ATTOCK CEMENT PAKISTAN LTD.

Jan 26th, 2017

SELL

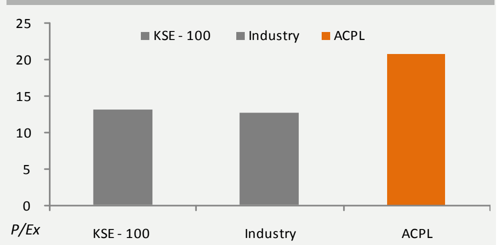
Price Target : PKR 319/sh

CURRENT MARKET DATA

Current Price	374.4
Market Cap (PKR mn)	42,885.2
52 wk Hi— Low	157.7 — 374.47
EV/Ebitda (x)	9.6
Outstanding shares (mn)	114.52
Free Float (%)	20%

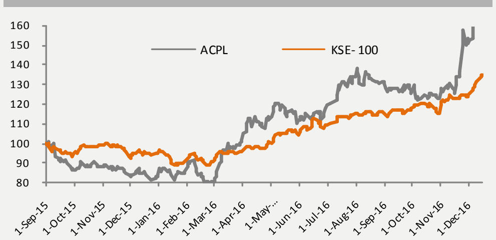
Sources: PSX

P/EX COMARISION—SCRIP TRADING BEYOND MARKET AND SECTOR



Source: Bloomberg, Nael Research

RELATIVE3 TO KSE—100



Source: PSX

FINANCIAL HIGHLIGHTS 1HFY17E

PKR 'mn'	1HFY17E	1HFY16A	YoY
Net Sales	7,316	6,397	14%
Cost Of Sales	4,485	4,155	8%
Gross Profit	2,831	2,242	26%
EBIT	2,083	1,592	31%
PBT	2,067	1,581	31%
Taxation	636	428	49%
PAT	1,431	1,153	24%
EPS	**12.50**	**10.07**	**24%**

Source: Nael Research, Company accounts

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Earnings probable to swell 10%YoY, clocking at PKR 6.47/sh for 2QFY17E

- Attock Cement Pakistan Ltd.(ACPL) is scheduled to announce its 2QFY17E financial results on January 27, 2017 where we expect the company to post an EPS of PKR 6.47, up by moderate 10%YoY. Topline is likely to expand 12%YoY settling at PKR 3.9bn owing to higher cement offtake during the quarter. The current production capacity is being fully utilized by the company as the company maintains its market share retention approach. Gross margins of the company are expected to swell to ~37% in 2QFY17E from 35% of the same period previous year, whereas sequentially we expect the margins to plunge slightly recording affect of increase in international coal prices. Gross profits are expected to radically surge 26%YoY in 1HFY17E settling at PKR 2,831mn.

- For 1HFY17E, the bottom line is forecasted to depict strong growth of 24%YoY clocking in at PKR 1,431mn (EPS: 12.50) against PKR 1,153mn (EPS: 10.07) in 1HFY16A.

Investment Perspective—Downside ticks an alarm for investors! We revise our stance to "**SELL**" rating on ACPL, reiterating our June'17 Price target of PKR 319/share on account of 1) Changes in earning estimates, 2) Surge in international coal prices, 3) Depletion in other income , 4) Maximum/Full Capacity Utilization & 5) Using Adj. beta of 0.90.

- Our price target of PKR 319/sh depicts a downside of 14% from current price levels.

- Continuous operations at capacity utilization levels beyond 100%, since previous 5 months would somehow charge in higher maintenance cost of the plant.

- The scrip is already trading at a very high multiple of 16.7x which is beyond industry and market P/Ex multiples.

- Lower Dividend Yield (D/Y) of 4.6%.

***Note:** Although the industry has sound growth prospects and so the company, but we believe that any delay in the expansion and continuous operations at full capacity utilization i.e. ~121% (2QFY17) levels could somehow decay the efficiency of the production line at the later stage!*

Financial Highlights 2QFY17E

PKR 'mn'	2QFY17E	2QFY16A	YoY	2QFY17E	1QFY16A	QoQ
Net Sales	3,957	3,531	12%	3,957	3,359	18%
Cost Of Sales	2,521	2,282	10%	2,521	1,964	28%
Gross Profit	1,436	1,249	15%	1,436	1,395	3%
Admin. Exp.	100	95	5%	100	105	-5%
Dist. Exp.	218	301	-28%	218	274	-21%
Op. Profit	1,118	854	31%	1,118	1,016	10%
Other Income	42	62	-33%	42	61	-32%
Finance Cost	6	5	16%	6	10	-40%
PBT	1,073	849	26%	1,073	994	8%
Taxation	333	178	87%	333	303	10%
PAT	741	671	10%	741	691	7%
EPS	**6.47**	**5.86**	**10%**	**6.47**	**6.03**	**7%**

Source: Nael Research, Company accounts