

AMRELI STEELS LIMITED (ASTL)

 April 19th, 2017

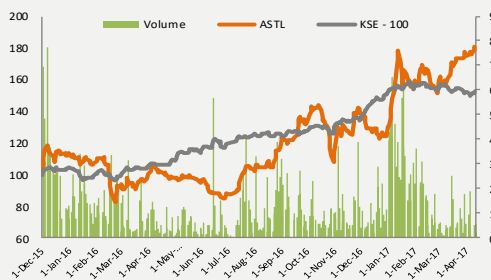
HOLD

Price Target : PKR 99.42/sh

CURRENT MARKET DATA

Current Price	96
Market Cap (PKR mn)	28,153.1
52 wk Hi— Low	96.78—45.23
EV/Ebitda (x)	13.34
Outstanding shares (mn)	297.01
Free Float (%)	25%

Sources: PSX

RELATIVE TO KSE—100


Source: PSX

FINANCIAL HIGHLIGHTS 9MFY17E

PKR 'mn'	9MFY17E	9MFY16A	YoY
Net Sales	10,003	8,374	19%
Cost of sales	8,272	6,441	28%
Gross Profit	1,731	1,975	-12%
EBIT	1,174	1,410	-17%
Financial Charges	211	273	-23%
Profit before taxation	963	1,137	-15%
Profit after Tax	763	922	-17%
EPS @ 297.01mn shs	2.57	3.10	-17%

Source: Nael Research, Company accounts

Key Ratios (x/%)	FY17E	FY18E	FY19E	FY20E
EPS	4.38	8.59	10.34	11.49
P/E (x)	21.75	11.07	9.20	8.28
P/B (x)	2.57	2.53	2.30	2.00
EBITDA Margin %	19%	26%	26%	26%

Source: Nael Research, Company accounts

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Earnings expected to grow 10%QoQ, clocking at PKR 0.95/sh

- The BOD meeting of Amreli Steels Ltd. (ASTL) is scheduled to discuss its 3QFY17E interim accounts on April 20th, 2017 where we expect the company to post an EPS of PKR 0.95/sh, down by significant 24%YoY.
- We assume ASTL's sales volume of ~39.9k tons and ~42k tons for re-bars and billets respectively, with improvement in steel prices by ~PKR 4000/ton and the seasonal impact of winters.
- Revenues are expected to grow 18%YoY against the same period previous year clocking in at PKR 3,445mn in 3QFY17E.
- Gross margins of the company are expected to surge 3ppts ~20% in 3QFY17E from 17% of 2QFY17A owing to increase in steel prices mitigating the affect of northbound scrap prices during the period.
- However, on YoY basis we expect the margins to drop by 4ppts on account of comparative YoY change in the steel scrap prices.
- For 9MFY17E, the bottom line is forecasted to depict a sharp decline of -17%YoY posting at PKR 763mn (EPS: 2.57) against PKR 922mn (EPS: 3.10) in 9MFY16A.

Investment Perspective: We maintain our stance of “**HOLD**” rating on ASTL, reiterating our June'17 Price target of **PKR 99.4/share** on account of 1) Volatility in international scrap prices, 2) Increase in steel prices, & 3) Higher volumetric growth post expansion.

Financial Highlights 3QFY17E

PKR 'mn'	3QFY17E	3QFY16A	YoY	3QFY17E	2QFY17A	QoQ
Net Sales	3,445	2,921	18%	3,445	3,340	3%
Cost of sales	2,754	2,267	22%	2,754	2,764	0%
Gross Profit	691	655	5%	691	576	20%
Admin Expenses	79	53	49%	79	77	3%
Distribution Expenses	88	99	-11%	88	88	0%
Other operating income	3	6	-48%	3	1	165%
Other operating expenses	36	55	-34%	36	36	0%
EBIT	491	496	-1%	491	384	28%
Financial Charges	83	52	59%	83	55	52%
Profit before taxation	408	444	-8%	408	330	24%
Taxation	127	72	77%	127	73	73%
Profit after Tax	282	372	-24%	282	256	10%
Basic EPS	0.95	1.25	-24%	0.95	0.86	10%

Source: Nael Research, Company accounts

Note: The international scrap prices surged to Avg. US\$ 293/ton during 3QFY17 against US\$ 170/ ton— when they were subdued in 3QFY16A.