

ASL has announced its 9MFY22 result where it posted a profit after tax of Rs514mn (EPS: Rs0.56) as compared to a profit after tax of Rs4.75bn (EPS: Rs5.14) in the same period last year, down by 89.2% YoY.

The company has posted a revenue of Rs49bn against Rs41bn in SPLY, recording a growth of 20.5% 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 7.1% as compared to 20.5% during SPLY amid an increase in raw material cost and depreciation of PKR. SG&A expenses went up by 46.7% YoY to Rs563mn as compared to Rs384mn during SPLY.

Furthermore, finance costs have been increased by 17.7% YoY due to an increase in working capital requirements.

ASL is trading at a FY22E P/E of 13.37x. Moreover, the scrip is also trading at FY22 P/B of 0.23x which offers a discount of 36% relative to its historical 3-year average of 0.36x. We maintain our **BUY** stance on the scrip with a DCF-based Dec-22 TP of Rs 18 which provides an upside potential of 41%.

Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	17,536	15,337	14.3% ▲	49,117	40,754	20.5% ▲
Cost of Sales	-16,716	-11,561	44.6% ▲	-45,636	-32,401	40.8% ▲
<b>Gross Profit</b>	<b>820</b>	<b>3,775</b>	<b>78.3% ▼</b>	<b>3,481</b>	<b>8,352</b>	<b>58.3% ▼</b>
SG&A Expenses	-133	-188	29.2% ▼	-563	-384	46.7% ▲
Other Expenses	-50	-239	79.2% ▼	-701	-499	40.4% ▲
<b>Operating Profit</b>	<b>637</b>	<b>3,348</b>	<b>81.0% ▼</b>	<b>2,217</b>	<b>7,469</b>	<b>70.3% ▼</b>
Other Income	25	218	88.7% ▼	62	492	87.4% ▼
Finance Cost	-557	-403	38.3% ▲	-1,584	-1,346	17.7% ▲
Profit Before Taxation	105	3,163	96.7% ▼	695	6,615	110.5% ▼
Taxation	-43	-931	95.4% ▼	-182	-1,863	109.8% ▼
<b>Profit After Taxation</b>	<b>62</b>	<b>2,232</b>	<b>97.2% ▼</b>	<b>514</b>	<b>4,752</b>	<b>89.2% ▼</b>
<b>Earnings Per Share</b>	<b>0.07</b>	<b>2.41</b>	<b>97.2% ▼</b>	<b>0.56</b>	<b>5.14</b>	<b>89.2% ▼</b>
<b>Dividend</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	
<b>Bonus</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	
<b>Right</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	

Gross Margin	4.7%	24.6%	19.9% ▼	7.1%	20.5%	13.4% ▼
SG&A Expenses to Sales	-0.8%	-0.1%	0.6% ▲	-1.1%	-0.9%	0.2% ▲
Other Income to Sales	0.1%	1.4%	1.3% ▼	0.1%	1.2%	1.1% ▼
Ex. Gain / (Loss) to Sales	-0.8%	-0.1%	0.6% ▲	-1.1%	-0.9%	0.2% ▲
Effective Taxation	-40.9%	-29.4%	11.5% ▲	-26.1%	-28.2%	2.0% ▼
Net Margin	0.4%	14.6%	14.2% ▼	1.0%	11.7%	10.6% ▼

Source: ACPL Research, Company Financials

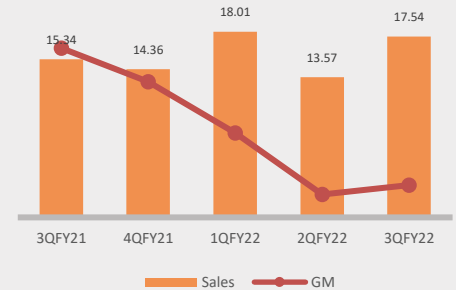
## Key Statistics

Symbol	ASL
TP - Dec 22	18.00
LDPCP	12.81
Upside (%)	41
Free Float ('mn)	323
Market Cap. (Rs.'mn)	11,375

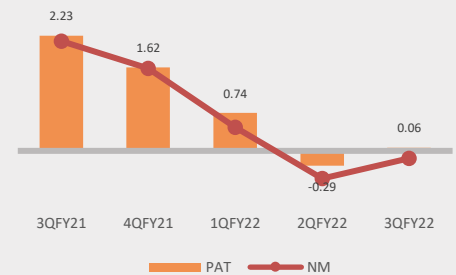
## ASL vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

