

Flash Note

Friday, 11 September 2020

Engineering

Amreli Steels Limited (ASTL)

Low volumes, declined margins and heavy finance costs continue losses. 4QFY20 LPS clocks in at PKR (1.48); FY20 closes at a loss of (PKR 3.79)/share

- Amreli Steels Limited (ASTL) announced its financial results for 4QFY20 with a net loss of PKR 439mn (LPS: PKR 1.48), up by 17% QoQ, as compared to a net loss of PKR 375mn (LPS: PKR 1.26) reported in 3QFY20. This accumulates FY20 net loss to PKR 1.13bn (LPS: PKR 3.79) as against a meagre profit of PKR 33mn (EPS: PKR 0.11) reported in FY19. No dividends were announced along with the result.
- Net sales of the Company during 4QFY20, as against 3QFY20, dropped by a material 34% QoQ largely on the back of discontinued operations amid lockdown situation that persisted during the quarter due to Covid-19.
- Gross profit margins of the Company declined to 4% during the reported quarter as against 6% reported in the sequential quarter. The decline is possibly ascribed to low retentions due to larger discounts offered and un-optimal spread of fixed costs due to low volumes.
- Selling & distribution costs of the Company halved due to decline in operations, while finance charges also declined due to lower outstanding debt amounts and a meagre cut in repriced Kibor rates used for the period. To note while the State Bank of Pakistan (SBP) had drastically reduced benchmark interest rates during 4QFY20, the appropriate reference rates used would that be of 31-Mar-20, which stood at 11% as against quarter average of 8.78%.

Exhibit: ASTL Result Highlights

Period end (JUN) - PKRmn	4QFY20	4QFY19	YoY	3QFY20	QoQ	FY20	FY19	YoY
Net Sales	5,142	9,873	-48%	7,748	-34%	26,532	28,596	-7%
Gross Profit	216	583	-63%	496	-57%	1,976	2,424	-18%
Sell. / Dist. & Admin	182	408	-55%	366	-50%	1,185	1,218	-3%
Non-Operating Income	2	2	19%	(3)	-0.8x	8	7	15%
EBIT	(104)	182	-0.6x	(1)	70x	519	1,195	-57%
Financial Charges	502	402	25%	583	-14%	2,299	1,262	82%
Pre-tax Profits	(607)	(221)	2.8x	(584)	4%	(1,780)	(67)	26x
Taxation	(168)	(30)	5.6x	(210)	-20%	(654)	(100)	6.5x
Post-tax Profits	(439)	(191)	2.3x	(375)	17%	(1,127)	33	-343x
EPS	(1.48)	(0.64)		(1.26)		(3.79)	0.11	
DPS	-	-		-		-	-	
Key Ratios								
Gross Margin (%)	4.2	5.9		6.4		7.4	8.5	
Net Margin (%)	(8.5)	(1.9)		(4.8)		(4.2)	0.1	
Effective Tax Rate (%)	28%	14%		36%		37%	149%	

Source: Company Accounts, IGI Research

No. of Shares: 297mn

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