ASL Cement Universe I 1QFY25 I Result Review

REP # 048

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Adarsh Kumar
Email: Adarsh.kumar@adamsecurities.com.pk
Tel: +92-21-32440519 EXT: 117

ASL cement universe: market share improved to 33% from 30%

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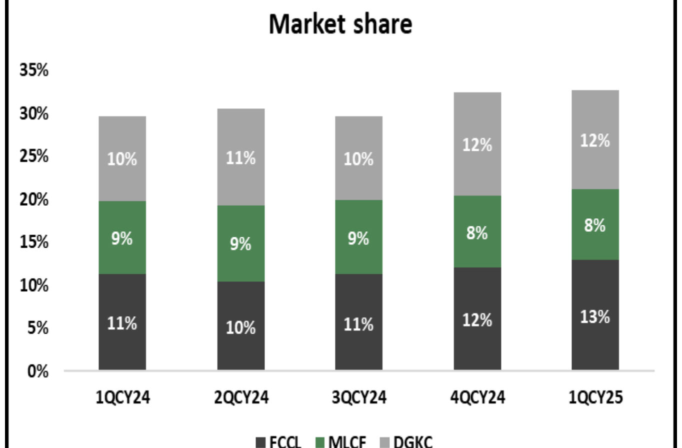
- ***In 1QFY25, ASL cement universe stocks, (MLCF, DGKC, FCCL) collectively earned a net profit of Rs. 4.65bn, a modest 1% YoY increase compared to Rs.4.6bn earned in same period of last year. However, QoQ growth was substantial, with a 9.0x jump in earnings. This significant surge was primarily driven by low finance cost and reduced effective tax rate.***
- In 1QFY25, topline posted growth of 3.3%/3.6% YoY/QoQ, growth in revenue was primarily due to stable cement prices that offset some of volume loss. During the reviewing period, ASL universe stocks' dispatches posted negative growth of 4.8%/3.8% YoY/QoQ, compared to industry dispatches, which fell by 13.5%/4.7% YoY/QoQ.
- During the period under review, market share of ASL universe stocks increased to 33% from 30% in SPLY, where market share of FCCL and DGKC improved to 13% and 12% from 11% and 10% in same period of last year, respectively. However, market share of MLCF has reduced to 8% from 9% a year ago.
- As of first quarter, gross margin clocked in at 26.9%, compared to 27.1% in SPLY, reduced gross margin is primarily due to high portion of clinker sales and increase in cost of raw material. Similarly, net profit margin reduced to 8.4%, compared to 8.6% in SPLY.
- Due to ease in monetary policy, finance cost reduced by 9.4%/17.4% YoY/QoQ. Additionally, companies experienced a substantial 21.8% YoY increase in other income.

ASL Universe					
Rs mn	1QCY24	4QCY24	1QCY25	YoY	QoQ
Sales	53,506	53,338	55,270	3.3%	3.6%
Cost of sales	38,994	38,971	40,417	3.65%	3.71%
Gross Profit	14,512	14,367	14,853	2.35%	3.38%
Operating cost	3,409	4,236	4,038	18.46%	-4.66%
Other income	1,059	1,277	1,290	21.80%	0.97%
Financial cost	4,282	4,694	3,879	-9.41%	-17.36%
Profit before taxation	7,210	6,208	7,529	4.42%	21.28%
PAT	4,605	464	4,650	0.98%	9.03x

Source: Financials, ASL Research



Source: APCMA, ASL Research

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info@adamsecurities.com.pk adamsecurities145@yahoo.com sm.adamsecurities@gmail.com
+9221 32444315-16, 32420909, 32413580, 32437380

ASL cement universe stocks are trading at attractive P/E

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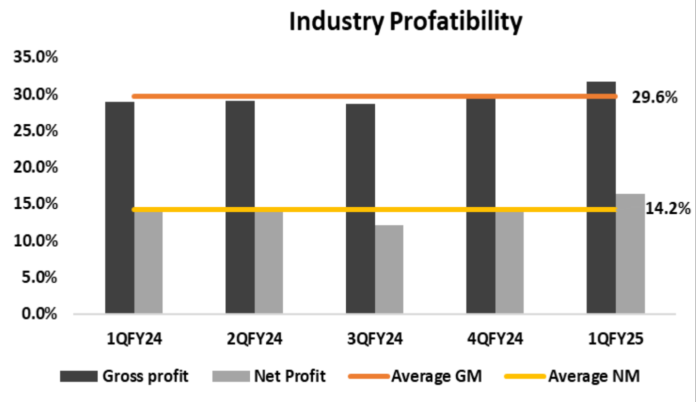
Industry performance

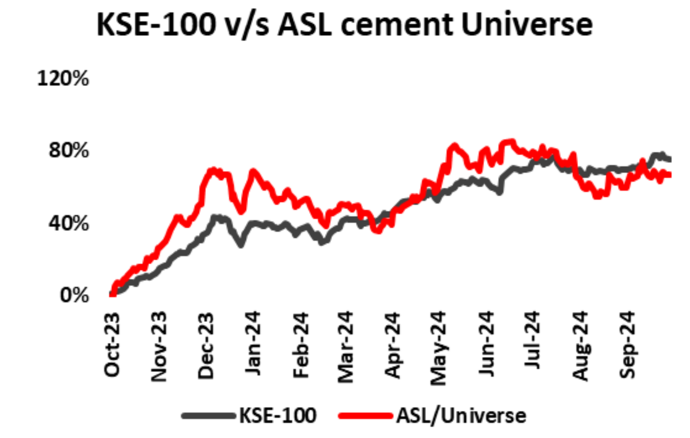
- In 1QFY25, industry dispatches decreased by 14% YoY, where local dispatches posted negative growth of 20%. Additionally, exports dispatches posted growth of 22% YoY. Overall, industry utilization level reduced to 49%, down from 58% in SPLY.
- As of IQFY25, industry sales (Including 11 companies) decreased by 1.6% YoY, mainly due to low dispatches. However, industry net revenue posted growth of 13.4%. Substantial increase in revenue is primarily due to improved gross margin and reduction in finance cost.
- The cement industry experienced a significant boost in profitability during 1QFY25. Gross and Net margins improved to 31.6% and 16.3%, respectively, compared to the previous year's 28.9% and 14.1%. This uptick was primarily driven by the industry's strategic shift to alternative power source, less costly fuels and the easing of monetary policy, which led to a 15% YoY and 14% QoQ decline in finance costs.

Future Outlook

- We believe, high cement prices, stable coal price, shift from national grid to own power generation sources and reduction in policy rate will help the company to improve margins.
- We have buy stance on FCCL, MLCF and DGKC, with stock currently trading at FY25E PE of 6.6x, 7.6x and 9.3x, respectively



Source: Financials, ASL research



Source: PSX: ASL Research

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info@adamsecurities.com.pk adamsecurities145@yahoo.com sm.adamsecurities@gmail.com
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info@adamsecurities.com.pk
adamsecurities145@yahoo.com
sm.adamsecurities@gmail.com
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info@adamsecurities.com.pk
adamsecurities145@yahoo.com
sm.adamsecurities@gmail.com

+9221 32444315-16, 32420909,
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