

ASL has announced its 1QFY22 result where it posted a profit after tax of Rs737mn (EPS: Rs0.96) as compared to a profit after tax of Rs2.23bn (EPS: Rs2.91) in the same period last year, down by 66.9% YoY.

The company has posted a revenue of Rs18bn against Rs15bn in SPLY, recording a growth of 17% 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 12.3% as compared to 24.6% during SPLY amid increase in raw material cost and depreciation of PKR. SG&A expenses went up by 1104% YoY to Rs227mn as compared to Rs19mn during SPLY.

Furthermore, finance cost has been increased by 335% YoY due to increase in working capital requirements.

ASL is trading at a FY22E P/E of 4.32x. Moreover, the scrip is also trading at FY22 P/B of 0.31x which offers a discount of 40% relative to its historical 3-year average of 0.52x. We maintain our **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 30 which provides an upside potential of 68%. Further, the scrip also provides a dividend yield of 4% which makes the total return of 72%.

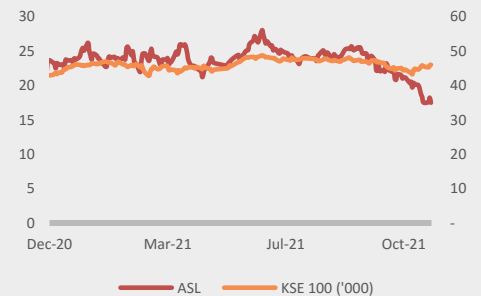
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	18,007	15,337	17.4% ▲	55,116	29,777	85.1% ▲
Cost of Sales	-15,799	-11,561	36.7% ▲	-43,931	-27,411	60.3% ▲
Gross Profit	2,208	3,775	41.5% ▼	11,185	2,366	372.7% ▲
SG&A Expenses	-227	-19	1104.1% ▲	-596	-361	64.8% ▲
Other Expenses	-76	-239	68.0% ▼	-977	0	
Operating Profit	1,905	3,348	43.1% ▼	9,613	2,005	379.5% ▲
Other Income	6	21	71.1% ▼	499	38	1207.7% ▲
Finance Cost	-896	-206	335.0% ▲	-1,524	-3,386	55.0% ▼
Profit Before Taxation	1,015	3,163	67.9% ▼	8,588	-1,343	539.3% ▲
Taxation	-277	-931	70.3% ▼	-2,220	727	205.4% ▲
Profit After Taxation	738	2,232	66.9% ▼	6,368	-617	932.9% ▲
Earnings Per Share	0.96	2.92	66.9% ▼	8.32	-0.81	1127.0% ▼
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	12.3%	24.6%	12.4% ▼	20.3%	7.9%	12.3% ▲
SG&A Expenses to Sales	-1.3%	-0.1%	1.1% ▲	-1.1%	-1.2%	0.1% ▼
Other Income to Sales	0.0%	0.1%	0.1% ▼	0.9%	0.1%	0.8% ▲
Ex. Gain / (Loss) to Sales	-1.3%	-0.1%	1.1% ▲	-1.1%	-1.2%	0.1% ▼
Effective Taxation	-27.3%	-29.4%	2.2% ▼	-25.8%	-54.1%	28.3% ▼
Net Margin	4.1%	14.6%	10.5% ▼	11.6%	-2.1%	13.6% ▲

Source: ACPL Research, Company Financials

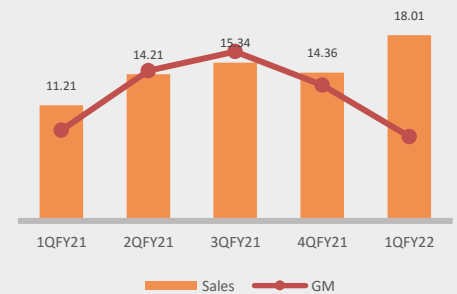
Key Statistics

Symbol	ASL
TP - Jun 22	30.00
LDGP	18.22
Upside (%)	68
Free Float ('mn)	347
Market Cap. (Rs.'mn)	13,335

