

STEEL

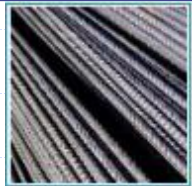
SECTOR OVERVIEW

February 2017

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



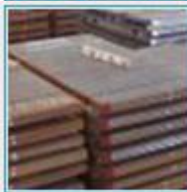
Hot Rolled Coil



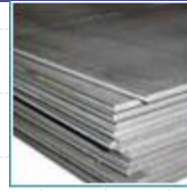
Cold Rolled Coil



Hot Dipped Galvanised Coil



Hot Rolled Plate



Cold Rolled Sheet



Tin Plate



Coated Sheet

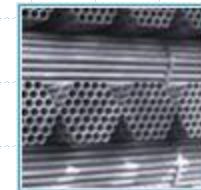


Coated Steel Coil

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

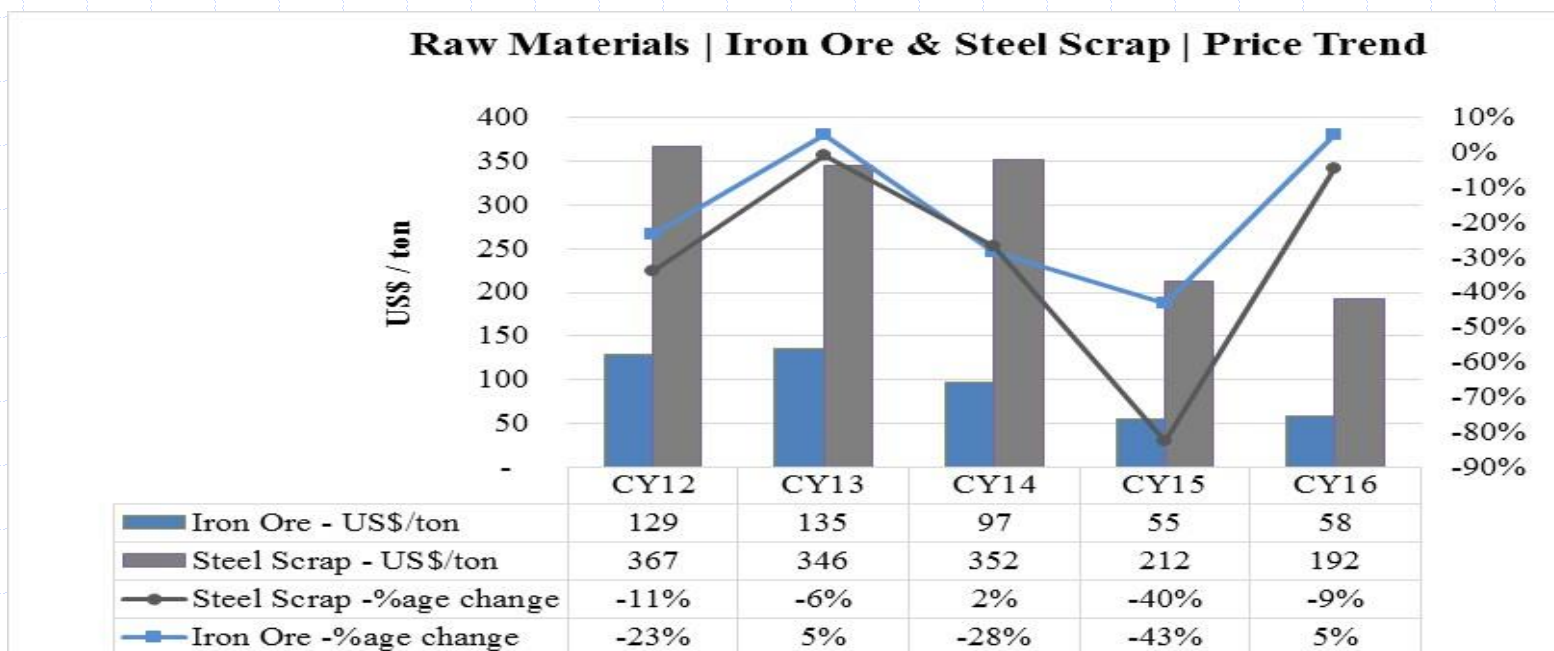
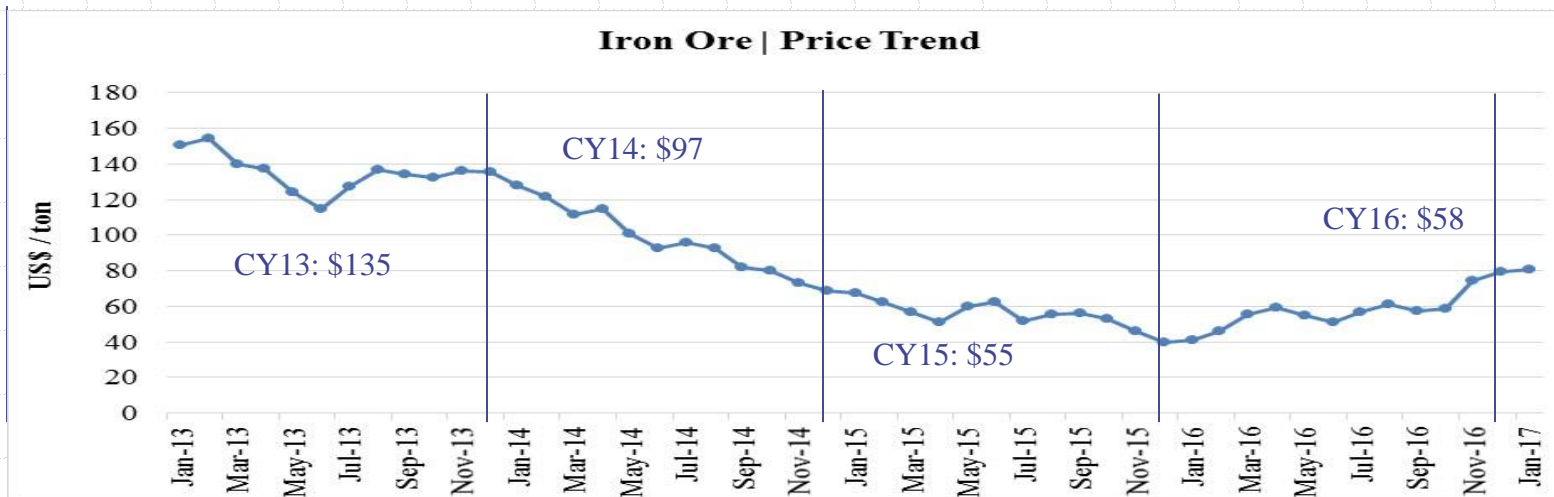
INDUSTRY SNAPSHOT

