ATTOCK CEMENT PAKISTAN LTD. (ACPL)

April 13th, 2017

HOLD

Price Target : PKR 340/sh

CURRENT MARKET DATA

Current Price	336
Market Cap (PKR mn)	38,478.7
52 wk Hi	374.4
52 wk low	215.7
Outstanding shares (mn)	114.52
P/E (x)	13.7
P/B (x)	3.23
Free Float (%)	20%
KATS Code	ACPL

Sources: PSX

RELATIVE TO KSE—100

Source: PSX

ACPL—EARNINGS HIGHLIGHTS 9MFY17E

PKR 'mn'	9MFY17E	9MFY16A	YoY
Net Sales	11,229	10,315	9%
Cost of sales	6,973	6,343	10%
Gross Profit	4,256	3,971	7%
PBT	3,097	2,876	8%
Tax	993	782	27%
PAT	2,105	2,094	1%
EPS	**18.38**	**18.28**	**1%**

Source: Nael Research, Company accounts

Taha Rehman AC
taha@naelcapital.com
(+92-21) 32461812-13 (Ext.) 150

Earnings likely to clock in at PKR 6.35/sh in 3QFY17E

- Attock Cement Pakistan Ltd. (ACPL) is scheduled to announce its 3QFY17E financial results on April 17th, 2017 where we expect the company to post an EPS of PKR 6.35, down by significant 23%YoY.
- Earnings for 3QFY17E are anticipated to remain subdued clocking in at PKR 727mn (EPS: PKR 6.35) as compared to PKR 941mn (EPS: PKR 8.22) in 3QFY16A, whereas sequentially a growth of minute 6%QoQ is projected.
- Topline of the company is estimated to grow by 2%YoY owing to picking up cement prices in south despite a meager drop in total dispatches by 2%QoQ lead by losing export share of the company.
- Changing commodity cycle and a sudden pick in coal prices has suppressed the gross margins of our cement universe. We expect ACPL's GP margins to drop by 2ppts(QoQ)/9ppts(YoY) settling at 35%.
- The gross profit of the company is expected to drop 18%YoY posting at PKR 1.4bn.
- ACPL's plant is already operating beyond maximum capacity that is supported by continuous BMR by the firm, however further delays in expansion of the new line might be a trigger and poses a threat.
- On yearly basis, finance cost is estimated to rise 47%YoY, as we expect the company to increase short term borrowings in the coming period to maintain liquidity, post depletion of short term investment.
- We switch our stance from sell to "**HOLD**" recapping our June'17E PT to PKR 340/sh.

Investment Risks: The key risks to our investment thesis are 1) Delay in Expansion 2) Inflating Coal prices 3) Declining local demand 4) Breakdown of Price arrangement & 5) Increase in Interest rates.

ACPL—FINANCIAL HIGHLIGHTS 3QFY17E

PKR 'mn'	3QFY17E	3QFY16A	YoY	3QFY17E	2QFY17A	QoQ
Net Sales	4,000	3,918	2%	4,000	3,870	3%
Cost of sales	2,588	2,189	18%	2,588	2,420	7%
Gross Profit	1,411	1,730	-18%	1,411	1,450	-3%
Finance Cost	6	4	47%	6	7	-11%
PBT	1,053	1,295	-19%	1,053	1,050	0%
Tax	326	354	-8%	326	363	-10%
PAT	727	941	-23%	727	687	6%
EPS	**6.35**	**8.22**	**-23%**	**6.35**	**6.00**	**6%**

Source: Nael Research, Company accounts

Fauji Cement Company Ltd. (FCCL)

