



AMRELI STEELS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023



COMPANY PROFILE

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Amreli Steels Limited (the Company) was incorporated in 1984 as a private limited Company and converted into a public unquoted Company in 2009. The Company enlisted on Pakistan Stock Exchange in December 2015 and is mainly engaged in manufacturing and sale of steel rebars and billets.

We are one of the largest manufacturers of steel reinforcement bars in Pakistan. The two re-rolling plants situated at S.I.T.E. Karachi and Dhabeji are using one of the most modern hot re-rolling technologies in the industry with a nameplate capacity of 180,000 metric tons and 425,000 metric tons of rebars per annum respectively.

Our Steel Melt Shop plant in Dhabeji, Sindh is the largest billet manufacturing facility in Pakistan boasting a nameplate capacity of 600,000 metric tons per year. This aims to bridge the supply-demand gap of Pakistan's steel industry.



ECONOMIC HIGHLIGHTS



FOR THE YEAR AND QUARTER ENDED 30 JUNE 2023

Record decline in foreign exchange reserves

Letter of credit crisis & declining economic growth

Significant rupee devaluation

Imbalance between twin deficits

Record inflation and rising interest rates

Political & Market uncertainty & demand compression

USD Vs. PKR

Average PKR during 4Q was 286 (3Q: 261) increased mainly due to uncertainty regarding IMF and huge gap between open market.

Twelve months (July to June-23) average PKR was 240 Vs 176 same period last year recording record high devaluation of 36% (YoY).

However, in one years' time PKR has devalued by 43% from 200 to 286 in June-23 Vs June-22.

INFLATION

The annual inflation rate in Pakistan eased for the first time in seven months to 29.4% in June 2023 from record high of 38% in the previous month, mainly attributed to reduced demand caused by high borrowing costs and a slowdown in price gains due to lower commodity prices. Average inflation rate for FY-23 is 29.18%. In FY-22 it was 12.2%.

INTEREST RATE

Interest rate closed at 21% as of June-23. However, in July-23 interest rate was increased by 1% to 22%.

