

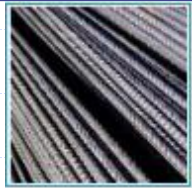
STEEL SECTOR OVERVIEW

January 2018

STEEL | SPECIFIC TERMS & PRODUCTS

- Crude Steel is steel in its first solid (or usable) form: ingots, semi-finished products – billets, blooms, slabs. Production refers to Crude steel.
- Consumption refers to Finished steel products – long (rebars) flat products (galvanized sheets) and tubes.

Long Products



Re-inforcing Bars



Structural Section



Merchant Bars



Wire Rod



Engineering Steels



Forgings

Flat Products



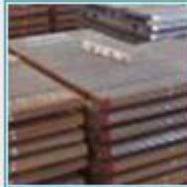
Hot Rolled Coil



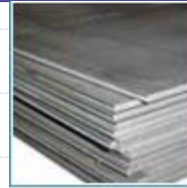
Cold Rolled Coil



Hot Dipped Galvanised Coil



Hot Rolled Plate



Cold Rolled Sheet



Tin Plate



Coated Sheet

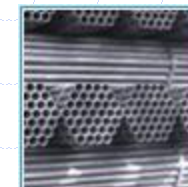


Coated Steel Coil

Tubes & Pipes



Stainless Tubes



Welded Tubes

Long Products are predominantly produced in Pakistan from imported raw material and scrap

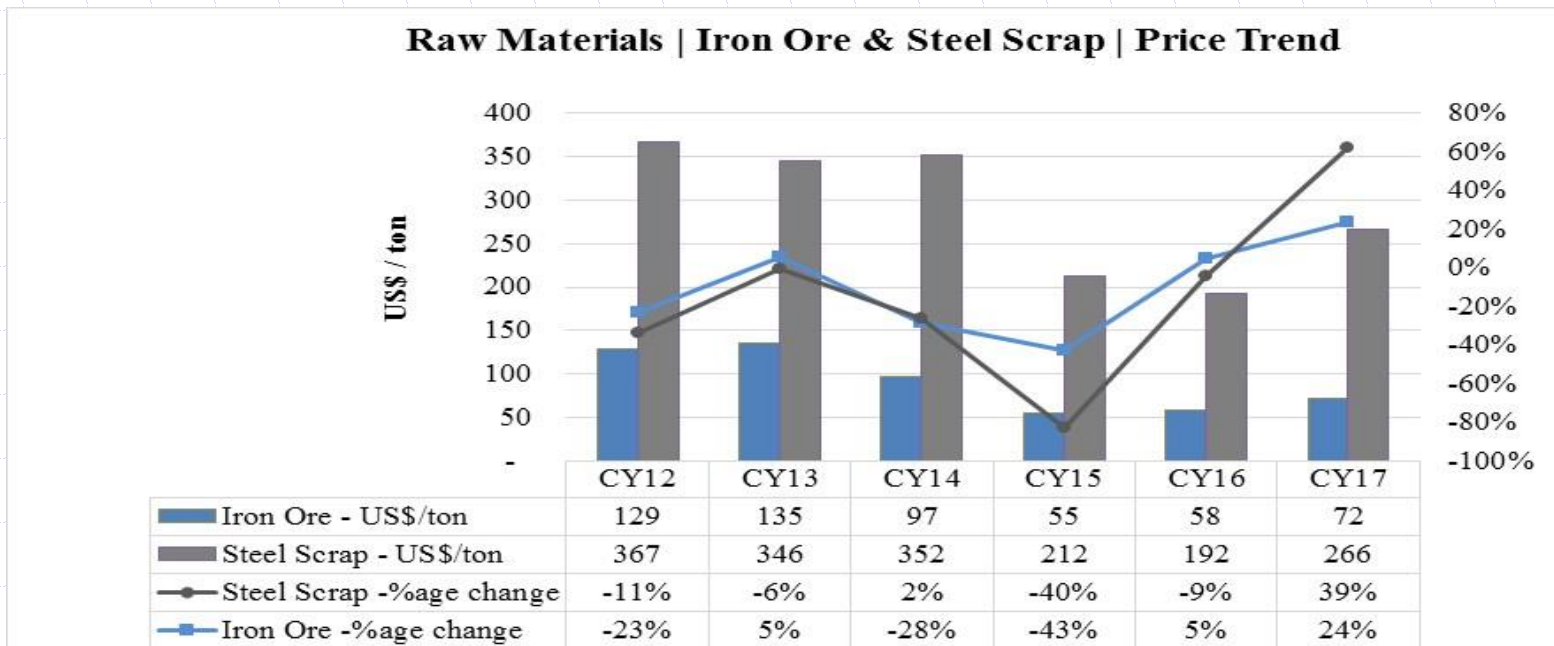
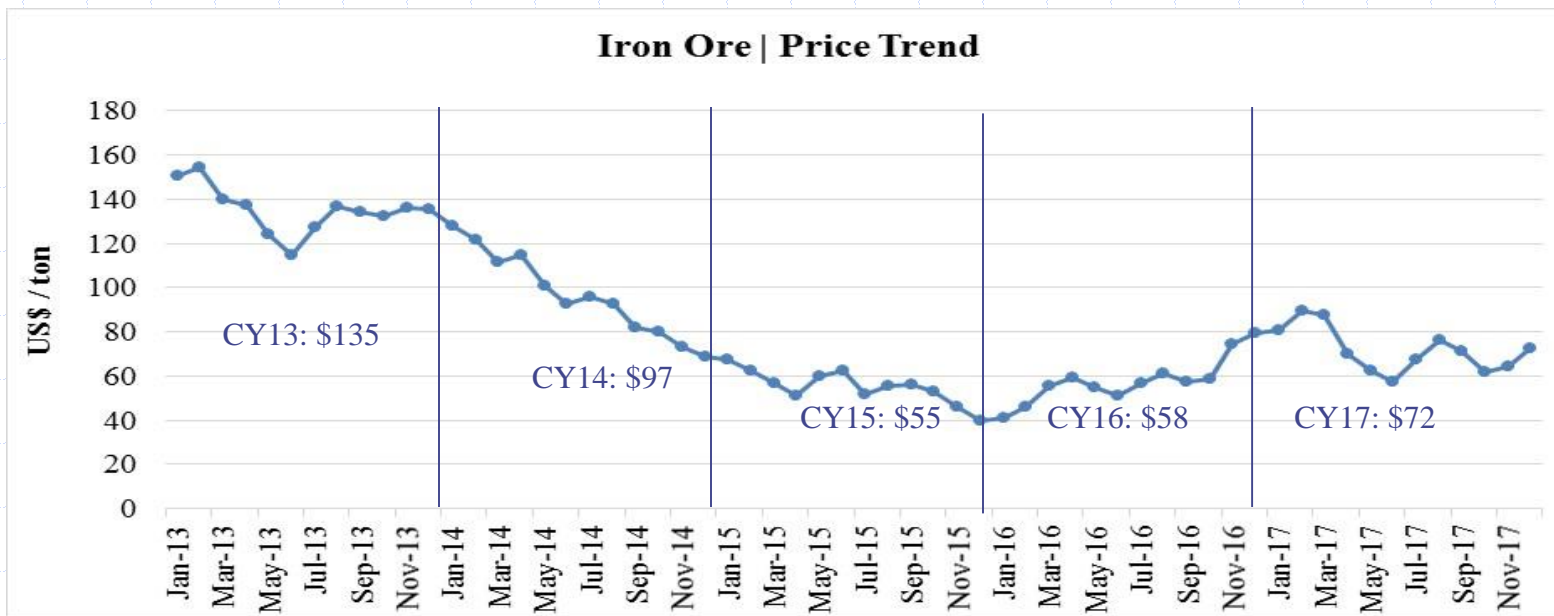
Flat Products are largely imported in finished shape in Pakistan

