

Amreli Steels Limited

Corporate Briefing
Session For the Year
Ended 30 June 2020

24 November 2020



AMRELI STEELS
Building for Life

Key Highlights of FY-20

Change of Sales Tax Regime from “Special Sales Tax Procedure” to “Normal Sales Tax Procedure” resulting in increase in sales price due to charging of 17% GST. As a result cost of rebar for the end consumer increased to Rs. 110,948 per ton from Rs. 97,410 per ton when compared to FY-19.

Imposition of minimum tax @ 1.5% of turnover on retail dealers

Imposition of NIC condition and resistance by un-organized sector to become part of taxation system

Implementation of Axle load resulting in increase in transportation cost

Retrospective charge by K.E of Fuel Charges Adjustment (FCA) claimed on prior years starting from July 2016 till June 2019 amounting to Rs. 192 million

Withdrawal of Industrial Support Package Adjustment with effect from July 19, charged as an arrear (July-19 to Dec-19) in March 2020 amounting to Rs. 272 million

Impact of COVID – 19 pandemic

Rupee Dollar parity and KIBOR

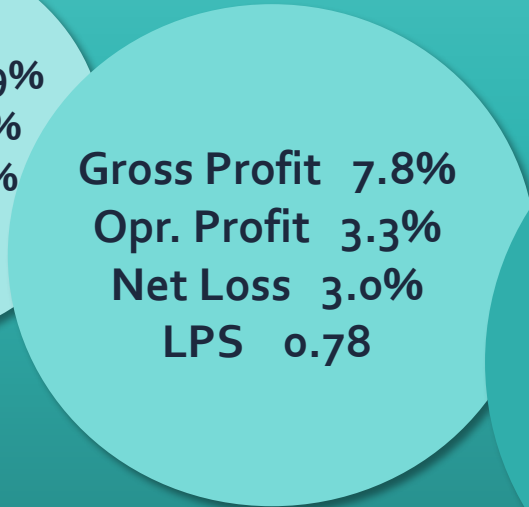
Highlights

FY20

Q1



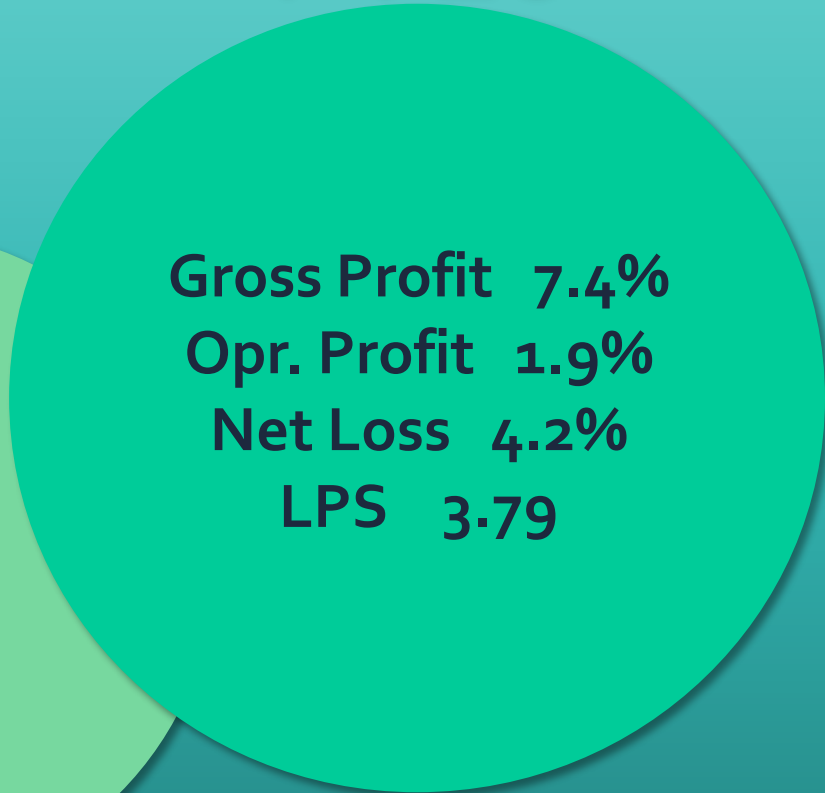
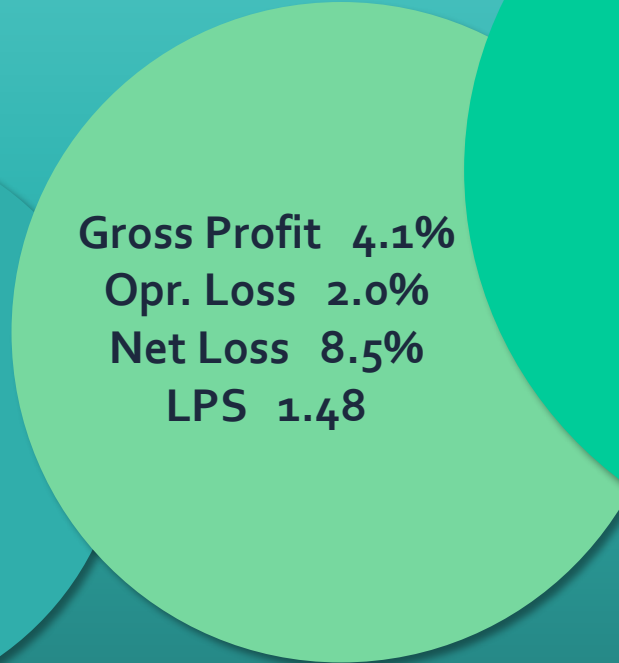
Q2



