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APL has announced its 9MFY23 result where it posted a profit after tax of Rs9.84bn (EPS: Rs79.06) as compared to a profit after tax of Rs11.25bn (EPS: Rs90.40) in the same period last year, down by 12.5% YoY owing to a fall in gross margin due to inventory loss.

The company has posted net revenue of Rs350.83bn against Rs241.04bn in SPLY, recording a growth of 45.6% YoY. The gross margin has declined to 5.6% as compared to 8.8% during SPLY.

Furthermore, the operating and finance costs have increased by 35.3% and 51.9% respectively. Finance income has surged by 2.06x to Rs3.51bn as compared to Rs1.15bn during SPLY. Lastly, effective taxation has increased to 33.4% as compared to 29.3% during SPLY.

APL is currently trading at FY23E PE of 2.84x. Furthermore, the scrip is trading at a FY23E P/B of 0.80x which offers a discount of 48% relative to its historical 3-year average of 1.56x. We recommend our investors to **BUY** the scrip with DCF-based Dec-23 TP of Rs350 which provides an upside potential of 16%. Furthermore, it also offers a dividend yield of 11% which makes a total return of 27%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	113,057	86,760	30.3% ▲	350,835	241,036	45.6% ▲
Cost of Sales	-	-78,219	34.5% ▲	-331,058	219,943	50.5% ▲
<b>Gross Profit</b>	<b>7,832</b>	<b>8,541</b>	<b>8.3% ▼</b>	<b>19,777</b>	<b>21,093</b>	<b>6.2% ▼</b>
SG&A Expenses	-2,157	-2,014	7.1% ▲	-7,331	-5,417	35.3% ▲
<b>Operating Profit</b>	<b>5,702</b>	<b>6,503</b>	<b>12.3% ▼</b>	<b>12,417</b>	<b>15,977</b>	<b>22.3% ▼</b>
Other Income	500	401	24.7% ▲	1,342	1,202	11.7% ▲
Share of loss of associated companies	2	-26	107.8% ▼	193	-166	215.9% ▼
Finance Income	1,385	469	195.3% ▲	3,515	1,149	205.9% ▲
Finance Cost	-573	-334	71.9% ▲	-1,630	-1,073	51.9% ▲
Profit Before Taxation	6,534	6,530	0.1% ▲	14,764	15,904	7.2% ▼
Taxation	-2,236	-1,892	18.2% ▲	-4,928	-4,657	5.8% ▲
<b>Profit After Taxation</b>	<b>4,298</b>	<b>4,638</b>	<b>7.3% ▼</b>	<b>9,836</b>	<b>11,247</b>	<b>12.5% ▼</b>
Earnings Per Share	34.54	37.28	7.3% ▼	79.06	90.40	12.5% ▼
Dividend	0.00	0.00	-	12.50	15.00	16.7% ▼
Bonus	-	-	-	-	-	-
Gross Margin	6.9%	9.8%	2.9% ▼	5.6%	8.8%	3.1% ▼
SG&A Expenses to Sales	-1.9%	-2.3%	0.4% ▼	-2.1%	-2.2%	0.2% ▼
Other Income to Sales	0.4%	0.5%	0.0% ▼	0.4%	0.5%	0.1% ▼
Ex. Gain / (Loss) to Sales	-1.9%	-2.3%	0.4% ▼	-2.1%	-2.2%	0.2% ▼
Effective Taxation	-34.2%	-29.0%	5.2% ▲	-33.4%	-29.3%	4.1% ▲
Net Margin	3.8%	5.3%	1.5% ▼	2.8%	4.7%	1.9% ▼

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	APL
TP - Dec 23	350
LDCP	300.70
Upside	16%
Free Float (mn)	31
Market Cap. (Rs.mn)	37,412

