

# ASTL

## FY20 Result Review: Stance Downgraded to HOLD

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ASTL has announced its 4QFY20 result where it posted loss after tax of Rs1127mn (LPS: Rs3.79) in FY20 as compared to the profit after tax of Rs33mn (EPS: Rs0.11) in the same period last year, down by 3532.2% YoY.

The company has posted the revenue of Rs26.5bn against Rs28.6bn in SPLY, recording a decline of 7.2% YoY. We note that this decline is attributed to the closure of operations during the COVID-19 lockdown and economic slowdown.

The gross margin has been deteriorated to 7.4% in FY20 as compared to 8.5% in FY19 due to rupee devaluation and higher input costs.

SG&A expenses have grown by 12.6% YoY to Rs1.4bn in FY20 as compared to Rs1.2bn during SPLY.

Lastly, Increased finance cost by 82.1% YoY caused the bottom-line to plunge.

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 1.36x which offers a discount of 15% relative to its historical 5-year average of 1.6x. We have a **HOLD** stance on the script with a DCF based Jun-21 TP of Rs 58 which provides an upside potential of 11%.

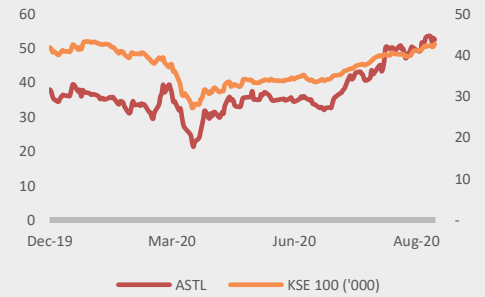
Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	5,142	9,873	47.9% ▼	26,532	28,596	7.2% ▼
Cost of Sales	-4,926	-9,290	47.0% ▼	-24,556	-26,172	6.2% ▼
<b>Gross Profit</b>	<b>216</b>	<b>583</b>	<b>63.0% ▼</b>	<b>1,976</b>	<b>2,424</b>	<b>18.5% ▼</b>
SG&A Expenses	-367	-408	9.9% ▼	-1,371	-1,218	12.6% ▲
Other Expenses	45	4	997.8% ▲	-94	-18	433.1% ▲
<b>Operating Profit</b>	<b>-107</b>	<b>180</b>	<b>159.4% ▼</b>	<b>511</b>	<b>1,188</b>	<b>57.0% ▼</b>
Other Income	2	2	18.9% ▲	8	7	15.1% ▲
Finance Cost	-502	-402	24.9% ▲	-2,299	-1,262	82.1% ▲
Profit Before Taxation	-607	-221	175.0% ▼	-1,780	-67	2551.0% ▲
Taxation	168	30	462.6% ▲	654	100	553.9% ▲
<b>Profit After Taxation</b>	<b>-439</b>	<b>-191</b>	<b>129.9% ▼</b>	<b>-1,127</b>	<b>33</b>	<b>3532.2% ▼</b>
<b>Earnings Per Share</b>	<b>-1.48</b>	<b>-0.64</b>	<b>129.9% ▼</b>	<b>-3.79</b>	<b>0.11</b>	<b>3532.2% ▼</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	4.2%	5.9%	1.7% ▼	7.4%	8.5%	1.0% ▼
SG&A Expenses to Sales	-7.1%	-4.1%	3.0% ▲	-5.2%	-4.3%	0.9% ▲
Other Income to Sales	0.0%	0.0%	0.0% ▲	0.0%	0.0%	0.0% ▲
Ex. Gain / (Loss) to Sales	-7.1%	-4.1%	3.0% ▲	-5.2%	-4.3%	0.9% ▲
Effective Taxation	-27.7%	-13.6%	14.2% ▲	-36.7%	-148.9%	112.1% ▼
<b>Net Margin</b>	<b>-8.5%</b>	<b>-1.9%</b>	<b>6.6% ▼</b>	<b>-4.2%</b>	<b>0.1%</b>	<b>4.4% ▼</b>

Source: ACPL Research, Company Financials

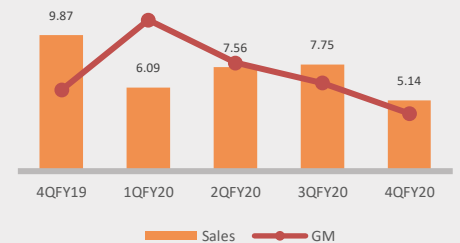
### Key Statistics

Symbol	ASTL
TP - Jun 21	58.00
LDPCP	52.44
Upside (%)	11
Free Float ('mn)	74
Market Cap. (Rs.'mn)	15,575

