

# ASTL

## 1QFY21 Result Review: Stance Upgraded to BUY

Equity Research | Engineering | Thursday, 29 October, 2020



ASTL has announced its quarterly result where it posted profit after tax of Rs111mn (EPS: Rs0.37) in 1QFY21 as compared to the loss after tax of Rs81mn (LPS: Rs0.27) in the same period last year, up by 236.5% YoY.

The company has posted a revenue of Rs8bn against Rs6bn in SPLY, recording a growth of 30% YoY. We note that this growth is attributed to the increase in quantity sold.

The gross margin has been decreased slightly to 10.9% in 1QFY21 as compared to 11% in 1QFY20 due to higher input costs.

SG&A expenses have grown by 16.3% YoY to Rs351mn in 1QFY21 as compared to Rs302mn during SPLY.

Lastly, decreased finance cost by 16.6% YoY improved the bottom-line.

Going forward, we expect the offtake to improve during the current fiscal year, as the government is encouraging the construction industry which will help the steel sector to recover. ASTL is currently trading at a FY21E P/B of 1.05x which offers a discount of 14% relative to its historical 5-year average of 1.22x. We have a **BUY** stance on the script with a DCF based Jun-21 TP of Rs 47 which provides an upside potential of 18%.

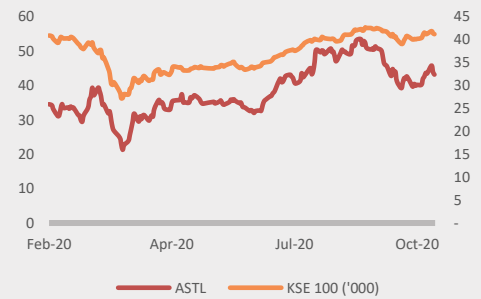
Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	7,914	6,087	30.0% ▲	7,914	26,532	70.2% ▼
Cost of Sales	-7,051	-5,418	30.1% ▲	-7,051	-24,556	71.3% ▼
<b>Gross Profit</b>	<b>863</b>	<b>669</b>	<b>28.9% ▲</b>	<b>863</b>	<b>1,976</b>	<b>56.3% ▼</b>
SG&A Expenses	-351	-302	16.3% ▲	-351	-1,371	74.4% ▼
Other Expenses	-11	-4	191.5% ▲	-11	-94	88.6% ▼
<b>Operating Profit</b>	<b>501</b>	<b>364</b>	<b>37.8% ▲</b>	<b>501</b>	<b>511</b>	<b>1.9% ▼</b>
Other Income	6	7	21.9% ▼	6	8	31.4% ▼
Finance Cost	-456	-547	16.6% ▼	-456	-2,299	80.2% ▼
Profit Before Taxation	50	-176	128.7% ▲	50	-1,780	102.8% ▼
Taxation	60	95	36.6% ▼	60	654	90.8% ▼
<b>Profit After Taxation</b>	<b>111</b>	<b>-81</b>	<b>236.5% ▲</b>	<b>111</b>	<b>-1,127</b>	<b>109.8% ▼</b>
<b>Earnings Per Share</b>	<b>0.37</b>	<b>-0.27</b>	<b>236.5% ▲</b>	<b>0.37</b>	<b>-3.79</b>	<b>109.8% ▼</b>
<b>Dividend</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	
<b>Bonus</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	
Gross Margin	10.9%	11.0%	0.1% ▼	10.9%	7.4%	3.5% ▲
SG&A Expenses to Sales	-4.4%	-5.0%	0.5% ▼	-4.4%	-5.2%	0.7% ▼
Other Income to Sales	0.1%	0.1%	0.0% ▼	0.1%	0.0%	0.0% ▲
Ex. Gain / (Loss) to Sales	-4.4%	-5.0%	0.5% ▼	-4.4%	-5.2%	0.7% ▼
Effective Taxation	119.3%	-53.9%	65.3% ▲	119.3%	-36.7%	82.5% ▲
Net Margin	1.4%	-1.3%	2.7% ▲	1.4%	-4.2%	5.6% ▲