Tubes and pipes are produced locally and also imported in Pakistan

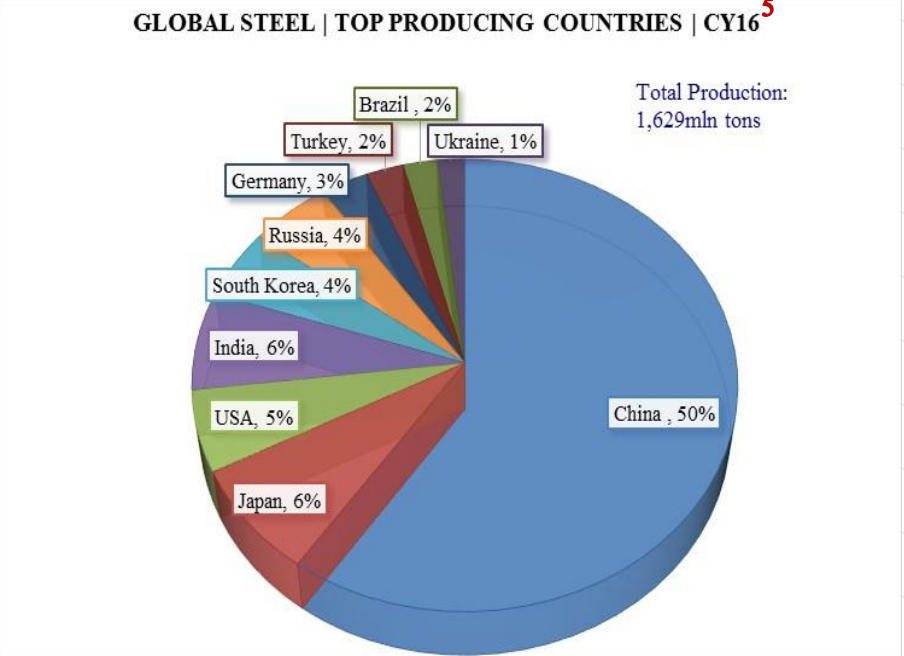