Q3



Q4



Profit or loss statement

	Year Ended 30 June. 2020	%	Year Ended 30 June. 2019	%	Qtr. Ended 30 June. 2020	%	Qtr. Ended 31 March 2020	%
	Rs.000		Rs.000		Rs.000		Rs.000	
Sales	26,532,144	100.00%	28,595,976	100.00%	5,141,879	100.00%	7,747,928	100.00%
Cost Of Sales	(24,556,406)	92.55%	26,172,392)	91.52%	(4,926,301)	95.81%	(7,251,658)	93.59%
Gross Profit	1,975,738	7.45%	2,423,584	8.48%	215,578	4.19%	496,270	6.41%
Distribution Cost	(682,078)	2.57%	(716,485)	2.51%	(141,123)	2.74%	(213,473)	2.76%
Administrative Cost including ECL	(688,631)	2.60%	(501,349)	1.75%	(226,060)	4.40%	(152,546)	1.97%
Other Charges	(94,388)	0.36%	(17,704)	0.06%	44,877	0.87%	(128,979)	1.66%
Other Opr. Income	8,167	0.03%	7,096	0.02%	2,264	0.04%	(2,736)	0.04%
Operating Profit / (loss)	518,808	1.96%	1,195,142	4.18%	(104,465)	2.03%	(1,464)	0.02%
Finance Cost	(2,299,271)	8.67%	(1,262,303)	4.41%	(502,442)	9.77%	(582,990)	7.52%
(Loss) / Profit Before Tax	(1,780,464)	6.71%	(67,161)	-0.23%	(606,907)	11.80%	(584,453)	7.54%
Taxation	653,846	2.46%	99,984	0.35%	168,334	3.27%	209,888	2.71%
(Loss) / Profit After Tax	(1,126,618)	4.25%	32,823	0.11%	(438,573)	8.53%	(374,565)	4.83%

QUANTITY AND PRICE VARIANCE – Year ended June-20 VS Year ended June-19

	Up to June -20	Up to June -19	Variance		Amount (Rs.000)
SALES					
Quantity	282,983	293,551	(10,569)	Rs. 97.41/ton	(1,029,544)
Price (in thousands)	93.76	97.41	(3.65)	282,983 Tons	(1,034,288)
Net sales variance					(2,063,832)
COST OF SALES					
Quantity	282,983	293,551	(10,569)	Rs. (89.16)/ton	942,287
Price (in thousands)	(86.78)	(89.16)	2.38	282,983 Tons	673,698
Net COGS variance					1,615,985
Net change in gross profit					(447,846)
GROSS PROFIT					
Quantity	282,983	293,551	(10,569)	Rs. 8.26/ton	(87,257)
Price (in thousands)	6.98	8.26	(1.27)	282,983 Tons	(360,590)
Net GP variance					(447,846)

RECONCILIATION OF PROFIT AFTER TAX

Impact	Quantity and Price Variance	Rupees '000'	Remarks
Decrease	Gross Profit	(447,846)	As explained in above slide
Decrease	Distribution Cost	34,407	Mainly decreased due to advertisement sales and promotion which is reduced by 131 million
Increase	Administrative Cost including ECL	(187,282)	Mainly increased due to debtor's provision and salaries
Increase	Other Charges	(76,684)	Mainly increased due to exchange loss recorded on FE loans
Increase	Other Operating Income	1,071	Mainly increased due to interest income
Increase	Finance Cost	(1,036,968)	(1) Increase in average Short-term borrowing to Rs.13.2 billion as compared to Rs. 11 billion in FY-19. (2) Increase in average interest rate to 13.38% from 9.7% in FY-19.
Decrease	Taxation	553,862	Deferred tax asset recorded on taxable losses and minimum tax for the FY 2020.
Net Variance		(1,159,441)	
Profit after tax FY20 less FY19		(1,159,441)	
Amount to be reconciled		-	

QUANTITY AND PRICE VARIANCE – 4th quarter FY20 VS 3rd quarter FY 20

	June-20	Mar-20	Variance		Amount (Rs'000')
SALES					
Quantity	54,301	82,863	(28,561)	Rs. 93.50/ton	(2,670,560)
Price (in thousands)	94.69	93.50	1.19	54,301 Tons	64,512
Net sales variance					(2,606,048)
COST OF SALES					
Quantity	54,301	82,863	(28,561)	Rs. (87.51)/ton	2,499,506
Price (in thousands)	(90.72)	(87.51)	(3.21)	54,301 Tons	(174,149)
Net COGS variance					2,325,357
Net change in gross profit					(280,692)
GROSS PROFIT					
Quantity	54,301	82,863	(28,561)	Rs. 5.99/ton	(171,055)
Price (in thousands)	3.97	5.99	(2.02)	54,301 Tons	(109,637)
Net GP variance					(280,692)