Source: ACPL Research, Company Financials

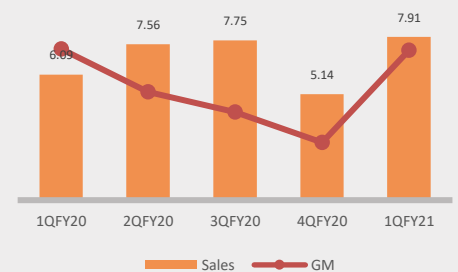
### Key Statistics

Symbol	ASTL
TP - Jun 21	47.00
LDCP	40.00
Upside (%)	18
Free Float ('mn)	74
Market Cap. (Rs.'mn)	11,880

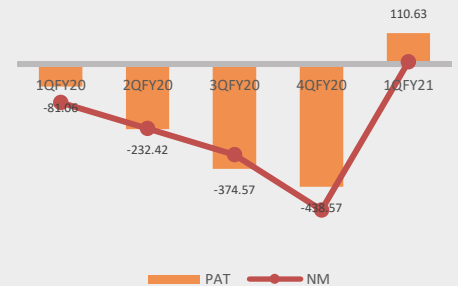
### ASTL vs KSE 100



### Sales (Rs'bn) vs Gross Margin



### PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

**Umer Hayat**

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

Email: umer.hayat@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	14,414	12,400	13,284	15,501	28,596	26,532	31,944	34,162	37,175
Cost of sale	11,899	9,608	10,816	12,742	26,172	24,556	28,542	30,268	32,665
<b>Gross profit</b>	<b>2,514</b>	<b>2,792</b>	<b>2,468</b>	<b>2,758</b>	<b>2,424</b>	<b>1,976</b>	<b>3,402</b>	<b>3,894</b>	<b>4,509</b>
Selling and promotion expenses	281	341	337	378	716	682	813	870	946
Administration expenses	229	216	325	409	501	689	604	646	703
Other operating expenses	100	165	117	123	18	94	43	46	50
<b>Operating Profit</b>	<b>1,905</b>	<b>2,069</b>	<b>1,690</b>	<b>1,848</b>	<b>1,188</b>	<b>511</b>	<b>1,942</b>	<b>2,332</b>	<b>2,810</b>
Other operating income	35	15	7	23	7	8	23	24	26
Finance cost	668	336	252	476	1,262	2,299	1,597	1,132	1,053
Profit before taxation	1,272	1,749	1,445	1,394	67	1,780	367	1,224	1,783
Taxation	261	470	371	191	100	654	55	354	516
<b>Profit after taxation</b>	<b>1,011</b>	<b>1,279</b>	<b>1,074</b>	<b>1,585</b>	<b>33</b>	<b>1,127</b>	<b>312</b>	<b>870</b>	<b>1,267</b>
EPS	<b>3.40</b>	<b>4.31</b>	<b>3.62</b>	<b>5.34</b>	<b>0.11</b>	<b>- 3.79</b>	<b>1.05</b>	<b>2.93</b>	<b>4.27</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	20.5%	-14.0%	7.1%	16.7%	84.5%	-7.2%	20.4%	6.9%	8.8%
Cost of sale	12.4%	-19.3%	12.6%	17.8%	105.4%	-6.2%	16.2%	6.0%	7.9%
<b>Gross profit</b>	<b>82.8%</b>	<b>11.0%</b>	<b>-11.6%</b>	<b>11.8%</b>	<b>-12.1%</b>	<b>-18.5%</b>	<b>72.2%</b>	<b>14.4%</b>	<b>15.8%</b>
Selling and promotion expenses	44.6%	21.5%	-1.2%	12.1%	89.4%	-4.8%	19.2%	6.9%	8.8%
Administration expenses	43.0%	-5.5%	50.2%	25.9%	22.6%	37.4%	-12.3%	6.9%	8.8%
Other operating expenses	230.4%	65.7%	-29.4%	5.6%	-85.6%	433.1%	-54.1%	6.9%	8.8%
<b>Operating Profit</b>	<b>92.2%</b>	<b>8.6%</b>	<b>-18.4%</b>	<b>9.4%</b>	<b>-35.7%</b>	<b>-57.0%</b>	<b>280.3%</b>	<b>20.1%</b>	<b>20.5%</b>
Other operating income	72.3%	-55.7%	-52.2%	206.4%	-68.5%	15.1%	176.9%	6.9%	8.8%
Finance cost	5.8%	-49.8%	-25.0%	89.3%	165.0%	82.1%	-30.5%	-29.1%	-6.9%
Profit before taxation	234.7%	37.5%	-17.4%	-3.5%	-104.8%	-2551.0%	120.6%	233.3%	45.6%
Taxation	104.4%	80.5%	-21.1%	-151.4%	-47.6%	553.9%	108.4%	542.7%	45.6%
<b>Profit after taxation</b>	<b>300.6%</b>	<b>26.5%</b>	<b>-16.0%</b>	<b>47.6%</b>	<b>-97.9%</b>	<b>-3532.4%</b>	<b>127.7%</b>	<b>178.7%</b>	<b>45.6%</b>
EPS	<b>300.6%</b>	<b>26.5%</b>	<b>-16.0%</b>	<b>47.6%</b>	<b>-97.9%</b>	<b>-3532.4%</b>	<b>127.7%</b>	<b>178.7%</b>	<b>45.6%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	17.44	22.52	18.58	17.80	8.48	7.45	10.65	11.40	12.13
OP Margin	%	13.46	16.81	12.77	12.07	4.18	1.96	6.15	6.90	7.63
NP Margin	%	7.02	10.31	8.09	10.23	0.11	-4.25	0.98	2.55	3.41
ROE	%	17.22	15.44	9.84	13.20	0.26	-9.65	2.79	7.53	10.38
ROCE	%	15.82	14.36	9.70	8.34	4.25	1.59	5.35	6.62	8.42
ROA	%	8.25	8.81	6.14	7.07	0.12	-3.46	0.85	2.45	3.76

