

ASL has announced its 1HFY22 result where it posted a profit after tax of Rs452mn (EPS: Rs0.59) as compared to a profit after tax of Rs2.52bn (EPS: Rs3.29) in the same period last year, down by 82.1% YoY.

The company has posted a revenue of Rs32bn against Rs25bn in SPLY, recording a growth of 24% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices.

The gross margin has been squeezed to 8.4% as compared to 18% during SPLY amid increase in raw material cost and depreciation of PKR. SG&A expenses went up by 119% YoY to Rs430mn as compared to Rs196mn during SPLY.

Furthermore, finance cost has been increased by 132% YoY due to increase in working capital requirements.

The result was below the expectations with respect to quarterly sales and margins. However, the sharp correction in the scrip has made us maintain our **BUY** stance with a DCF based Dec-22 TP of Rs 15 which provides an upside potential of 19%. ASL is trading at a FY22E P/E of 10.53x. Moreover, the scrip is also trading at FY22 P/B of 0.23x which offers a discount of 37% relative to its historical 3-year average of 0.37x.

Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	13,574	14,211	4.5% ▼	31,581	25,417	24.2% ▲
Cost of Sales	-13,121	-11,110	18.1% ▲	-28,920	-20,840	38.8% ▲
Gross Profit	452	3,101	85.4% ▼	2,660	4,577	41.9% ▼
SG&A Expenses	-203	-11	1709.3% ▲	-430	-196	119.6% ▲
Other Expenses	32	-196	116.5% ▼	-44	-260	83.0% ▼
Operating Profit	282	2,793	89.9% ▼	2,187	4,121	46.9% ▼
Other Income	32	23	38.4% ▲	38	35	7.6% ▲
Finance Cost	-737	-261	182.8% ▲	-1,633	-704	132.0% ▲
Profit Before Taxation	-424	2,555	116.6% ▼	591	3,452	117.1% ▼
Taxation	138	-695	119.9% ▼	-139	-932	114.9% ▼
Profit After Taxation	-286	1,860	115.4% ▼	452	2,520	82.1% ▼
Earnings Per Share	-0.37	2.43	115.4% ▼	0.59	3.29	82.1% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	0.00	0.00		0.00	0.00	
Right	0.00	0.00		0.00	0.00	
Gross Margin	3.3%	21.8%	18.5% ▼	8.4%	18.0%	9.6% ▼
SG&A Expenses to Sales	-1.5%	-0.1%	1.4% ▲	-1.4%	-0.8%	0.6% ▲
Other Income to Sales	0.2%	0.2%	0.1% ▲	0.1%	0.1%	0.0% ▼
Ex. Gain / (Loss) to Sales	-1.5%	-0.1%	1.4% ▲	-1.4%	-0.8%	0.6% ▲
Effective Taxation	-32.6%	-27.2%	5.4% ▲	-23.5%	-27.0%	3.5% ▼
Net Margin	-2.1%	13.1%	15.2% ▼	1.4%	9.9%	8.5% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	ASL
TP - Dec 22	15.00
LDCP	12.60
Upside (%)	19
Free Float ('mn)	369
Market Cap. (Rs.'mn)	9,622

ASL 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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	20,231	29,777	55,116	66,202	72,608	77,110	81,866
Cost of sale	18,553	27,411	43,931	61,017	66,714	71,023	75,629
Gross profit	1,678	2,366	11,185	5,185	5,894	6,087	6,238
Selling and promotion expenses	25	42	239	450	726	332	352
Administration expenses	249	320	357	404	443	470	499
Other operating expenses	3	-	977	166	182	193	205
Operating Profit	1,401	2,005	9,613	4,165	4,544	5,093	5,182
Other operating income	52	38	499	73	363	386	409
Finance cost	1,865	3,386	1,524	3,003	3,110	2,591	2,133
Profit before taxation	1,453	2,043	10,112	4,238	4,907	5,478	5,591
Taxation	-	666	-	727	272	395	635
Profit after taxation	254	-	617	964	1,402	2,252	2,697
EPS	0.33	-	0.81	8.32	1.26	1.83	2.94

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	7.0%	47.2%	85.1%	20.1%	9.7%	6.2%	6.2%
Cost of sale	19.0%	47.7%	60.3%	38.9%	9.3%	6.5%	6.5%
Gross profit	-49.4%	41.0%	372.7%	-53.6%	13.7%	3.3%	2.5%
Selling and promotion expenses	31.1%	67.1%	470.7%	88.3%	61.3%	-54.3%	6.2%
Administration expenses	29.7%	28.2%	11.6%	13.2%	9.7%	6.2%	6.2%
Other operating expenses	-98.1%	-100.0%	0.0%	-83.1%	9.7%	6.2%	6.2%
Operating Profit	-51.5%	40.6%	395.0%	-58.1%	15.8%	11.6%	2.1%
Other operating income	46.3%	-26.2%	1207.7%	-85.4%	398.5%	6.2%	6.2%
Finance cost	-72.9%	-81.5%	55.0%	-97.0%	-3.6%	16.7%	17.7%
Profit before taxation	-121.5%	225.7%	-739.3%	-85.6%	45.5%	60.6%	19.8%
Taxation	205.5%	-9.1%	405.4%	87.8%	-45.5%	-60.6%	-19.8%
Profit after taxation	-80.2%	-343.0%	-1132.9%	-84.9%	45.5%	60.6%	19.8%
EPS	-80.2%	-343.0%	-1132.9%	-84.9%	45.5%	60.6%	19.8%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	8.30	7.95	20.29	7.83	8.12	7.89	7.62
OP Margin	%	7.18	6.86	18.35	6.40	6.76	7.10	6.83
NP Margin	%	1.25	-2.07	11.55	1.46	1.93	2.92	3.29
ROE	%	2.94	-7.32	56.45	6.45	8.69	12.54	13.20
ROCE	%	5.47	6.08	28.47	11.50	13.03	14.26	14.27
ROA	%	0.95	-1.83	17.93	2.61	3.72	5.86	6.89

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	0.06	0.08	0.14	0.06	0.07	0.07	0.09
Acid-test	x	0.67	0.78	1.05	0.54	0.61	0.65	0.77

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	3	3	4	4	4	4	4
Inventory Days		136	105	100	85	85	85	85
Receivables Days		11	2	0	0	0	0	0
Payables Days		24	84	58	85	85	85	85
Operating Cycle		123	24	43	0	0	0	0

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	0.33	-0.81	8.32	1.26	1.83	2.94	3.52
DPS	Rs.	0.00	0.00	2.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	12.74	0.00	0.00	0.00	0.00
Dividend Cover	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	Rs.	32.26	29.87	53.36	56.91	62.08	70.39	80.33
Payout	%	-	-	24	24	-	-	-
Retention	%	100	100	76	76	100	100	100
No. of Shares	'm	271	271	271	271	271	271	271
P/E	x	38.02	0.00	1.51	10.01	6.88	4.28	3.58
Sales per share		74.62	109.82	203.28	244.17	267.80	284.40	301.94
P/BV		0.39	0.42	0.24	0.22	0.20	0.18	0.16
Price to Sales		0.48	0.32	0.18	0.15	0.13	0.13	0.12

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	2.49	2.38	1.00	1.60	1.22	0.89	0.57
L.T. Debt to Equity	x	0.88	1.15	0.53	0.28	0.19	0.12	0.00
Interest Cover	x	0.78	0.60	6.63	1.41	1.58	2.11	2.62

Source: ACPL Research, Company Financials

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

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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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