

ASL has announced its 9MFY23 result where it posted a loss after tax of Rs2.15bn (Diluted LPS: Rs2.32) as compared to a profit after tax of Rs514mn (Diluted EPS: Rs0.56) in the same period last year, down by 518% YoY owing to a decrease in volumetric sales and shrinkage of gross margins.

The company has posted a revenue of Rs25.40bn against Rs49.12bn in SPLY, recording a decline of 48.3% YoY. The gross margin has decreased to 5% as compared to 7.1% during SPLY amid lower CRC-HRC margins and a decrease in capacity utilization.

Furthermore, SG&A went down by 31.5% to Rs386mn as compared to Rs563mn in SPLY while other expenses surged by 1.43x to Rs1.70bn as compared to Rs0.70bn in the SPLY. Lastly, finance costs increased by 62.9% 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 0.15x which offers a discount of 2% relative to its historical 3-year average of 0.151x. We reiterate our stance to **HOLD** on the scrip with a DCF-based Dec-23 TP of Rs6.7 which provides an upside potential of just 6%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	9,720	17,536	44.6% ▼	25,405	49,117	48.3% ▼
Cost of Sales	-8,179	-16,716	51.1% ▼	-24,136	-45,636	47.1% ▼
Gross Profit	1,541	820	87.8% ▲	1,269	3,481	63.5% ▼
SG&A Expenses	-139	-133	4.1% ▲	-386	-563	31.5% ▼
Other Expenses	-621	-50	1147.0% ▲	-1,704	-701	143.1% ▲
Operating Profit	781	637	22.5% ▲	-820	2,217	137.0% ▼
Other Income	19	25	23.1% ▼	80	62	28.1% ▲
Finance Cost	-1,006	-557	80.5% ▲	-2,581	-1,584	62.9% ▲
Profit Before Taxation	-206	105	297.1% ▼	-3,321	695	577.6% ▼
Taxation	158	-43	469.1% ▼	1,175	-182	746.9% ▼
Profit After Taxation	-48	62	22.0% ▼	-2,146	514	517.8% ▼
Earnings Per Share	-0.05	0.07	22.0% ▼	-2.32	0.56	517.8% ▼
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Right	-	-	-	-	-	-
Gross Margin	15.9%	4.7%	11.2% ▲	5.0%	7.1%	2.1% ▼
SG&A Expenses to Sales	-1.4%	-0.8%	0.7% ▲	-1.5%	-1.1%	0.4% ▲
Other Income to Sales	0.2%	0.1%	0.1% ▲	0.3%	0.1%	0.2% ▲
Ex. Gain / (Loss) to Sales	-1.4%	-0.8%	0.7% ▲	-1.5%	-1.1%	0.4% ▲
Effective Taxation	-76.6%	-40.9%	35.7% ▲	-35.4%	-26.1%	9.3% ▲
Net Margin	-0.5%	0.4%	0.8% ▼	-8.4%	1.0%	9.5% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	ASL
TP - Dec 23	6.70
LDCP	6.34
Upside (%)	6
Free Float ('mn)	325
Market Cap. (Rs.'mn)	5,863

ASL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116
Email: salman@abbasiandcompany.com

Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	29,777	55,116	64,830	33,874	42,469	52,850	64,164
Cost of sale	27,411	43,931	59,317	32,180	39,784	48,797	58,466
Gross profit	2,366	11,185	5,514	1,694	2,685	4,053	5,698
Selling and promotion expenses	42	239	421	103	111	138	168
Administration expenses	320	357	395	411	350	435	529
Other operating expenses	-	977	1,208	2,271	345	429	521
Operating Profit	2,005	9,613	3,488	- 1,092	1,879	3,050	4,480
Other operating income	38	499	86	106	147	183	223
Finance cost	3,386	1,524	2,299	3,441	3,139	2,350	1,414
Profit before taxation	2,043	10,112	3,574	- 986	2,027	3,233	4,703
Taxation	- 727	2,220	129	- 1,567	- 367	292	1,085
Profit after taxation	- 617	6,368	1,146	- 2,860	- 745	592	2,204
EPS	- 0.67	6.89	1.24	- 3.09	- 0.81	0.64	2.38

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	47.2%	85.1%	17.6%	-47.8%	25.4%	24.4%	21.4%
Cost of sale	47.7%	60.3%	35.0%	-45.7%	23.6%	22.7%	19.8%
Gross profit	41.0%	372.7%	-50.7%	-69.3%	58.5%	50.9%	40.6%
Selling and promotion expenses	67.1%	470.7%	76.3%	-75.6%	8.1%	24.4%	21.4%
Administration expenses	28.2%	11.6%	10.8%	4.0%	-15.0%	24.4%	21.4%
Other operating expenses	-100.0%	0.0%	23.7%	88.0%	-84.8%	24.4%	21.4%
Operating Profit	40.6%	395.0%	-64.7%	-127.6%	-305.6%	59.5%	45.5%
Other operating income	-26.2%	1207.7%	-82.9%	23.9%	39.0%	24.4%	21.4%
Finance cost	-81.5%	55.0%	-50.8%	-49.7%	8.8%	25.2%	39.8%
Profit before taxation	225.7%	-739.3%	-85.2%	-447.2%	-74.9%	-179.4%	272.2%
Taxation	-9.1%	405.4%	94.2%	1314.3%	76.6%	179.4%	-272.2%
Profit after taxation	-343.0%	-1132.9%	-82.0%	-349.6%	-73.9%	-179.4%	272.2%
EPS	-343.0%	-1132.9%	-82.0%	-349.6%	-73.9%	-179.4%	272.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	7.95	20.29	8.50	5.00	6.32	7.67	8.88
OP Margin	%	6.86	18.35	5.51	-2.91	4.77	6.12	7.33
NP Margin	%	-2.07	11.55	1.77	-8.44	-1.75	1.12	3.43
ROE	%	-7.32	56.45	8.04	-22.69	-6.90	5.52	18.18
ROCE	%	6.08	28.47	8.58	-2.48	6.03	9.09	12.43
ROA	%	-1.83	17.93	2.75	-7.19	-2.22	1.66	5.82

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	0.08	0.14	0.22	0.09	0.10	0.14	0.17
Acid-test	x	0.78	1.05	0.97	0.79	0.85	1.15	1.26

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	3	4	4	4	4	4	4
Inventory Days		105	100	102	100	98	96	94
Receivables Days		2	2	2	2	2	2	2
Payables Days		84	58	57	68	68	68	68
Operating Cycle		24	45	47	34	32	30	28

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	-0.67	6.89	1.24	-3.09	-0.81	0.64	2.38
DPS	Rs.	0.00	2.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	29.84	0.00	0.00	0.00	0.00	0.00
BVPS	Rs.	29.87	53.36	51.77	41.22	38.47	40.66	48.78
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	0.92	5.12	0.00	0.00	9.90	2.66
Sales per share		109.82	203.28	239.11	124.93	156.64	194.92	236.65
P/BV		0.21	0.12	0.12	0.15	0.16	0.16	0.13
Price to Sales		0.20	0.11	0.09	0.17	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	1.28	1.10	0.62	0.44
L.T. Debt to Equity	x	1.15	0.53	0.45	0.43	0.33	0.00	0.00
Interest Cover	x	0.60	6.63	1.55	0.00	0.65	1.38	3.33

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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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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