

1QFY23 Result Review: Buy Stance Maintained

Equity Research | Oil & Gas Marketing Companies | Tuesday, 25 October, 2022

APL has announced its 1QFY23 result where it posted a profit after tax of Rs4.29bn (EPS: Rs34.48) as compared to a profit after tax of Rs2.39bn (EPS: Rs19.20) in the same period last year, up by 79.6% YoY amid high oil prices.

The company has posted net revenue of Rs123.93b against Rs72.84bn in SPLY, recording a growth of 70.1% YoY. The gross margin has improved to 8.1% as compared to 6.4% during SPLY.

Furthermore, the operating and finance costs have increased by 123.7% and 43.7% respectively. Moreover, finance income has increased by 165.7% to Rs734mn as compared to Rs276mn during SPLY. Lastly, effective taxation has increased to 33.5% as compared to 29.4% during SPLY.

APL is currently trading at FY23E PE of 2.08x. Furthermore, the scrip is trading at a FY23E P/B of 0.73x which offers a discount of 51% relative to its historical 3-year average of 1.50x. We recommend our investors to **BUY** the scrip with DCF-based Jun-23 TP of Rs.350 which provides an upside potential of 21%. Furthermore, it also offers an attractive dividend yield of 14% which makes a total return of 35%.

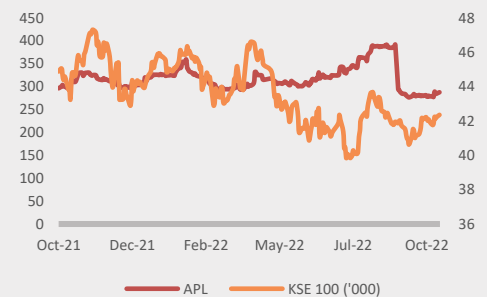
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	123,931	72,838	70.1% ▲	370,075	188,645	96.2% ▲
Cost of Sales	-113,941	-68,144	67.2% ▲	-329,072	-178,663	84.2% ▲
Gross Profit	9,991	4,694	112.8% ▲	41,003	9,982	310.8% ▲
SG&A Expenses	-3,733	-1,669	123.7% ▲	-10,215	-4,152	146.0% ▲
Operating Profit	6,224	3,309	88.1% ▲	31,137	6,239	399.1% ▲
Other Income	391	356	9.7% ▲	1,623	1,261	28.7% ▲
Share of loss of associated companies	60	25	142.2% ▲	79	34	134.7% ▲
Finance Income	734	276	165.7% ▲	1,608	1,334	20.6% ▲
Finance Cost	-487	-339	43.7% ▲	-1,587	-1,419	11.8% ▲
Profit Before Taxation	6,451	3,381	90.8% ▲	30,610	6,939	341.1% ▲
Taxation	-2,162	-993	117.8% ▲	-12,073	-2,019	497.9% ▲
Profit After Taxation	4,290	2,388	79.6% ▲	18,536	4,920	276.8% ▲
Earnings Per Share	34.48	19.20	79.6% ▲	148.99	39.54	276.8% ▲
Dividend	0.00	0.00		45.00	27.00	66.7% ▲
Bonus	-	-		25%	-	
Gross Margin	8.1%	6.4%	1.6% ▲	11.1%	5.3%	5.8% ▲
SG&A Expenses to Sales	-3.0%	-2.3%	0.7% ▲	-2.8%	-2.2%	0.6% ▲
Other Income to Sales	0.3%	0.5%	0.2% ▼	0.4%	0.7%	0.2% ▼
Ex. Gain / (Loss) to Sales	-3.0%	-2.3%	0.7% ▲	-2.8%	-2.2%	0.6% ▲
Effective Taxation	-33.5%	-29.4%	4.1% ▲	-39.4%	-29.1%	10.3% ▲
Net Margin	3.5%	3.3%	0.2% ▲	5.0%	2.6%	2.4% ▲

Source: ACPL Research, Company Financials

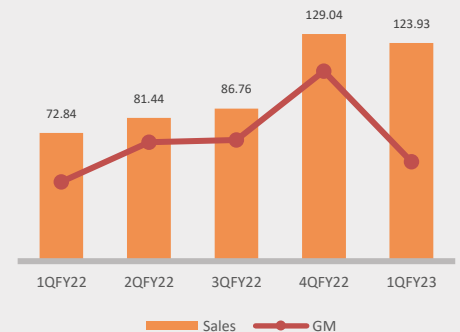
Key Statistics

Symbol	APL
TP - Jun 23	350
LDCP	290
Upside	21%
Free Float (mn)	25
Market Cap. (Rs.mn)	36,080

