

ASTL

2QFY23 Result Review: BUY Stance Maintained

Equity Research | Engineering | Friday, 24 February, 2023

ASTL has announced its 2QFY23 result where it posted a loss after tax of Rs389mn (LPS: Rs1.31) as compared to the profit after tax of Rs602mn (EPS: Rs2.03) in the same period last year, down by 164.6% YoY. We note that this decline is attributed to major decline in gross margins.

The company has posted a revenue of Rs13.21bn against Rs14.78bn in SPLY, recording a decline of 10.6% YoY. The gross margin has plunged to 6.5% as compared to 11.5% in SPLY. SG&A expenses have slightly increased by 2.2% YoY to Rs450mn as compared to Rs441mn during SPLY.

Other income has decreased by 9% YoY. Lastly, finance cost has been increased by 119.1% YoY to Rs1.03bn.

Going forward, In the near to mid-term, the company's performance is not expected to be strong. However, in the long term, there is potential for improvement and positive outcomes. ASTL is currently trading at a FY23E P/B of 0.37x which offers a discount of 9% relative to its 3-year average of 0.41x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs 23 which provides an upside potential of 27%.

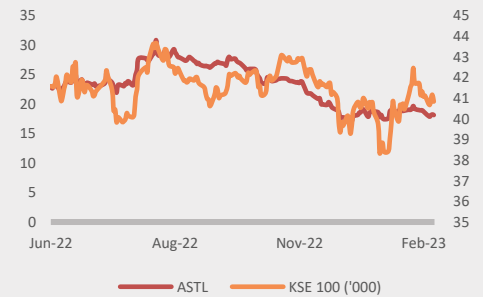
Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	13,211	14,778	10.6% ▼	23,031	26,622	13.5% ▼
Cost of Sales	-12,357	-13,079	5.5% ▼	-20,588	-23,230	11.4% ▼
Gross Profit	854	1,699	49.8% ▼	2,442	3,391	28.0% ▼
SG&A Expenses	-450	-441	2.2% ▲	-834	-857	2.8% ▼
Other Expenses	-9	-102	91.3% ▼	-74	-172	57.0% ▼
Operating Profit	395	1,157	65.9% ▼	1,535	2,362	35.0% ▼
Other Income	5	6	9.0% ▼	7	45	84.7% ▼
Finance Cost	-1,031	-471	119.1% ▲	-1,959	-858	128.2% ▲
Profit Before Taxation	-631	692	191.3% ▼	-417	1,549	126.9% ▼
Taxation	243	-90	369.5% ▼	232	-246	194.7% ▼
Profit After Taxation	-389	602	164.6% ▼	-185	1,303	114.2% ▼
Earnings Per Share	-1.31	2.03	164.6% ▼	-0.62	4.39	114.2% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	6.5%	11.5%	5.0% ▼	10.6%	12.7%	2.1% ▼
SG&A Expenses to Sales	-3.4%	-3.0%	0.4% ▲	-3.6%	-3.2%	0.4% ▲
Other Income to Sales	0.0%	0.0%	0.0% ▲	0.0%	0.2%	0.1% ▼
Ex. Gain / (Loss) to Sales	-3.4%	-3.0%	0.4% ▲	-3.6%	-3.2%	0.4% ▲
Effective Taxation	-38.4%	-13.0%	25.4% ▲	-55.7%	-15.8%	39.9% ▲
Net Margin	-2.9%	4.1%	7.0% ▼	-0.8%	4.9%	5.7% ▼

Source: ACPL Research, Company Financials

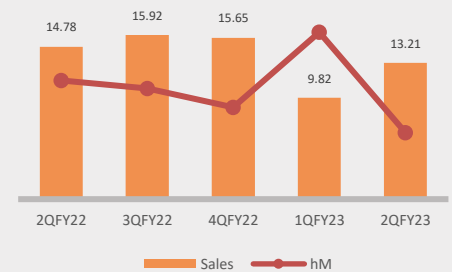
Key Statistics

Symbol	ASTL
TP - Dec 23	23
LDCP	18.14
Upside (%)	27
Free Float ('mn)	74
Market Cap. (Rs.'mn)	5,286