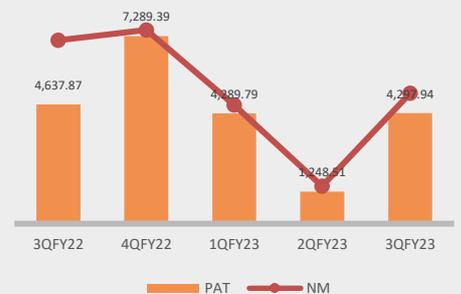
## APL vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	201,079	188,645	370,075	467,787	501,995	545,563	593,244
Cost of sales	-197,441	-178,663	-329,072	-441,418	-472,177	-512,732	-556,977
<b>Gross profit</b>	<b>3,638</b>	<b>9,982</b>	<b>41,003</b>	<b>26,369</b>	<b>29,818</b>	<b>32,831</b>	<b>36,267</b>
Other Income	899	1,261	1,623	1,790	2,430	2,641	2,872
Net impairment losses on financial assets	-374	409	349	-39	-42	-46	-50
Operating expenses	-3,079	-4,152	-10,215	-9,774	-10,770	-11,704	-12,727
<b>Profit from operations</b>	<b>1,084</b>	<b>7,500</b>	<b>32,760</b>	<b>18,345</b>	<b>21,436</b>	<b>23,721</b>	<b>26,361</b>
Finance income	2,232	1,334	1,608	4,687	3,587	3,898	4,238
Finance Cost	-1,597	-1,419	-1,587	-2,173	-2,753	-2,992	-3,254
Share of profit of associates - net of tax	-97	34	79	257	276	299	326
Other Charges	-118	-509	-2,250	-1,432	-1,559	-1,694	-1,842
<b>Profit before income tax</b>	<b>1,503</b>	<b>6,939</b>	<b>30,610</b>	<b>19,685</b>	<b>20,985</b>	<b>23,232</b>	<b>25,829</b>
Income tax expense	-495	-2,019	-12,073	-6,509	-6,939	-7,681	-8,540
<b>Profit for the year</b>	<b>1,008</b>	<b>4,920</b>	<b>18,536</b>	<b>13,176</b>	<b>14,047</b>	<b>15,550</b>	<b>17,289</b>
<b>EPS</b>	<b>8.10</b>	<b>39.54</b>	<b>148.99</b>	<b>105.90</b>	<b>112.90</b>	<b>124.99</b>	<b>138.96</b>
<b>EBITDA</b>	<b>1,768</b>	<b>8,399</b>	<b>33,808</b>	<b>19,389</b>	<b>22,476</b>	<b>24,759</b>	<b>27,396</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-9.9%	-6.2%	96.2%	26.4%	7.3%	8.7%	8.7%
Cost of sales	-8.1%	-9.5%	84.2%	34.1%	7.0%	8.6%	8.6%
<b>Gross profit</b>	<b>-55.7%</b>	<b>174.4%</b>	<b>310.8%</b>	<b>-35.7%</b>	<b>13.1%</b>	<b>10.1%</b>	<b>10.5%</b>
Other Income	-21.8%	40.3%	28.7%	10.3%	35.8%	8.7%	8.7%
Net impairment losses on financial assets	428.2%	-209.4%	-14.7%	-111.2%	7.3%	8.7%	8.7%
Operating expenses	-14.2%	34.9%	146.0%	-4.3%	10.2%	8.7%	8.7%
<b>Profit from operations</b>	<b>-81.0%</b>	<b>592.0%</b>	<b>336.8%</b>	<b>-44.0%</b>	<b>16.8%</b>	<b>10.7%</b>	<b>11.1%</b>
Finance income	59.5%	-40.2%	20.6%	191.5%	-23.5%	8.7%	8.7%
Finance Cost	88.1%	-11.2%	11.8%	36.9%	26.7%	8.7%	8.7%
Share of profit of associates - net of tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Charges	-62.4%	331.5%	342.1%	-36.4%	8.9%	8.7%	8.7%
<b>Profit before income tax</b>	<b>-73.7%</b>	<b>361.7%</b>	<b>341.1%</b>	<b>-35.7%</b>	<b>6.6%</b>	<b>10.7%</b>	<b>11.2%</b>
Income tax expense	-71.9%	308.1%	497.9%	-46.1%	6.6%	10.7%	11.2%
<b>Profit for the year</b>	<b>-74.5%</b>	<b>387.9%</b>	<b>276.8%</b>	<b>-28.9%</b>	<b>6.6%</b>	<b>10.7%</b>	<b>11.2%</b>
<b>EPS</b>	<b>-74.5%</b>	<b>387.9%</b>	<b>276.8%</b>	<b>-28.9%</b>	<b>6.6%</b>	<b>10.7%</b>	<b>11.2%</b>
<b>EBITDA</b>	<b>#REF!</b>	<b>375.1%</b>	<b>302.5%</b>	<b>-42.6%</b>	<b>15.9%</b>	<b>10.2%</b>	<b>10.7%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	1.81	5.29	11.08	5.64	5.94	6.02	6.11
NP Margin	%	0.50	2.61	5.01	2.82	2.80	2.85	2.91
OP Margin	%	0.54	3.98	8.85	3.92	4.27	4.35	4.44
ROE	%	5.47	21.65	49.67	28.33	24.94	23.15	21.82
ROCE	%	4.65	24.91	73.35	35.71	37.67	39.05	40.59
ROA	%	1.97	7.95	19.24	11.05	10.87	11.20	11.56
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.28	1.39	1.52	1.60	1.64	1.64	1.64
Quick	x	0.81	0.56	0.44	0.52	0.56	0.56	0.56
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	17.68	13.97	9.71	7.30	6.58	6.63	6.63
Inventory Days		20.64	26.14	37.59	50.01	55.44	55.04	55.03
Receivables Days		25.36	21.33	17.97	23.00	25.00	25.00	25.00
Payables Days		50.95	63.70	52.81	52.81	52.81	52.81	52.81
Operating Cycle		-4.95	-16.23	2.75	20.20	27.62	27.22	27.21
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		9.00	27.00	45.00	32.00	34.00	38.00	42.00
Div. Yield	%	2.99	8.98	14.97	10.64	11.31	12.64	13.97
Dividend Cover	x	0.90	1.46	3.31	3.31	3.32	3.29	3.31
Retention	%	-11.05	31.72	69.80	69.80	69.80	69.80	69.80
Payout	%	111.05	68.28	30.20	30.20	30.20	30.20	30.20
No. of Shares	('m)	0.12	0.12	0.12	0.12	0.12	0.12	0.12
EPS		8.10	39.54	148.99	105.90	112.90	124.99	138.96
BVPS		148.26	182.62	299.95	373.87	452.67	539.91	636.89
P/E	x	37.10	7.60	2.02	2.84	2.66	2.41	2.16
Sales per share		1616	1516	2974	3760	4035	4385	4768
P/BV	x	2.03	1.65	1.00	0.80	0.66	0.56	0.47
P/S	x	0.19	0.20	0.10	0.08	0.07	0.07	0.06
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.22	0.28	0.17	0.14	0.12	0.11	0.09
L.T Debt to Equity	x	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	0.68	5.29	20.64	8.44	7.79	7.93	8.10

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
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