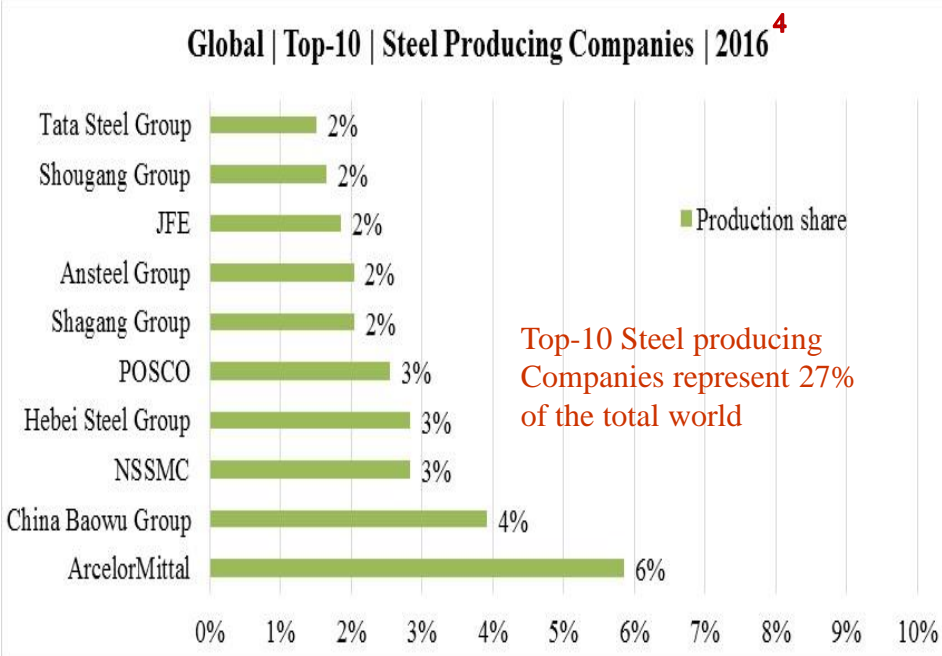
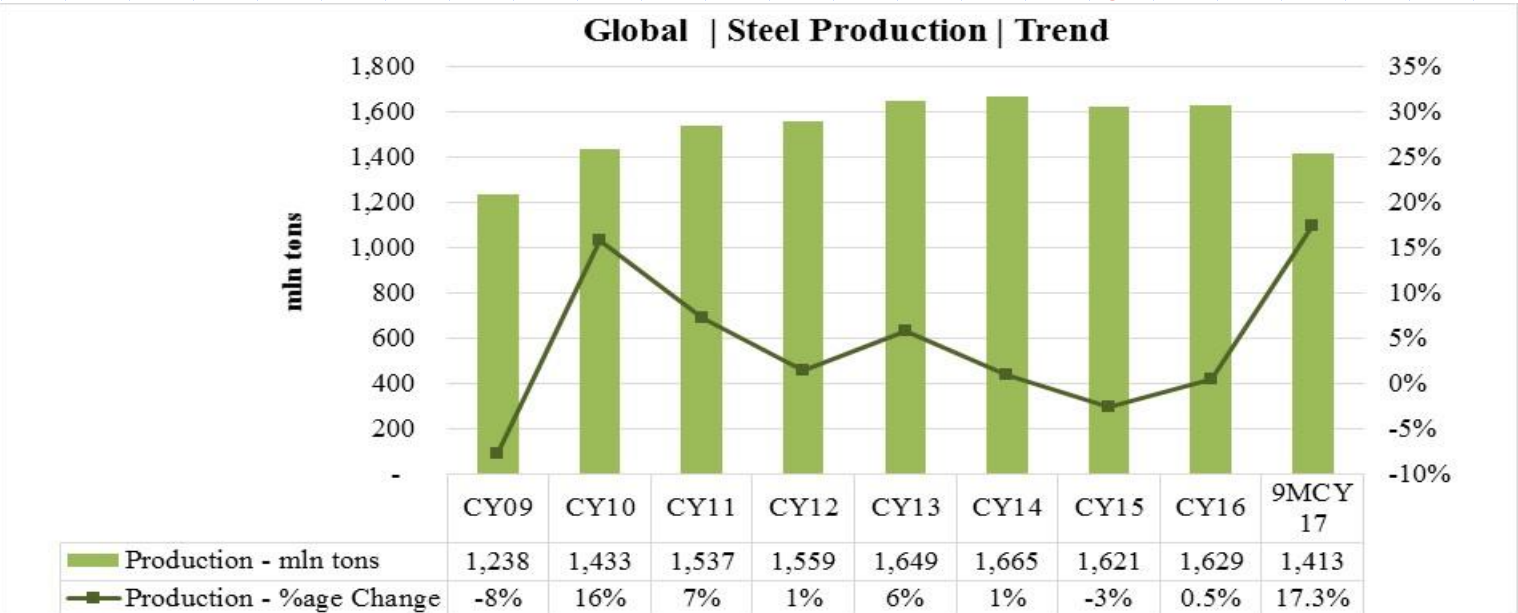
INDUSTRY SNAPSHOT