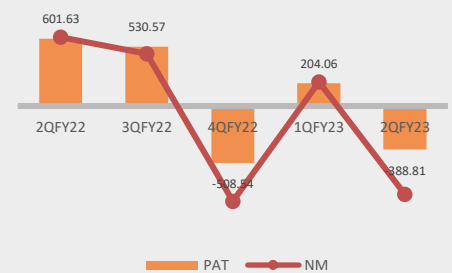
ASTL vs KSE 100



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	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	26,532	39,218	58,184	46,070	54,982	65,979	77,937
Cost of sale	24,719	34,676	51,693	41,142	48,063	57,667	67,352
Gross profit	1,813	4,542	6,491	4,928	6,920	8,312	10,586
Selling and promotion expenses	682	946	1,204	1,000	1,193	1,432	1,691
Administration expenses	503	555	736	668	797	957	1,130
Other operating expenses	94	124	186	147	145	174	205
Operating Profit	533	2,918	4,365	3,113	4,784	5,749	7,559
Other operating income	8	24	25	14	16	26	31
Finance cost	2,299	1,628	2,307	3,995	3,219	2,998	2,880
Profit before taxation	- 1,943	1,384	2,078	- 868	1,582	2,778	4,711
Taxation	- 701	16	753	- 42	459	806	1,366
Profit after taxation	- 1,242	1,368	1,326	- 827	1,123	1,973	3,345
EPS	- 4.18	4.61	4.46	- 2.78	3.78	6.64	11.26

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-7.2%	47.8%	48.4%	-20.8%	19.3%	20.0%	18.1%
Cost of sale	-5.6%	40.3%	49.1%	-20.4%	16.8%	20.0%	16.8%
Gross profit	-25.2%	150.5%	42.9%	-24.1%	40.4%	20.1%	27.4%
Selling and promotion expenses	-4.8%	38.6%	27.3%	-16.9%	19.3%	20.0%	18.1%
Administration expenses	0.4%	10.2%	32.7%	-9.2%	19.3%	20.0%	18.1%
Other operating expenses	433.1%	31.1%	50.6%	-20.9%	-1.8%	20.0%	18.1%
Operating Profit	-55.1%	447.1%	49.6%	-28.7%	53.7%	20.2%	31.5%
Other operating income	15.1%	195.3%	1.6%	-43.6%	19.3%	60.0%	18.1%
Finance cost	82.1%	-29.2%	41.7%	73.2%	-19.4%	-6.9%	-3.9%
Profit before taxation	-2793.1%	171.2%	50.2%	-141.8%	-282.2%	75.6%	69.6%
Taxation	601.1%	102.2%	4695.7%	-105.5%	-1205.3%	75.6%	69.6%
Profit after taxation	-3884.0%	210.2%	-3.1%	-162.4%	-235.8%	75.6%	69.6%
EPS	-3884.0%	210.2%	-3.1%	-162.4%	-235.8%	75.6%	69.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26
GP Margin	%	6.83	11.58	11.16	10.70	12.58	12.60	13.58
OP Margin	%	1.34	7.68	7.54	6.79	8.73	8.75	9.74
NP Margin	%	-4.68	3.49	2.28	-1.80	2.04	2.99	4.29
ROE	%	-10.71	10.99	9.08	-5.57	7.49	11.93	17.42
ROCE	%	1.10	8.41	10.97	7.22	10.77	12.00	14.25
ROA	%	-3.83	3.82	3.32	-1.91	2.52	4.10	6.28

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26
Current	x	0.96	0.97	1.00	0.83	0.93	1.14	1.37
Acid-test	x	0.34	0.41	0.28	0.34	0.36	0.42	0.54
Cash to current liab.	x	0.03	0.02	0.02	0.18	0.16	0.17	0.25

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26
Inventory Turnover	x	3	5	4	4	4	4	4
Inventory Days		115	63	78	70	70	70	70
Receivables Days		25	15	19	19	19	19	19
Payables Days		69	59	51	51	51	51	51
Operating Cycle		71	20	46	39	39	39	39

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26
EPS	Rs.	-4.18	4.61	4.46	-2.78	3.78	6.64	11.26
DPS	Rs.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	Rs.	36.87	46.94	51.36	48.58	52.36	59.00	70.26
Payout	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00
No. of Shares	'mn	297	297	297	297	297	297	297
P/E		0.00	3.94	4.06	0.00	4.80	2.73	1.61
Sales per share		89.33	132.04	195.90	155.11	185.12	222.14	262.41
P/BV		0.49	0.39	0.35	0.37	0.35	0.31	0.26
Price to Sales		0.20	0.14	0.09	0.12	0.10	0.08	0.07

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26
Debt to Equity	x	1.66	1.11	1.23	1.51	1.26	0.96	0.72
L.T. Debt to Equity	x	0.57	0.43	0.40	0.38	0.31	0.24	0.18
Interest Cover	x	0.15	1.85	1.90	0.78	1.49	1.93	2.64

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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- III. Relative Valuation Model
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SELL	Less than and equal to -5%

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Market Weight	Neutral
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