

Company reports LPS of PKR 1.55 during 1QFY23

- ASL announced its 1QFY23 financial results today wherein the company reported an LPS of PKR 1.55, as compared to EPS of PKR 0.8 in SPLY. This decline in earnings is mainly due to steep decline in volumetric sales and margin contraction.
- Net sales went down by 64% YoY to PKR 6.5bn on account of lower volumetric sales. Moreover, gross margins of the company contracted by ~10% to 2.3% during the quarter owing to decline in HRC-CRC margins and higher input cost.
- Selling & distribution expenses declined by 83% to PKR 24mn on the back of decline in topline, however admin expenses increase by 15% YoY to PKR 93mn.
- Other charges have increased by 15.4x YoY to 1.3bn possibly due to higher exchange losses booked during 1Q.
- ASL booked tax credit of PKR 0.6bn during the quarter partially cutting the losses.
- We have a "BUY" stance on ASL. Our Jun-23 PT of PKR 16/share indicates an upside of 75%.

Key Data

PSX Ticker	ASL
Target Price (PKR)	16
Current Price (PKR)	9
Upside/(Downside) (%)	+ 75%
Dividend Yield (%)	0%
Total Return (%)	+ 75%
12-month High (PKR)	19
12-month Low (PKR)	9
Outstanding Shares (mn)	925
Market Cap (PKR mn)	8,554
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	1QFY22	1QFY23	YoY
Net Sales	18,007	6,543	-64%
Cost of Sales	15,799	6,390	-60%
Gross Profit	2,208	153	-93%
Admin & General	81	93	15%
Selling & Distribution	146	24	-83%
Other Income	6	13	114%
Finance cost	896	810	-10%
Other Charges	76	1,255	1543%
Profit Before Taxation	1,015	(2,016)	NA
Taxation	277	(605)	NA
Net Income	738	(1,411)	NA
EPS*	0.8	-1.5	NA
DPS	-	-	

*At 925mn shares

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
EPS	(0.62)	6.45	1.16	1.03	2.42	2.89
EPS Growth	N/A	N/A	-82%	-11%	135%	19%
DPS	0.00	2.00	0.00	0.00	0.00	0.00
PER	NA	1.4	8.0	9.0	3.8	3.2
Dividend Yield	0.0%	21.6%	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	9.34	1.87	5.22	3.86	3.09	2.55
P/B	1.06	0.54	0.63	0.61	0.52	0.44
ROE	-9.3%	48.8%	9.0%	7.8%	15.4%	15.6%

Source: Company Accounts, Akseer Research

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Valuation Basis

Our PT for Aisha Steel Mills Limited has been computed using Free cash flow to equity (FCFF) method. We have used a risk free rate of 13.0%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 19.0% and weighted average cost of capital of 16%.

Investment Thesis

We have a "Buy" recommendation on the stock. Our Jun-23 PT of 16/share provides an upside of 75%. Our call on ASL is based on 1) Revival of demand from Auto, Appliances and Construction sector, 2) higher capacity utilization, and 3) import substitution resulting in better volumetric performance.

Risks

Key downside risks to our investment thesis are: 1) Dumping from countries exempted from ADDs and, 2) Further contraction in HRC-CRC spread in international market.

Company Description

The Company was incorporated in Pakistan on May 30, 2005 as a public limited company under the repealed Companies Ordinance, 1984. The Company has set up a cold rolling mill complex and a galvanization plant in the downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi, to carry out its principal business of manufacturing and selling cold rolled coils and hot dipped galvanized coils.

Financial Highlights - ASL

Income Statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Sales	29,777	55,116	64,830	56,979	59,132	62,055
Cost of Sales	27,411	43,931	59,317	51,395	52,688	55,082
Gross Profit	2,366	11,185	5,514	5,584	6,444	6,973
SG & A	361	596	817	773	835	902
Operating Profit	2,005	10,590	4,697	4,811	5,610	6,071
Other Income	38	499	86	119	173	127
Other charges	0	977	1,208	720	161	189
Finance Cost	3,386	1,524	2,299	2,692	2,056	1,748
Profit Before Tax	-1,343	8,588	1,275	1,518	3,566	4,261
Taxation	-727	2,220	129	501	1,177	1,406
Profit After Tax	-617	6,368	1,146	1,017	2,389	2,855

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
PPE	19,007	19,399	19,124	19,071	19,764	20,304
Other LT assets	2,219	553	911	1,005	1,171	1,467
Non-Current Assets	21,226	19,951	20,036	20,076	20,935	21,771
Current assets	13,304	16,572	26,769	18,180	17,788	18,098
Total Assets	34,531	36,524	46,805	38,256	38,724	39,869
Non-Current liabilities	9,461	6,274	5,100	4,623	4,279	3,927
Current liabilities	16,972	15,783	27,669	19,252	17,627	16,233
Total Liabilities	26,433	22,057	32,769	23,875	21,906	20,159
Equity	6,652	13,062	12,730	13,079	15,468	18,323
Total Equity & liabilities	34,531	36,524	46,805	38,256	38,724	39,869

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
Net Income	-617	6,368	1,146	1,017	2,389	2,855
Non cash Charges	801	817	1,043	1,056	1,108	1,148
Operating Cash flows	2,166	6,168	-5,420	8,995	3,665	3,986
FCFF	4,047	6,058	-4,140	9,795	3,242	3,469
Net borrowings	-2,486	-4,874	7,754	-6,966	-1,721	-1,644
FCFE	7	55	1,547	1,026	144	654
Net change in cash	-26	55	-30	355	191	691
Closing cash	183	238	208	563	754	1,445

Source: Company Accounts, Akseer Research

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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