

Pakistan Equity | Chemical| Earnings Revision

March 22, 2022

REP-057

ICI Pakistan Limited (ICI) Earnings revised up, Buy maintained



Best Local Brokerage
House 2015-16, FY2020

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2011-14, 2016-21



Best Brokerage
House 2018,19-20



Best Research
House 2019-20



Best Brokerage
House 2019-21

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One time gain to boost earnings in FY22

"Buy" Rated

KATS Code	ICI
Bloomberg Code	ICI PA
Reuters Code	ICI.KA
Market Price	Rs756
Market Cap	Rs69.8bn/US\$386.5mn
Free float Market Cap	Rs10.5bn/US\$58.0mn
1-Yr Avg. Daily Vol. ('000)	15.4
1-Yr Avg. Daily Val. (mn)	Rs12.7/US\$0.1
1-Yr High/ Low	Rs920.6/709.2
Estimated free float	15%
Share outstanding (mn)	92.36
Index weight	0.60%

ICI: EPS Revision

Rs	New			Earlier			Change		
	FY21A	FY22E	FY23F	FY21A	FY22E	FY23F	FY21A	FY22E	FY23F
ICI	60.3	91.1	74.0	60.3	60.4	70.3	0.0%	50.8%	5.3%

ICI: Key Numbers

	FY19A	FY20A	FY21A	FY22E	FY23F
EPS (Rs)	27.34	27.37	60.30	91.10	73.99
Earnings Growth	-23%	0%	120%	51%	-19%
PE at Rs756	27.65	27.62	12.54	8.30	10.22
Dividend Yield	1.2%	2.1%	5.3%	6.0%	6.0%
ROE	12%	11%	22%	28%	20%
PBV (x)	3.26	3.10	2.75	2.30	2.03

Source: Company Accounts, Topline Research

- We are revising up our earnings estimates for ICI Pakistan Limited (ICI), where we increase our FY22E & FY23F earnings estimate by 5-51% owing to (1) one time gain on remeasurement of existing interest in NutriCo Pakistan and (2) strong performance by Polyester and Soda Ash in 1HFY22.
- **Remeasurement gain on NutriCo Pakistan:** ICI have recorded one time gain of Rs1.8bn (Rs20/share) in 1HFY22 on account of remeasurement of 40% held equity in NutriCo Pakistan (Private) Limited. As per the announcement on April 27, 2021 company completed the acquisition of a further 11% shareholding in NutriCo Pakistan (Private) Limited, taking its total shareholding to 51% post-acquisition.
- *Please refer to our detailed report on ICI titled 'Expansions to drive earnings; Initiating Coverage with a Buy' dated 'Jun 02, 2021' for more details.*
- **Strong performance by Polyester and Soda Ash:** The polyester segment recorded operating profit of Rs2bn up 69% YoY in 1HFY22 primarily due to higher volumetric sales led by higher demand from textile sector coupled with healthy margins. We now expect operating profit for FY22E to clock in at Rs2.9bn compared to our previous estimate of Rs1.6bn.
- Similarly, Soda Ash segment recorded operating profit of Rs1.9bn up by 9% YoY in 1HFY22 due to higher volumetric sales through aggressive penetration in export markets. We now expect operating profit for FY22E to clock in at Rs3.2bn compared to our previous estimate of Rs1.6bn.
- These revision would have been higher had it not been incorporated for higher international commodity prices including coal, RLNG and Furnace Oil.
- We maintain our 'Buy' call on ICI with potential upside of 34% to our Target Price of Rs1,015/share. The stock trades at FY22E and FY23F P/E of 8.30x and 10.22x respectively - which are at a discount of 63% and 54% to the historical 5-Year (FY17-FY21) average multiple of 22.25x.

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