



Today's Daily

■ ASTL: SITE expansion adds PkR6/sh to our TP

In a latest notice to the exchange, ASTL announced its plan regarding BMR of SITE plant, which apart from costs saving would enhance the plant capacity by 95k tons. The BMR activity would cost around PKR2bn, which the company intends to finance through debt/equity mix of 80/20%. Incorporating the same into our estimates, we revise upward our Dec'18 TP to PkR138/sh (previously at PkR132/sh). To note, the planned BMR activity requires closure of SITE plant for the period of ten months (Jun'2019 to Apr'2020). Adjusting for the same, we revise our earnings estimates, with downward revision in FY19/FY20F earnings by 10/18% (due to unavailability of SITE plant in FY20 and higher finance cost) and upward revision in FY21/22 earnings by 6/11%, (additional capacity post completion of SITE expansion). Losing 2.6%CYTD, ASTL's lackluster price performance is attributable to the delay in materialization of expansion project. With Dhabeji plant scheduled to start commercial production from this month, investors' concerns regarding the same should potentially subside, leading to price performance.

KSE100 - Index

Current	43,740.49
Previous	43,510.39
Chg.	0.53%

Mkt Cap. (PkRbn/US\$bn)

Current	9,110 / 82.39
Previous	9,046 / 81.81
Chg.	0.71%

Daily Turnover (mn)

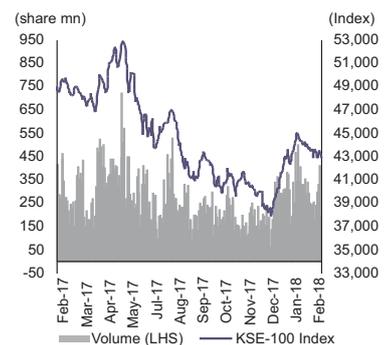
Current	229.93
Previous	211.95
Chg.	8.5%

Value Traded (PkRmn/US\$m)

Current	9,648 / 87.25
Previous	10,328 / 93.41
Chg.	-6.6%

News and Views

- In a Senate election held on Mar 03'18, the ruling Pakistan Muslim League-Nawaz (PML-N) bagged 15 seats emerging as the majority party in the upper house with 33 seats, while Pakistan People's Party (PPP) followed close behind the PML-N with 20 seats. The other main opposition party Pakistan Tehreek-e-Insaf (PTI) secured 6 seats to become third largest party in the Senate.
- As per recent data released by APCMA, total cement sales in Feb'18 registered growth of 11%YoY to reach at 3.78mn tons, where both domestic and exports sales grew by 9.38%/18.41%YoY. On a cumulative basis, 8MFY18 cement dispatches rose to 30.106mn tons (up 14%YoY), while capacity utilization during the period was at 91.34%.
- The federal gov't is reportedly preparing for further bank borrowing and budgetary support plan three months before the end of its tenure, to retire circular debt which has again touched PkR525bn.



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Earnings and TP revision post SITE expansion: Following completion of technical and feasibility study, ASTL has announced its plan regarding BMR of its SITE plant, which apart from costs saving would enhance the plant capacity by 95k tons. The BMR project would cost PKR2bn to the company, which it intends to finance through debt/equity mix of 80/20%. Incorporating the SITE expansion into our estimates, our Dec'18 TP now stands at PkR138/sh (previously at PkR132/sh). To note, the planned BMR activity requires closure of SITE plant for the period of ten months (Jun'2019 to Apr'2020). In view of change in expansion plan, we revise our earnings estimates, with downward revision in FY19/FY20F earnings by 10/18% (adjusting for unavailability of SITE plant in FY20 and higher finance cost) and upward revision in FY21/22 earnings by 6/11% (additional capacity of 95k tons post completion of SITE expansion).

Dhabeji expansion to commence operations by end Mar'18.... After 14 months delay due to phase II expansion, Dhabeji plant that amplifies ASTL's melting/rolling capacity by 2/2.3x is expected to start commercial operations by end Mar'18. The company plans to fully utilized the Dhabeji plant first before operating SITE plant.

...while towering venture faces hurdles: To recall, ASTL in Nov'17 revealed its plan to enter into towering business through a joint venture with the Chinese company "Qingdao Huijintong Power Equipment Company Ltd (HJT)". The proposed venture (Amreli-Huijintong pvt Ltd) would include the production and sale of transmission towers, entailing total investment amount of ~PkR1.67bn. As per company management, the proposed venture has hit snags due to issues between the partners. However, the management will soon update regarding the project status.

ASTL: Earnings & TP revision

PKR/sh	FY19	FY20	FY21	FY22	TP
New	13.2	13.4	18.6	21.8	138.0
Old	14.7	16.3	17.5	19.6	132.0
Change	-10%	-18%	6%	11%	5%

Source: Company Report & AKD Research



Investment perspective: Losing 2.6%CYTD, ASTL's lackluster price performance is attributable to the delay in materialization of expansion project. With Dhabeji plant scheduled to start commercial production from this month, we believe investors' concerns regarding the same should potentially subside, making room for price performance. On a competitive landscape, ASTL is well positioned compared to immediate peers, as its expansion is coming online at least one year ahead of competitors. However, sub-standard substitutes (that makes up 60% of the market) and entry into northern market remain key competitive challenges for ASTL post expansion. We believe ASTL's strong brand image and quality can be effective mitigants in this regard. With protective measures duly in place along with strong earnings growth outlook (5yr forward NPAT CAGR of 30%), we reiterate our buy call on ASTL.



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