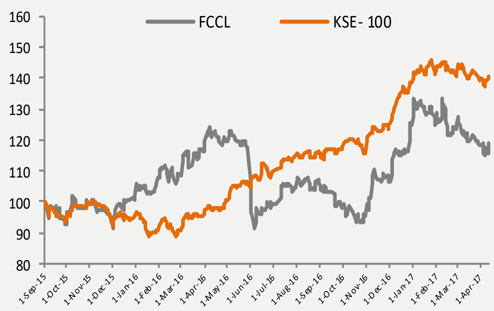
HOLD

Price Target : PKR 47.03/sh

Current Market Data	
Current Price	42
Market Cap (PKR mn)	57,828.0
52 wk Hi	48.19
52 wk low	32.85
Outstanding shares (mn)	1379.82
P/E (x)	25.1
P/B (x)	3.21
Free Float (%)	55%
KATS Code	FCCL

Source: PSX

Relative To KSE—100



Source: PSX

FCCL—Earnings Highlights 9MFY17E

PKR 'mn'	9MFY17E	9MFY16A	YoY
Net Sales	15,916	15,195	5%
Cost of sales	12,406	8,116	53%
Gross Profit	3,510	7,080	-50%
PBT	2,767	6,061	-54%
Tax	826	1,724	-52%
PAT	1,941	4,337	-55%
EPS	**1.41**	**3.14**	**-55%**

Source: Nael Research, Company` accounts

Earnings to remain on the lower side, posting at PKR 0.46/sh in 3QFY17E

- Fauji Cement Company Ltd. (FCCL) is scheduled to announce its 2QFY17E financial results on April 17th, 2017 where we expect the company to post EPS of PKR 0.46, depicting downside of 59%YoY.
- Revenues are expected to grow 9%YoY clocking in at PKR 5.7bn in 3QFY17E, whereas sequentially a drop of 1%QoQ is projected.
- The topline of the company is stable as FCCL has managed to retain its market share in the region via continuous clinker purchases in bulk from its peers i.e. PIOC, GWLC etc.
- The GP margins of the firm has depleted drastically during FY17E, due to higher cost of sales majorly lead by hefty clinker costs.
- We expect the GP margins to further drop by 1ppts (QoQ) during the quarter settling at 21%.
- The seized plant at line II is expected to recommence operations from the first quarter of FY18E, which clarifies that the earnings will remain subdued in the last quarter of FY17E.
- On the back of diluted earnings for the year we expect FCCL to severely lose its dividend yield in comparison to the same period previous year.
- We maintain our stance of "**HOLD**" rating on FCCL recapping our June'17E PT at PKR 47.03/sh.

Investment Risks: The key risks to our investment thesis are 1) Losing Dividend Yield% 2) Delay in recommencement of operations (Line II) 3) Declining local demand & 4) Increase in Interest rates.

FCCL—Financial Highlights 3QFY17E

PKR 'mn'	3QFY17E	3QFY16A	YoY	3QFY17E	2QFY17A	QoQ
Net Sales	5,729	5,245	9%	5,729	5,796	-1%
Cost of sales	4,537	2,742	65%	4,537	4,524	0%
Gross Profit	1,192	2,503	-52%	1,192	1,271	-6%
Finance Cost	66	95	-30%	66	72	-8%
PBT	910	2,200	-59%	910	1,025	-11%
Tax	273	639	-57%	273	331	-18%
PAT	637	1,561	-59%	637	694	-8%
EPS	**0.46**	**1.05**	**-59%**	**0.46**	**0.50**	**-8%**

Source: Nael Research, Company accounts

Chief Executive Officer

Ashraf Bava, CFA	(92-21) 32461812-13	abava@naelcapital.com

Equity Sales

Muhammad Shakeel, Director Equity Sales	(92-21) 32461819-22	shakeel@naelcapital.com
Nasir Muqeet, Institutional Sales	(92-21) 32461819-22	nmuqeet@naelcapital.com
Irshad Ul Haq Khan, Institutional Sales	(92-21) 32461819-22	irshad@naelcapital.com

Research

Taha Rehman, Research Analyst	(92-21) 32461812-13	taha@naelcapital.com

Disclosure Related to Author

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Stock Recommendation	Return
BUY	> 15%
HOLD	> -15% to < 15%
SELL	< -15%