20.5%	-42.3%	71.7%	6.1%	10.1%	8.4%
Finance cost	158.2%	-18.9%	-32.0%	-3.4%	0.0%	0.0%	0.0%
Profit before taxation	-23.2%	-36.2%	0.5%	42.7%	42.4%	26.3%	14.3%
Taxation	-126.0%	28.8%	1.8%	52.4%	42.4%	26.3%	14.3%
Profit after taxation	-52.9%	-46.6%	0.0%	38.9%	42.4%	26.3%	14.3%
EPS	-52.9%	-46.6%	0.0%	38.9%	42.4%	26.3%	14.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	23.11	22.97	21.85	16.46	19.28	20.93	21.61
NP Margin	%	9.98	5.99	5.21	6.47	8.68	9.96	10.51
OP Margin	%	13.15	9.83	8.27	9.72	12.80	14.50	15.18
ROE	%	12.88	6.69	6.45	8.47	11.13	12.87	13.48
ROCE	%	9.03	5.11	4.15	5.61	7.57	9.00	9.67
ROA	%	7.59	4.04	5.20	7.14	9.44	11.11	11.80
Cost per ton	'mn	5.11	4.86	5.47	7.33	7.64	7.96	8.29
EBITDA per ton	'mn	0.60	0.42	0.83	0.97	1.27	1.45	1.55

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	0.91	0.89	0.27	0.32	0.47	0.60	0.74
Acid-test	x	0.16	0.18	-0.23	-0.21	-0.06	0.06	0.19
Cash to current liab.	x	0.04	0.09	-0.29	-0.28	-0.14	-0.02	0.11

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Average Inventory	'mn	3,522	3,431	3,752	4,434	4,893	5,149	5,543
Inventory Turnover	x	5	4	4	4	4	4	4
Inventory Days		167	157	155	186	214	213	173
Receivables Days		14	10	10	10	10	10	10
Payables Days		82	107	107	107	107	107	107
Operating Cycle		99	60	57	89	117	115	76
Utilization	%	81	58	64	71	78	85	91
Export Revenue	%	24	30	30	30	30	30	31
Local Revenue	%	76	70	70	70	70	70	69
Export Market Share	%	15	9	8	7	7	6	6
Local Market Share	%	23	22	22	21	20	19	18
Total Market Share	%	20	15	15	13	13	12	11

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	15.09	8.06	8.06	11.19	15.94	20.13	23.02
DPS	Rs.	4.00	3.50	4.00	4.86	6.92	8.74	10.00
Div. Yield	%	2.94	2.57	2.94	3.57	5.09	6.43	7.35
Dividend Cover	x	3.77	2.30	2.01	2.30	2.30	2.30	2.30
BVPS	Rs.	117.15	120.45	125.00	132.20	143.28	156.49	170.77
Payout	%	26.51	43.43	49.64	43.43	43.43	43.43	43.43
Retention	%	73.49	56.57	50.36	56.57	56.57	56.57	56.57
No. of Shares	'000	137	137	137	137	137	137	137
P/E		9.02	16.88	16.88	12.15	8.53	6.75	5.91
Sales per share		151.21	134.62	154.59	173.03	183.62	202.20	219.14
P/BV		1.16	1.13	1.09	1.03	0.95	0.87	0.80
Price to Sales		0.90	1.01	0.88	0.79	0.74	0.67	0.62

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	0.43	0.31	0.56	0.51	0.47	0.43	0.40
L.T. Debt to Equity	x	0.14	0.02	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	4.21	3.46	4.91	6.69	9.35	11.66	13.24

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com