

ASL has announced its 4QFY22 result where it posted a profit after tax of Rs632mn (EPS: Rs0.68) as compared to a profit after tax of Rs1.61bn (EPS: Rs1.75) in the same period last year, down by 60.9% YoY amid a decrease in volumetric sales which is partially offset due to lower tax expense.

The company has posted a revenue of Rs15.71bn against Rs14.36bn in SPLY, recording a growth of 9.4% YoY. The gross margin has been squeezed to 12.9% as compared to 19.7% during SPLY amid lower CRC-HRC margins despite an increase in domestic CRC prices, and absence of inventory gains.

Furthermore, SG&A and other expenses went up by 19.8% YoY and 133.2% YoY respectively during SPLY. Moreover, finance costs has reduced by 74.1% to 108mn while effective taxation has reduced to 9.1% during SPLY.

ASL is trading at a FY23E P/E of 8.48x. Moreover, the scrip is also trading at FY23 P/B of 0.17x which offers a discount of 37% relative to its historical 3-year average of 0.29x. We maintain our **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs 14 which provides an upside potential of 35%.

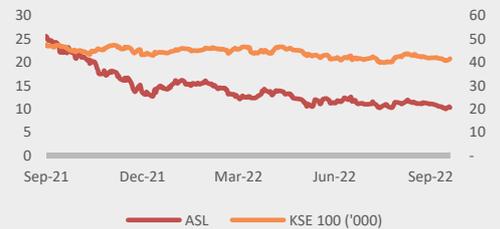
Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	15,714	14,363	9.4% ▲	64,830	55,116	17.6% ▲
Cost of Sales	-13,681	-11,530	18.7% ▲	-59,317	-43,931	35.0% ▲
<b>Gross Profit</b>	<b>2,033</b>	<b>2,833</b>	<b>28.2% ▼</b>	<b>5,514</b>	<b>11,185</b>	<b>50.7% ▼</b>
SG&A Expenses	-254	-212	19.8% ▲	-817	-596	37.1% ▲
Other Expenses	-1,114	-478	133.2% ▲	-1,208	-977	23.7% ▲
<b>Operating Profit</b>	<b>664</b>	<b>2,143</b>	<b>69.0% ▼</b>	<b>3,488</b>	<b>9,613</b>	<b>63.7% ▼</b>
Other Income	24	247	90.5% ▼	86	499	82.9% ▼
Finance Cost	-108	-417	74.1% ▼	-2,299	-1,524	50.8% ▲
Profit Before Taxation	580	1,973	70.6% ▼	1,275	8,588	114.8% ▼
Taxation	53	-356	114.8% ▼	-129	-2,220	105.8% ▼
<b>Profit After Taxation</b>	<b>632</b>	<b>1,617</b>	<b>60.9% ▼</b>	<b>1,146</b>	<b>6,368</b>	<b>82.0% ▼</b>
Earnings Per Share	0.68	1.75	60.9% ▼	1.24	6.89	82.0% ▼
Dividend	0.00	2.00	100.0% ▼	0.00	2.00	100.0% ▼
Bonus	0%	0%		0%	0%	
Right	0%	0%		0	0%	
Gross Margin	12.9%	19.7%	6.8% ▼	8.5%	20.3%	11.8% ▼
SG&A Expenses to Sales	-1.6%	-1.5%	0.1% ▲	-1.3%	-1.1%	0.2% ▲
Other Income to Sales	0.1%	1.7%	1.6% ▼	0.1%	0.9%	0.8% ▼
Ex. Gain / (Loss) to Sales	-1.6%	-1.5%	0.1% ▲	-1.3%	-1.1%	0.2% ▲
Effective Taxation	9.1%	-18.1%	9.0% ▼	-10.1%	-25.8%	15.7% ▼
Net Margin	4.0%	11.3%	7.2% ▼	1.8%	11.6%	9.8% ▼

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	ASL
TP - Jun 23	14.00
LDPC	10.60
Upside (%)	35
Free Float ('mn)	323
Market Cap. (Rs.'mn)	9,756