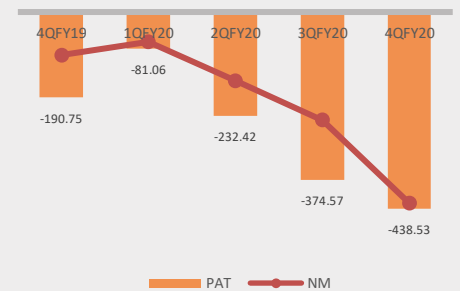
### ASTL vs KSE 100



### 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	FY20A	FY21E	FY22E	FY23E
Net sales	14,414	12,400	13,284	15,501	28,596	26,532	29,848	33,341	38,509
Cost of sale	11,899	9,608	10,816	12,742	26,172	24,556	26,039	28,801	32,938
<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>3,809</b>	<b>4,541</b>	<b>5,571</b>
Selling and promotion expenses	281	341	337	378	716	682	767	857	990
Administration expenses	229	216	325	409	501	689	775	865	999
Other operating expenses	100	165	117	123	18	94	106	119	137
<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>2,161</b>	<b>2,700</b>	<b>3,445</b>
Other operating income	35	15	7	23	7	8	9	10	12
Finance cost	668	336	252	476	1,262	2,299	1,471	1,252	1,102
Profit before taxation	1,272	1,749	1,445	1,394	-	-	699	1,458	2,355
Taxation	261	470	371	191	100	654	202	422	681
<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>497</b>	<b>1,036</b>	<b>1,674</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>1.67</b>	<b>3.49</b>	<b>5.64</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%	12.5%	11.7%	15.5%
Cost of sale	12.4%	-19.3%	12.6%	17.8%	105.4%	-6.2%	6.0%	10.6%	14.4%
<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>92.8%</b>	<b>19.2%</b>	<b>22.7%</b>
Selling and promotion expenses	44.6%	21.5%	-1.2%	12.1%	89.4%	-4.8%	12.5%	11.7%	15.5%
Administration expenses	43.0%	-5.5%	50.2%	25.9%	22.6%	37.4%	12.5%	11.7%	15.5%
Other operating expenses	230.4%	65.7%	-29.4%	5.6%	-85.6%	433.1%	12.5%	11.7%	15.5%
<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>323.2%</b>	<b>24.9%</b>	<b>27.6%</b>
Other operating income	72.3%	-55.7%	-52.2%	206.4%	-68.5%	15.1%	12.5%	11.7%	15.5%
Finance cost	5.8%	-49.8%	-25.0%	89.3%	165.0%	82.1%	-36.0%	-14.9%	-12.0%
Profit before taxation	234.7%	37.5%	-17.4%	-3.5%	-104.8%	-2551.0%	139.3%	108.6%	61.5%
Taxation	104.4%	80.5%	-21.1%	-151.4%	-47.6%	553.9%	130.9%	108.6%	61.5%
<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>-3532.2%</b>	<b>144.1%</b>	<b>108.6%</b>	<b>61.5%</b>
EPS	<b>300.6%</b>	<b>26.5%</b>	<b>-16.0%</b>	<b>47.6%</b>	<b>-97.9%</b>	<b>-3532.2%</b>	<b>144.1%</b>	<b>108.6%</b>	<b>61.5%</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	7.45	12.76	13.62	14.47
OP Margin	%	13.46	16.81	12.77	12.07	4.18	1.96	7.27	8.13	8.98
NP Margin	%	7.02	10.31	8.09	10.23	0.11	-4.25	1.66	3.11	4.35
ROE	%	17.22	15.44	9.84	13.20	0.26	-9.65	4.41	8.84	13.35
ROCE	%	15.82	14.36	9.70	8.34	4.25	1.79	7.62	9.48	11.86
ROA	%	8.25	8.81	6.14	7.07	0.12	-3.89	1.74	3.63	5.74

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	1.08	1.88	1.13	1.05	0.86	1.01	0.96	0.96	1.02
Acid-test	x	0.30	0.51	0.31	0.19	0.25	0.29	0.29	0.29	0.31
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	4	4
Inventory Days		70	168	115	214	92	92	92	85	85
Receivables Days		29	23	21	25	19	18	18	18	18
Payables Days		30	41	38	70	54	70	70	70	70
Operating Cycle		69	149	98	169	57	40	40	33	33

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	1.67	3.49	5.64
DPS	Rs.	0.00	1.99	2.00	2.19	0.00	0.00	0.67	1.40	2.25
Div. Yield	%	0.00	3.43	3.43	3.76	0.00	0.00	1.15	2.40	3.88
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	37.43	38.43	40.53	43.91
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		15.40	12.18	14.50	9.83	474.52	0.00	31.35	15.03	9.30
Sales per share		48.53	41.75	44.72	52.19	96.28	89.33	100.50	112.26	129.65
P/BV		2.65	1.46	1.40	1.21	1.27	1.40	1.36	1.29	1.19
Price to Sales		1.08	1.26	1.17	1.00	0.54	0.59	0.52	0.47	0.40

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	0.94	0.89	0.74	0.64
L.T. Debt to Equity	x	0.36	0.09	0.09	0.23	0.22	0.51	0.37	0.23	0.12
Interest Cover	x	2.90	6.21	6.74	3.93	0.95	0.23	1.48	2.17	3.14

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

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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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