

ASTL

9MFY21 Result Review: BUY Stance Maintained

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ASTL has announced its 9MFY21 result where it posted profit after tax of Rs926mn (EPS: Rs3.12) as compared to the loss after tax of Rs688mn (LPS: Rs2.32) in the same period last year, up by 234.5% YoY.

The company has posted a revenue of Rs27.2bn against Rs21.4bn in SPLY, recording a growth of 27.3% YoY. We note that this growth is attributed to the increase in volumetric sales.

The gross margin has been increased to 11.9% as compared to 8.2% in SPLY due to an increase in retention prices.

SG&A expenses have grown by 2.1% YoY to Rs1.2bn as compared to Rs1bn during SPLY.

Lastly, 262% YoY increase in other income, 31.5% YoY decline in finance cost, and lower effective taxation of 0.2% contributed in the up-surge 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 FY21E P/E of 10.72x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs 55 which provides an upside potential of 38%.

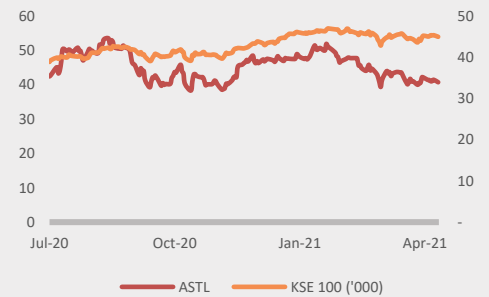
Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	9,776	7,748	26.2% ▲	27,228	21,390	27.3% ▲
Cost of Sales	-8,416	-7,252	16.0% ▲	-23,977	-19,630	22.1% ▲
Gross Profit	1,360	496	174.1% ▲	3,251	1,760	84.7% ▲
SG&A Expenses	-346	-366	5.4% ▼	-1,024	-1,004	2.1% ▲
Other Expenses	-52	-129	59.8% ▼	-89	-139	36.2% ▼
Operating Profit	962	1	75597.6% ▲	2,137	617	246.2% ▲
Other Income	7	-3	367.8% ▲	21	6	262.0% ▲
Finance Cost	-395	-583	32.3% ▼	-1,231	-1,797	31.5% ▼
Profit Before Taxation	575	-584	198.3% ▲	927	-1,174	179.0% ▲
Taxation	-72	210	134.3% ▼	-2	486	100.4% ▼
Profit After Taxation	503	-375	234.2% ▲	926	-688	234.5% ▲
Earnings Per Share	1.69	-1.26	234.2% ▲	3.12	-2.32	234.5% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	13.9%	6.4%	7.5% ▲	11.9%	8.2%	3.7% ▲
SG&A Expenses to Sales	-3.5%	-4.7%	1.2% ▼	-3.8%	-4.7%	0.9% ▼
Other Income to Sales	0.1%	0.0%	0.1% ▲	0.1%	0.0%	0.1% ▲
Ex. Gain / (Loss) to Sales	-3.5%	-4.7%	1.2% ▼	-3.8%	-4.7%	0.9% ▼
Effective Taxation	-12.5%	-35.9%	23.4% ▼	-0.2%	-41.4%	41.2% ▼
Net Margin	5.1%	-4.8%	10.0% ▲	3.4%	-3.2%	6.6% ▲

Source: ACPL Research, Company Financials

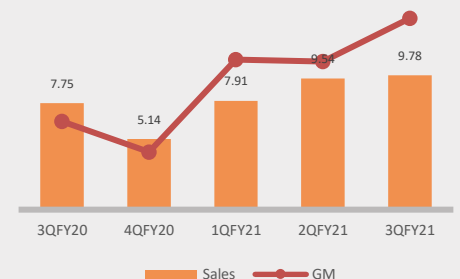
Key Statistics

Symbol	ASTL
TP - Dec 21	55.00
LDGP	40.00
Upside (%)	38
Free Float ('mn)	74
Market Cap. (Rs.'mn)	11,880