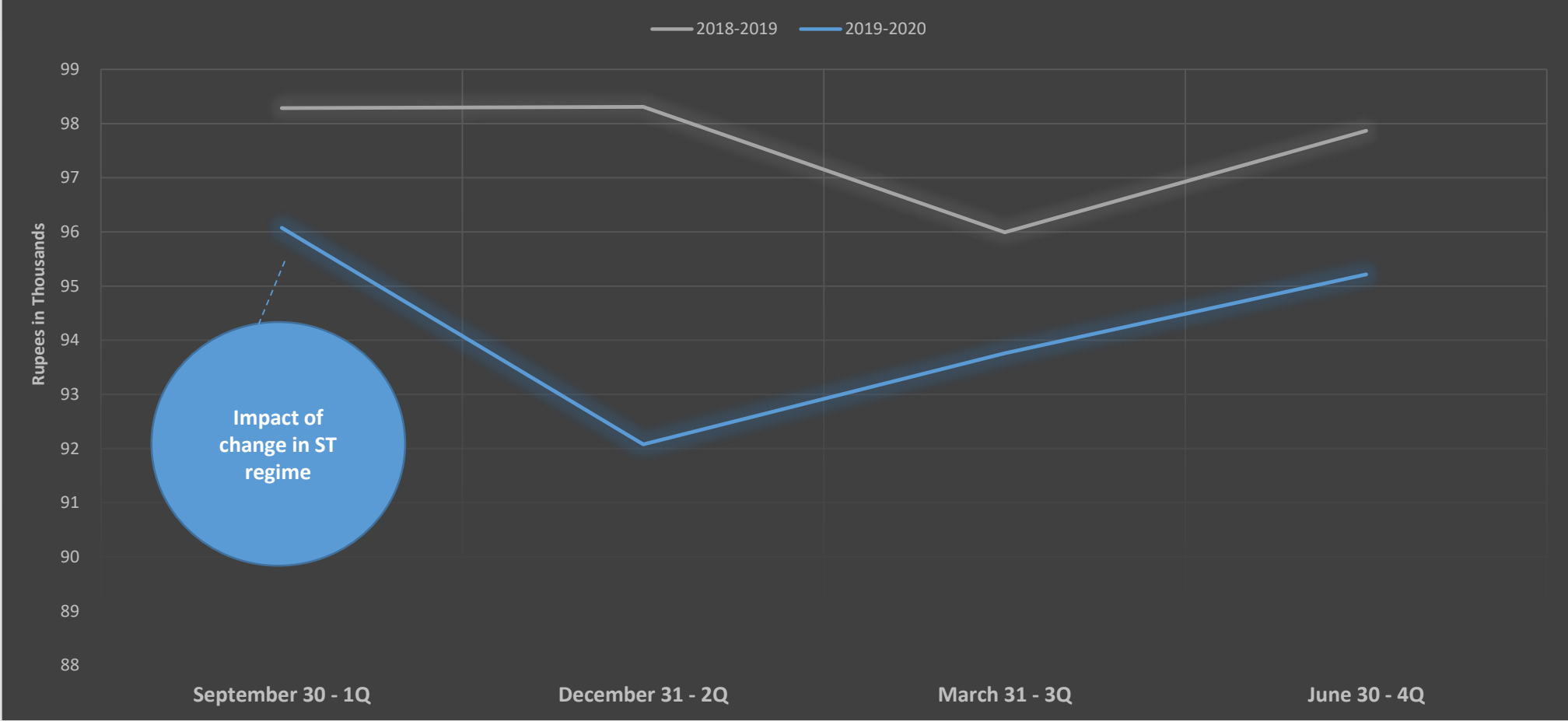
RECONCILIATION OF PROFIT AFTER TAX

Impact	Quantity and Price Variance	Rupees `ooo`	Remarks
Decrease	Gross Profit	(280,692)	As explained in above table
Decrease	Distribution Cost	72,350	Mainly decreased due to advertisement expenses and freight expenses due to lockdown
Increase	Administrative Cost including ECL	(73,515)	Mainly increased due to provision of debtor's receivable as per ECL model
Decrease	Other Charges	173,856	Mainly due to unrealized exchange loss on FE loans recorded in 3rd quarter and later on converted at reduce rate in FATR loans
Increase	Other Operating Income	4,999	Due to scrap sales, income from investment and realization of government grant in 4th quarter
Decrease	Finance Cost	80,547	Due to decrease in KIBOR from 13% to 8% resulting in favorable impact on term loans. Whereas for Short-term loans the above benefit has been net of against increased borrowing due to deferment under BPRD and retirement of LCs.
Increase	Taxation	(41,555)	Increased due to credit lapsed under S.65 B due to expiry of 2 years life.
Net Variance		(64,009)	
Profit after tax 4th Qtr. FY 20 less 3 rd Qtr. FY20		(64,009)	
Amount to be reconciled		-	

Sale quantity (M.Tons)



Sale price per ton



Reasons for Variance in Revenue

1st Quarter:

Volumes remained higher as compared to previous period however there was pressure on price sustainability due to change in regime from Sale tax special procedure to Normal tax regime resulting in increase in prices by 17% for end consumer. This has resulted in decrease in net of sale tax price. The average price for the quarter with 17% sale was Rs. 112,407/ ton as compared to price with sale tax corresponding quarter Rs. 98,288/-.

2nd Quarter:

26% growth in volume achieved as compared to previous period which could be further added had there been no pressure on price. During 2nd quarter various taxation measures including imposition of CNIC conditions, restriction on sale to un-registered, implementation of axle load regime has added increased pressure on sustaining price.

