

ASL has announced its 1HFY23 result where it posted a loss after tax of Rs2.98bn (Diluted LPS: Rs2.27) as compared to a profit after tax of Rs452mn (Diluted EPS: Rs0.49) in the same period last year, down by 546% YoY owing to a decrease in volumetric sales and shrinkage of gross margins.

The company has posted a revenue of Rs15.69bn against Rs31.58bn in SPLY, recording a decline of 50.3% YoY. The gross margin has plunged to -1.7% as compared to 8.4% during SPLY amid lower CRC-HRC margins and a decrease in capacity utilization.

Furthermore, SG&A went down by 42.5% to Rs247mn as compared to Rs430mn in SPLY. However, other expenses surged by 66.2% to Rs1.08bn as compared to Rs0.65bn in the SPLY. Moreover, finance costs increased by 53.4% YoY owing to higher interest rates.

Going forward, In the near to mid-term, the company's performance is not expected to be strong. However, in the long term, there is potential for improvement and positive outcomes. ASL is trading at FY23 P/B of 0.16x which offers a discount of 5% relative to its historical 3-year average of 0.155x. We downgrade stance to **HOLD** on the scrip with a DCF-based Dec-23 TP of Rs6.8 which provides an upside potential of just 5%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	9,143	13,574	32.6% ▼	15,686	31,581	50.3% ▼
Cost of Sales	-9,567	-13,121	27.1% ▼	-15,957	-28,920	44.8% ▼
<b>Gross Profit</b>	<b>-424</b>	<b>452</b>	<b>193.8% ▼</b>	<b>-272</b>	<b>2,660</b>	<b>110.2% ▼</b>
SG&A Expenses	-129	-203	36.2% ▼	-247	-430	42.5% ▼
Other Expenses	173	-176	197.8% ▼	-1,082	-651	66.2% ▲
<b>Operating Profit</b>	<b>-381</b>	<b>73</b>	<b>623.0% ▼</b>	<b>-1,601</b>	<b>1,580</b>	<b>201.3% ▼</b>
Other Income	48	32	51.3% ▲	61	38	61.5% ▲
Finance Cost	-765	-528	44.8% ▲	-1,575	-1,027	53.4% ▲
Profit Before Taxation	-1,099	-424	159.2% ▼	-3,115	591	627.3% ▼
Taxation	412	138	198.8% ▼	1,017	-139	832.4% ▼
<b>Profit After Taxation</b>	<b>-686</b>	<b>-286</b>	<b>340.0% ▼</b>	<b>-2,098</b>	<b>452</b>	<b>564.2% ▼</b>
<b>Earnings Per Share</b>	<b>-0.74</b>	<b>-0.31</b>	<b>340.0% ▼</b>	<b>-2.27</b>	<b>0.49</b>	<b>564.2% ▼</b>
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Right	-	-	-	-	-	-
Gross Margin	-4.6%	3.3%	8.0% ▼	-1.7%	8.4%	10.2% ▼
SG&A Expenses to Sales	-1.4%	-1.5%	0.1% ▼	-1.6%	-1.4%	0.2% ▲
Other Income to Sales	0.5%	0.2%	0.3% ▲	0.4%	0.1%	0.3% ▲
Ex. Gain / (Loss) to Sales	-1.4%	-1.5%	0.1% ▼	-1.6%	-1.4%	0.2% ▲
Effective Taxation	-37.5%	-32.6%	5.0% ▲	-32.7%	-23.5%	9.1% ▲
Net Margin	-7.5%	-2.1%	5.4% ▼	-13.4%	1.4%	14.8% ▼

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	ASL
TP - Dec 23	6.8
LDPCP	6.51
Upside (%)	5
Free Float ('mn)	151
Market Cap. (Rs.'mn)	6,895

## ASL vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Ahmed

Phone: (+92) 42 38302028; Ext: 118

Email: mahmed@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	29,777	55,116	64,830	32,723	44,244	55,060	66,846
Cost of sale	27,411	43,931	59,317	31,329	41,128	50,288	60,537
<b>Gross profit</b>	<b>2,366</b>	<b>11,185</b>	<b>5,514</b>	<b>1,394</b>	<b>3,116</b>	<b>4,771</b>	<b>6,308</b>
Selling and promotion expenses	42	239	421	97	131	163	198
Administration expenses	320	357	395	418	565	703	854
Other operating expenses	-	977	1,208	2,618	814	1,013	1,229
<b>Operating Profit</b>	<b>2,005</b>	<b>9,613</b>	<b>3,488</b>	<b>- 1,739</b>	<b>1,606</b>	<b>2,892</b>	<b>4,027</b>
Other operating income	38	499	86	127	171	213	259
Finance cost	3,386	1,524	2,299	3,135	2,761	2,048	1,138
Profit before taxation	2,043	10,112	3,574	- 1,612	1,777	3,105	4,285
Taxation	- 727	2,220	129	- 1,567	- 325	349	1,038
<b>Profit after taxation</b>	<b>- 617</b>	<b>6,368</b>	<b>1,146</b>	<b>- 3,181</b>	<b>- 659</b>	<b>708</b>	<b>2,108</b>
EPS	- 0.67	6.89	1.24	- 3.44	- 0.71	0.77	2.28

