

ASTL Performance

	3M	6M	12M
Absolute %	15%	-22%	-50%
Relative to KSE %	16%	-11%	-35%

Source: BMA Research

Bloomberg	ASTL.PA
Reuters	ASTL.KA
MCAP (USD mn)	49
12M ADT (USD mn)	0.2
Shares Outstanding (mn)	297

Source: PSX, BMA Research

Amreli Steels Limited (ASTL) conducted its analyst briefing for FY19 results yesterday. Following are the key takeaways:

- ASTL announced FY19 profits at PKR32.8mn (EPS: PKR0.11), compared to profit of PKR1,585.2mn (EPS: PKR5.34) for FY18. For 4QFY19, the company reported loss per share (LPS) of PKR0.64 compared to EPS of PKR1.98 during the corresponding period last year.
- The company posted a topline of PKR28.5bn (up 84.5% YoY) courtesy of volumetric growth post expansion as the company sold around 277,416 tons in FY19 vs 172,448 tons last year.
- However, a combination of higher electricity costs, rapid rupee devaluation, and higher depreciation charge owing to capitalization of the plant led the gross margins for the company to settle 9.4pps lower at 8.4% in FY19 vs. 17.8% in FY18.
- Moreover, operating margins (4.2% in FY19 vs. 12.1% in FY18) have reduced owing to higher marketing and distribution costs. Higher distribution costs were noted from concentration of volumetric sales in north and expansion of company operated outlets.
- Due to increased borrowing and higher interest rates, financing costs increased more than 2x to PKR1.3bn for FY19.
- As per management, ASTL is currently operating at an estimated overall market share of 6% while the company is targeting increase in volumetric sales in the North that remains lucrative in terms of demand.
- Apart from increasing market share in North, ASTL is focusing on implementing cost efficiencies in order to increase contribution margin mainly from reduced power costs.
- Current price of rebar stands at PKR110k/ton in South and in the North prices are at PKR108k/ton. To note, average prices recorded for FY19 stood at PKR97k/ton.
- The company management expects steel scrap price to be in the range of USD290-300/ton, which is significantly lower prices in the start of FY19 of USD380/ton. This is because of continued concerns of trade war between US and China and ban of imports of steel scrap in China.

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Buy	>20% expected total return
Neutral	10%-20% expected total return
Underperform	<10% expected total return

*Total stock return = capital gain + dividend yield

Old rating system

Overweight	Total stock return > expected market return + 2%
Marketweight	Expected market return \pm 2%
Underweight	Total stock return < expected market return - 2%

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)