

**PAKISTAN'S
LARGEST
SELLING**
BRAND OF STEEL BARS

Results for the fourth quarter and the year ended 30 June 2019



AMRELI STEELS
Building for Life

Key Highlights - Annual

Year ended 30 June 2019

Gross profit margin
8.48%

Operating profit margin
4.18%

Net profit margin
0.11%

Earning per share
0.11

Year ended 30 June 2018

Gross profit margin
17.80%

Operating profit margin
12.07%

Net profit margin
10.23%

Earning per share
5.34

Key Highlights - Quarter

Quarter ended June 2019

Gross profit margin
5.91%

Operating profit margin
1.84%

Net loss margin
1.93%

Loss per share
0.64

Quarter ended March 2019

Gross profit margin
4.92%

Operating profit margin
0.41%

Net loss margin
4.57%

Loss per share
0.99

Profit or Loss Statement

	Year ended 30 June 2019	Year ended 30 June 2018	Quarter ended 30 June 2019	Quarter ended 31 March 2019
	-----Rupees '000'-----			
Sales	28,595,976	15,500,543	9,872,867	6,405,881
Cost Of Sales	(26,172,392)	(12,742,134)	(9,289,628)	(6,090,860)
Gross Profit	2,423,584	2,758,409	583,239	315,021
Distribution Cost	(716,485)	(378,233)	(277,795)	(153,764)
Administrative Cost	(501,349)	(408,911)	(129,894)	(134,773)
Other Charges	(17,704)	(123,054)	4,088	23,688
Other Opr. Income	7,096	22,543	1,905	(24,207)
Operating Profit	1,195,142	1,870,754	181,543	25,965
Finance Cost	(1,262,303)	(476,323)	(402,212)	(370,453)
Profit / (loss) Before Tax	(67,161)	1,394,431	(220,669)	(344,488)
Taxation	99,984	190,806	29,919	51,728
Profit / (loss) After Tax	32,823	1,585,237	(190,750)	(292,760)

Vertical Analysis

	Year ended 30 June 2019	Year ended 30 June 2018	Quarter ended 30 June 2019	Quarter ended 31 March 2019
	------%-----			
Sales	100.00	100.00	100.00	100.00
Less: Cost Of Sales	(91.52)	(82.20)	(94.09)	(95.08)
Gross Profit	8.48	17.80	5.91	4.92
Distribution Cost	(2.51)	(2.44)	(2.81)	(2.40)
Administrative Cost	(1.75)	(2.64)	(1.32)	(2.10)
Other Charges	(0.06)	(0.79)	0.04	0.37
Other Opr. Income	0.02	0.15	0.02	(0.38)
Operating Profit	4.18	12.07	1.84	0.41
Finance Cost	(4.41)	(3.07)	(4.07)	(5.78)
Profit / (loss) Before Tax	(0.23)	9.00	(2.24)	(5.38)
Taxation	0.35	1.23	0.30	0.81
Profit / (loss) After Tax	0.11	10.23	(1.93)	(4.57)

Distribution Expenses

	FY 2019		FY 2018	
	Rs. '000'	%	Rs. '000'	%
Salaries, allow. & other benefits	111,659	16%	90,384	23%
Advert., sales promotion & others	253,324	35%	99,181	26%
Cartage and transport	246,774	34%	134,817	35%
Depreciation	10,305	1%	6,223	2%
Bundling and special order charges	42,923	6%	25,933	7%
Vehicle running expense	3,858	1%	2,131	1%
Traveling & conveyance	5,736	1%	4,576	1%
Packing material	12,361	2%	5,113	1%
Repair & maintenance	11,473	2%	4,404	1%
Entertainment	1,345	0%	1,764	0%
Others	6,014	1%	3,130	1%
Utilities	6,886	1%	4,985	1%
Rent, rates and taxes	3,827	1%	3,092	1%
Total	716,485	100%	385,733	100%

Quarterly Analysis

	Quarter ended 30 Sept. 2018	Quarter ended 30 Dec. 2018	Quarter ended 31 Mar. 2019	Quarter ended 30 June 2019
	-----Rupees '000'-----			
Sales	5,922,361	6,394,866	6,405,881	9,872,867
Cost Of Sales	(5,014,188)	(5,777,716)	(6,090,860)	(9,289,628)
Gross Profit	908,173	617,150	315,021	583,239
Distribution Cost	(155,967)	(128,959)	(153,764)	(277,795)
Administrative Cost	(109,209)	(127,473)	(134,773)	(129,894)
Other Charges	(36,287)	(9,193)	23,688	4,088
Other Opr. Income	22,528	6,870	(24,207)	1,905
Operating Profit	629,238	358,395	25,965	181,543
Finance Cost	(208,611)	(281,027)	(370,453)	(402,212)
Profit / (loss) Before Tax	420,627	77,368	(344,488)	(220,669)
Taxation	(12,039)	30,377	51,728	29,919
Profit / (loss) After Tax	408,588	107,745	(292,760)	(190,750)

