

AMRELI STEELS LIMITED (ASTL)

 Feb 02nd, 2017

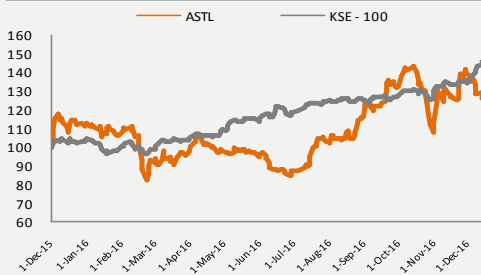
HOLD

Price Target : PKR 91.35/sh

CURRENT MARKET DATA

Current Price	84.32
Market Cap (PKR mn)	25,044
52 wk Hi— Low	95.68—44.21
EV/Ebitda (x)	13.34
Outstanding shares (mn)	297.01
Free Float (%)	25%

Sources: PSX

RELATIVE TO KSE—100


Source: PSX

FINANCIAL HIGHLIGHTS 1HFY17A

PKR 'mn'	1HFY17A	1HFY16A	YoY
Net Sales	6,558	5,453	20%
Cost of sales	5,518	4,175	32%
Gross Profit	1,040	1,278	-19%
EBIT	684	914	-25%
Financial Charges	129	221	-42%
Profit before taxation	555	693	-20%
Profit after Tax	482	550	-12%
Basic EPS	1.62	1.85	-12%

Source: Nael Research, Company accounts

Key Ratios (x/%)	FY17E	FY18E	FY19E	FY20E
EPS	4.29	8.68	10.21	11.40
P/E (x)	19.52	9.65	8.20	7.35
P/B (x)	2.24	2.23	2.02	1.76
EBITDA Margin %	18%	27%	26%	26%

Source: Nael Research, Company accounts

Taha Rehman AC

taha@naelcapital.com

(+92-21)-32461812-13 (Ext.) 140

Earnings ticked at PKR 1.62/sh, duly in line with our expectation of PKR 1.68/sh for 1HFY17A

- The BOD meeting of Amreli Steels Ltd. (ASTL) announced its 2QFY17A financial result on February 2, 2017 where the company posted an EPS of PKR 0.86/sh compact with our projected EPS of PKR 0.92/sh, up by significant 18%YoY.
- In close resemblance to our projection of PKR 3,359mn, revenues grew 65%YoY in comparison the same period previous year clocking in at PKR 3,340mn in 2QFY17A.
- Gross margins of the company declined to 17% in 2QFY17A from 30% of 2QFY16A as scrap prices grew 26%YoY, crossing US\$ 215/ton during the period.
- However, on QoQ basis the margins slightly improved in comparison to the previous quarter on account of cheap holding of scrap inventory sold.
- Other income took a hit by significant -56%YoY in 2QFY17A, which suppressed the EBIT marginally.
- Unlike the previous quarter when no taxes were paid, the company disbursed taxes at a payout of 22% (effective tax rate).
- For 1HFY17A, the bottom line dejected -30%YoY posting at PKR 482mn (EPS: 1.62) against PKR 690mn (EPS: 2.32) in 1HFY16A.

Investment Perspective: We maintain our stance of “**HOLD**” rating on ASTL, with our June’17 Price target of **PKR 91.35/share** on account of 1) Volatility in international scrap prices, 2) Increase in steel prices, & 3) Higher volumetric growth.

Financial Highlights 2QFY17A

PKR 'mn'	2QFY17A	2QFY16A	YoY	2QFY17A	1QFY16A	QoQ
Net Sales	3,340	2,022	65%	3,340	3,218	4%
Cost of sales	2,764	1,397	98%	2,764	2,754	0%
Gross Profit	576	624	-8%	576	465	24%
Admin Expenses	77	99	-22%	77	70	10%
Distribution Expenses	88	89	-2%	88	82	7%
Other operating income	1	3	-56%	1	5	-75%
Other operating expenses	28	36	-22%	28	18	53%
EBIT	384	403	-5%	384	299	28%
Financial Charges	55	113	-52%	55	74	-26%
Profit before taxation	330	291	13%	330	225	46%
Taxation	73	73	0%	73	0	N/A
Profit after Tax	256	218	18%	256	225	14%
Basic EPS	0.86	0.73	18%	0.86	0.76	14%

Source: Nael Research, Company accounts

Note: EPS @ 297.01mn shares