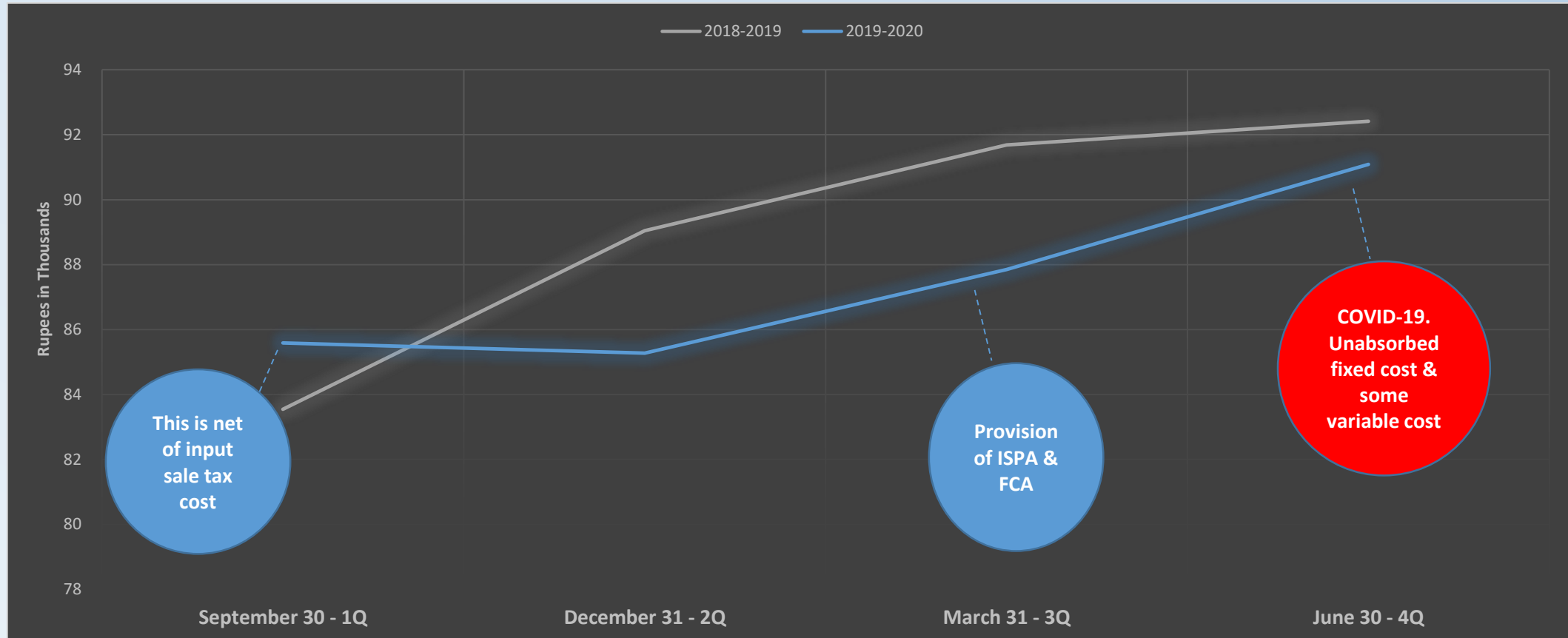
3rd Quarter:

The impact mentioned above continues in 3rd quarter as well, however managed to achieved 24% volumetric growth as compared to corresponding quarter. This % could have been improved if the lockdown was not imposed from March 22, 2020 following the outbreak of covid-19 pandemic.

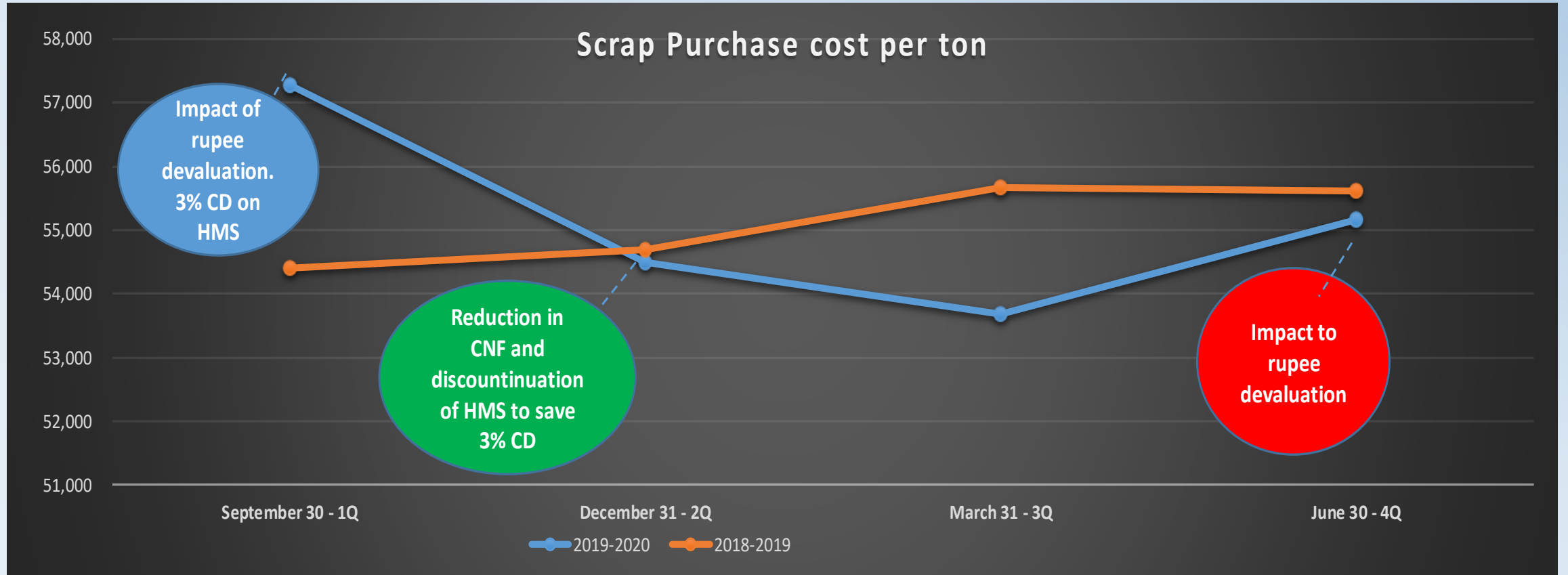
4th Quarter:

