

ASL has announced its 1QFY23 result where it posted a loss after tax of Rs1.41bn (Diluted LPS: Rs-1.53) as compared to a profit after tax of Rs738mn (Diluted EPS: Rs0.80) in the same period last year, down by 291.3% YoY owing to a decrease in volumetric sales which offsets the higher domestic CRC/GI steel prices in addition to higher other expenses.

The company has posted a revenue of Rs6.54bn against Rs18.01bn in SPLY, recording a decline of 63.7% YoY. The gross margin has squeezed to 2.3% as compared to 12.3% during SPLY amid lower CRC-HRC margins and a decrease in capacity utilization.

Furthermore, SG&A went down by 48.2% to Rs117mn as compared to Rs227mn in SPLY. However, other expenses surged by 164.4% to Rs1.25bn on account of exchange loss. Moreover, finance costs increased by 62.5% YoY owing to higher interest rates. Lastly, effective taxation has increased to 30% as compared to 27.3% during SPLY.

ASL is trading at FY23 P/B of 0.26x which offers a discount of 20% relative to its historical 3-year average of 0.21x. We maintain our **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs12 which provides an upside potential of 35%.

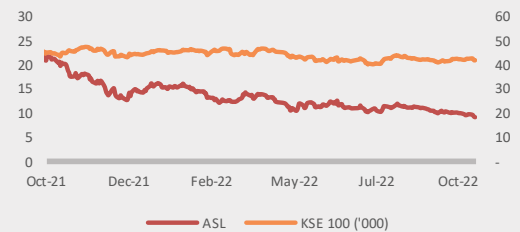
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	6,543	18,007	63.7% ▼	64,830	55,116	17.6% ▲
Cost of Sales	-6,390	-15,799	59.6% ▼	-59,317	-43,931	35.0% ▲
Gross Profit	153	2,208	93.1% ▼	5,514	11,185	50.7% ▼
SG&A Expenses	-117	-227	48.2% ▼	-817	-596	37.1% ▲
Other Expenses	-1,255	-475	164.4% ▲	-1,208	-977	23.7% ▲
Operating Profit	-1,220	1,507	180.9% ▼	3,488	9,613	63.7% ▼
Other Income	13	6	114.4% ▲	86	499	82.9% ▼
Finance Cost	-810	-498	62.5% ▲	-2,299	-1,524	50.8% ▲
Profit Before Taxation	-2,016	1,015	298.7% ▼	1,275	8,588	114.8% ▼
Taxation	605	-277	318.4% ▼	-129	-2,220	105.8% ▼
Profit After Taxation	-1,411	738	291.3% ▼	1,146	6,368	82.0% ▼
Earnings Per Share	-1.53	0.80	291.3% ▼	1.24	6.89	82.0% ▼
Dividend	0.00	0.00	-	0.00	2.00	100.0% ▼
Bonus	-	-	-	0%	0%	-
Right	-	-	-	0%	0%	-
Gross Margin	2.3%	12.3%	9.9% ▼	8.5%	20.3%	11.8% ▼
SG&A Expenses to Sales	-1.8%	-1.3%	0.5% ▲	-1.3%	-1.1%	0.2% ▲
Other Income to Sales	0.2%	0.0%	0.2% ▲	0.1%	0.9%	0.8% ▼
Ex. Gain / (Loss) to Sales	-1.8%	-1.3%	0.5% ▲	-1.3%	-1.1%	0.2% ▲
Effective Taxation	-30.0%	-27.3%	2.7% ▲	-10.1%	-25.8%	15.7% ▼
Net Margin	-21.6%	4.1%	25.7% ▼	1.8%	11.6%	9.8% ▼

Source: ACPL Research, Company Financials

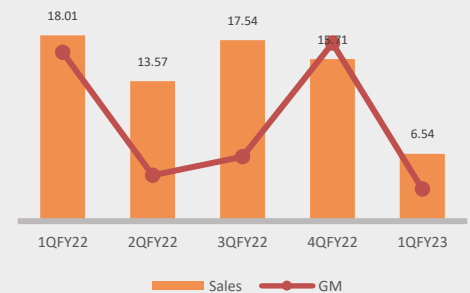
Key Statistics

Symbol	ASL
TP - Jun 23	12.00
LDCP	8.95
Upside (%)	35
Free Float ('mn)	323
Market Cap. (Rs.'mn)	8,276

