

ASTL

9MFY22 Result Review: BUY Stance Maintained

Equity Research | Engineering | Monday, 25 April, 2022

ASTL has announced its 9MFY22 result where it posted a profit after tax of Rs1.83bn (EPS: Rs6.18) as compared to the profit after tax of Rs926mn (EPS: Rs3.12) in the same period last year, up by 98.1% YoY.

The company has posted a revenue of Rs42bn against Rs27bn in SPLY, recording a growth of 56.2% YoY. We note that this growth is attributed to the increase in volumetric sales. The gross margin has been increased slightly to 12% as compared to 11.9% in SPLY. SG&A expenses have grown by 29% YoY to Rs1.3bn as compared to Rs1.02bn during SPLY.

Other income has been increased by 121% YoY. Lastly, finance cost has been increased by 22.5% YoY to Rs1.5bn.

ASTL is currently trading at a FY22E P/E of 3.48x. Further, the scrip is trading at a FY22E P/B of 0.59x which offers a discount of 21% relative to its 3-year average of 0.75x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 50 which provides an upside potential of 61%. Further, the scrip also provides a dividend yield of 7% which makes the total return of 67%.

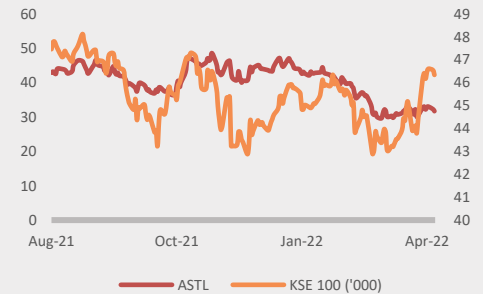
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	15,916	9,776	62.8% ▲	42,537	27,228	56.2% ▲
Cost of Sales	-14,208	-8,416	68.8% ▲	-37,438	-23,977	56.1% ▲
Gross Profit	1,708	1,360	25.6% ▲	5,099	3,251	56.9% ▲
SG&A Expenses	-464	-346	34.2% ▲	-1,322	-1,024	29.0% ▲
Other Expenses	-29	-52	44.6% ▼	-201	-89	125.7% ▲
Operating Profit	1,214	962	26.2% ▲	3,577	2,137	67.3% ▲
Other Income	2	7	72.6% ▼	47	21	120.6% ▲
Finance Cost	-650	-395	64.8% ▲	-1,509	-1,231	22.5% ▲
Profit Before Taxation	566	575	1.5% ▼	2,115	927	128.1% ▲
Taxation	-36	-72	149.5% ▼	-281	-2	16076.9% ▲
Profit After Taxation	531	503	5.5% ▲	1,834	926	98.1% ▲
Earnings Per Share	1.79	1.69	5.5% ▲	6.18	3.12	98.1% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	10.7%	13.9%	3.2% ▼	12.0%	11.9%	0.0% ▲
SG&A Expenses to Sales	-2.9%	-3.5%	0.6% ▼	-3.1%	-3.8%	0.7% ▼
Other Income to Sales	0.0%	0.1%	0.1% ▼	0.1%	0.1%	0.0% ▲
Ex. Gain / (Loss) to Sales	-2.9%	-3.5%	0.6% ▼	-3.1%	-3.8%	0.7% ▼
Effective Taxation	-6.3%	-12.5%	6.2% ▼	-13.3%	-0.2%	13.1% ▲
Net Margin	3.3%	5.1%	1.8% ▼	4.3%	3.4%	0.9% ▲

Source: ACPL Research, Company Financials

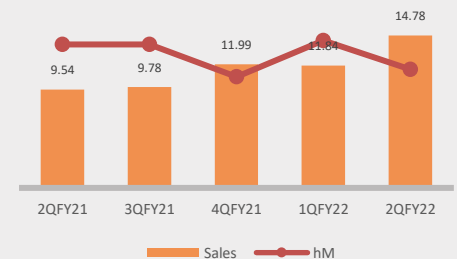
Key Statistics

Symbol	ASTL
TP - Dec 22	50.00
LDCP	31.07
Upside (%)	61
Free Float ('mn)	74
Market Cap. (Rs.'mn)	9,150

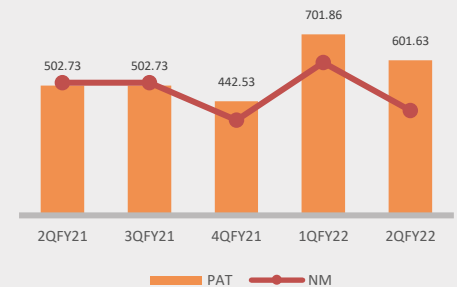
ASTL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Nauman Naeem