From the last 10 days of March 2020 till May 13, 2020, lockdown was imposed by Sindh government due to covid-19 pandemic. During this period all our offices and factories were completely sealed resulting in significant amount of sale loss as compared to corresponding quarter.

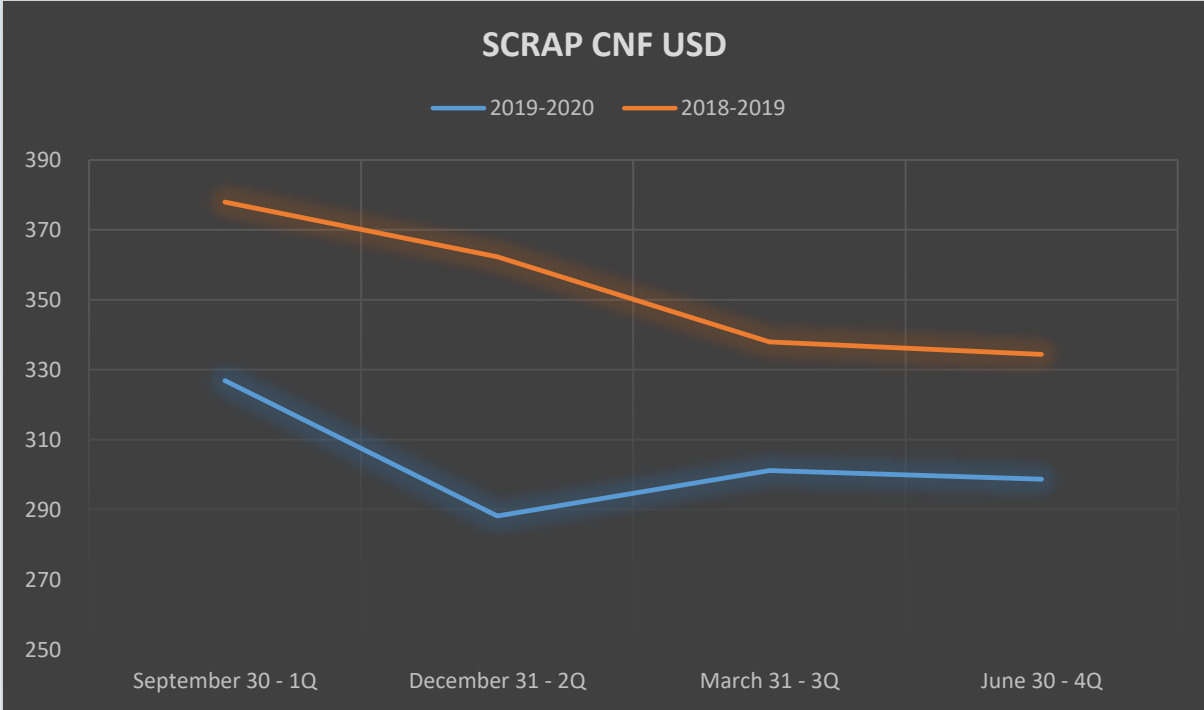
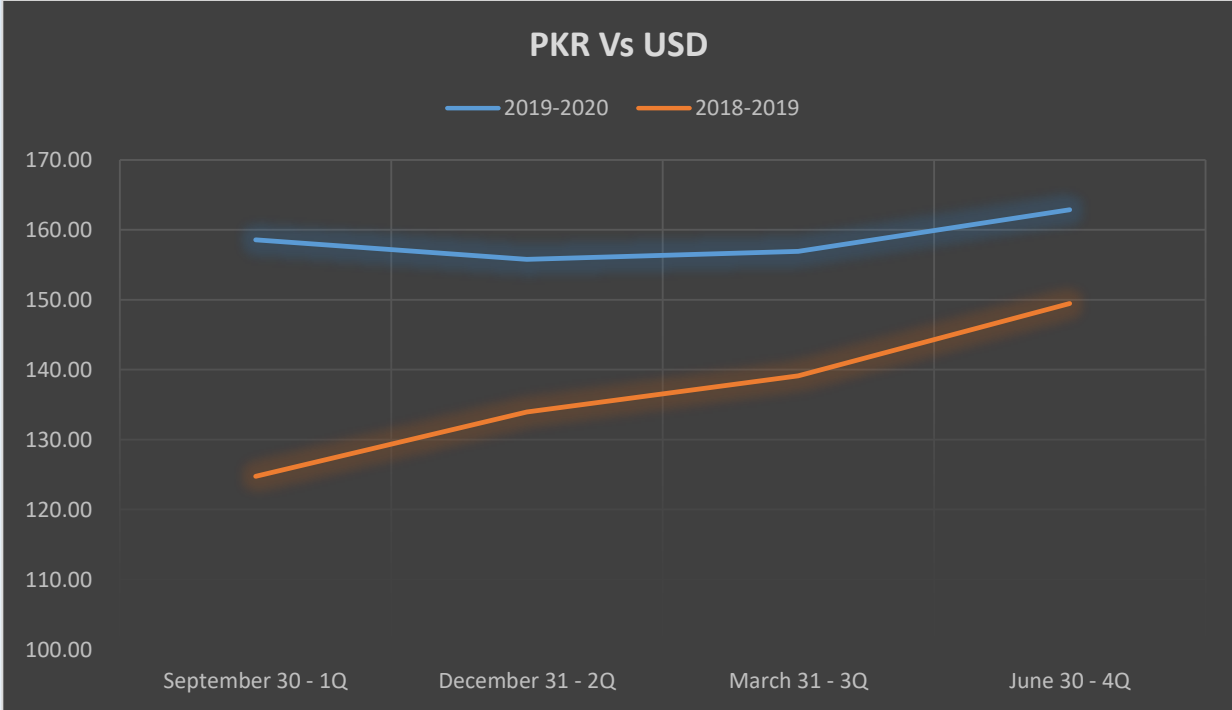
Cost of sales