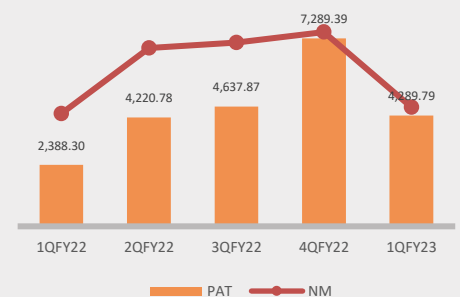
APL vs KSE 100



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
Revenue	201,079	188,645	370,075	430,448	472,502	526,013	586,688
Cost of sales	-197,441	-178,663	-329,072	-390,004	-444,728	-503,900	-559,880
Gross profit	3,638	9,982	41,003	40,444	27,774	22,114	26,809
Other Income	899	1,261	1,623	1,357	2,253	2,508	2,797
Net impairment losses on financial assets	-374	409	349	43	47	53	59
Operating expenses	-3,079	-4,152	-10,215	-15,066	-10,964	-12,205	-13,613
Profit from operations	1,084	7,500	32,760	26,778	19,110	12,469	16,051
Finance income	2,232	1,334	1,608	2,550	2,731	3,040	3,391
Finance Cost	-1,597	-1,419	-1,587	-1,846	-2,536	-2,823	-3,148
Share of profit of associates - net of tax	-97	34	79	92	101	112	125
Other Charges	-118	-509	-2,250	-1,636	-1,555	-1,731	-1,931
Profit before income tax	1,503	6,939	30,610	25,938	17,851	11,067	14,488
Income tax expense	-495	-2,019	-12,073	-8,560	-5,891	-3,652	-4,781
Profit for the year	1,008	4,920	18,536	17,379	11,960	7,415	9,707
EPS	8.10	39.54	148.99	139.68	96.13	59.60	78.02
EBITDA	1,768	8,399	33,808	27,822	20,150	13,506	17,086

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	-9.9%	-6.2%	96.2%	16.3%	9.8%	11.3%	11.5%
Cost of sales	-8.1%	-9.5%	84.2%	18.5%	14.0%	13.3%	11.1%
Gross profit	-55.7%	174.4%	310.8%	-1.4%	-31.3%	-20.4%	21.2%
Other Income	-21.8%	40.3%	28.7%	-16.4%	66.0%	11.3%	11.5%
Net impairment losses on financial assets	428.2%	-209.4%	-14.7%	-87.7%	9.8%	11.3%	11.5%
Operating expenses	-14.2%	34.9%	146.0%	47.5%	-27.2%	11.3%	11.5%
Profit from operations	-81.0%	592.0%	336.8%	-18.3%	-28.6%	-34.8%	28.7%
Finance income	59.5%	-40.2%	20.6%	58.6%	7.1%	11.3%	11.5%
Finance Cost	88.1%	-11.2%	11.8%	16.3%	37.4%	11.3%	11.5%
Share of profit of associates - net of tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Charges	-62.4%	331.5%	342.1%	-27.3%	-4.9%	11.3%	11.5%
Profit before income tax	-73.7%	361.7%	341.1%	-15.3%	-31.2%	-38.0%	30.9%
Income tax expense	-71.9%	308.1%	497.9%	-29.1%	-31.2%	-38.0%	30.9%
Profit for the year	-74.5%	387.9%	276.8%	-6.2%	-31.2%	-38.0%	30.9%
EPS	-74.5%	387.9%	276.8%	-6.2%	-31.2%	-38.0%	30.9%
EBITDA	#REF!	375.1%	302.5%	-17.7%	-27.6%	-33.0%	26.5%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	1.81	5.29	11.08	9.40	5.88	4.20	4.57
NP Margin	%	0.50	2.61	5.01	4.04	2.53	1.41	1.65
OP Margin	%	0.54	3.98	8.85	6.22	4.04	2.37	2.74
ROE	%	5.47	21.65	49.67	35.14	20.69	11.77	13.92
ROCE	%	4.65	24.91	73.35	55.90	35.20	21.06	24.87
ROA	%	1.97	7.95	19.24	16.05	9.75	5.45	6.49
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.28	1.39	1.52	1.61	1.64	1.63	1.63
Quick	x	0.81	0.56	0.44	0.53	0.55	0.55	0.55
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	17.68	13.97	9.71	6.91	6.79	6.77	6.70
Inventory Days		20.64	26.14	37.59	52.83	53.78	53.94	54.44
Receivables Days		25.36	21.33	17.97	23.00	25.00	25.00	25.00
Payables Days		50.95	63.70	52.81	52.81	52.81	52.81	52.81
Operating Cycle		-4.95	-16.23	2.75	23.01	25.96	26.12	26.62
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		9.00	27.00	45.00	42.00	29.00	18.00	23.50
Div. Yield	%	3.10	9.31	15.52	14.48	10.00	6.21	8.10
Dividend Cover	x	0.90	1.46	3.31	3.33	3.31	3.31	3.32
Retention	%	-11.05	31.72	69.80	69.80	69.80	69.80	69.80
Payout	%	111.05	68.28	30.20	30.20	30.20	30.20	30.20
No. of Shares	('m)	0.12	0.12	0.12	0.12	0.12	0.12	0.12
EPS		8.10	39.54	148.99	139.68	96.13	59.60	78.02
BVPS		148.26	182.62	299.95	397.45	464.54	506.14	560.59
P/E	x	35.78	7.33	1.95	2.08	3.02	4.87	3.72
Sales per share		1616	1516	2974	3460	3798	4228	4716
P/BV	x	1.96	1.59	0.97	0.73	0.62	0.57	0.52
P/S	x	0.18	0.19	0.10	0.08	0.08	0.07	0.06
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.22	0.28	0.17	0.13	0.12	0.11	0.11
L.T Debt to Equity	x	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Interest Cover	x	0.68	5.29	20.64	14.51	7.54	4.42	5.10

Source: ACPL Research, Company Financials

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

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

VALUATION METHODOLOGY

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

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

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