- Pakistan's total demand for steel products was reported at 7.6mln tons in CY16.
- Total domestic steel production, comprising public and private manufacturers – is reported at 3.3mln tons in CY16 while the deficit was met through imports.
- Steel industry is supply deficit and relies on imports (mainly flat products) to fill the gap. The sector is largely fragmented.
- Key steel manufacturers include Public – Pakistan Steel Mills (capacity: 1.1mln tons) and Private – Aisha Steels (0.2mln tons), Amreli Steels (0.2mln tons), International Industries (0.75mln tons), International Steels (1mln tons), Mughal Steels (0.6mln tons).
- Local demand is expected to remain high in 2018 – a factor of higher PSDP spending, infrastructure projects.
- The surge in imports witnessed during FY16 was muted in FY17 on the back of regulatory protection.
- National Tariff Commission on application of local manufacturers imposed Anti-Dumping duty for indefinite period on imports from China.
- As a result, going forward, local manufacturers margins are likely to improve.

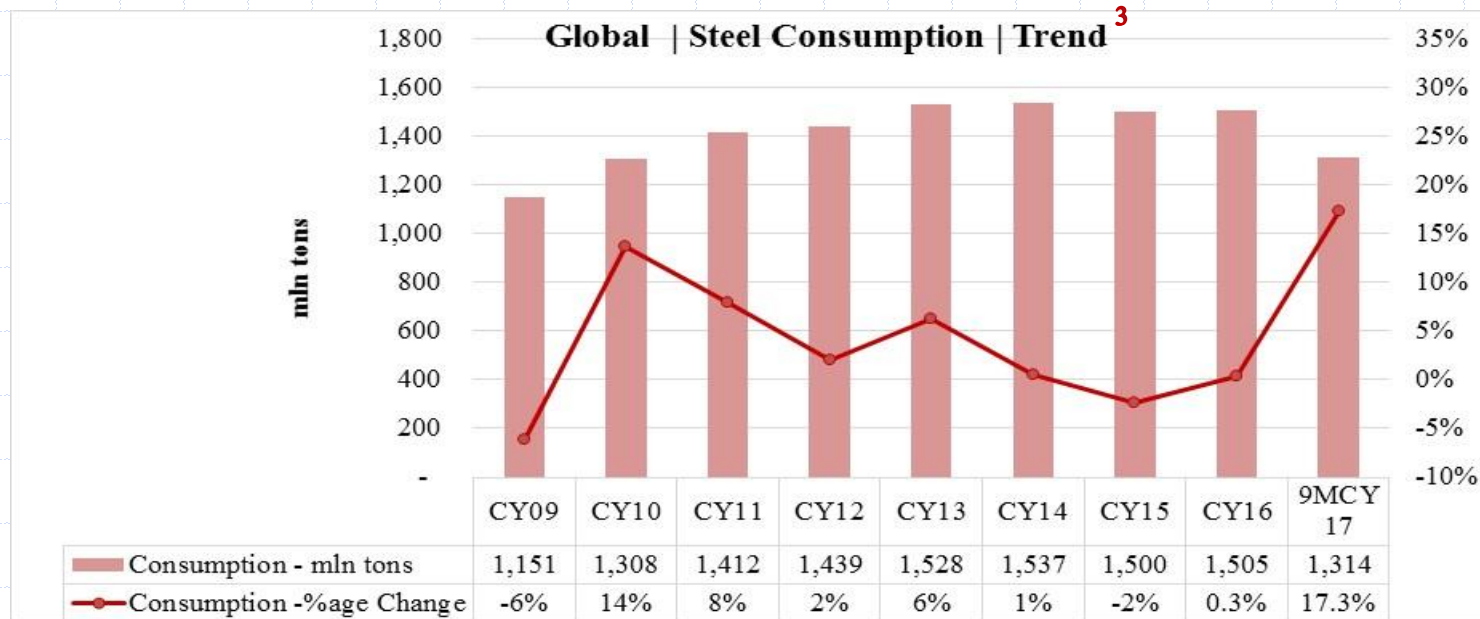
Global | Steel Raw Material | Price Trend