## 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	FY22A	FY23E	FY24E	FY25E		
Net sales	20,231	29,777	55,116	64,830	72,194	76,310	80,141		
Cost of sale	18,553	27,411	43,931	59,317	66,125	69,588	73,221		
<b>Gross profit</b>	<b>1,678</b>	<b>2,366</b>	<b>11,185</b>	<b>5,514</b>	<b>6,069</b>	<b>6,722</b>	<b>6,920</b>		
Selling and promotion expenses	25	42	239	421	469	496	521		
Administration expenses	249	320	357	395	440	465	489		
Other operating expenses	3	-	977	1,208	1,346	1,422	1,494		
<b>Operating Profit</b>	<b>1,401</b>	<b>2,005</b>	<b>9,613</b>	<b>3,488</b>	<b>3,814</b>	<b>4,338</b>	<b>4,416</b>		
Other operating income	52	38	499	86	95	101	106		
Finance cost	1,865	3,386	1,524	2,299	2,184	1,788	1,426		
Profit before taxation	1,453	2,043	10,112	3,574	3,909	4,439	4,522		
Taxation	-	666	-	727	2,220	129	569	875	1,022
<b>Profit after taxation</b>	<b>254</b>	<b>-</b>	<b>617</b>	<b>6,368</b>	<b>1,146</b>	<b>1,156</b>	<b>1,776</b>	<b>2,074</b>	
EPS	<b>0.27</b>	<b>-</b>	<b>0.67</b>	<b>6.89</b>	<b>1.24</b>	<b>1.25</b>	<b>1.92</b>	<b>2.24</b>	

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	7.0%	47.2%	85.1%	17.6%	11.4%	5.7%	5.0%
Cost of sale	19.0%	47.7%	60.3%	35.0%	11.5%	5.2%	5.2%
<b>Gross profit</b>	<b>-49.4%</b>	<b>41.0%</b>	<b>372.7%</b>	<b>-50.7%</b>	<b>10.1%</b>	<b>10.8%</b>	<b>2.9%</b>
Selling and promotion expenses	31.1%	67.1%	470.7%	76.3%	11.4%	5.7%	5.0%
Administration expenses	29.7%	28.2%	11.6%	10.8%	11.4%	5.7%	5.0%
Other operating expenses	-98.1%	-100.0%	0.0%	23.7%	11.4%	5.7%	5.0%
<b>Operating Profit</b>	<b>-51.5%</b>	<b>40.6%</b>	<b>395.0%</b>	<b>-64.7%</b>	<b>9.4%</b>	<b>13.6%</b>	<b>1.9%</b>
Other operating income	46.3%	-26.2%	1207.7%	-82.9%	11.4%	5.7%	5.0%
Finance cost	-72.9%	-81.5%	55.0%	-50.8%	5.0%	18.1%	20.2%
Profit before taxation	-121.5%	225.7%	-739.3%	-85.2%	35.3%	53.6%	16.8%
Taxation	205.5%	-9.1%	405.4%	94.2%	-341.2%	-53.6%	-16.8%
<b>Profit after taxation</b>	<b>-80.2%</b>	<b>-343.0%</b>	<b>-1132.9%</b>	<b>-82.0%</b>	<b>0.8%</b>	<b>53.6%</b>	<b>16.8%</b>
EPS	<b>-80.2%</b>	<b>-343.0%</b>	<b>-1132.9%</b>	<b>-82.0%</b>	<b>0.8%</b>	<b>53.6%</b>	<b>16.8%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	7.95	20.29	8.50	8.41	8.81	8.63	10.64
OP Margin	%	6.86	18.35	5.51	5.41	5.82	5.64	9.82
NP Margin	%	-2.07	11.55	1.77	1.60	2.33	2.59	5.69
ROE	%	-7.32	56.45	7.62	7.14	10.06	10.59	20.30
ROCE	%	6.08	28.47	9.71	10.38	11.56	11.65	20.94
ROA	%	-1.83	17.93	3.11	3.07	4.62	5.35	12.14

Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	0.06	0.08	0.14	0.10	0.11	0.11	0.13
Acid-test	x	0.67	0.78	1.05	0.81	0.88	0.88	1.02

Activity Ratios		FY19A	FY20A	FY21A	FY22A	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	11	2	2	2	2	2
Payables Days		24	84	58	85	85	85	85
Operating Cycle		123	24	45	2	2	2	2

Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
EPS	Rs.	0.27	-0.67	6.89	1.24	1.25	1.92	2.24
DPS	Rs.	0.00	0.00	2.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	13.93	0.00	0.00	0.00	0.00
BVPS	Rs.	32.26	29.87	53.36	57.58	61.85	68.40	76.05
Payout	%	-	-	29	-	-	-	-
Retention	%	100	100	71	100	100	100	100
No. of Shares	'm	271	271	271	271	271	271	271
P/E	x	38.64	0.00	1.54	8.55	8.48	5.52	4.73
Sales per share		74.62	109.82	203.28	239.11	266.27	281.45	295.58
P/BV		0.33	0.35	0.20	0.18	0.17	0.15	0.14
Price to Sales		0.48	0.33	0.18	0.15	0.14	0.13	0.12

Gearing Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Debt to Equity	x	2.49	2.38	1.00	0.80	0.61	0.44	0.24
L.T. Debt to Equity	x	0.88	1.15	0.53	0.27	0.19	0.12	0.00
Interest Cover	x	0.78	0.60	6.63	1.55	1.79	2.48	3.17

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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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
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