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

Email: nauman@abbasiandcompany.com

Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	28,596	26,532	39,218	55,777	60,519	64,057	67,798
Cost of sale	26,172	24,719	34,676	48,854	52,876	55,745	58,768
Gross profit	2,424	1,813	4,542	6,924	7,642	8,311	9,030
Selling and promotion expenses	716	682	946	1,049	1,138	1,204	1,275
Administration expenses	501	503	555	742	805	852	902
Other operating expenses	18	94	124	357	387	410	434
Operating Profit	1,188	533	2,918	4,776	5,312	5,845	6,419
Other operating income	7	8	46	95	103	109	115
Finance cost	1,262	2,299	1,649	1,336	1,374	1,408	1,442
Profit before taxation	- 67	- 1,943	1,384	3,535	4,041	4,546	5,092
Taxation	- 100	- 701	16	884	1,010	1,137	1,273
Profit after taxation	33	- 1,242	1,368	2,651	3,031	3,410	3,819
EPS	0.11	- 4.18	4.61	8.93	10.20	11.48	12.86

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	84.5%	-7.2%	47.8%	42.2%	8.5%	5.8%	5.8%
Cost of sale	105.4%	-5.6%	40.3%	40.9%	8.2%	5.4%	5.4%
Gross profit	-12.1%	-25.2%	150.5%	52.4%	10.4%	8.8%	8.6%
Selling and promotion expenses	89.4%	-4.8%	38.6%	10.9%	8.5%	5.8%	5.8%
Administration expenses	22.6%	0.4%	10.2%	33.8%	8.5%	5.8%	5.8%
Other operating expenses	-85.6%	433.1%	31.1%	188.4%	8.5%	5.8%	5.8%
Operating Profit	-35.7%	-55.1%	447.1%	63.7%	11.2%	10.0%	9.8%
Other operating income	-68.5%	15.1%	459.9%	107.4%	8.5%	5.8%	5.8%
Finance cost	165.0%	82.1%	-28.3%	-19.0%	2.8%	2.4%	2.5%
Profit before taxation	-104.8%	-2793.1%	171.2%	155.4%	14.3%	12.5%	12.0%
Taxation	-47.6%	601.1%	102.2%	5531.7%	14.3%	12.5%	12.0%
Profit after taxation	-97.9%	-3884.0%	210.2%	93.8%	14.3%	12.5%	12.0%
EPS	-97.9%	-3884.0%	210.2%	93.8%	14.3%	12.5%	12.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	8.48	6.83	11.58	12.41	12.63	12.98	13.32
OP Margin	%	4.18	1.34	7.73	8.73	8.95	9.30	9.64
NP Margin	%	0.11	-4.68	3.49	4.75	5.01	5.32	5.63
ROE	%	0.26	-10.71	10.99	17.98	18.40	18.50	18.51
ROCE	%	4.25	1.10	8.47	12.68	12.41	11.89	11.52
ROA	%	0.12	-3.83	3.82	6.90	6.94	6.81	6.74

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	0.86	0.96	0.97	1.18	1.34	1.51	1.70
Acid-test	x	0.25	0.34	0.41	-0.88	-0.81	-0.69	-0.56
Cash to current liab.	x	0.01	0.03	0.02	-1.49	-1.45	-1.35	-1.23

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	3	3	5	2	2	2	2
Inventory Days		92	115	63	170	170	170	170
Receivables Days		19	25	15	30	30	30	30
Payables Days		54	69	59	25	25	25	25
Operating Cycle		57	71	20	175	175	175	175

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	0.11	-4.18	4.61	8.93	10.20	11.48	12.86
DPS	Rs.	0.00	0.00	0.00	3.50	4.00	4.50	5.00
Div. Yield	%	0.00	0.00	0.00	6.55	7.49	8.43	9.36
Dividend Cover	x	0.00	0.00	0.00	2.55	2.55	2.55	2.57
BVPS	Rs.	41.22	36.87	46.94	52.36	58.57	65.55	73.41
Payout	%	0.00	0.00	0.00	40.00	40.00	40.00	40.00
Retention	%	100.00	100.00	100.00	60.00	60.00	60.00	60.00
No. of Shares	'mn	297	297	297	297	297	297	297
P/E		281.14	0.00	6.74	3.48	3.04	2.71	2.42
Sales per share		96.28	89.33	132.04	187.80	203.76	215.67	228.27
P/BV		0.75	0.84	0.66	0.59	0.53	0.47	0.42
Price to Sales		0.32	0.35	0.24	0.17	0.15	0.14	0.14

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	0.96	1.66	1.11	0.62	0.57	0.52	0.47
L.T. Debt to Equity	x	0.22	0.57	0.43	0.00	0.00	0.00	0.00
Interest Cover	x	0.95	0.15	1.84	3.65	3.94	4.23	4.53

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

BRANCH OFFICE

42 - Mall Road, Lahore
 Phone: (+92) 42 37320707
 Email: info@abbasiandcompany.com
 web: www.abbasiandcompany.com