

# ASTL

## FY21 Result Review: BUY Stance Maintained

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ASTL has announced its FY21 result where it posted a profit after tax of Rs1.3bn (EPS: Rs4.61) as compared to the loss after tax of Rs1.1bn (LPS: Rs3.79) in the same period last year, up by 221% YoY.

The company has posted a revenue of Rs39bn against Rs27bn in SPLY, recording a growth of 47.8% YoY. We note that this growth is attributed to the increase in volumetric sales. The gross margin has been increased to 11.6% as compared to 7.4% in SPLY due to an increase in retention prices. SG&A expenses have grown by 9.4% YoY to Rs1.5bn as compared to Rs1.4bn during SPLY.

Lastly, 1312% YoY increase in other income, 28.3% YoY decline in finance cost, and lower effective taxation of 1.1% contributed to the upsurge of the bottom line.

Going forward, we expect the offtake to improve further as the government is encouraging the construction industry which will help the steel sector to recover. ASTL is currently trading at a FY22E P/E of 6.4x. Further, the scrip is trading at a FY22E P/B of 0.94x which offers a discount of 13% relative to its 5-year average of 1.08x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs 51 which provides an upside potential of 19%.

Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	11,991	5,142	133.2% ▲	39,218	26,532	47.8% ▲
Cost of Sales	-10,699	-4,926	117.2% ▲	-34,676	24,556	41.2% ▲
<b>Gross Profit</b>	<b>1,291</b>	<b>216</b>	<b>499.0% ▲</b>	<b>4,542</b>	<b>1,976</b>	<b>129.9% ▲</b>
SG&A Expenses	-476	-367	29.6% ▲	-1,500	-1,371	9.4% ▲
Other Expenses	-35	45	177.8% ▼	-124	-94	31.1% ▲
<b>Operating Profit</b>	<b>781</b>	<b>-107</b>	<b>831.4% ▼</b>	<b>2,918</b>	<b>511</b>	<b>471.5% ▲</b>
Other Income	94	2	4050.0% ▲	115	8	1312.0% ▲
Finance Cost	-418	-502	16.8% ▼	-1,649	-2,299	28.3% ▼
Profit Before Taxation	456	-607	175.2% ▲	1,384	-1,780	177.7% ▲
Taxation	-14	168	108.3% ▼	-16	654	102.4% ▼
<b>Profit After Taxation</b>	<b>443</b>	<b>-439</b>	<b>200.9% ▲</b>	<b>1,368</b>	<b>-1,127</b>	<b>221.4% ▲</b>
Earnings Per Share	1.49	-1.48	200.9% ▲	4.61	-3.79	221.4% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	10.8%	4.2%	6.6% ▲	11.6%	7.4%	4.1% ▲
SG&A Expenses to Sales	-4.0%	-7.1%	3.2% ▼	-3.8%	-5.2%	1.3% ▼
Other Income to Sales	0.8%	0.0%	0.7% ▲	0.3%	0.0%	0.3% ▲
Ex. Gain / (Loss) to Sales	-4.0%	-7.1%	3.2% ▼	-3.8%	-5.2%	1.3% ▼
Effective Taxation	-3.1%	-27.7%	24.7% ▼	-1.1%	-36.7%	35.6% ▼
Net Margin	3.7%	-8.5%	12.2% ▲	3.5%	-4.2%	7.7% ▲

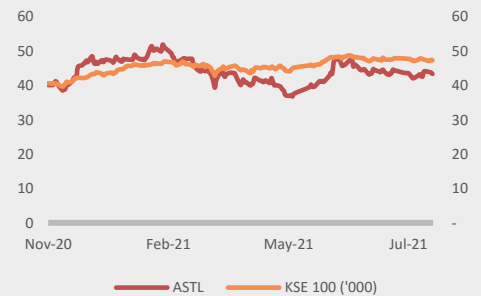
Source: ACPL Research, Company Financials

Abbasi and Company (Pvt.) Ltd.

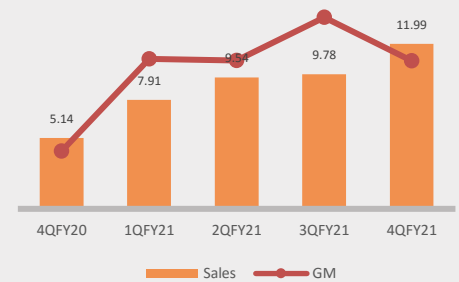
### Key Statistics

Symbol	ASTL
TP - Jun 22	51.00
LDCP	40.00
Upside (%)	19
Free Float ('mn)	74
Market Cap. (Rs.'mn)	12,861