Quantity and Price Variance – YoY

	FY 2019	FY 2018	Variance		Amount (Rs. '000')
SALES					
Quantity (MT)	293,551	180,549	113,003	85,852	9,701,561
Price	97,414	85,852	11,561	293,551	3,393,872
Net sales variance					13,095,433
COST OF SALES					
Quantity (MT)	293,551	180,549	113,003	(70,575)	(7,975,114)
Price	(89,158)	(70,575)	(18,583)	293,551	(5,455,143)
Net COGS variance					(13,430,257)
Net changes in gross profit					(334,824)
GROSS PROFIT					
Quantity (MT)	293,551	180,549	113,003	15,278	1,726,447
Price	8,256	15,278	(7,022)	293,551	(2,061,271)
Net GP variance					(334,824)

Reconciliation of Profit After Tax (YOY)

Impact	Quantity and Price Variance	Rs. '000'	Remarks
Decrease	Gross Profit	(334,824)	As explained in above slide
Increase	Distribution cost	(338,252)	Mainly increased due to advertisement, cartage, bundling and salaries expense.
Increase	Administrative expenditure	(92,439)	Mainly increased due to salaries (increment and bonus), Entertainment exp, Depreciation, amortization, Computer consumables and R&M.
Decrease	Other charges	105,350	Decrease in WPPF, WWF due to Lower profit as compared to corresponding period.
Decrease	Other operating income	(15,447)	Decreased due to income booked on liability written off which was no longer payable in FY 2018 amounting to 17.8 million
Increase	Finance costs	(785,980)	Increase in Short-term borrowings and increased in interest cost on long-term loans related to Askari, BAF and SCB which were obtained in second half of last FY 2018. Further, increased in interest cost is also due to increase in KIBOR.
Increase	Taxation	(90,822)	Increase pertains to reduction in deferred tax assets due to lapse of minimum tax related to FY 2015 and further DTA record on current taxable loss. Further increase is also because of prior tax which was allowed as reversal last year related to S.65 C.
Net Variance		(1,552,413)	
Net profit after tax FY19 Less FY18		(1,552,413)	
Amount to be reconciled		-	

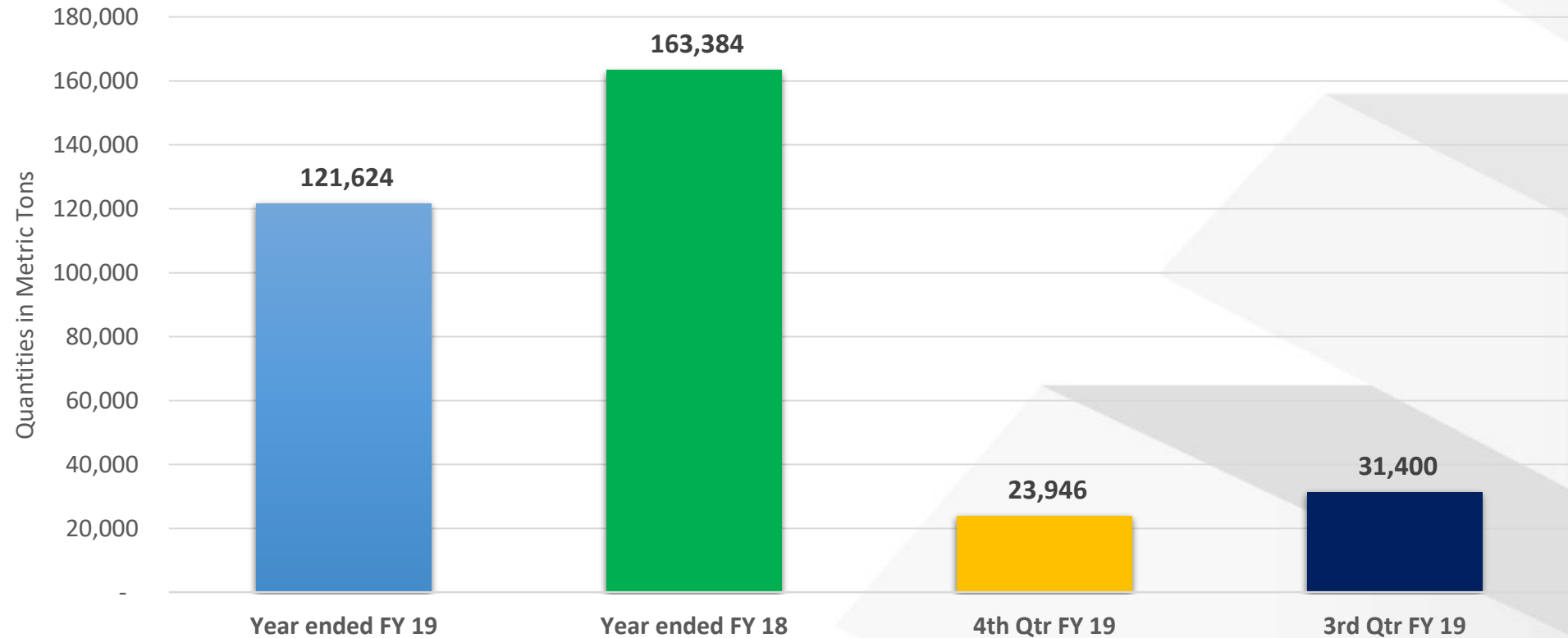
Quantity and Price Variance (4th Qtr. Vs 3rd Qtr.)