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	1.08	1.88	1.13	1.05	0.86	0.98	1.00	1.03	1.06
Acid-test	x	0.30	0.51	0.31	0.19	0.25	0.34	0.36	0.33	0.34
Cash to current liab.	x	0.02	0.02	0.01	0.01	0.01	0.03	0.03	0.04	0.04

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Inventory Turnover	x	5	2	3	2	3	3	3	3	3
Inventory Days		70	168	115	214	92	120	120	85	85
Receivables Days		29	23	21	25	19	25	25	25	25
Payables Days		30	41	38	70	54	70	70	70	70
Operating Cycle		69	149	98	169	57	75	75	40	40

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EPS	Rs.	3.40	4.31	3.62	5.34	0.11	-3.79	1.05	2.93	4.27
DPS	Rs.	0.00	1.99	2.00	2.19	0.00	1.00	0.42	1.17	1.71
Div. Yield	%	0.00	4.25	4.26	4.67	0.00	2.13	0.90	2.50	3.64
Dividend Cover	x	0.00	2.16	1.81	2.44	0.00	-3.79	2.50	2.50	2.50
BVPS	Rs.	19.77	35.99	37.53	43.37	41.22	37.42	38.05	39.81	42.37
Payout	%	0.00	46.31	55.18	41.00	0.00	-26.36	40.00	40.00	40.00
Retention	%	100.00	53.69	44.82	59.00	100.00	126.36	60.00	60.00	60.00
No. of Shares	'mn	297	297	297	297	297	297	297	297	297
P/E		11.75	9.29	11.06	7.49	361.95	0.00	38.05	13.65	9.38
Sales per share		48.53	41.75	44.72	52.19	96.28	89.33	107.55	115.02	125.16
P/BV		2.02	1.11	1.07	0.92	0.97	1.07	1.05	1.00	0.94
Price to Sales		0.82	0.96	0.89	0.77	0.42	0.45	0.37	0.35	0.32

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Debt to Equity	x	0.73	0.35	0.42	0.78	0.96	1.63	1.59	1.04	0.93
L.T. Debt to Equity	x	0.36	0.09	0.09	0.23	0.22	0.56	0.48	0.39	0.30
Interest Cover	x	2.90	6.21	6.74	3.93	0.95	0.23	1.23	2.08	2.69

Source: ACPL Research, Company Financials

## DISCLAIMER

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

<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

### 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](mailto:research@abbasiandcompany.com)

web: [www.abbasiandcompany.com](http://www.abbasiandcompany.com)

#### HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: [info@abbasiandcompany.com](mailto:info@abbasiandcompany.com)

web: [www.abbasiandcompany.com](http://www.abbasiandcompany.com)

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: [info@abbasiandcompany.com](mailto:info@abbasiandcompany.com)

web: [www.abbasiandcompany.com](http://www.abbasiandcompany.com)