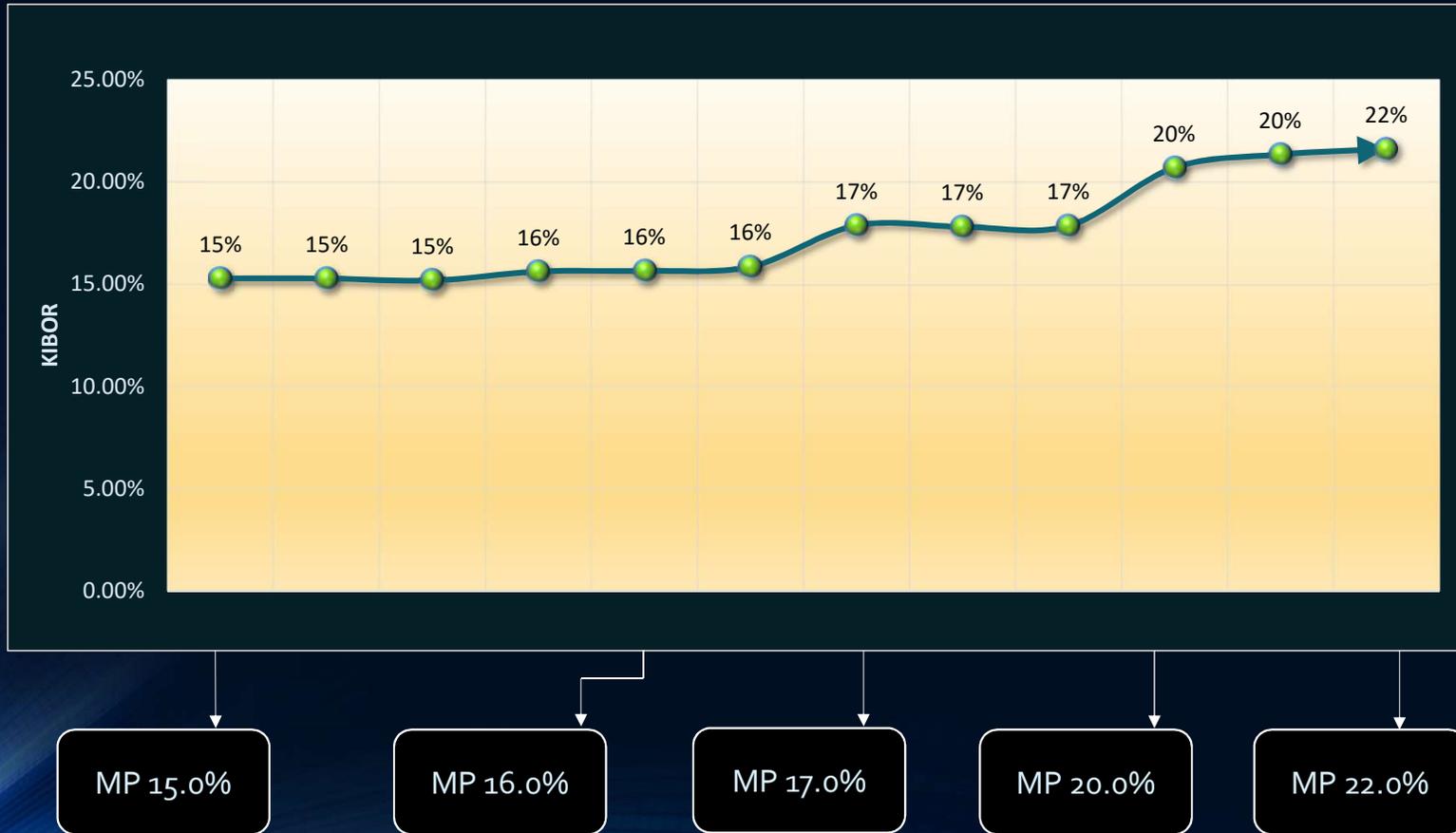
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LSM sector recorded by negative 10.6% from July to June (in same period last year it was positive 10%)