PAKISTAN

- Pakistan's total demand for steel products was reported at 5.7mln tons.
- Pakistan's total steel production, comprising public and private manufacturers – is reported at 2.3mln tons in 2015 while the deficit was met through imports.
- Pakistan 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 2017 – a factor of higher PSDP spending, infrastructure projects.
- During FY16, Pakistan witnessed a surge in imports by approximately 47% - led by cheap quality imports from China including scrap, billets and rebars.
- Availability of cheap products in the market distressed local players margins.
- 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.

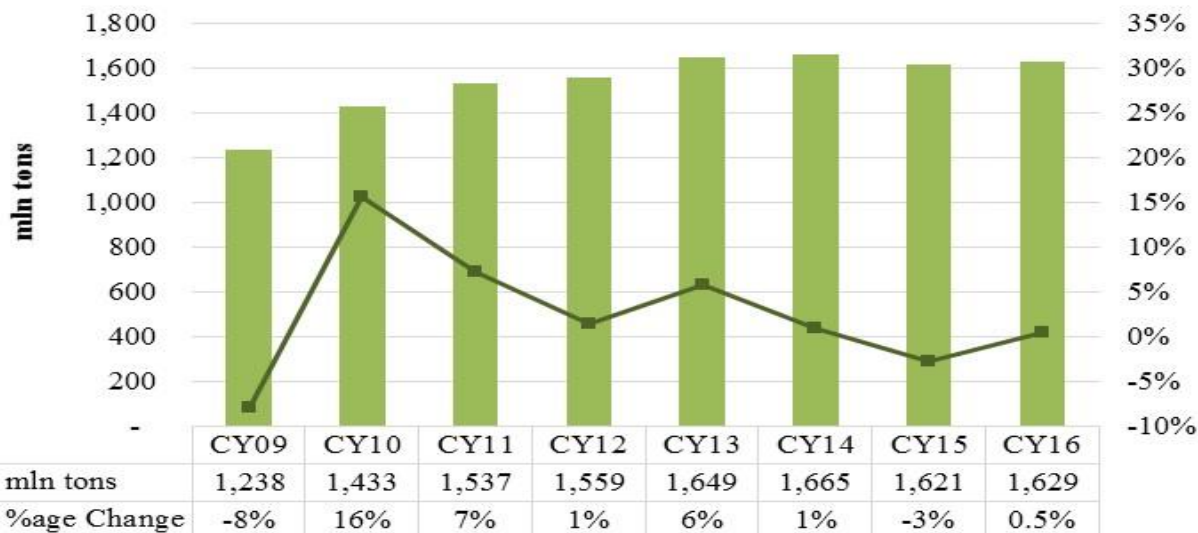
Global | Steel Raw Material | Price Trend