	30 June 2019	31 Mar 2019	Variance		Amount (Rs. '000')
SALES					
Quantity (MT)	101,105	66,867	34,238	95,801	3,280,045
Price	97,650	95,801	1,849	101,105	186,941
Net sales variance					3,466,986
COST OF SALES					
Quantity (MT)	101,105	66,867	34,238	(91,090)	(3,118,743)
Price	(91,881)	(91,090)	(791)	101,105	(80,024)
Net COGS variance					(3,198,767)
Net changes in gross profit					268,219
GROSS PROFIT					
Quantity (MT)	101,105	66,867	34,238	4,711	161,302
Price	5,769	4,711	1,057	101,105	106,916
Net GP variance					268,219

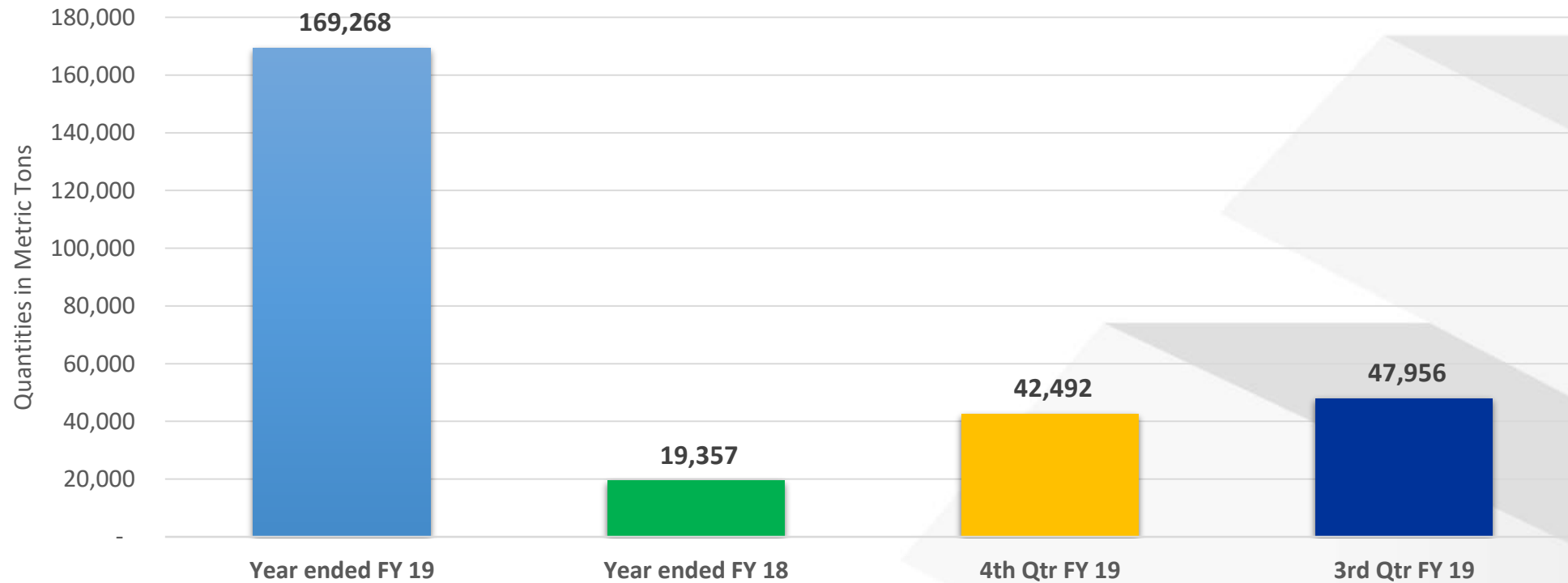
Reconciliation of Profit After Tax (4th Qtr. Vs. 3rd Qtr.)

