

# ASTL

## 1QFY22 Result Review: BUY Stance Maintained

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ASTL has announced its 1QFY22 result where it posted a profit after tax of Rs702mn (EPS: Rs2.36) as compared to the profit after tax of Rs111mn (EPS: Rs0.37) in the same period last year, up by 534% YoY.

The company has posted a revenue of Rs11.8bn against Rs7.9bn in SPLY, recording a growth of 49.7% YoY. We note that this growth is attributed to the increase in volumetric sales. The gross margin has been increased to 14.3% as compared to 10.9% in SPLY due to an increase in retention prices. SG&A expenses have grown by 18.6% YoY to Rs416mn as compared to Rs351mn during SPLY.

Lastly, increase in other income by 607% YoY and decrease in finance cost by 15% YoY contributed to the upsurge of the bottom line.

ASTL is currently trading at a FY22E P/E of 3.71x. Further, the scrip is trading at a FY22E P/B of 0.76x which offers a discount of 16% relative to its 5-year average of 0.91x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs 63 which provides an upside potential of 19%. Further, the scrip also provides a dividend yield of 6% which makes the total return of 25%.

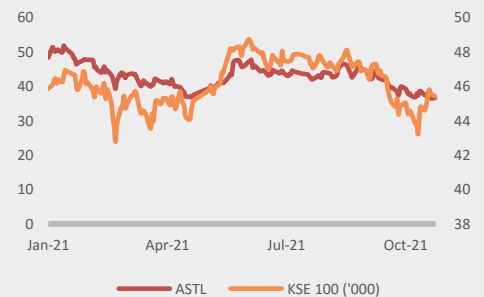
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	11,844	7,914	49.7% ▲	39,218	26,532	47.8% ▲
Cost of Sales	-10,152	-7,051	44.0% ▲	-34,676	-24,556	41.2% ▲
<b>Gross Profit</b>	<b>1,692</b>	<b>863</b>	<b>96.1% ▲</b>	<b>4,542</b>	<b>1,976</b>	<b>129.9% ▲</b>
SG&A Expenses	-416	-351	18.6% ▲	-1,500	-1,371	9.4% ▲
Other Expenses	-70	-11	555.3% ▲	-124	-94	31.1% ▲
<b>Operating Profit</b>	<b>1,205</b>	<b>501</b>	<b>140.6% ▲</b>	<b>2,918</b>	<b>511</b>	<b>471.5% ▲</b>
Other Income	40	6	607.1% ▲	115	8	1312.0% ▲
Finance Cost	-388	-456	15.0% ▼	-1,649	-2,299	28.3% ▼
<b>Profit Before Taxation</b>	<b>857</b>	<b>50</b>	<b>1599.2% ▲</b>	<b>1,384</b>	<b>-1,780</b>	<b>177.7% ▲</b>
Taxation	-155	60	158.3% ▲	-16	654	102.4% ▲
<b>Profit After Taxation</b>	<b>702</b>	<b>111</b>	<b>534.4% ▲</b>	<b>1,368</b>	<b>-1,127</b>	<b>221.4% ▲</b>
<b>Earnings Per Share</b>	<b>2.36</b>	<b>0.37</b>	<b>534.4% ▲</b>	<b>4.61</b>	<b>-3.79</b>	<b>221.4% ▲</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	14.3%	10.9%	3.4% ▲	11.6%	7.4%	4.1% ▲
SG&A Expenses to Sales	-3.5%	-4.4%	0.9% ▼	-3.8%	-5.2%	1.3% ▼
Other Income to Sales	0.3%	0.1%	0.3% ▲	0.3%	0.0%	0.3% ▲
Ex. Gain / (Loss) to Sales	-3.5%	-4.4%	0.9% ▼	-3.8%	-5.2%	1.3% ▼
Effective Taxation	-18.1%	119.3%	101.1% ▼	-1.1%	-36.7%	35.6% ▼
<b>Net Margin</b>	<b>5.9%</b>	<b>1.4%</b>	<b>4.5% ▲</b>	<b>3.5%</b>	<b>-4.2%</b>	<b>7.7% ▲</b>

Source: ACPL Research, Company Financials

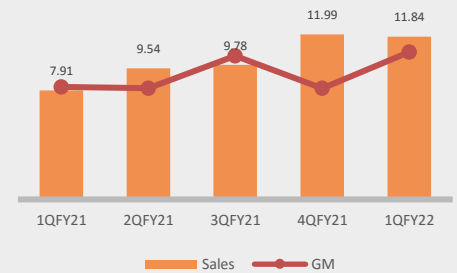
### Key Statistics

Symbol	ASTL
TP - Jun 22	63.00
LDGP	36.50
Upside (%)	19
Free Float ('mn)	74
Market Cap. (Rs.'mn)	11,346