**Muhammad Nauman Naeem**

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

Email: nauman@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E		
Net sales	20,231	29,777	55,116	65,566	73,580	79,189	84,633		
Cost of sale	18,553	27,411	43,931	60,457	66,714	71,023	75,629		
<b>Gross profit</b>	<b>1,678</b>	<b>2,366</b>	<b>11,185</b>	<b>5,109</b>	<b>6,867</b>	<b>8,166</b>	<b>9,004</b>		
Selling and promotion expenses	25	42	239	459	736	341	364		
Administration expenses	249	320	357	407	456	491	525		
Other operating expenses	3	-	977	177	199	214	229		
<b>Operating Profit</b>	<b>1,401</b>	<b>2,005</b>	<b>9,613</b>	<b>4,066</b>	<b>5,476</b>	<b>7,121</b>	<b>7,887</b>		
Other operating income	52	38	499	72	368	396	423		
Finance cost	1,865	3,386	1,524	3,003	3,110	2,591	2,133		
Profit before taxation	1,453	2,043	10,112	4,138	5,844	7,517	8,310		
Taxation	-	666	-	727	2,220	250	602	1,084	1,359
<b>Profit after taxation</b>	<b>254</b>	<b>-</b>	<b>617</b>	<b>6,368</b>	<b>886</b>	<b>2,133</b>	<b>3,842</b>	<b>4,818</b>	
EPS	<b>0.27</b>	<b>-</b>	<b>0.67</b>	<b>6.89</b>	<b>0.96</b>	<b>2.31</b>	<b>4.15</b>	<b>5.21</b>	

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	7.0%	47.2%	85.1%	19.0%	12.2%	7.6%	6.9%
Cost of sale	19.0%	47.7%	60.3%	37.6%	10.3%	6.5%	6.5%
<b>Gross profit</b>	<b>-49.4%</b>	<b>41.0%</b>	<b>372.7%</b>	<b>-54.3%</b>	<b>34.4%</b>	<b>18.9%</b>	<b>10.3%</b>
Selling and promotion expenses	31.1%	67.1%	470.7%	92.0%	60.3%	-53.7%	6.9%
Administration expenses	29.7%	28.2%	11.6%	14.0%	12.2%	7.6%	6.9%
Other operating expenses	-98.1%	-100.0%	0.0%	-81.9%	12.2%	7.6%	6.9%
<b>Operating Profit</b>	<b>-51.5%</b>	<b>40.6%</b>	<b>395.0%</b>	<b>-59.1%</b>	<b>41.2%</b>	<b>28.6%</b>	<b>10.6%</b>
Other operating income	46.3%	-26.2%	1207.7%	-85.6%	410.1%	7.6%	6.9%
Finance cost	-72.9%	-81.5%	55.0%	-97.0%	-3.6%	16.7%	17.7%
Profit before taxation	-121.5%	225.7%	-739.3%	-86.8%	140.8%	80.1%	25.4%
Taxation	205.5%	-9.1%	405.4%	88.7%	-140.8%	-80.1%	-25.4%
<b>Profit after taxation</b>	<b>-80.2%</b>	<b>-343.0%</b>	<b>-1132.9%</b>	<b>-86.1%</b>	<b>140.8%</b>	<b>80.1%</b>	<b>25.4%</b>
EPS	<b>-80.2%</b>	<b>-343.0%</b>	<b>-1132.9%</b>	<b>-86.1%</b>	<b>140.8%</b>	<b>80.1%</b>	<b>25.4%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	8.30	7.95	20.29	7.79	9.33	10.31	10.64
OP Margin	%	7.18	6.86	18.35	6.31	7.94	9.49	9.82
NP Margin	%	1.25	-2.07	11.55	1.35	2.90	4.85	5.69
ROE	%	2.94	-7.32	56.45	5.94	12.99	19.80	20.30
ROCE	%	5.47	6.08	28.47	11.19	15.39	19.33	20.94
ROA	%	0.95	-1.83	17.93	2.40	5.62	9.88	12.14

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	0.06	0.08	0.14	0.07	0.08	0.09	0.10
Acid-test	x	0.67	0.78	1.05	0.54	0.62	0.66	0.79

Activity Ratios		FY19A	FY20A	FY21A	FY22E	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	2	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	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	0.27	-0.67	6.89	0.96	2.31	4.15	5.21
DPS	Rs.	0.00	0.00	2.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	11.10	0.00	0.00	0.00	0.00
BVPS	Rs.	32.26	29.87	53.36	56.62	64.49	78.66	96.43
Payout	%	-	-	29	-	-	-	-
Retention	%	100	100	71	100	100	100	100
No. of Shares	'm	271	271	271	271	271	271	271
P/E	x	46.70	0.00	1.86	13.37	5.55	3.08	2.46
Sales per share		74.62	109.82	203.28	241.82	271.38	292.07	312.15
P/BV		0.40	0.43	0.24	0.23	0.20	0.16	0.13
Price to Sales		0.59	0.40	0.21	0.18	0.16	0.15	0.14

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	2.49	2.38	1.00	1.61	1.18	0.79	0.48
L.T. Debt to Equity	x	0.88	1.15	0.53	0.28	0.19	0.10	0.00
Interest Cover	x	0.78	0.60	6.63	1.38	1.88	2.90	3.90

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
- 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
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Market Weight	Neutral
Underweight	Negative

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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

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com