

Equity Research | Oil &amp; Gas Marketing Companies | Friday, 22 April, 2022

APL has announced its 9MFY22 result where it posted a profit after tax of Rs11.247bn (EPS: Rs113) as compared to a profit after tax of Rs3.664bn (EPS: Rs36.81) in the same period last year, up by 207% YoY majorly because of huge inventory gains.

The company has posted a net sale of Rs241.036bn against Rs135.699bn in SPLY, recording a growth of 77.6% YoY. We note that this increase is attributed to the increased prices.

Taxation has increased by 213% YoY to Rs4.657bn as compared to Rs1.487bn during SPLY, and other income has increased by 27.4% YoY to 1.202bn compared to 990mn during SPLY.

Furthermore, the operating and selling expense has increased to 5.417bn as compared to 2.697bn during SPLY up by 100.8%.

APL is currently trading at FY22E PE of 2.12x. Furthermore, the scrip is trading at a FY22E P/B of 1.07x which offers a discount of 34% relative to its historical 3-year average of 1.62x. We recommend our investors to **BUY** the scrip with DCF-based Dec-22 TP of Rs.360 which provides an upside potential of 11%. Furthermore, it also offers an attractive dividend yield of 13.8% which makes a total return of 25%.

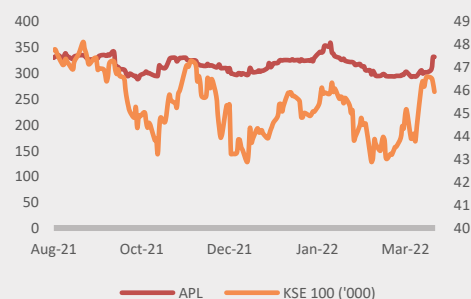
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	86,760	45,728	89.7% ▲	241,036	135,699	77.6% ▲
Cost of Sales	-78,219	-42,821	82.7% ▲	-219,943	-128,032	71.8% ▲
Gross Profit	8,541	2,907	193.8% ▲	21,093	7,667	175.1% ▲
SG&A Expenses	-2,014	-8,998	77.6% ▼	-5,417	-2,697	100.8% ▲
Operating Profit	6,503	1,929	237.1% ▲	15,977	4,736	237.4% ▲
Other Income	401	409	2.0% ▼	1,202	944	27.4% ▲
Share of loss of associated companies	-26	3	1101.6% ▼	-166	-23	638.0% ▲
Finance Income	469	298,282	99.8% ▼	1,149	990	16.1% ▲
Finance Cost	-334	-324	3.1% ▲	-1,073	-1,114	3.7% ▼
Profit Before Taxation	6,530	2,157	202.8% ▲	15,904	5,151	208.7% ▲
Taxation	-1,892	-639	196.2% ▲	-4,657	-1,487	213.2% ▲
Profit After Taxation	4,638	1,518	205.6% ▲	11,247	3,664	207.0% ▲
Earnings Per Share	46.60	15.25	205.6% ▲	113.00	36.81	207.0% ▲
Dividend	0.00	0.00		15.00	2.50	500.0% ▲
Bonus	-	-		-	-	
Gross Margin	9.8%	6.4%	3.5% ▲	8.8%	5.7%	3.1% ▲
SG&A Expenses to Sales	-2.3%	-19.7%	17.4% ▼	-2.2%	-2.0%	0.3% ▲
Other Income to Sales	0.5%	0.9%	0.4% ▼	0.5%	0.7%	0.2% ▼
Ex. Gain / (Loss) to Sales	-2.3%	-19.7%	17.4% ▼	-2.2%	-2.0%	0.3% ▲
Effective Taxation	-29.0%	-29.6%	0.6% ▼	-29.3%	-28.9%	0.4% ▲
Net Margin	5.3%	3.3%	2.0% ▲	4.7%	2.7%	2.0% ▲