Impact	Quantity and Price Variance	Rs. '000'	Remarks
Increase	Gross Profit	268,219	As explained in above slide.
Increase	Distribution cost	(124,032)	Mainly Increased due to advertisement, cartage and bundling charges.
Decrease	Administrative expenditure	4,879	Mainly decreased due to legal and professional charges and entertainment expenses.
Decrease	Other charges	(19,600)	Reversal of WPPF, WWF charged earlier due to Lower profit at the end of the year as compared to profit as of 3rd Quarter.
Increase	Other operating income	26,111	In 3rd quarter an increase in provision for bad debts was charged against the reversal of provision made up till Dec 2018 due to recovery made which resulted in unfavorable variance in 3rd quarter only. However in 4th quarter an income was credited due to scrap sale, profit on TDR and gain on disp.
Increase	Finance costs	(31,758)	Increase in Short-term borrowings and also increase in KIBOR from 10.75% to 12.25%.
Increase	Taxation	(21,808)	Primarily decreased due to DTA recorded on current taxable losses and minimum tax of FY19 net of reduction in DTA due to lapse of minimum tax related to FY 2015
Net variance		102,010	
Net profit after tax 4th quarter FY19 less 3rd quarter FY19		102,010	
Amount to be reconciled		-	

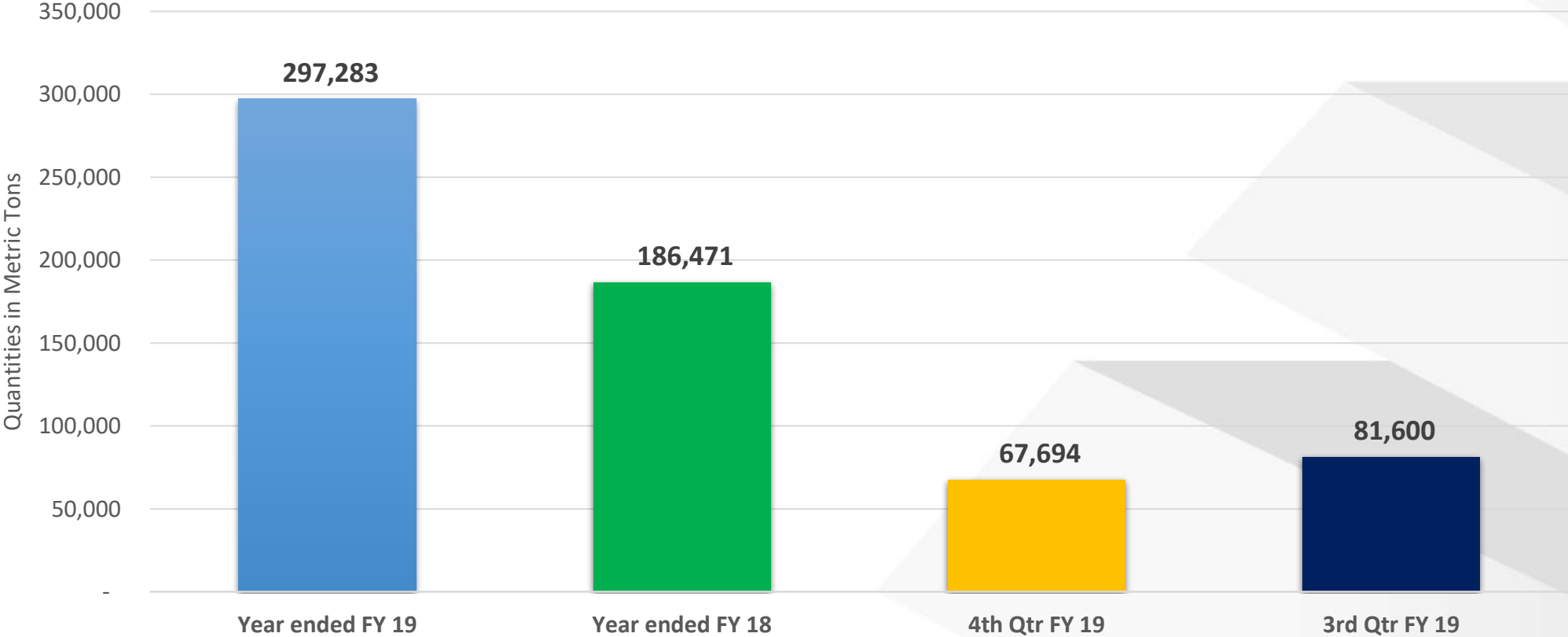
Production Quantities – Sher Shah Rolling Mill