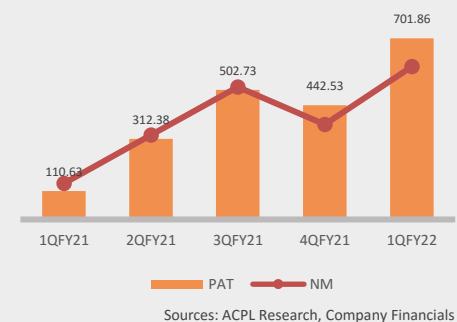
### ASTL vs KSE 100



### 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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	28,596	26,532	39,218	62,104	70,225	79,004	88,484
Cost of sale	26,172	24,556	34,676	53,897	60,598	67,821	75,602
<b>Gross profit</b>	<b>2,424</b>	<b>1,976</b>	<b>4,542</b>	<b>8,207</b>	<b>9,628</b>	<b>11,183</b>	<b>12,882</b>
Selling and promotion expenses	716	682	946	932	1,053	1,185	1,327
Administration expenses	501	689	555	832	941	1,059	1,186
Other operating expenses	18	94	124	205	232	261	292
<b>Operating Profit</b>	<b>1,188</b>	<b>511</b>	<b>2,918</b>	<b>6,238</b>	<b>7,401</b>	<b>8,679</b>	<b>10,077</b>
Other operating income	7	8	115	155	176	198	221
Finance cost	1,262	2,299	1,649	2,282	2,215	2,117	1,992
Profit before taxation	- 67	- 1,780	1,384	4,111	5,362	6,759	8,306
Taxation	- 100	- 654	16	1,189	1,551	1,955	2,402
<b>Profit after taxation</b>	<b>33</b>	<b>- 1,127</b>	<b>1,368</b>	<b>2,922</b>	<b>3,811</b>	<b>4,804</b>	<b>5,904</b>
EPS	<b>0.11</b>	<b>- 3.79</b>	<b>4.61</b>	<b>9.84</b>	<b>12.83</b>	<b>16.17</b>	<b>19.88</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	84.5%	-7.2%	47.8%	58.4%	13.1%	12.5%	12.0%
Cost of sale	105.4%	-6.2%	41.2%	55.4%	12.4%	11.9%	11.5%
<b>Gross profit</b>	<b>-12.1%</b>	<b>-18.5%</b>	<b>129.9%</b>	<b>80.7%</b>	<b>17.3%</b>	<b>16.2%</b>	<b>15.2%</b>
Selling and promotion expenses	89.4%	-4.8%	38.6%	-1.5%	13.1%	12.5%	12.0%
Administration expenses	22.6%	37.4%	-19.5%	50.0%	13.1%	12.5%	12.0%
Other operating expenses	-85.6%	433.1%	31.1%	65.6%	13.1%	12.5%	12.0%
<b>Operating Profit</b>	<b>-35.7%</b>	<b>-57.0%</b>	<b>471.5%</b>	<b>113.8%</b>	<b>18.6%</b>	<b>17.3%</b>	<b>16.1%</b>
Other operating income	-68.5%	15.1%	1312.0%	34.6%	13.1%	12.5%	12.0%
Finance cost	165.0%	82.1%	-28.3%	38.4%	-3.0%	-4.4%	-5.9%
Profit before taxation	-104.8%	-2551.0%	177.7%	197.1%	30.4%	26.0%	22.9%
Taxation	-47.6%	553.9%	102.4%	7477.2%	30.4%	26.0%	22.9%
<b>Profit after taxation</b>	<b>-97.9%</b>	<b>-3532.4%</b>	<b>221.4%</b>	<b>113.6%</b>	<b>30.4%</b>	<b>26.0%</b>	<b>22.9%</b>
EPS	<b>-97.9%</b>	<b>-3532.4%</b>	<b>221.4%</b>	<b>113.6%</b>	<b>30.4%</b>	<b>26.0%</b>	<b>22.9%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	8.48	7.45	11.58	13.21	13.71	14.16	14.56
OP Margin	%	4.18	1.96	7.73	10.29	10.79	11.24	11.64
NP Margin	%	0.11	-4.25	3.49	4.71	5.43	6.08	6.67
ROE	%	0.26	-9.65	11.60	21.87	24.78	26.74	27.88
ROCE	%	4.25	1.59	7.82	13.33	13.57	14.77	15.90
ROA	%	0.12	-3.46	3.53	6.09	6.83	7.99	9.12

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	0.86	0.98	1.05	1.08	1.14	1.20	1.30
Acid-test	x	0.25	0.34	0.38	0.35	0.37	0.39	0.43
Cash to current liab.	x	0.01	0.03	0.03	0.04	0.04	0.04	0.04

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	3	3	3	2	2	2	2
Inventory Days		92	120	120	120	120	120	120
Receivables Days		19	25	25	30	30	30	30
Payables Days		54	70	70	65	65	65	65
Operating Cycle		57	75	75	85	85	85	85

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	0.11	-3.79	4.61	9.84	12.83	16.17	19.88
DPS	Rs.	0.00	1.00	0.00	3.94	5.13	6.47	7.95
Div. Yield	%	0.00	1.58	0.00	6.24	8.13	10.25	12.60
Dividend Cover	x	0.00	-3.79	0.00	2.50	2.50	2.50	2.50
BVPS	Rs.	41.22	37.42	42.02	47.93	55.63	65.33	77.26
Payout	%	0.00	-26.36	40.00	40.00	40.00	40.00	40.00
Retention	%	100.00	126.36	60.00	60.00	60.00	60.00	60.00
No. of Shares	'mn	297	297	297	297	297	297	297
P/E		330.28	0.00	7.92	3.71	2.84	2.26	1.84
Sales per share		96.28	89.33	132.04	209.10	236.44	265.99	297.91
P/BV		0.89	0.98	0.87	0.76	0.66	0.56	0.47
Price to Sales		0.38	0.41	0.28	0.17	0.15	0.14	0.12

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	0.96	1.63	1.59	1.87	1.63	1.40	1.17
L.T. Debt to Equity	x	0.22	0.56	0.44	0.32	0.23	0.15	0.10
Interest Cover	x	0.95	0.23	1.84	2.80	3.42	4.19	5.17

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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