

# ASTL

## 9MFY20 Result Review: BUY Stance Maintained

Equity Research | Engineering | Monday, 27 April, 2020

ASTL has announced its 3QFY20 result where it posted loss after tax of Rs688mn (LPS: Rs2.32) in 9MFY20 as compared to profit after tax of Rs224mn (EPS: Rs0.75) in same period last year, down by 407.7% YoY.

The company has posted the revenue of Rs21.4bn against Rs18.7bn in SPLY, recording a growth of 14.2% YoY. We note that this growth is attributed to the increase in the selling prices.

Gross margin has been deteriorated to 8.2% in 9MFY20 as compared to 9.8% in 9MFY19 due to rupee devaluation and higher input cost.

SG&A expenses have grown by 23.9% YoY to Rs1.bn in 9MFY20 as compared to Rs810mn during SPLY.

Lastly, Increased finance cost by 108.9% YoY caused the bottom-line to plunge despite growth in revenues.

Going forward, we expect the sales to remain sluggish during fourth quarter owing to COVID-19 crisis. However, the offtake is expected to improve from next fiscal year. ASTL is currently trading at a FY20E P/B of 0.85x which offers a discount of 51% relative to its historical 5-year average of 1.76x. We maintain our **BUY** stance on the script with a DCF based Jun-21 TP of Rs 40 which provides an upside potential of 20%.

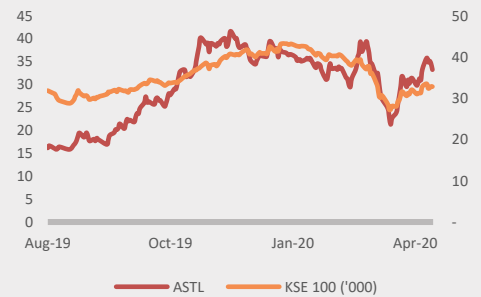
Rupees' millions	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	7,748	6,406	21.0% ▲	21,390	18,723	14.2% ▲
Cost of Sales	-7,252	-6,091	19.1% ▲	-19,630	-16,883	16.3% ▲
<b>Gross Profit</b>	<b>496</b>	<b>315</b>	<b>57.5% ▲</b>	<b>1,760</b>	<b>1,840</b>	<b>4.4% ▼</b>
SG&A Expenses	-366	-289	26.9% ▲	-1,004	-810	23.9% ▲
Other Expenses	-129	24	644.5% ▼	-139	-22	539.1% ▲
<b>Operating Profit</b>	<b>1</b>	<b>50</b>	<b>97.5% ▼</b>	<b>617</b>	<b>1,008</b>	<b>38.8% ▼</b>
Other Income	-3	-24	88.7% ▼	6	5	13.7% ▲
Finance Cost	-583	-370	57.4% ▲	-1,797	-860	108.9% ▲
Profit Before Taxation	-584	-344	69.7% ▼	-1,174	154	864.5% ▼
Taxation	210	52	305.8% ▲	486	70	592.9% ▲
<b>Profit After Taxation</b>	<b>-375</b>	<b>-293</b>	<b>27.9% ▼</b>	<b>-688</b>	<b>224</b>	<b>407.7% ▼</b>
<b>Earnings Per Share</b>	<b>-1.26</b>	<b>-0.99</b>	<b>27.9% ▼</b>	<b>-2.32</b>	<b>0.75</b>	<b>407.7% ▼</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	6.4%	4.9%	1.5% ▲	8.2%	9.8%	1.6% ▼
SG&A Expenses to Sales	-4.7%	-4.5%	0.2% ▲	-4.7%	-4.3%	0.4% ▲
Other Income to Sales	0.0%	-0.4%	0.3% ▲	0.0%	0.0%	0.0% ▼
Ex. Gain / (Loss) to Sales	-4.7%	-4.5%	0.2% ▲	-4.7%	-4.3%	0.4% ▲
Effective Taxation	-35.9%	-15.0%	20.9% ▲	-41.4%	45.6%	4.3% ▼
<b>Net Margin</b>	<b>-4.8%</b>	<b>-4.6%</b>	<b>0.3% ▼</b>	<b>-3.2%</b>	<b>1.2%</b>	<b>4.4% ▼</b>

Source: ACPL Research, Company Financials

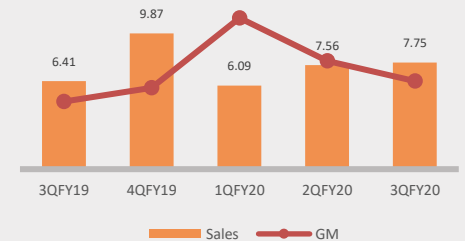
### Key Statistics

Symbol	ASTL
TP - Jun 21	40.00
LDCP	33.22
Upside (%)	20.41
Free Float ('mn)	74
Market Cap. (Rs.'mn)	9,867