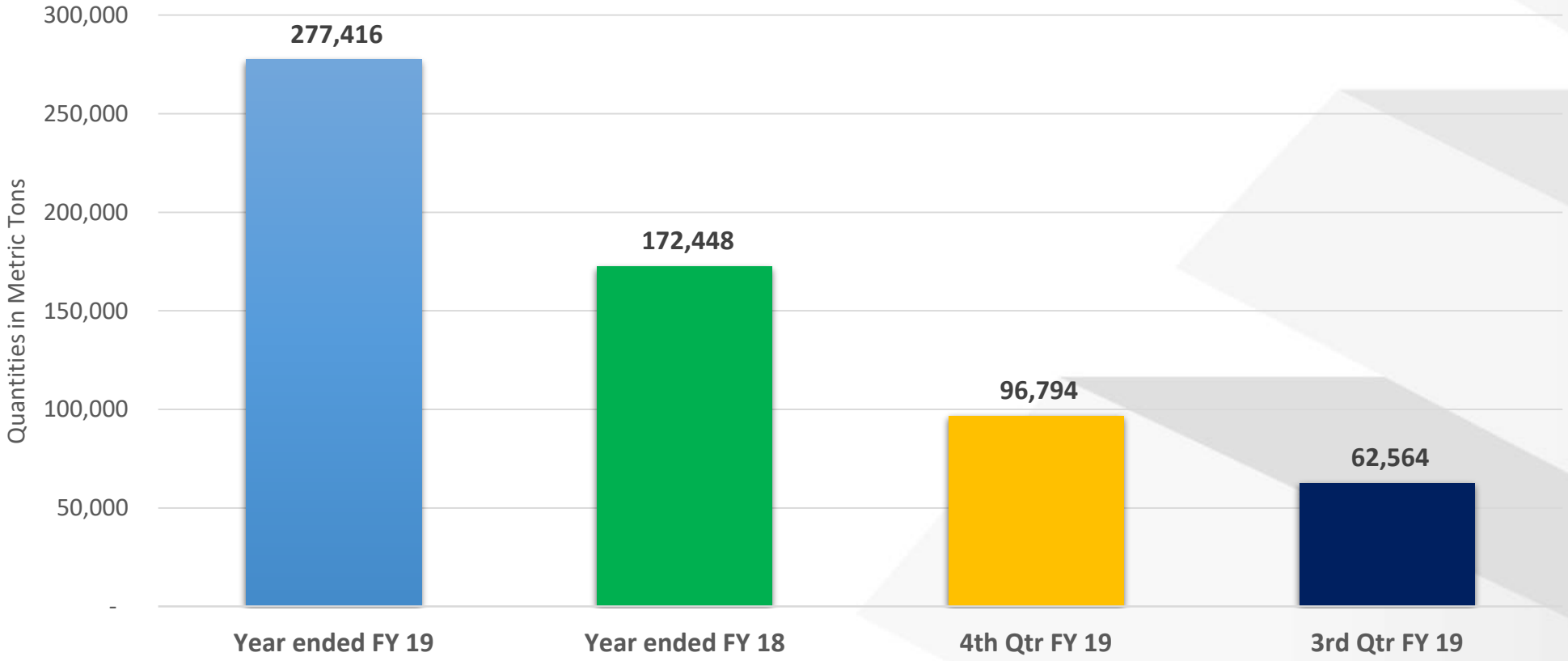
Production Quantities – Dhabeji Rolling Mill



