

Flash Note

Thursday, 12 September 2019

Engineering

Amreli Steels Limited (ASTL)

High production costs, restricted price pass over ability and expansion incidental costs push FY19 EPS down by 98%YoY to PKR 0.11; 4QFY19 loss continues.

- Amreli Steels Limited (ASTL) announced its 4QFY19 financial results wherein it recorded loss of PKR 191mn (LPS: PKR 0.64), down by a colossal 3.1xYoY as against PKR 588mn (EPS: PKR 1.98) reported in the same period last year. Cumulatively, this brings FY19 EPS to PKR 0.11, down by a mammoth 98%YoY as against PKR 5.34 recognized in the same period last year.
- The Company declared nil dividends along with the result.
- Net Sales of the Company during FY19 increased by 84%YoY to PKR 28.60bn, largely driven by incremental sales volumes made via expansion plant.
- Gross Profits of the Company during FY19 fell by 12%YoY despite an outstanding sales performance, with gross margins collapsing by a substantial 900bps to 8.5% as against previously recorded 18%. The huge fall in margins is owed to a) exorbitant rise in raw material prices due to PKR devaluation and Company's limited price pass over ability in the domestic market due to intense competition; and b) impact of incremental depreciation due on expansion plant.
- Finance cost of the Company during FY19 enhanced by more than 2 folds due to its unwinding towards the income statement post capitalization of expansion plant.
- On a pretax basis the Company has reported a loss of PKR 67mn as against last year profit figure of PKR 1.40bn.

Exhibit:

ASTL Result Highlights

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	9,873	4,635	2.2x	28,596	15,501	84%
Gross Profit	583	612	-5%	2,424	2,758	-12%
Sell. / Dist. & Admin	408	261	56%	1,218	787	55%
Non-Operating Income	2	21	-91%	7	23	-69%
EBIT	182	346	-47%	1,195	1,871	-36%
Financial Charges	402	152	2.6x	1,262	476	2.7x
Pre-tax Profits	(221)	193	-3.1x	(67)	1,394	-105%
Taxation	(30)	(395)	-92%	(100)	(191)	-48%
Post-tax Profits	(191)	588	-3.1x	33	1,585	-98%
EPS	(0.64)	1.98		0.11	5.34	
DPS	-	-		-	2.00	

Key Ratios

Gross Margin (%)	5.9	13.2		8.5	17.8	
Net Margin (%)	(1.9)	12.7		0.1	10.2	
Effective Tax Rate (%)	n/m	n/m		n/m	n/m	

Source: Company Accounts, IGI Research

No. of Shares: 297mn

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