Global | Steel Production ³

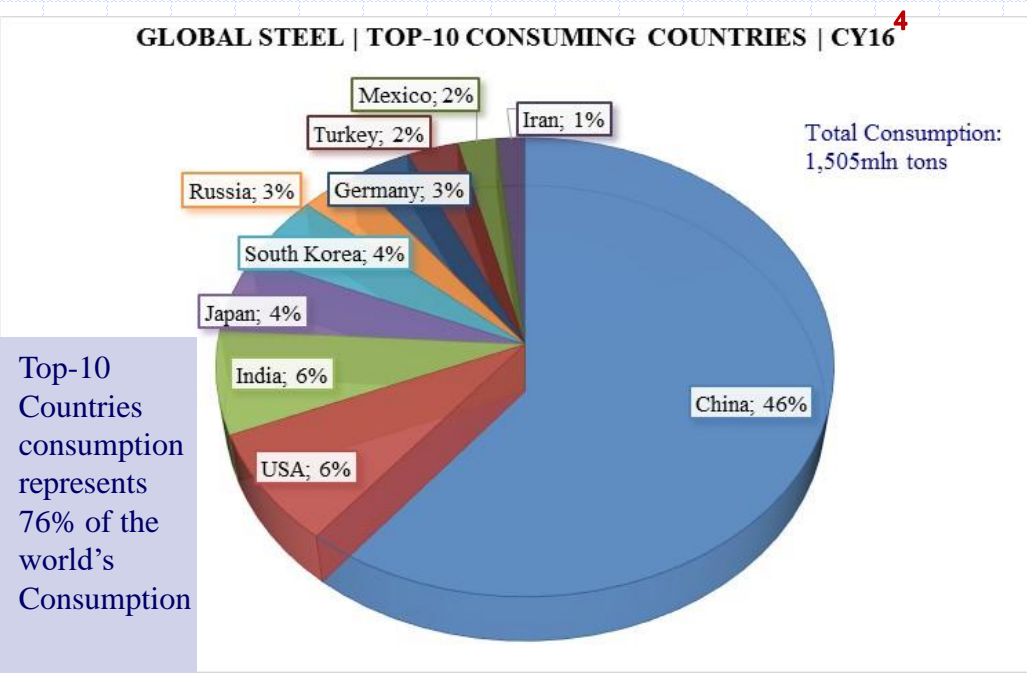


Global | Steel Consumption



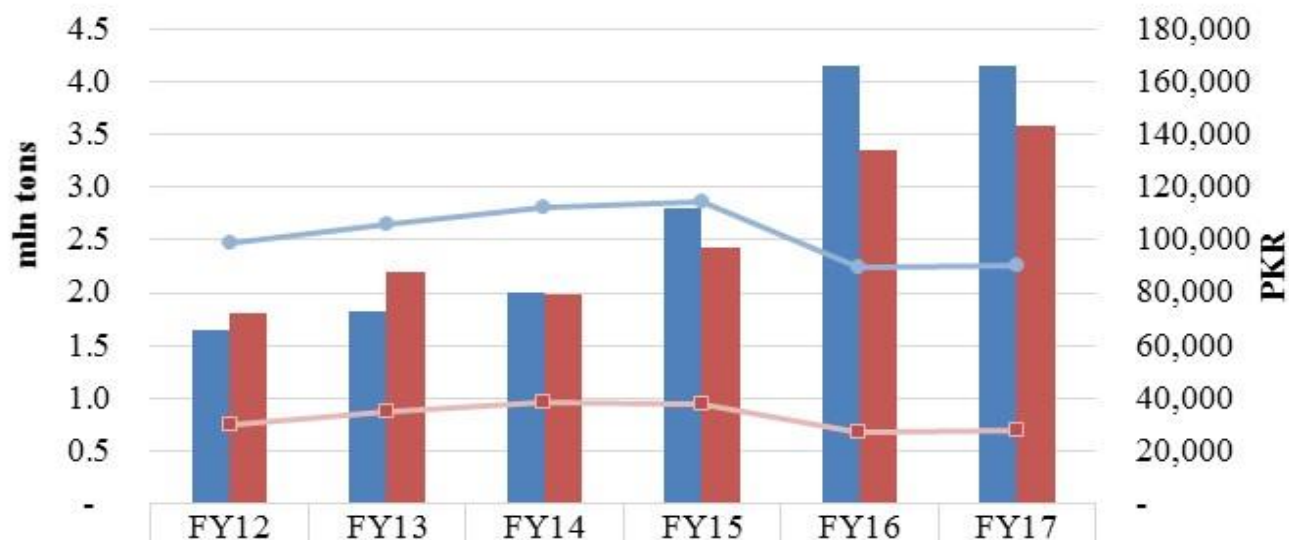
Steel Demand Forecast ⁴

	mln tons		
	CY16	CY17 (f)	CY18 (f)
World	1,505	1,622	1,648
China	681	766	766