Production Quantities – Steel Melt Shop

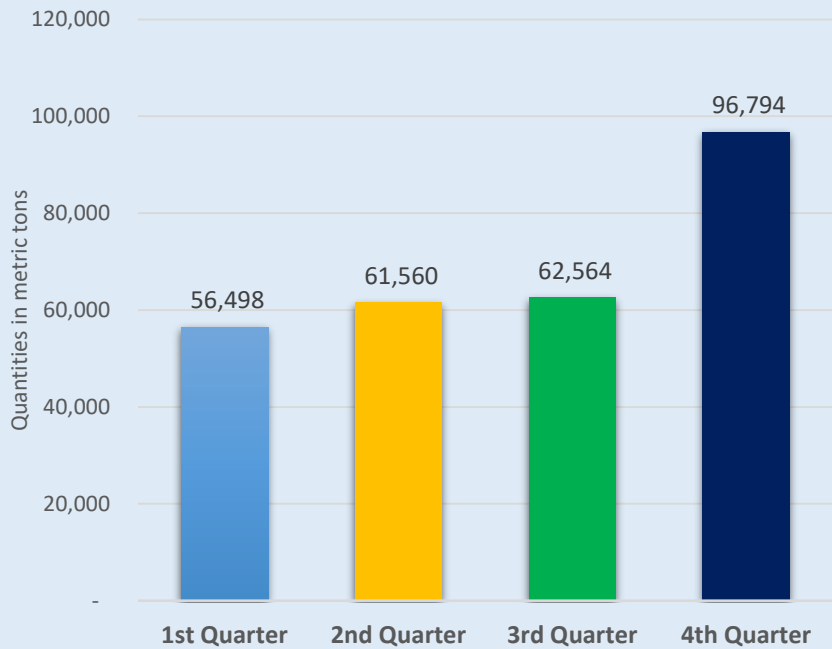


Sales Quantities – Prime Rebars

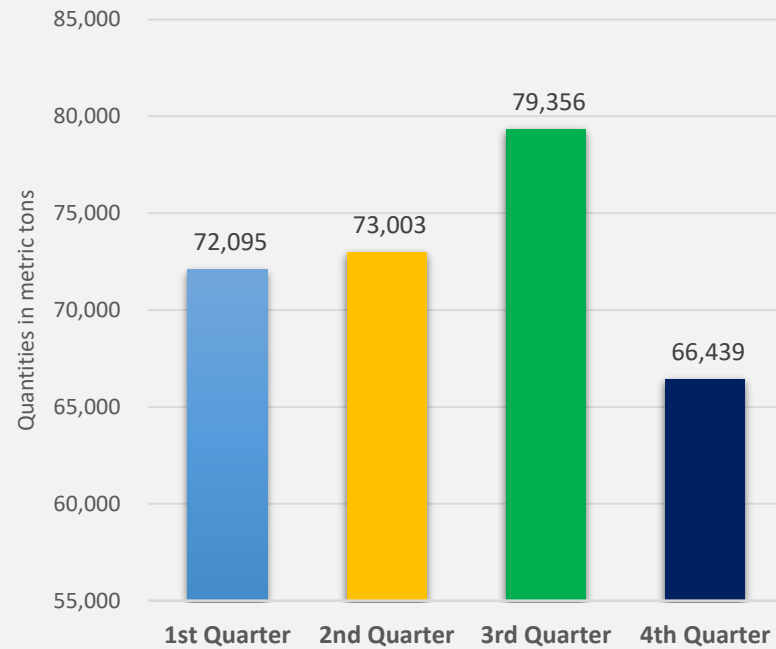


Quarterly Sales & Production

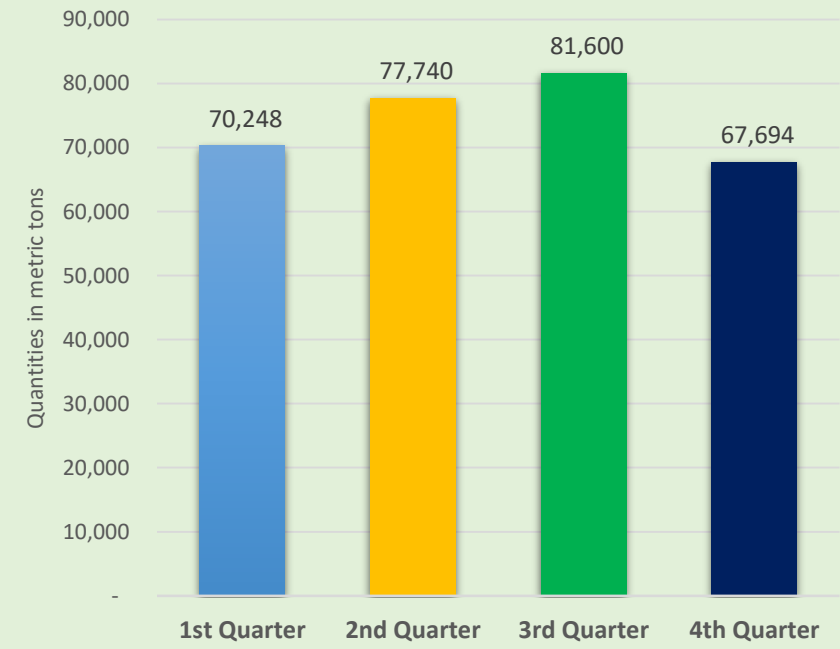
Sales - Rebars



Production - Rebars

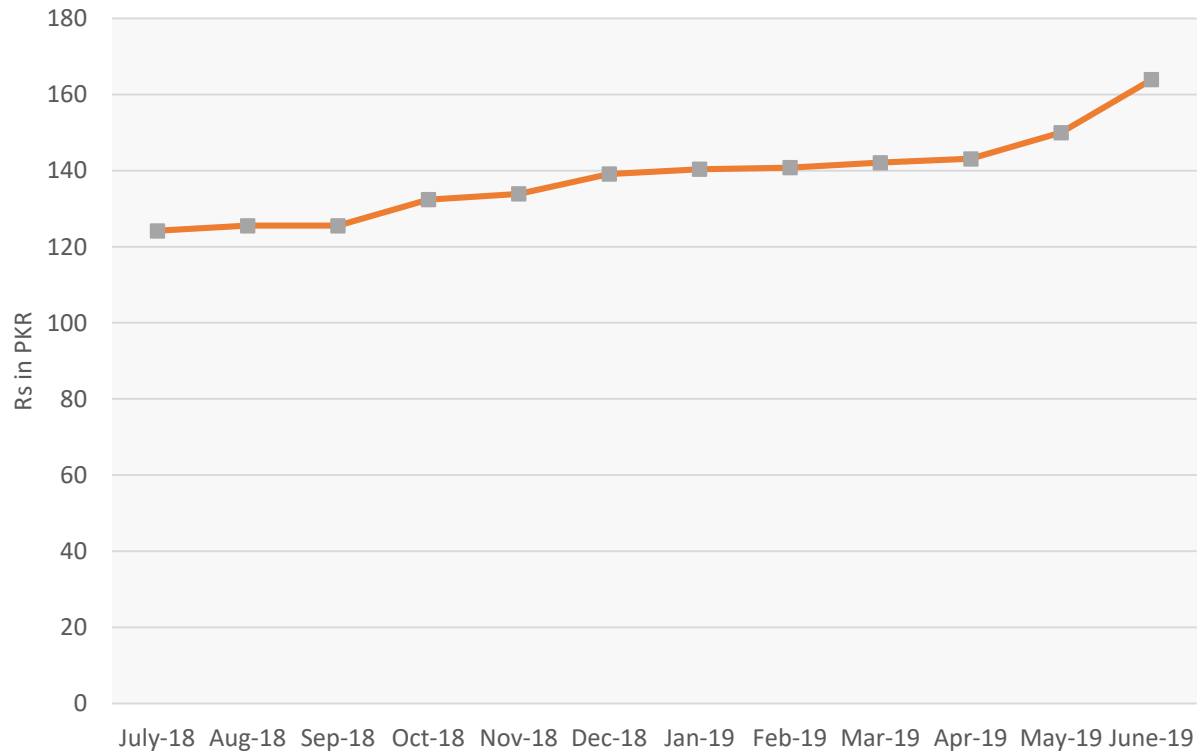


Production - Billets

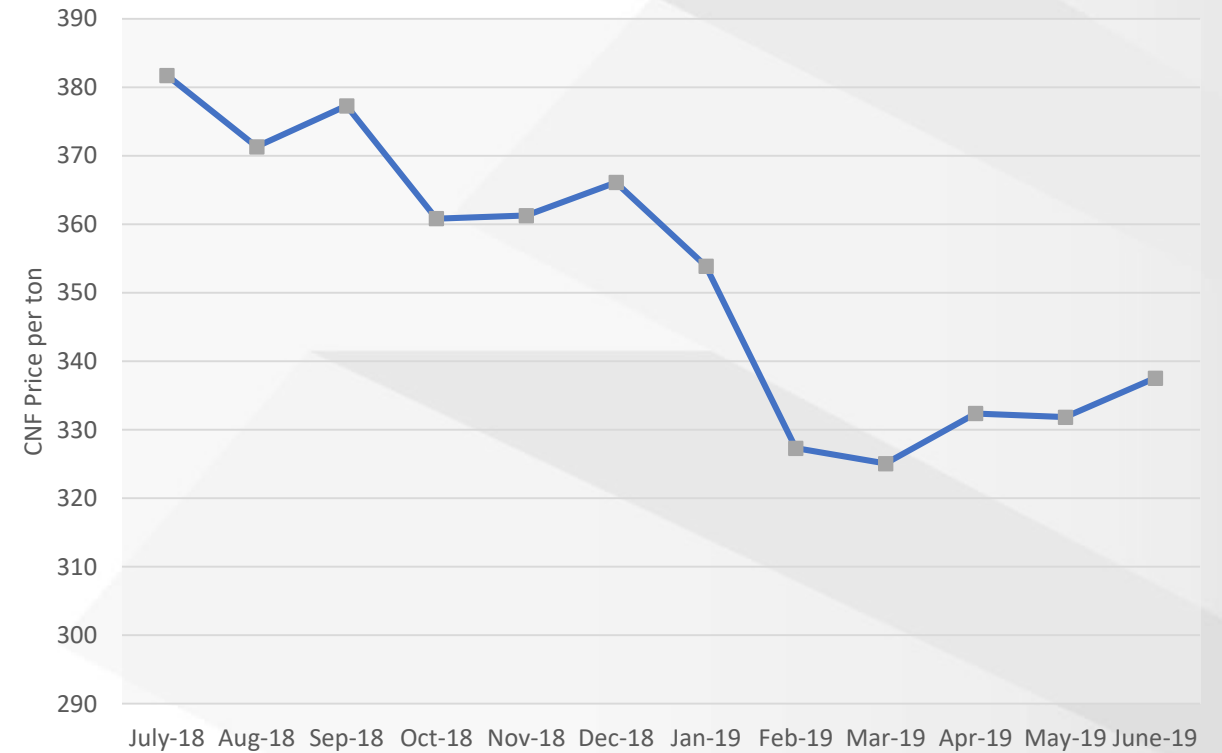


Rupee Dollar Parity & Scrap prices