FOREIGN EXCHANGE RATES



KIBOR & POLICY RATES





FINANCIAL PERFORMANCE



FOR THE YEAR ENDED 30 JUNE 2023



Sales

45.4
Billion



Gross Profit

5.9
Billion



Operating Profit

4.0
Billion



Net Loss

678.4
Million



Loss per share

2.28
Per share

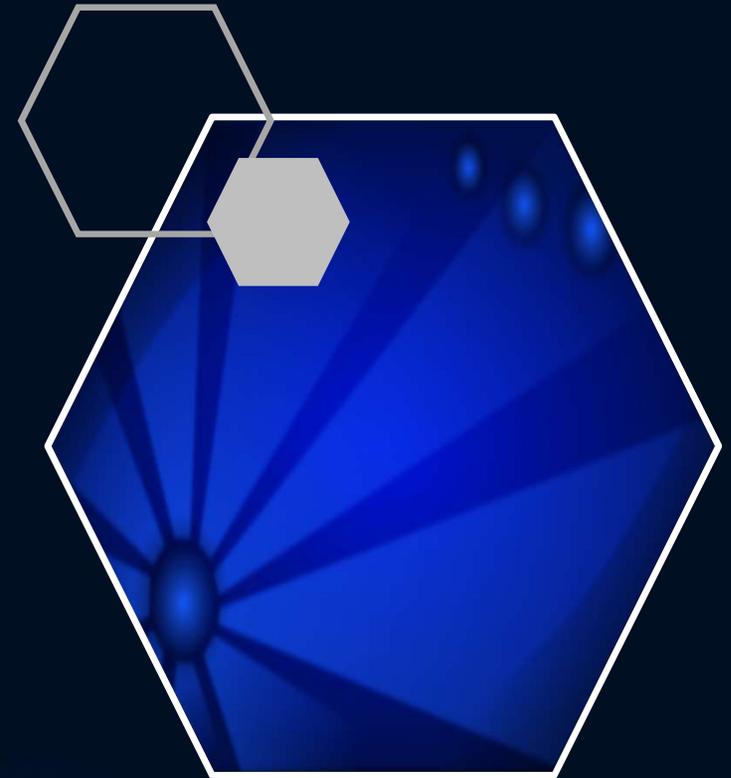


Bars Sold

218,279
MT

MARGINS & EPS

Year / Qtr.	Year ended FY23	Year ended FY22	4 th Qtr. FY23	3 rd Qtr. FY23
Gross Profit %	13.11	11.16	13.09	18.06
Opr. Profit %	8.81	7.54	8.59	13.18
Net (Loss) / Profit %	(1.49)	2.28	(8.98)	4.08
EPS / (LPS)	(2.28)	4.46	(3.26)	1.60





FINANCIAL STATEMENTS



PROFIT OR LOSS STATEMENT

	Period ended 30 June. 2023		Period ended 30 June. 2022		Qtr. Ended 30 June. 2023		Qtr. Ended 31 Mar. 2023	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Sales	45,492,724	100	58,184,282	100	10,794,901	100	11,666,940	100
Cost of sales	(39,530,560)	86.89	(51,692,795)	88.84	(9,382,263)	86.91	(9,559,890)	81.94
Gross profit	5,962,164	13.11	6,491,487	11.16	1,412,638	13.09	2,107,050	18.06
Distribution cost	(1,008,778)	2.22	(1,203,640)	2.07	(263,380)	2.44	(246,352)	2.11
Administrative cost	(751,114)	1.65	(735,971)	1.26	(224,654)	2.08	(191,834)	1.64
ECL (Allowance) / Reversal	(119,602)	0.26	(5,177)	0.01	35,474	0.33	(102,535)	0.88
Other charges	(84,097)	0.18	(186,445)	0.32	(29,086)	0.27	(33,663)	0.29
Other income	8,312	0.02	24,507	0.04	(4,088)	0.04	5,502	0.05
Operating profit	4,006,885	8.81	4,384,761	7.54	926,904	8.59	1,538,168	13.18
Finance cost	(4,032,761)	8.86	(2,306,697)	3.96	(1,082,226)	10.03	(991,563)	8.50
(Loss) / Profit before tax	(25,876)	0.06	2,078,064	3.57	(155,321)	1.44	546,605	4.69
Taxation	<u>(652,567)</u>	1.43	(752,549)	1.29	(814,089)	7.54	(70,891)	0.61
(Loss) / profit after tax	(678,443)	1.49	1,325,515	2.28	(969,411)	8.98	475,714	4.08

STATEMENT OF FINANCIAL POSITION

	30 JUNE 2023		30 JUNE 2022	
	-----Rs. '000'-----	%	-----Rs. '000'-----	%
Non-Current Assets				
Property, Plant & Equipment	<u>22,263,497</u>	55.08	21,578,252	49.55
Right of use assets	135,731	0.34	76,410	0.18
Intangible assets	6,600	0.02	11,872	0.03
Long term investment	14,289	0.04	14,289	0.03
Long term deposits	193,717	0.48	203,993	0.47
Total Non-Current Assets	22,613,834	55.95	21,884,816	50.25
Current Assets				
Stores and spares	2,604,137	6.44	2,756,628	6.33
Stock in-trade	7,097,218	18.17	11,017,657	25.30
Trade debts	4,973,402	12.31	5,478,005	13.04
Loans and advances	45,494	0.11	53,447	0.12
Trade deposits and prepayments	20,767	0.05	31,260	0.07
Other receivables	211,236	0.52	266	0.00
Taxation – net	<u>2,333,729</u>	5.77	1,769,109	4.06
Cash and bank balances	271,913	0.67	356,869	0.82
Total Non-Current Assets	17,557,896	44.05	21,463,241	49.75
Total Assets	40,171,730	100.00	43,348,056	100.00