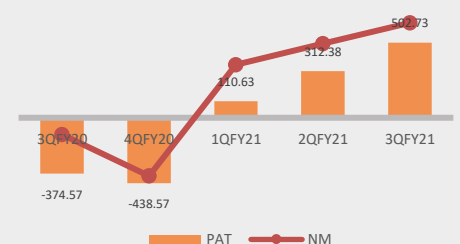
ASTL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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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	36,085	41,046	46,414
Cost of sale	11,899	9,608	10,816	12,742	26,172	24,556	31,621	35,625	39,936
Gross profit	2,514	2,792	2,468	2,758	2,424	1,976	4,464	5,421	6,478
Selling and promotion expenses	281	341	337	378	716	682	877	997	1,128
Administration expenses	229	216	325	409	501	689	484	550	622
Other operating expenses	100	165	117	123	18	94	119	135	153
Operating Profit	1,905	2,069	1,690	1,848	1,188	511	2,984	3,739	4,575
Other operating income	35	15	7	23	7	8	29	33	37
Finance cost	668	336	252	476	1,262	2,299	1,709	1,223	1,145
Profit before taxation	1,272	1,749	1,445	1,394	67	1,780	1,304	2,549	3,468
Taxation	261	470	371	191	100	654	196	737	1,003
Profit after taxation	1,011	1,279	1,074	1,585	33	1,127	1,108	1,812	2,465
EPS	3.40	4.31	3.62	5.34	0.11	- 3.79	3.73	6.10	8.30

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%	36.0%	13.8%	13.1%
Cost of sale	12.4%	-19.3%	12.6%	17.8%	105.4%	-6.2%	28.8%	12.7%	12.1%
Gross profit	82.8%	11.0%	-11.6%	11.8%	-12.1%	-18.5%	125.9%	21.5%	19.5%
Selling and promotion expenses	44.6%	21.5%	-1.2%	12.1%	89.4%	-4.8%	28.6%	13.8%	13.1%
Administration expenses	43.0%	-5.5%	50.2%	25.9%	22.6%	37.4%	-29.8%	13.8%	13.1%
Other operating expenses	230.4%	65.7%	-29.4%	5.6%	-85.6%	433.1%	26.2%	13.8%	13.1%
Operating Profit	92.2%	8.6%	-18.4%	9.4%	-35.7%	-57.0%	484.4%	25.3%	22.4%
Other operating income	72.3%	-55.7%	-52.2%	206.4%	-68.5%	15.1%	253.5%	13.8%	13.1%
Finance cost	5.8%	-49.8%	-25.0%	89.3%	165.0%	82.1%	-25.7%	-28.5%	-6.4%
Profit before taxation	234.7%	37.5%	-17.4%	-3.5%	-104.8%	-2551.0%	173.2%	95.4%	36.0%
Taxation	104.4%	80.5%	-21.1%	-151.4%	-47.6%	553.9%	129.9%	276.9%	36.0%
Profit after taxation	300.6%	26.5%	-16.0%	47.6%	-97.9%	-3532.4%	198.4%	63.4%	36.0%
EPS	300.6%	26.5%	-16.0%	47.6%	-97.9%	-3532.4%	198.4%	63.4%	36.0%

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	12.37	13.21	13.96
OP Margin	%	13.46	16.81	12.77	12.07	4.18	1.96	8.35	9.19	9.94
NP Margin	%	7.02	10.31	8.09	10.23	0.11	-4.25	3.07	4.41	5.31
ROE	%	17.22	15.44	9.84	13.20	0.26	-9.65	9.68	14.70	18.12
ROCE	%	15.82	14.36	9.70	8.34	4.25	1.59	7.97	9.90	12.48
ROA	%	8.25	8.81	6.14	7.07	0.12	-3.46	2.93	4.75	6.67

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	1.03	1.08	1.15
Acid-test	x	0.30	0.51	0.31	0.19	0.25	0.34	0.37	0.35	0.38
Cash to current liab.	x	0.02	0.02	0.01	0.01	0.01	0.03	0.03	0.04	0.05

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	3.73	6.10	8.30
DPS	Rs.	0.00	1.99	2.00	2.19	0.00	1.00	1.49	2.44	3.32
Div. Yield	%	0.00	3.59	3.60	3.94	0.00	1.80	2.69	4.40	5.98
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	39.66	43.32	48.29
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	10.72	6.56	4.82
Sales per share		48.53	41.75	44.72	52.19	96.28	89.33	121.49	138.20	156.27
P/BV		2.02	1.11	1.07	0.92	0.97	1.07	1.01	0.92	0.83
Price to Sales		0.82	0.96	0.89	0.77	0.42	0.45	0.33	0.29	0.26

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	1.62	1.01	0.86
L.T. Debt to Equity	x	0.36	0.09	0.09	0.23	0.22	0.56	0.46	0.36	0.27
Interest Cover	x	2.90	6.21	6.74	3.93	0.95	0.23	1.76	3.08	4.03

Source: ACPL Research, Company Financials

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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

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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