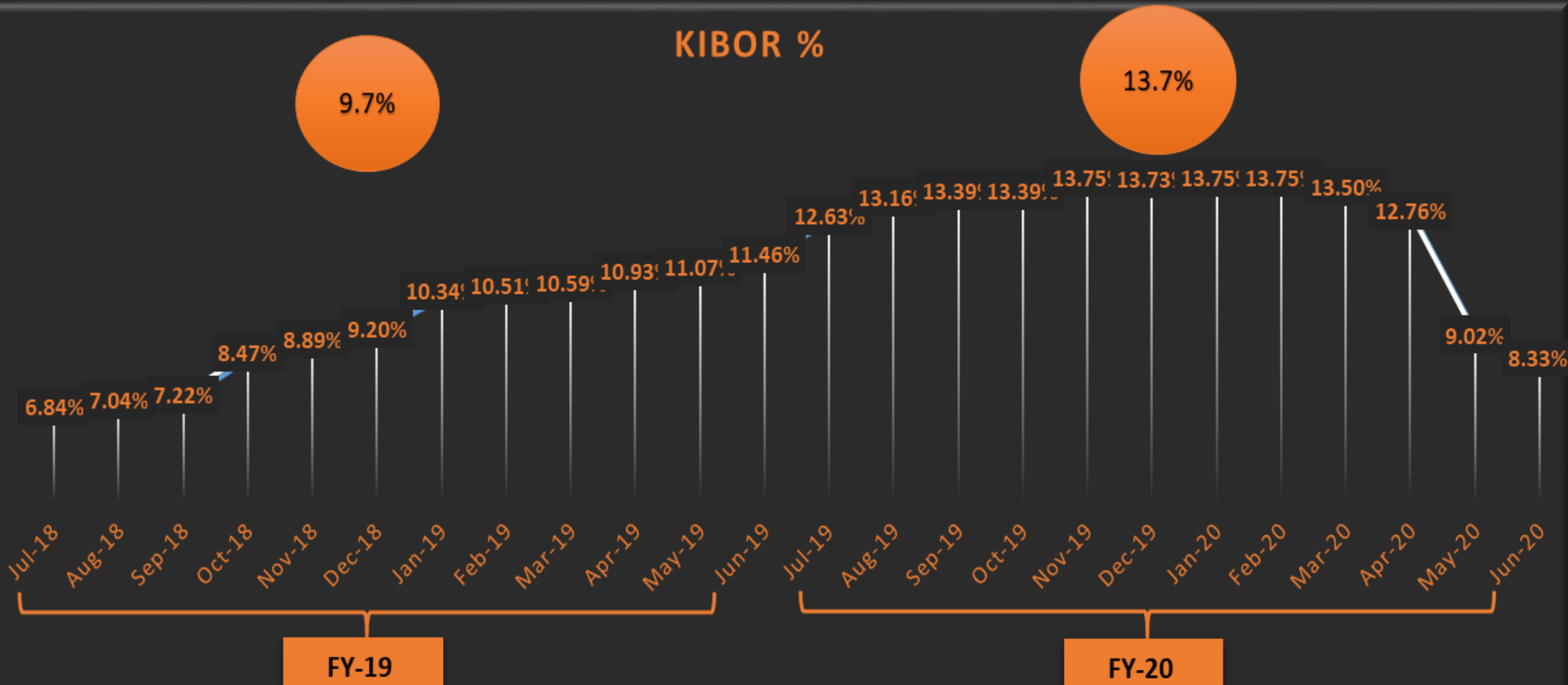
Scrap Cost



Scrap prices & Rupee Dollar parity