Source: ACPL Research, Company Financials

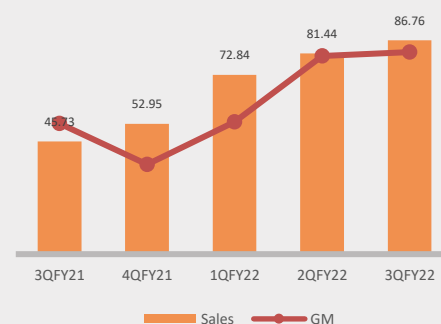
## Key Statistics

Symbol	APL
TP - Dec 22	360
LDGP	326
Upside	11%
Free Float (mn)	25
Market Cap. (Rs.mn)	32,746

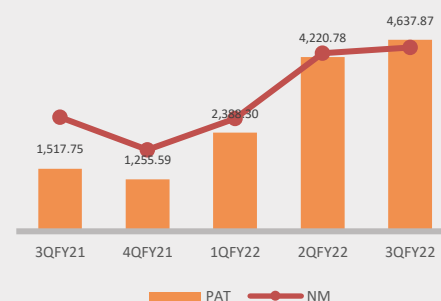
## APL vs KSE 100



## 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
Revenue	223,054	201,079	188,645	329,248	273,352	271,770	313,392
Cost of sales	-214,833	-197,441	-178,663	-300,699	-254,686	-262,731	-302,594
<b>Gross profit</b>	<b>8,221</b>	<b>3,638</b>	<b>9,982</b>	<b>28,549</b>	<b>18,666</b>	<b>9,038</b>	<b>10,798</b>
Other Income	1,148	899	1,261	1,646	1,367	1,359	1,567
Net impairment losses on financial assets	-71	-374	409	395	328	326	376
Operating expenses	-3,590	-3,079	-4,152	-7,408	-6,150	-6,115	-7,051
<b>Profit from operations</b>	<b>5,708</b>	<b>1,084</b>	<b>7,500</b>	<b>23,182</b>	<b>14,210</b>	<b>4,609</b>	<b>5,690</b>
Finance income	1,399	2,232	1,334	1,580	1,312	1,304	1,504
Finance Cost	-849	-1,597	-1,419	-1,482	-1,230	-1,223	-1,410
Share of profit of associates - net of tax	-222	-97	34	5	4	4	5
Other Charges	-313	-118	-509	-1,613	-1,339	-1,332	-1,536
<b>Profit before income tax</b>	<b>5,723</b>	<b>1,503</b>	<b>6,939</b>	<b>21,673</b>	<b>12,957</b>	<b>3,363</b>	<b>4,253</b>
Income tax expense	-1,762	-495	-2,019	-6,393	-3,794	-985	-1,245
<b>Profit for the year</b>	<b>3,961</b>	<b>1,008</b>	<b>4,920</b>	<b>15,279</b>	<b>9,163</b>	<b>2,378</b>	<b>3,008</b>
<b>EPS</b>	<b>39.79</b>	<b>10.13</b>	<b>49.43</b>	<b>153.51</b>	<b>92.06</b>	<b>23.89</b>	<b>30.22</b>
<b>EBITDA</b>	<b>6,300</b>	<b>1,768</b>	<b>8,399</b>	<b>24,242</b>	<b>15,415</b>	<b>5,946</b>	<b>7,146</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY23E	FY23E
Revenue	25.9%	-9.9%	-6.2%	74.5%	-17.0%	-0.6%	15.3%
Cost of sales	28.3%	-8.1%	-9.5%	68.3%	-15.3%	3.2%	15.2%
<b>Gross profit</b>	<b>-15.6%</b>	<b>-55.7%</b>	<b>174.4%</b>	<b>186.0%</b>	<b>-34.6%</b>	<b>-51.6%</b>	<b>19.5%</b>
Other Income	29.8%	-21.8%	40.3%	30.6%	-17.0%	-0.6%	15.3%
Net impairment losses on financial assets	3564.5%	428.2%	-209.4%	-3.4%	-17.0%	-0.6%	15.3%
Operating expenses	41.3%	-14.2%	34.9%	78.4%	-17.0%	-0.6%	15.3%
<b>Profit from operations</b>	<b>-29.4%</b>	<b>-81.0%</b>	<b>592.0%</b>	<b>209.1%</b>	<b>-38.7%</b>	<b>-67.6%</b>	<b>23.5%</b>
Finance income	12.7%	59.5%	-40.2%	18.5%	-17.0%	-0.6%	15.3%
Finance Cost	50.4%	88.1%	-11.2%	4.4%	-17.0%	-0.6%	15.3%
Share of profit of associates - net of tax	551.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Charges	-28.7%	-62.4%	331.5%	217.1%	-17.0%	-0.6%	15.3%