USD vs PKR

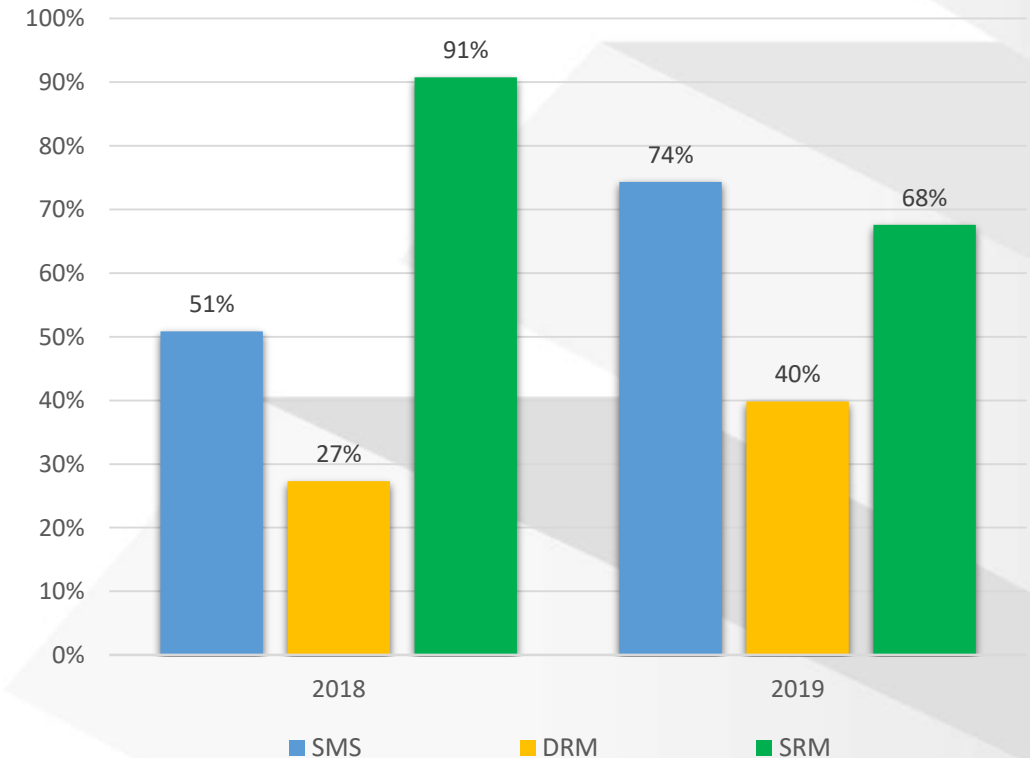


Scrap per ton - USD



Capacity Utilization

	2018	2019
Steel Melt Shop		
Capacity (MT)	366,667	400,000
Production (MT)	186,471	297,283
Utilization - %	51%	74%
Dhabeji Rolling Mill		
Capacity (MT)	70,833	425,000
Production (MT)	19,357	169,268
Utilization - %	27%	40%
Shershah Rolling Mill		
Capacity (MT)	180,000	180,000
Production (MT)	163,384	121,624
Utilization - %	91%	68%



Future Outlook

- PKR further devaluation
- Interest rates
- Steel demand
 - Documentation of economy
 - Taxation measures
 - Infra structure projects and high rise buildings
- Steel supply
 - New player
 - Increased capacities
 - Ship breaking
 - Smuggling
- Scrap prices
- Increase in foot print and market share
- Improved efficiencies & cost cuttings

Thank You