USA	92	96	97
India	84	87	92
Japan	62	64	65
South Korea	57	56	56
Top-5 Countries' Share in Global Steel Consumption	65%	66%	65%



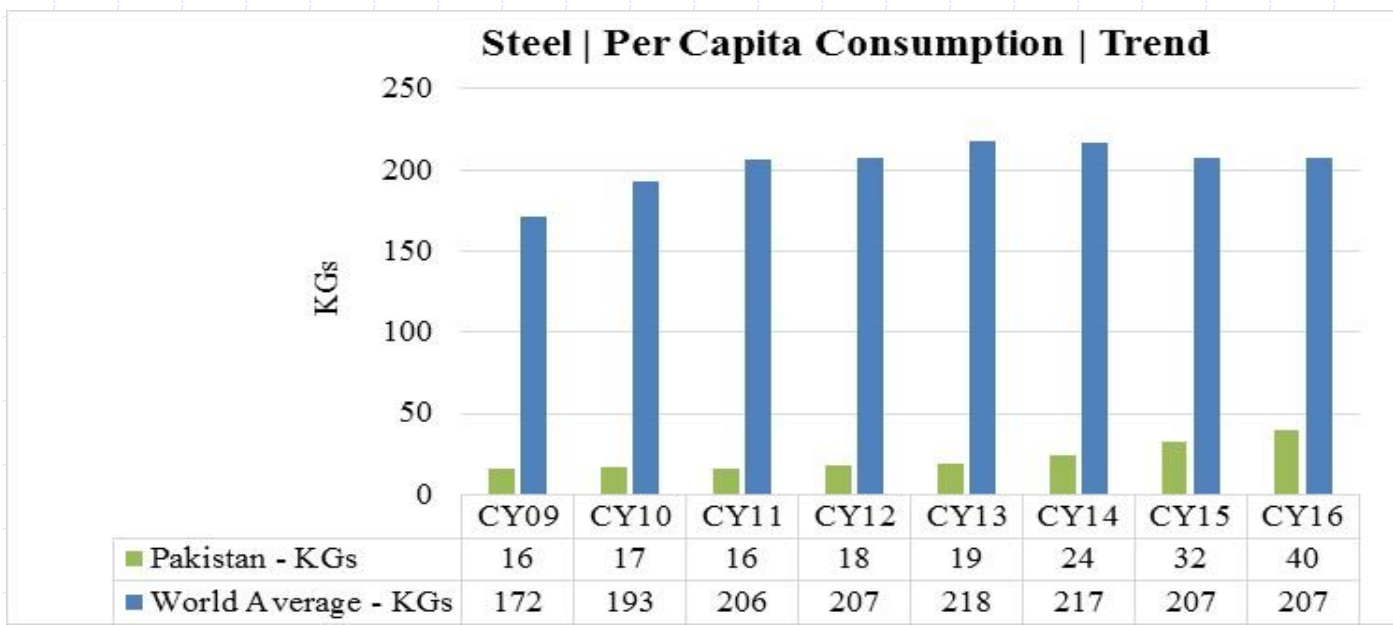
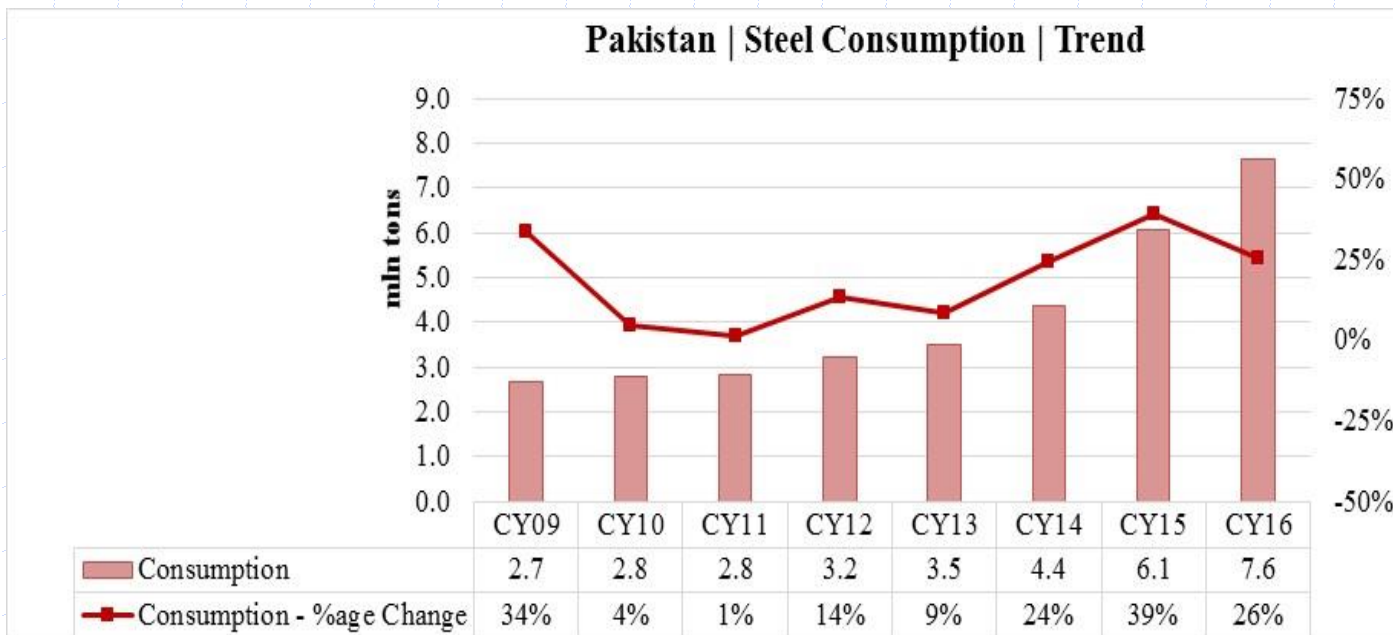
Pakistan | Raw Material Import | Trend

