

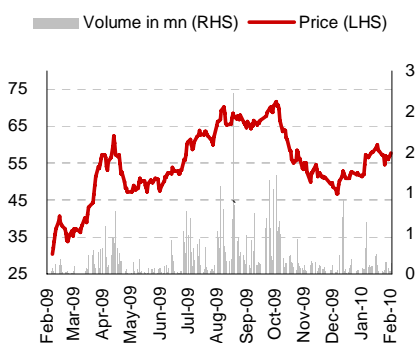
In Focus

Cement

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Price and Volume Graph



ACPL: 1HFY10E EPS of PKR5.1

- ACPL is expected to announce its 1HFY10 result on Thursday, February 11, 2010; we expect the company to post a PAT of PKR440mn (EPS: PKR5.1) registering a decline of 39% YoY
- For 2QFY10, we expect the company to post a PAT of PKR204mn (EPS: PKR2.4); registering a decline of 63% YoY
- Attrition in both the top-line (12%) and the bottom-line (39%) is expected to be the result of depressed cement prices
- We currently have a BUY call on the company's stock; with a fair value of PKR81/share, providing an upside of 38% from current levels

Attock Cement (ACPL) is expected to announce its 1HFY10 result on Thursday, February 11, 2010. We expect the company to post a PAT of PKR440mn (EPS: PKR5.1) compared to PAT of PKR720mn (EPS: PKR8.3) during the corresponding period last year; registering a decline of 39% YoY.

For 2QFY10, we expect the company to post a PAT of PKR204mn (EPS: PKR2.4) compared to PAT of PKR545mn (EPS: PKR6.3) during 2QFY09, registering a decline of 63% YoY.

We do not expect the company to payout any dividends for the period.

ACPL: 1HFY10E Financial Highlights

PKR mn	2QFY10E	2QFY09A	▲ Chg	1HFY10E	1HFY09A	▲ Chg
Revenue	1,713	2,070	-17%	3,521	3,984	-12%
Gross Profit	376	832	-55%	843	1,332	-37%
Other Income	37	21	77%	91	32	188%
Operating Profit	268	659	-59%	638	1,006	-37%
Financial Charges	18	27	-34%	42	72	-41%
PBT	250	632	-60%	595	934	-36%
PAT	204	545	-63%	440	720	-39%
EPS (PKR)	2.4	6.3	-63%	5.1	8.3	-39%

Source: BMA Research

Snow Ball Effect

Cement prices collapsed mid August 2009 to PKR230/bag in the north and PKR250/bag in the south from a high of PKR320-360/bag during Jul09. Prices remained depressed during 2QFY10, only recovering in January.

ACPL's top line attrition is expected to be to the tune of 12% YoY for 1HFY10 (standing at PKR3.5bn) primarily due to local cement predatory pricing prevalent during 2QFY10. Receding topline will resultantly have a snowball effect for the income statement implicative of a 39% YoY reduction in PAT (to PKR440mn). The bottom line however is expected to be supported by 'Other Income' which is expected to clock in at PKR91mn

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up 1.9x compared to last year and by receding financial charges (expected to decrease by 41% YoY to PKR42mn).

Outlook: BUY maintained

We currently have a BUY call on ACPL (with a DCF based fair value of PKR81/share, providing an upside of 38% from current levels). We particularly like the company due to its low leverage and high utilization levels despite the prevailing slump in local cement offtakes.

With cement prices rebounding since January 2010 by PKR40-50/bag coupled with ACPL's ability to successfully market its product in the local arena, we expect ACPL to reap the significant benefit from revival of local cement prices. Further, the company's low reliance on debt is expected to result in bottom line to mimic growth in the topline.