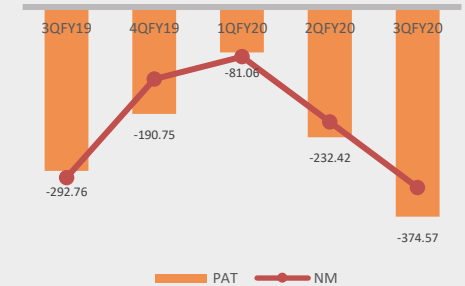
### ASTL vs KSE 100



### 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	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Net sales	14,414	12,400	13,284	15,501	28,596	23,671	27,279	31,826	36,408
Cost of sale	11,899	9,608	10,816	12,742	26,172	21,676	23,971	26,993	31,221
<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>1,994</b>	<b>3,308</b>	<b>4,833</b>	<b>5,187</b>
Selling and promotion expenses	281	341	337	378	716	599	690	805	921
Administration expenses	229	216	325	409	501	512	590	688	787
Other operating expenses	100	165	117	123	18	154	178	207	237
<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>730</b>	<b>1,851</b>	<b>3,132</b>	<b>3,242</b>
Other operating income	35	15	7	23	7	7	8	9	10
Finance cost	668	336	252	476	1,262	1,565	1,405	1,291	1,166
Profit before taxation	1,272	1,749	1,445	1,394	67	-	454	1,850	2,086
Taxation	261	470	371	191	100	240	131	535	603
<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>-</b>	<b>589</b>	<b>1,315</b>	<b>1,483</b>
EPS	<b>3.40</b>	<b>4.31</b>	<b>3.62</b>	<b>5.34</b>	<b>0.11</b>	<b>-</b>	<b>1.98</b>	<b>1.09</b>	<b>4.43</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Net sales	20.5%	-14.0%	7.1%	16.7%	84.5%	-17.2%	15.2%	16.7%	14.4%
Cost of sale	12.4%	-19.3%	12.6%	17.8%	105.4%	-17.2%	10.6%	12.6%	15.7%
<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>-17.7%</b>	<b>65.9%</b>	<b>46.1%</b>	<b>7.3%</b>
Selling and promotion expenses	44.6%	21.5%	-1.2%	12.1%	89.4%	-16.4%	15.2%	16.7%	14.4%
Administration expenses	43.0%	-5.5%	50.2%	25.9%	22.6%	2.1%	15.2%	16.7%	14.4%
Other operating expenses	230.4%	65.7%	-29.4%	5.6%	-85.6%	770.5%	15.2%	16.7%	14.4%
<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>-38.6%</b>	<b>153.6%</b>	<b>69.2%</b>	<b>3.5%</b>
Other operating income	72.3%	-55.7%	-52.2%	206.4%	-68.5%	-7.9%	15.2%	16.7%	14.4%
Finance cost	5.8%	-49.8%	-25.0%	89.3%	165.0%	24.0%	-10.2%	-8.1%	-9.7%
Profit before taxation	234.7%	37.5%	-17.4%	-3.5%	-104.8%	-1133.9%	154.7%	307.8%	12.8%
Taxation	104.4%	80.5%	-21.1%	-151.4%	-47.6%	139.7%	154.7%	307.8%	12.8%
<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>-1894.5%</b>	<b>154.7%</b>	<b>307.8%</b>	<b>12.8%</b>
EPS	<b>300.6%</b>	<b>26.5%</b>	<b>-16.0%</b>	<b>47.6%</b>	<b>-97.9%</b>	<b>-1894.5%</b>	<b>154.7%</b>	<b>307.8%</b>	<b>12.8%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	17.44	22.52	18.58	17.80	8.48	8.43	12.13	15.18	14.25
OP Margin	%	13.46	16.81	12.77	12.07	4.18	3.11	6.81	9.87	8.93
NP Margin	%	7.02	10.31	8.09	10.23	0.11	-2.49	1.18	4.13	4.07
ROE	%	17.22	15.44	9.84	13.20	0.26	-4.93	2.74	10.74	11.33
ROCE	%	15.82	14.36	9.70	8.34	4.25	2.60	6.79	11.16	11.10
ROA	%	8.25	8.81	6.14	7.07	0.12	-2.08	1.18	4.67	5.06

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	1.08	1.88	1.13	1.05	0.86	1.06	0.99	1.01	1.05
Acid-test	x	0.30	0.51	0.31	0.19	0.25	0.30	0.29	0.31	0.32
Cash to current liab.	x	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.02	0.02

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	5	2	3	2	3	3	3	3	3
Inventory Days		70	168	115	214	92	92	92	92	92
Receivables Days		29	23	21	25	19	18	18	18	18
Payables Days		30	41	38	70	54	54	54	54	54
Operating Cycle		69	149	98	169	57	56	56	56	56

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
EPS	Rs.	3.40	4.31	3.62	5.34	0.11	-1.98	1.09	4.43	4.99
DPS	Rs.	0.00	1.99	2.00	2.19	0.00	0.00	0.43	1.77	2.00
Div. Yield	%	0.00	4.98	4.98	5.46	0.00	0.00	1.08	4.42	4.98
Dividend Cover	x	0.00	2.16	1.81	2.44	0.00	0.00	2.50	2.50	2.50
BVPS	Rs.	19.77	35.99	37.53	43.37	41.22	39.24	39.89	42.55	45.54
Payout	%	0.00	46.31	55.18	41.00	0.00	0.00	40.00	40.00	40.00
Retention	%	100.00	53.69	44.82	59.00	100.00	100.00	60.00	60.00	60.00
No. of Shares	'mn	297	297	297	297	297	297	297	297	297
P/E		9.76	7.72	9.19	6.22	300.60	0.00	30.60	7.51	6.66
Sales per share		48.53	41.75	44.72	52.19	96.28	79.70	91.85	107.15	122.58
P/BV		1.68	0.92	0.89	0.77	0.81	0.85	0.83	0.78	0.73
Price to Sales		0.68	0.80	0.74	0.64	0.35	0.42	0.36	0.31	0.27

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Debt to Equity	x	0.73	0.35	0.42	0.78	0.96	0.88	0.87	0.79	0.73
L.T. Debt to Equity	x	0.36	0.09	0.09	0.23	0.22	0.49	0.36	0.22	0.12
Interest Cover	x	2.90	6.21	6.74	3.93	0.95	0.47	1.32	2.43	2.79

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

### 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

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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

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