<b>Profit before income tax</b>	<b>-31.0%</b>	<b>-73.7%</b>	<b>361.7%</b>	<b>212.3%</b>	<b>-40.2%</b>	<b>-74.0%</b>	<b>26.5%</b>
Income tax expense	-33.1%	-71.9%	308.1%	216.6%	-40.7%	-74.0%	26.5%
<b>Profit for the year</b>	<b>-30.0%</b>	<b>-74.5%</b>	<b>387.9%</b>	<b>210.6%</b>	<b>-40.0%</b>	<b>-74.0%</b>	<b>26.5%</b>
<b>EPS</b>	<b>-30.0%</b>	<b>-74.5%</b>	<b>387.9%</b>	<b>210.6%</b>	<b>-40.0%</b>	<b>-74.0%</b>	<b>26.5%</b>
<b>EBITDA</b>	<b>-25.9%</b>	<b>-71.9%</b>	<b>375.1%</b>	<b>188.6%</b>	<b>-36.4%</b>	<b>-61.4%</b>	<b>20.2%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	3.69	1.81	5.29	8.67	6.83	3.33	3.45
NP Margin	%	1.78	0.50	2.61	4.64	3.35	0.88	0.96
OP Margin	%	2.56	0.54	3.98	7.04	5.20	1.70	1.82
ROE	%	20.93	5.47	21.65	50.33	27.14	6.86	8.41
ROCE	%	28.95	4.65	24.91	98.84	55.13	16.49	19.31
ROA	%	8.54	1.97	7.95	20.02	12.98	3.21	3.64
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.39	1.28	1.39	1.22	1.27	1.29	1.25
Quick	x	0.79	0.81	0.56	0.51	0.54	0.56	0.55
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY23E	FY23E
Inventory Turnover	x	16.97	17.68	13.97	13.90	10.16	11.25	11.86
Inventory Days		21.51	20.64	26.14	26.25	35.91	32.43	30.77
Receivables Days		27.55	25.36	21.33	21.33	23.00	25.00	25.00
Payables Days		45.25	50.95	63.70	63.70	63.70	63.70	63.70
Operating Cycle		3.82	-4.95	-16.23	-16.11	-4.79	-6.27	-7.93
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		20.00	9.00	27.00	45.00	58.00	15.00	19.00
Div. Yield	%	6.25	2.76	8.28	13.80	17.79	4.60	5.83
Dividend Cover	x	1.99	1.13	1.83	3.41	1.59	1.59	1.59
Retention	%	49.74	11.16	45.37	50.00	37.18	37.18	37.18
Payout	%	50.26	88.84	54.63	50.00	62.82	62.82	62.82
No. of Shares	('m)	0.10	0.10	0.10	0.10	0.10	0.10	0.10
EPS		39.79	10.13	49.43	153.51	92.06	23.89	30.22
BVPS		190.16	185.33	228.28	305.03	339.26	348.14	359.37
P/E	x	8.04	32.18	6.60	2.12	3.54	13.64	10.79
Sales per share		2241	2020	1895	3308	2746	2730	3149
P/BV	x	1.68	1.76	1.43	1.07	0.96	0.94	0.91
P/S	x	0.14	0.16	0.17	0.10	0.12	0.12	0.10
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	0.00	0.22	0.28	0.29	0.34	0.40	0.46
L.T Debt to Equity	x	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	6.72	0.68	5.29	15.65	11.55	3.77	4.03

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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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- 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%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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