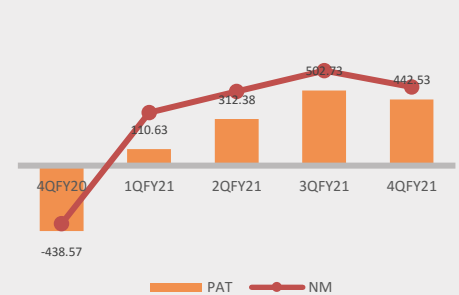
### ASTL vs KSE 100



### 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	FY21A	FY22E	FY23E
Net sales	14,414	12,400	13,284	15,501	28,596	26,532	39,218	73,750	81,993
Cost of sale	11,899	9,608	10,816	12,742	26,172	24,556	34,676	66,275	73,337
<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>4,542</b>	<b>7,475</b>	<b>8,656</b>
Selling and promotion expenses	281	341	337	378	716	682	946	1,792	1,992
Administration expenses	229	216	325	409	501	689	555	988	1,099
Other operating expenses	100	165	117	123	18	94	124	243	271
<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>2,918</b>	<b>4,452</b>	<b>5,294</b>
Other operating income	35	15	7	23	7	8	115	59	66
Finance cost	668	336	252	476	1,262	2,299	1,649	2,036	1,976
Profit before taxation	1,272	1,749	1,445	1,394	67	1,780	1,384	2,475	3,384
Taxation	261	470	371	191	100	654	16	716	979
<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>1,368</b>	<b>1,759</b>	<b>2,405</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>4.61</b>	<b>5.92</b>	<b>8.10</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Net sales	20.5%	-14.0%	7.1%	16.7%	84.5%	-7.2%	47.8%	88.0%	11.2%
Cost of sale	12.4%	-19.3%	12.6%	17.8%	105.4%	-6.2%	41.2%	91.1%	10.7%
<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>-18.5%</b>	<b>129.9%</b>	<b>64.6%</b>	<b>15.8%</b>
Selling and promotion expenses	44.6%	21.5%	-1.2%	12.1%	89.4%	-4.8%	38.6%	89.5%	11.2%
Administration expenses	43.0%	-5.5%	50.2%	25.9%	22.6%	37.4%	-19.5%	78.2%	11.2%
Other operating expenses	230.4%	65.7%	-29.4%	5.6%	-85.6%	433.1%	31.1%	96.6%	11.2%
<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>471.5%</b>	<b>52.6%</b>	<b>18.9%</b>
Other operating income	72.3%	-55.7%	-52.2%	206.4%	-68.5%	15.1%	1312.0%	-48.8%	11.2%
Finance cost	5.8%	-49.8%	-25.0%	89.3%	165.0%	82.1%	-28.3%	23.4%	-2.9%
Profit before taxation	234.7%	37.5%	-17.4%	-3.5%	-104.8%	-2551.0%	177.7%	78.8%	36.7%
Taxation	104.4%	80.5%	-21.1%	-151.4%	-47.6%	553.9%	102.4%	4461.9%	36.7%
<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>221.4%</b>	<b>28.6%</b>	<b>36.7%</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>221.4%</b>	<b>28.6%</b>	<b>36.7%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
GP Margin	17.44	22.52	18.58	17.80	8.48	7.45	11.58	10.14	10.56	13.96
OP Margin	13.46	16.81	12.77	12.07	4.18	1.96	7.73	6.12	6.54	9.94
NP Margin	7.02	10.31	8.09	10.23	0.11	-4.25	3.49	2.39	2.93	5.38
ROE	17.22	15.44	9.84	13.20	0.26	-9.65	11.60	13.47	16.74	17.43
ROCE	15.82	14.36	9.70	8.34	4.25	1.59	7.82	9.69	10.20	12.48
ROA	8.25	8.81	6.14	7.07	0.12	-3.46	3.53	3.78	4.58	6.76

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Current	1.08	1.88	1.13	1.05	0.86	0.98	1.05	1.07	1.10	1.20
Acid-test	0.30	0.51	0.31	0.19	0.25	0.34	0.38	0.35	0.37	0.40
Cash to current liab.	0.02	0.02	0.01	0.01	0.01	0.03	0.03	0.04	0.05	0.05

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Inventory Turnover	5	2	3	2	3	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	FY21A	FY22E	FY23E
EPS	3.40	4.31	3.62	5.34	0.11	-3.79	4.61	5.92	8.10	8.41
DPS	0.00	1.99	2.00	2.19	0.00	1.00	0.00	2.00	3.25	3.37
Div. Yield	0.00	3.93	3.93	4.31	0.00	1.97	0.00	3.94	6.41	6.51
Dividend Cover	0.00	2.16	1.81	2.44	0.00	-3.79	0.00	2.96	2.49	2.50
BVPS	19.77	35.99	37.53	43.37	41.22	37.42	42.02	45.95	50.80	50.80
Payout	0.00	46.31	55.18	41.00	0.00	-26.36	40.00	33.77	40.13	40.00
Retention	100.00	53.69	44.82	59.00	100.00	126.36	60.00	66.23	59.87	60.00
No. of Shares	297	297	297	297	297	297	297	297	297	297
P/E	12.72	10.06	11.97	8.11	391.81	0.00	9.40	7.31	5.35	4.75
Sales per share		48.53	41.75	44.72	52.19	96.28	89.33	132.04	248.31	276.06
P/BV	2.19	1.20	1.15	1.00	1.05	1.16	1.03	0.94	0.85	0.79
Price to Sales		0.89	1.04	0.97	0.83	0.45	0.48	0.33	0.17	0.16

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Debt to Equity	0.73	0.35	0.42	0.78	0.96	1.63	1.59	1.56	1.42	0.77
L.T. Debt to Equity	0.36	0.09	0.09	0.23	0.22	0.56	0.44	0.34	0.25	0.25
Interest Cover	2.90	6.21	6.74	3.93	0.95	0.23	1.84	2.22	2.71	4.21

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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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

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