Pakistan | Scrap - Iron & Steel | Imported Qty & Price | Trend



Scrap - mln tons	1.6	1.8	2.0	2.8	4.2	4.2
Iron & Steel - mln tons	1.8	2.2	2.0	2.4	3.4	3.6
Iron & Steel - Price /ton	69,192	71,401	73,906	76,341	62,359	61,927
Scrap - Cost /ton	29,860	34,614	38,737	37,871	27,313	28,115

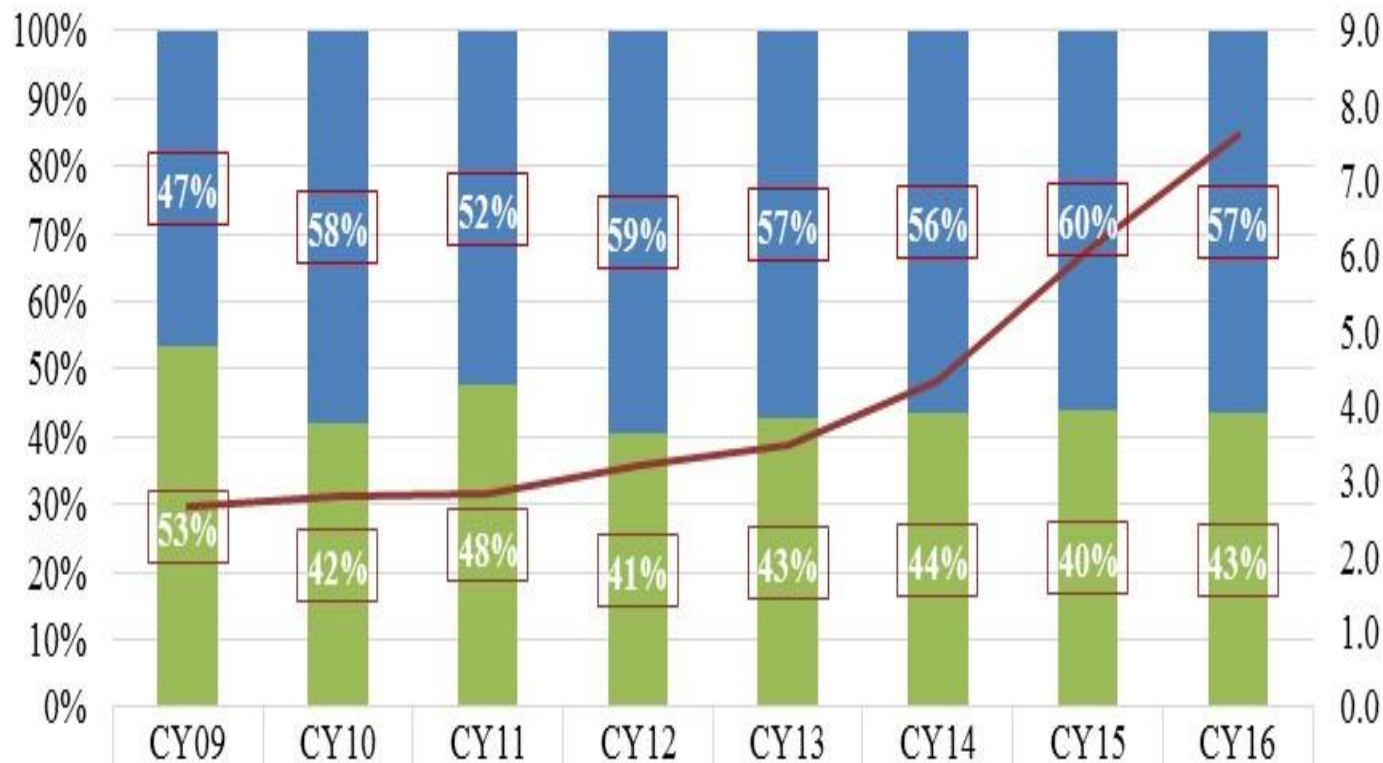
Pakistan | Steel Consumption | Trend ³



Pakistan | Steel Consumption | Trend

3

Pakistan | Steel Production & Import Mix



Import - mln tons	1.3	1.6	1.5	1.9	2.0	2.5	3.4	4.3
Production - mln tons	1.4	1.2	1.4	1.3	1.5	1.9	2.7	3.3
Consumption	2.7	2.8	2.8	3.2	3.5	4.4	6.1	7.6

Pakistan | Steel Industry | Duty Structure

Duty Structure				
	Custom	Regulatory	Total	
Scrap	2%	5%	7%	
Billets	5%	15%	20%	
Rebar	5%	30%	35%	
Hot Rolled Coil	10%	30%	40%	
Cold Rolled Coil	10%	5%	15%	

Duty Structure - Post NTC Action				
	Custom	Regulatory	Total	
Scrap	4%	5%	9%	
Billets	5%	39%	44%	
Rebar	5%	49%	54%	
Hot Rolled Coil	10%	30%	40%	
Cold Rolled Coil	10%	5%	15%	

Long Steel Product| Peer Comparison

	PKR mln							
	Amreli Steel				Mughal Steel			
Performance Indicators	FY17	FY16	FY15	FY14	FY17	FY16	FY15*	FY14*
Revenues	13,284	12,400	14,414	11,962	18,803	18,983	12,241	5,973
Gross Profit	2,468	2,792	2,514	1,372	1,942	2,059	1,326	728
Operating Profit	1,806	2,085	2,004	1,018	1,480	1,716	1,074	637
Finance Cost	252	336	648	624	257	425	440	218
Net Profit	1,074	1,279	1,011	252	991	652	721	391
EBITDA	2,091	2,450	2,242	1,302	1,695	1,612	1,076	597
Balance Sheet								
Total Debt	4,877	3,696	4,757	4,943	8,014	5,074	3,256	4,912
Short Term	4,165	3,171	2,654	2,231	8,014	4,100	2,305	2,823
Long Term	712	525	2,103	2,712	-	974	951	2,089
Sponsor's Loan Qusai Equity	-	-	-	-	-	426	483	319
Equity	11,146	10,690	5,871	4,839	6,637	3,577	2,923	1,803
Ratios								
GP Margin	19%	23%	17%	11%	10%	11%	11%	12%
Operating Margin	14%	17%	14%	9%	8%	9%	9%	11%
Net Margin	8%	10%	7%	2%	1%	2%	6%	7%
EBITDA Margin	16%	20%	16%	11%	5%	3%	9%	10%
Leveraging	30%	26%	45%	51%	55%	56%	49%	70%
<i>*Restated</i>								
Installed Capacity								
Melting	200,000	200,000	200,000	200,000	642,000	546,000	366,000	294,000
Rebars	180,000	180,000	180,000	180,000	688,000	688,000	688,000	688,000
Utilization								
Melting	163,778	168,852	173,738	157,214	116,207	99,657	59,557	46,732
Rebars	158,206	148,988	169,411	148,275	241,773	245,675	180,230	112,771

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- Company financial statements

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