	30 JUNE 2023		30 JUNE 2022	
	-----Rs. '000'-----	%	-----Rs. '000'-----	%
Share Capital & Reserves	14,562,241	36.96	15,254,706	35.03
Non-Current Liabilities				
Long-term finances	3,704,899	9.17	4,820,914	11.07
Long-term provision	146,863	0.36	154,463	0.35
Related party loan	-	0.00	341,333	0.78
Deferred taxation	1,028,172	1.62	641,128	1.47
Deferred liability	452,985	1.12	369,916	0.85
Lease liabilities	121,797	0.30	72,416	0.17
Government grant	381,564	0.94	170,641	0.39
Total Non-Current Liabilities	5,836,280	13.51	6,570,811	15.09
Current Liabilities				
Trade and other payables	4,979,403	12.93	6,238,326	14.32
Contract liabilities	479,226	1.19	773,573	2.24
Unclaimed Dividend	5,456	0.01	5,610	0.01
Accrued interest	800,284	1.98	521,139	1.20
Short term finance - secured	11,331,137	28.04	12,573,272	28.87
Current maturity of long-term finances	1,799,680	4.45	1,353,626	3.11
Current portion of government grant	27,161	0.07	42,643	0.10
Current maturity of related party loan	316,333	0.78	-	0.00
Current maturity of right of use assets	34,529	0.09	14,351	0.03
Total Current Liabilities	19,773,209	49.53	21,522,539	49.88
Total Equities and Liabilities	40,171,730	100.00	43,348,056	100.00

STATEMENT OF CASH FLOWS

	30 JUNE 2023	30 JUNE 2022
	---Rs.'000---	---Rs.'000---
Cash generated before working capital changes	5,170,706	4,766,788
Cash generated from operations	11,564,461	522,899
Income taxed paid	(821,178)	(631,537)
Gratuity paid	(32,833)	(27,871)
Finance costs paid	(3,680,499)	(2,002,115)
Long term deposits and loans – net	10,276	(51,644)
Net cash generated from / (used in) operating activities	7,040,227	(2,190,268)
Fixed capital expenditure	(1,597,660)	(2,158,142)
Proceeds from disposal of operating fixed assets	(2,347)	(891)
Addition to intangible assets	10,780	21,112
Net cash used in investing activities	(1,589,227)	(2,137,921)
Dividend paid	(154)	(108)
Short-term financing – net	(4,887,751)	4,127,741
Disbursement of long term financing	799,337	1,567,526
Repayment of long term financing	(1,325,244)	(1,152,358)
Lease rental paid	(52,730)	(30,271)
Loan from related parties	(25,000)	-
Long term investment	-	1,000
Net cash (used in) / generated from financing activities	(5,491,542)	4,513,530
Net (decrease) / increase in cash and cash equivalents	(40,542)	185,341
Cash and cash equivalent at the beginning of the year	(1,660,342)	(1,845,683)
Cash and cash equivalents at the end of period	(1,700,884)	(1,660,342)

RATIO ANALYSIS

	UoM	FY 23	FY 22
PROFITABILITY RATIOS			
Gross profit ratio	Percentage	13.11%	11.16%
Net (loss) / profit to sales ratio	Percentage	-1.49%	2.28%
Return on equity	Percentage	-4.7%	8.7%
INVESTMENT/ MARKET RATIOS			
(Loss) / Earning per share	Times	(2.28)	4.46
Interest cover	Times	1.03	1.97
TURNOVER RATIOS			
Total asset turnover	Times	1.13	1.34
Fixed asset turnover	Times	2.04	2.70
LIQUIDITY RATIOS		30 JUNE 2023	30 JUNE 2022
Current ratio	Times	0.89:1	1.00:1
Quick / acid test ratio	Times	0.53:1	0.49:1
Debtor turnover	Days	46	38
Break value per share	Rupees	49	51
CAPITAL STRUCTURE RATIOS			
Long-term debt / equity ratio	Times	0.38:1	0.40:1
Financial leverage ratio	Times	1.43:1	1.49:1



SALES
AND
PRODUCTION

SALES VOLUME



REASON FOR VARIANCE – YoY

The sales revenue decreased by 22% primarily due to decline in sale volumes by 38% contributed by series of event such as flash floods, political unrest, record high interest rates and inflation, falling reserves and measures to control CAD by restricting LCs affecting overall supply and resultant reduction in GDP from 5% to 0.29%.