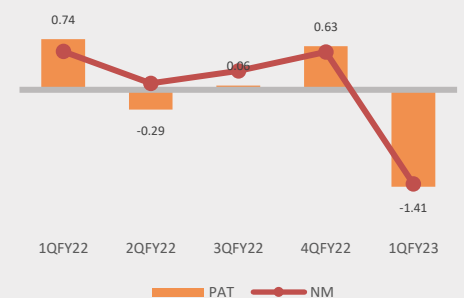
ASL vs KSE100



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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	29,777	55,116	64,830	37,510	55,134	65,051	75,810
Cost of sale	27,411	43,931	59,317	36,928	49,718	56,968	64,547
Gross profit	2,366	11,185	5,514	582	5,415	8,084	11,263
Selling and promotion expenses	42	239	421	138	203	239	279
Administration expenses	320	357	395	535	787	929	1,082
Other operating expenses	-	977	1,208	3,001	1,014	1,196	1,394
Operating Profit	2,005	9,613	3,488	- 3,092	3,412	5,720	8,508
Other operating income	38	499	86	75	110	129	151
Finance cost	3,386	1,524	2,299	3,804	3,155	2,569	1,696
Profit before taxation	2,043	10,112	3,574	- 3,017	3,521	5,849	8,659
Taxation	- 727	2,220	129	- 2,251	121	1,083	2,298
Profit after taxation	- 617	6,368	1,146	- 4,570	245	2,198	4,665
EPS	- 0.67	6.89	1.24	- 4.94	0.27	2.38	5.04

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	47.2%	85.1%	17.6%	-42.1%	47.0%	18.0%	16.5%
Cost of sale	47.7%	60.3%	35.0%	-37.7%	34.6%	14.6%	13.3%
Gross profit	41.0%	372.7%	-50.7%	-89.4%	830.0%	49.3%	39.3%
Selling and promotion expenses	67.1%	470.7%	76.3%	-67.3%	47.0%	18.0%	16.5%
Administration expenses	28.2%	11.6%	10.8%	35.4%	47.0%	18.0%	16.5%
Other operating expenses	-100.0%	0.0%	23.7%	148.3%	-66.2%	18.0%	16.5%
Operating Profit	40.6%	395.0%	-64.7%	-184.4%	-216.7%	66.1%	48.0%
Other operating income	-26.2%	1207.7%	-82.9%	-12.9%	47.0%	18.0%	16.5%
Finance cost	-81.5%	55.0%	-50.8%	-65.5%	17.1%	18.6%	34.0%
Profit before taxation	225.7%	-739.3%	-85.2%	-635.0%	-105.4%	795.9%	112.3%
Taxation	-9.1%	405.4%	94.2%	1844.7%	105.4%	-795.9%	-112.3%
Profit after taxation	-343.0%	-1132.9%	-82.0%	-498.8%	-105.4%	795.9%	112.3%
EPS	-343.0%	-1132.9%	-82.0%	-498.8%	-105.4%	795.9%	112.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	7.95	20.29	8.50	1.55	9.82	12.43	14.86
OP Margin	%	6.86	18.35	5.51	-8.04	6.39	8.99	11.42
NP Margin	%	-2.07	11.55	1.77	-12.18	0.44	3.38	6.15
ROE	%	-7.32	56.45	8.04	-38.89	2.56	20.33	32.76
ROCE	%	6.08	28.47	8.58	-7.32	9.33	14.34	20.21
ROA	%	-1.83	17.93	2.75	-11.09	0.65	5.39	10.89

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	0.08	0.14	0.22	0.17	0.24	0.33	0.39
Acid-test	x	0.78	1.05	0.97	0.83	1.02	1.37	1.56

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	3	4	4	4	4	4	4
Inventory Days		105	100	102	102	102	102	102
Receivables Days		11	2	2	2	2	2	2
Payables Days		84	58	57	57	57	57	57
Operating Cycle		24	45	47	47	47	47	47

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	-0.67	6.89	1.24	-4.94	0.27	2.38	5.04
DPS	Rs.	0.00	2.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	16.57	0.00	0.00	0.00	0.00	0.00
BVPS	Rs.	29.87	53.36	51.77	34.91	35.82	43.92	61.13
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	1.30	7.22	0.00	33.74	3.77	1.77
Sales per share		109.82	203.28	239.11	138.35	203.35	239.92	279.60
P/BV		0.30	0.17	0.17	0.26	0.25	0.20	0.15
Price to Sales		0.28	0.15	0.13	0.22	0.15	0.13	0.11

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	2.38	1.00	1.58	1.93	1.53	0.82	0.50
L.T. Debt to Equity	x	1.15	0.53	0.45	0.51	0.35	0.00	0.00
Interest Cover	x	0.60	6.63	1.55	0.00	1.12	2.28	5.11

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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