KIBOR %



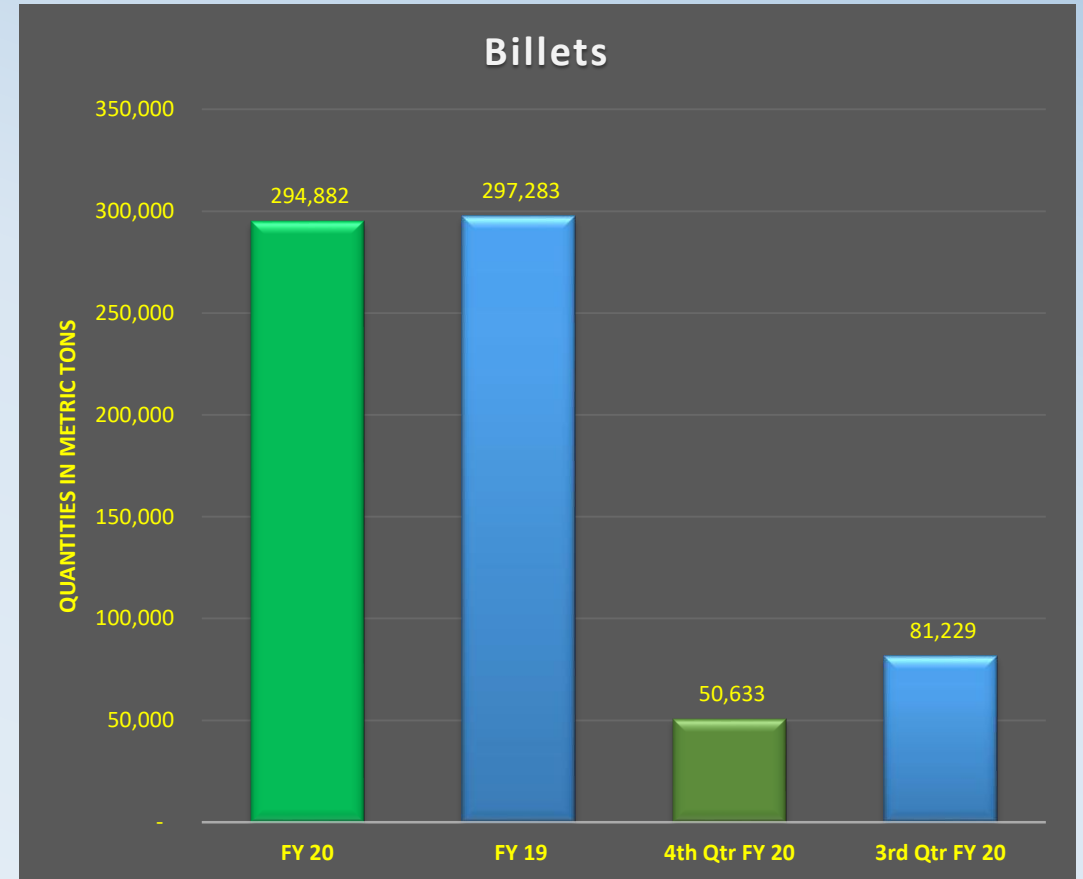
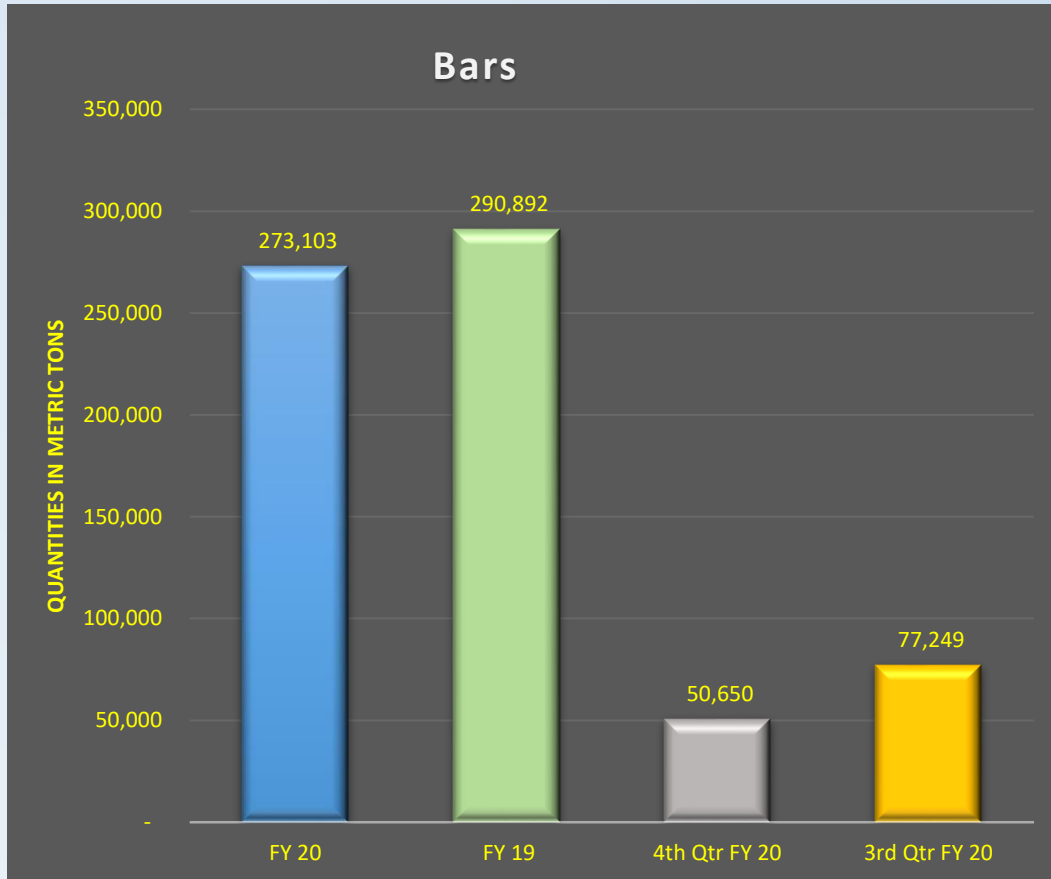
9.7%