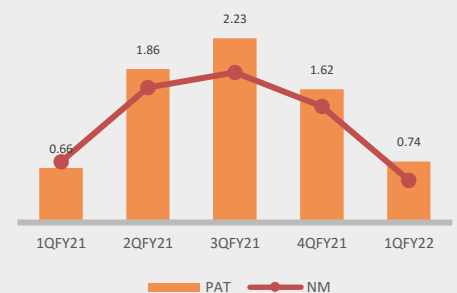
ASL vs KSE 100



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	72,796	78,456	85,514	94,748
Cost of sale	18,553	27,411	43,931	65,308	69,328	75,111	82,684
Gross profit	1,678	2,366	11,185	7,488	9,128	10,403	12,063
Selling and promotion expenses	25	42	239	619	785	368	407
Administration expenses	249	320	357	471	508	553	613
Other operating expenses	3	-	977	305	785	855	947
Operating Profit	1,401	2,005	9,613	6,093	7,051	8,627	10,095
Other operating income	52	38	499	24	392	428	474
Finance cost	1,865	3,386	1,524	2,054	1,908	1,841	1,655
Profit before taxation	3,679	442	10,295	10,490	13,105	13,899	13,104
Taxation	- 666	- 727	2,220	1,050	1,431	1,864	2,304
Profit after taxation	254	- 617	6,368	3,013	4,105	5,349	6,610
EPS	0.33	- 0.81	8.32	3.94	5.36	6.99	8.63

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	7.0%	47.2%	85.1%	32.1%	7.8%	9.0%	10.8%
Cost of sale	19.0%	47.7%	60.3%	48.7%	6.2%	8.3%	10.1%
Gross profit	-49.4%	41.0%	372.7%	-33.1%	21.9%	14.0%	16.0%
Selling and promotion expenses	31.1%	67.1%	470.7%	158.8%	26.8%	-53.1%	10.8%
Administration expenses	29.7%	28.2%	11.6%	32.1%	7.8%	9.0%	10.8%
Other operating expenses	-98.1%	-100.0%	0.0%	-68.8%	157.1%	9.0%	10.8%
Operating Profit	-21.7%	-44.5%	302.9%	3.3%	22.1%	5.6%	-5.4%
Other operating income	46.3%	-26.2%	1207.7%	-95.1%	1516.4%	9.0%	10.8%
Finance cost	-72.9%	-81.5%	55.0%	-34.8%	7.1%	3.5%	10.1%
Profit before taxation	-121.5%	225.7%	-739.3%	-52.7%	36.2%	30.3%	23.6%
Taxation	205.5%	-9.1%	405.4%	52.7%	-36.2%	-30.3%	-23.6%
Profit after taxation	-80.2%	-343.0%	-1132.9%	-52.7%	36.2%	30.3%	23.6%
EPS	-80.2%	-343.0%	-1132.9%	-52.7%	36.2%	30.3%	23.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	8.30	7.95	20.29	10.29	11.63	12.17	12.73
OP Margin	%	7.18	6.86	18.35	8.40	9.49	10.59	11.15
NP Margin	%	1.25	-2.07	11.55	4.14	5.23	6.26	6.98
ROE	%	2.94	-7.31	60.71	20.99	22.91	23.63	23.10
ROCE	%	5.47	6.64	33.37	13.54	12.48	14.51	15.92
ROA	%	0.95	-2.01	21.02	6.67	6.88	8.57	9.96

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	0.06	0.06	0.13	0.36	0.34	0.39	0.41
Acid-test	x	0.67	0.61	0.90	2.19	2.07	2.32	2.46

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	3	5	6	3	3	3	3
Inventory Days		136	75	45	130	130	130	130
Receivables Days		11	6	4	15	15	15	15
Payables Days		24	33	42	22	22	22	22
Operating Cycle		123	48	6	123	123	123	123

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	0.33	-0.81	8.32	3.94	5.36	6.99	8.63
DPS	Rs.	0.00	0.00	2.00	0.95	1.29	1.68	2.08
Div. Yield	%	0.00	0.00	6.54	3.09	4.21	5.49	6.79
Dividend Cover	x	0.00	0.00	4.16	4.16	4.16	4.16	4.16
BVPS	Rs.	32.26	29.99	47.39	58.50	73.64	93.37	117.75
Payout	%	-	-	24	24	24	24	24
Retention	%	100	100	76	76	76	76	76
No. of Shares	'm	271	271	271	271	271	271	271
P/E	x	12.83	69.06	4.58	4.32	3.45	3.24	3.42
Sales per share		74.62	109.82	203.28	268.49	289.36	315.40	349.45
P/BV		0.56	0.61	0.38	0.31	0.25	0.20	0.15
Price to Sales		0.69	0.47	0.25	0.19	0.18	0.16	0.15

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	2.49	2.22	0.93	1.12	0.86	0.60	0.49
L.T. Debt to Equity	x	0.88	0.92	0.59	0.30	0.16	0.03	0.00
Interest Cover	x	0.78	0.60	6.63	2.98	3.90	4.92	6.39

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
- IV. Sum of Parts Valuation

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SELL	Less than and equal to -5%

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