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	47.2%	85.1%	17.6%	-49.5%	35.2%	24.4%	21.4%
Cost of sale	47.7%	60.3%	35.0%	-47.2%	31.3%	22.3%	20.4%
<b>Gross profit</b>	<b>41.0%</b>	<b>372.7%</b>	<b>-50.7%</b>	<b>-74.7%</b>	<b>123.5%</b>	<b>53.1%</b>	<b>32.2%</b>
Selling and promotion expenses	67.1%	470.7%	76.3%	-77.0%	35.2%	24.4%	21.4%
Administration expenses	28.2%	11.6%	10.8%	5.7%	35.2%	24.4%	21.4%
Other operating expenses	-100.0%	0.0%	23.7%	116.6%	-68.9%	24.4%	21.4%
<b>Operating Profit</b>	<b>40.6%</b>	<b>395.0%</b>	<b>-64.7%</b>	<b>-145.1%</b>	<b>-210.2%</b>	<b>74.7%</b>	<b>38.0%</b>
Other operating income	-26.2%	1207.7%	-82.9%	47.9%	35.2%	24.4%	21.4%
Finance cost	-81.5%	55.0%	-50.8%	-36.4%	11.9%	25.8%	44.4%
Profit before taxation	225.7%	-739.3%	-85.2%	-472.3%	-79.3%	-207.5%	197.7%
Taxation	-9.1%	405.4%	94.2%	1314.2%	79.3%	207.5%	-197.7%
<b>Profit after taxation</b>	<b>-343.0%</b>	<b>-1132.9%</b>	<b>-82.0%</b>	<b>-377.5%</b>	<b>-79.3%</b>	<b>-207.5%</b>	<b>197.7%</b>
EPS	-343.0%	-1132.9%	-82.0%	-377.5%	-79.3%	-207.5%	197.7%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	7.95	20.29	8.50	4.26	7.04	8.67	9.44
OP Margin	%	6.86	18.35	5.51	-4.93	4.02	5.64	6.41
NP Margin	%	-2.07	11.55	1.77	-9.72	-1.49	1.29	3.15
ROE	%	-7.32	56.45	8.04	-25.56	-6.26	6.71	17.63
ROCE	%	6.08	28.47	8.58	-4.25	5.97	10.02	13.21
ROA	%	-1.83	17.93	2.75	-8.38	-2.22	2.29	6.50

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	0.08	0.14	0.22	0.09	0.11	0.16	0.19
Acid-test	x	0.78	1.05	0.97	0.64	0.71	0.97	1.07

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	3	4	4	5	5	5	5
Inventory Days		105	100	102	70	70	70	70
Receivables Days		2	2	2	2	2	2	2
Payables Days		84	58	57	68	68	68	68
Operating Cycle		24	45	47	4	4	4	4

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	-0.67	6.89	1.24	-3.44	-0.71	0.77	2.28
DPS	Rs.	0.00	2.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	29.36	0.00	0.00	0.00	0.00	0.00
BVPS	Rs.	29.87	53.36	51.77	40.04	37.61	40.22	48.00
Payout	%	-	29	-	-	-	-	-
Retention	%	100	71	100	100	100	100	100
No. of Shares	'm	271	271	271	271	271	271	271
P/E	x	0.00	0.95	5.25	-1.89	-9.13	8.50	2.86
Sales per share		109.82	203.28	239.11	120.69	163.18	203.07	246.54
P/BV		0.22	0.12	0.13	0.16	0.17	0.16	0.14
Price to Sales		0.20	0.11	0.09	0.18	0.14	0.11	0.09

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	2.38	1.00	1.58	1.32	1.13	0.63	0.45
L.T. Debt to Equity	x	1.15	0.53	0.45	0.44	0.33	0.00	0.00
Interest Cover	x	0.60	6.63	1.55	0.00	0.64	1.52	3.76

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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#### RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

#### HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com