13.7%

FY-19

FY-20

Production Quantities

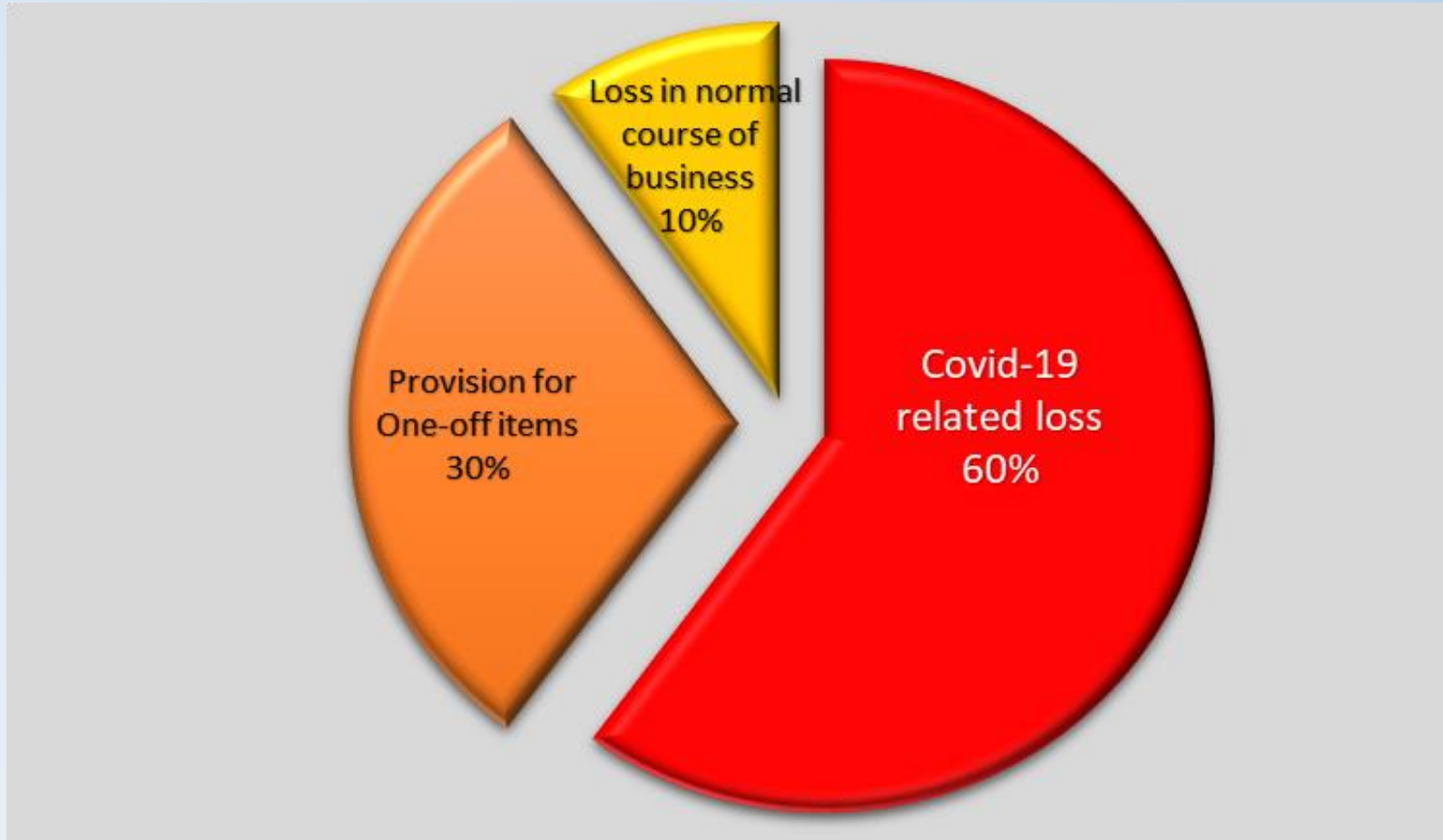


Adoption of accounting treatment under IAS/IFRS

Adoption of IFRS-16 "Leases" – applied on rented properties previously recorded under prepayments

Application of IAS-20 "Government Grant" – applied on subsidized loan for salary under SBP scheme

Had there been no Covid-19 & One-offs



STATEMENT OF VALUE ADDITION	2020		2019		Variance	
<i>Wealth Generated</i>	'Rs. 000'	%	'Rs. 000'	%	'Rs. 000'	%
Revenue from sales	26,532,144		28,595,976		-2,063,832	-7%
Revenue from other income	8,167		7,096		1,071	15%
Less: bought in material and services	(18,016,173)		(22,118,921)		4,102,748	19%
Value added by company	8,524,138		6,484,151		2,039,987	31%
<i>Wealth Distributed</i>						
To Employees:						
Salaries, wages and other benefits	1,141,733	13%	1,076,630	17%	65,103	6%
To Government:						
Duties and Taxes	5,350,399	63%	3,427,497	53%	1,922,902	56%
To Providers of capital:						
Charges and markup	2,299,271	27%	1,262,303	19%	1,036,968	82%
For Replacement of assets:						
Depreciation	859,352	10%	684,898	10%	174,454	25%
To Company:						
(Loss) / Retained profit	-1,126,617	-13%	32,823	1%	-1,159,440	-3532%
	8,524,138	100%	6,484,151	100%	2,039,987	31%

Thank You