

Amreli Steels Limited (ASTL)

REP-091

October 26, 2018

ASTL - Rs. (000)	1QFY19	1QFY18	YoY %
Revenue	5,922,361	2,706,286	118.84%
Cost of Goods Sold	(5,014,188)	(2,196,312)	128.30%
Gross Profit	908,173	509,974	78.08%
Distribution cost	(155,967)	(55,492)	181.06%
Administrative expenses	(109,208)	(101,057)	8.07%
Other Income	22,527	323	6883.88%
Other expense	(36,287)	(18,829)	92.72%
Finance Cost	(208,611)	(97,059)	114.93%
Profit before taxation	420,627	237,860	76.84%
Taxation	(12,039)	(42,087)	-71.39%
Profit after taxation	408,588	195,773	108.71%
EPS (Rs)	1.38	0.66	108.71%
Gross profit margin	15.33%	18.84%	
Dist. expenses / Revenue	2.63%	2.05%	
Admin. expenses / Revenue	1.84%	3.73%	
Effective tax rate	2.86%	17.69%	
Net profit margin	6.90%	7.23%	

Source: Company Announcement, PSX, ASL Research

- ASTL has announced its 1QFY19 result where it posted profit after tax of Rs408.59mn (EPS: Rs1.38) as compared to profit after tax of Rs195.77mn (EPS: Rs0.66) in same period last year, up by 108.71% YoY
- The company has posted the revenue of Rs5.9bn against Rs2.7bn in SPLY, recording a growth of 118.84% YoY. We note that this growth is attributed to volumetric growth and upward revision in rebar prices. We estimate the company has sold around 60k-62k tons of rebars in 1QFY19 as compared to 34,476 in 1QFY18
- Gross margin has squeezed to 15.33% in 1QFY19 as compared to 18.84% in 1QFY18 due to increased international steel scrap prices, rupee devaluation and the rise in depreciation due to new capacity
- Finance Cost has increased to Rs208.61mn in 1QFY19 as compared to Rs97.05mn in 1QFY18, increased by 114.93%. Increase in finance cost is attributed to the additional debt borrowed for new expansion project of rolling mill in SITE area. Cost of the said project is around Rs2bn which is financed through 80% debt and 20% equity. Furthermore, increase in discount rate to 8.5% has also contributed in raising the finance cost
- The effective taxation has decreased to 2.86% as compared to 17.69% during same period last year due to the tax credit carried forward and the inclusion of tax exempted sales from Dhabeji plant in the top-line of the company
- ASTL is currently trading at FY19E PE of 8.15x and provide an upside potential of 17.74% to our TP of Rs72 from today's closing price of Rs62

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Valuation Methodology

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method (P/E, P/B etc.)
- Discounted Cash flow Method
- Equity and Asset based valuation

Rating

BUY	Total return more than 20% from last closing of market price
HOLD	Total return is in between 10% and 20% from last closing of market price
REDUCE	Total return is less than 10% from last closing market price