Prices on the other hand increased by 27% mainly due to rupee devaluation by 35% from 177 to 240, sharp increase in electricity cost from 21/unit to 29/unit, fuel prices and YoY inflation of 31%.

VARIANCE IN COST OF SALES



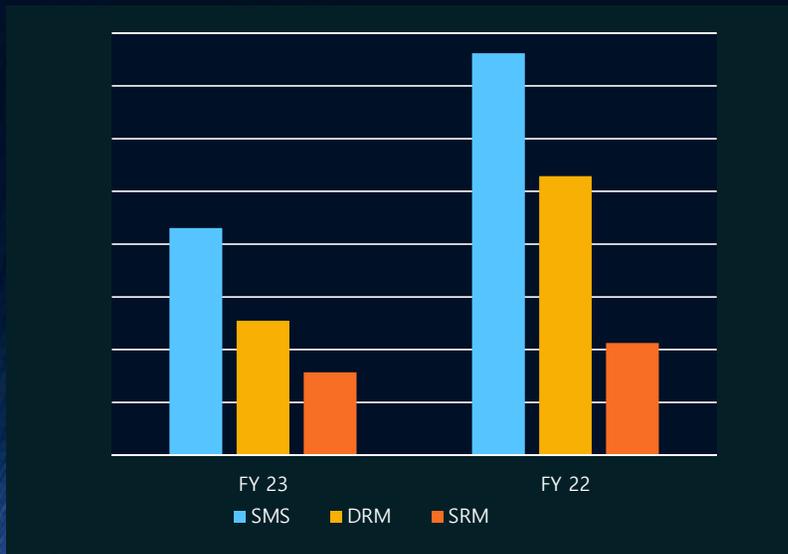
REASON FOR VARIANCE - YoY

Cost of sale on YoY basis increased by 24% on per ton basis. The major increase pertains to increase in scrap cost which contribute 60% in total increase. Rupee YoY depreciated by 35% from 177 to 240 whereas scrap prices decline by 11% from 543 to 484. Significant increase in electricity tariff from Rs. 21/KWH to Rs. 29/kwh representing 15% increase in total cost. Increase in fuel prices thereby increasing freight cost. Increase in depreciation to capitalization of IH and solar in June-22, decrease capacity utilization from 61% to 34% and resultant increase in fixed cost by 7% and increase in other cost due to yearly inflation of 31%.



PRODUCTION AND CAPACITY UTILIZATION

PRODUCTION



CAPACITY UTILIZATION



	SMS		DRM		SRM	
FY 23 (MT)	215,230	43% ↓	127,097	52% ↓	78,383	26% ↓
FY 22 (MT)	380,817		264,389		106,178	

	SMS	DRM	SRM
FY 23	36%	30%	44%
FY 22	63%	62%	59%

Future Outlook

□ Local

- Projected growth target of 2.4%
- Related Current Account Deficit approx. USD 6.5 bn and its management
- Management of Fiscal Deficit approx. R. 7.5 trillion
- Reserves position, gap b/w projected inflows and outflows and related USD situation
- Ongoing and Upcoming IMF review in March-24
- Inflation and interest rates
- General Election in February-24

□ International

- Expected growth of Global economy to 3% in 2024 from 2.8% in 2023.
- Global interest rate, inflation and international commodity prices
- Conflict b/w Isreal and Hammas

THANK YOU