

# Flash Note

Monday, 27 April 2020

## Engineering

### Amreli Steels Limited (ASTL)

#### High end operating expenses and finance costs push results yet again. 3QFY20 LPS clocks in at PKR (1.26); 9MFY20 LPS accumulates to (PKR 2.32)

- ✓ Amreli Steels Limited (ASTL) announced its financial results for 3QFY20 with a net loss of PKR 375mn (LPS: PKR 1.26), down by 28%YoY, as compared to a net loss of PKR 293mn (LPS: PKR 0.99) reported in the same period last year. This accumulates 9MFY20 consolidated net loss to PKR 688mn (LPS: PKR 2.32) as against a profit of PKR 224mn (EPS: PKR 0.75) reported in the comparative period.
- ✓ Net sales of the Company during 3QFY20 grew by +21%YoY as against the comparative period largely on the back of enhanced dispatches made during the quarter.
- ✓ Gross profit margins of the Company have improved to 6% in 3QFY20 as against 5% reported in the comparative quarter of the preceding year. The improvement is ascribed to lower production costs driven largely from benign scrap prices globally as against the comparative period.
- ✓ Selling & distribution costs of the Company have increased by +39%YoY, possibly incurred on account of marketing expense in line with the prevalent marketing strategy pursued by the Company lately.
- ✓ Other expenses of the Company have surged substantially by 5.4x during the quarter. We await publication of interim report for an accurate analysis.
- ✓ Finance charges of the Company during 3QFY20 have jacked up by +57%YoY, largely driven by substantial increase in short term borrowing requirements of the Company and higher benchmark interest rates prevalent in 3QFY20 as against the comparative quarter.

Exhibit: ASTL Result Highlights						
Period end (JUN) - PKRmn	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	7,748	6,406	21%	21,390	18,723	14%
Gross Profit	496	315	58%	1,760	1,840	-4%
Sell. / Dist. & Admin	366	289	27%	1,004	810	24%
Non-Operating Income	(3)	(24)	-89%	6	5	2.4x
Other Charges	129	(24)	5.4x	139	22	6.4x
EBIT	130	26	4.9x	757	1,030	-27%
Financial Charges	583	370	57%	1,797	860	2.1x
Pre-tax Profits	(584)	(344)	70%	(1,174)	154	-7.6x
Taxation	(210)	(52)	4.1x	(486)	(70)	6.9x
Post-tax Profits	(375)	(293)	28%	(688)	224	3.1x
EPS	(1.26)	(0.99)		(2.32)	0.75	
DPS	-	-		-	-	
<b>Key Ratios</b>						
Gross Margin (%)	6.4	4.9		8.2	9.8	
Net Margin (%)	(4.8)	(4.6)		(3.2)	1.2	
Effective Tax Rate (%)	36%	15%		41%	-46%	

Source: Company Accounts, IGI Research

No. of Shares: 297mn

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