Raw Materials | Iron Ore & Steel Scrap | Price Trend¹

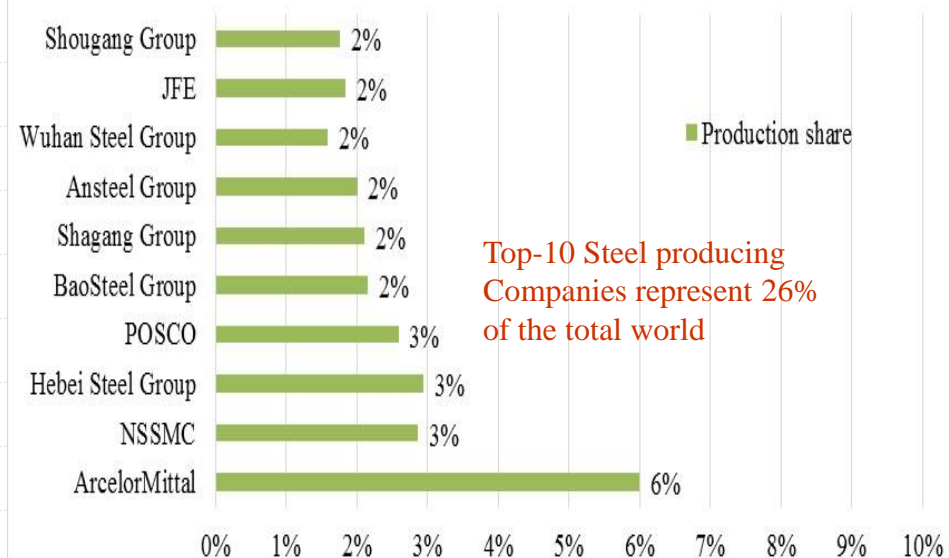


Global | Steel Production ³

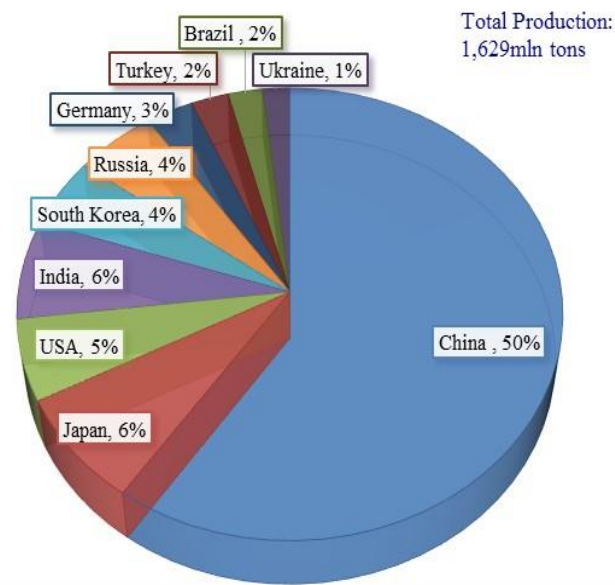
Global | Steel Production | Trend



Global | Top-10 | Steel Producing Companies | 2015 ⁴

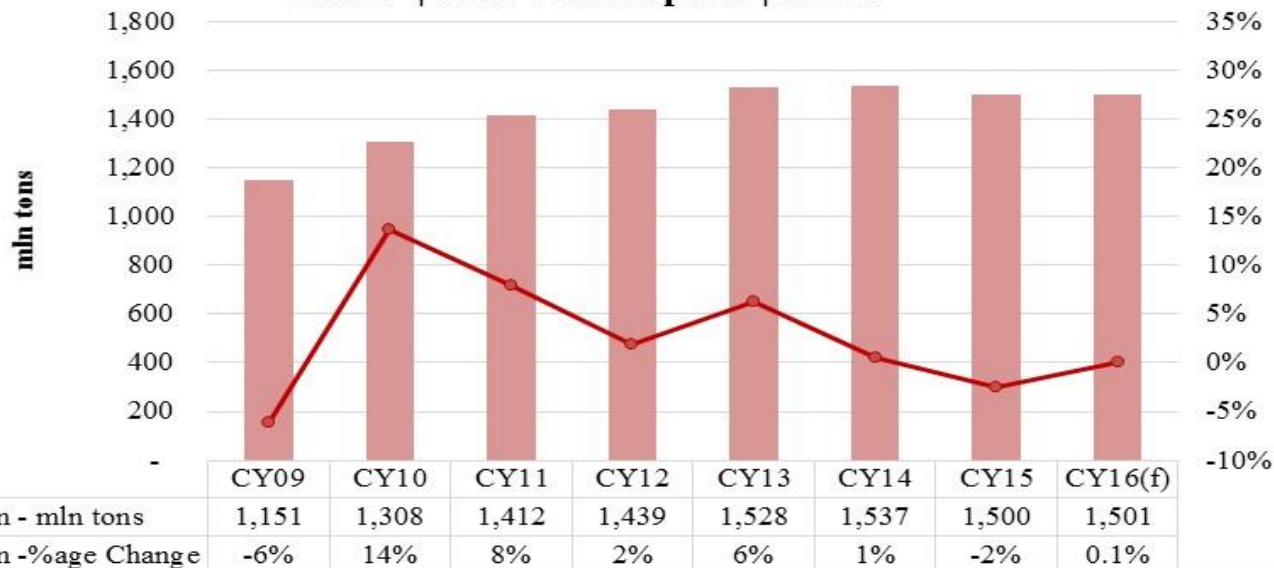


GLOBAL STEEL | TOP PRODUCING COUNTRIES | CY16 ⁵



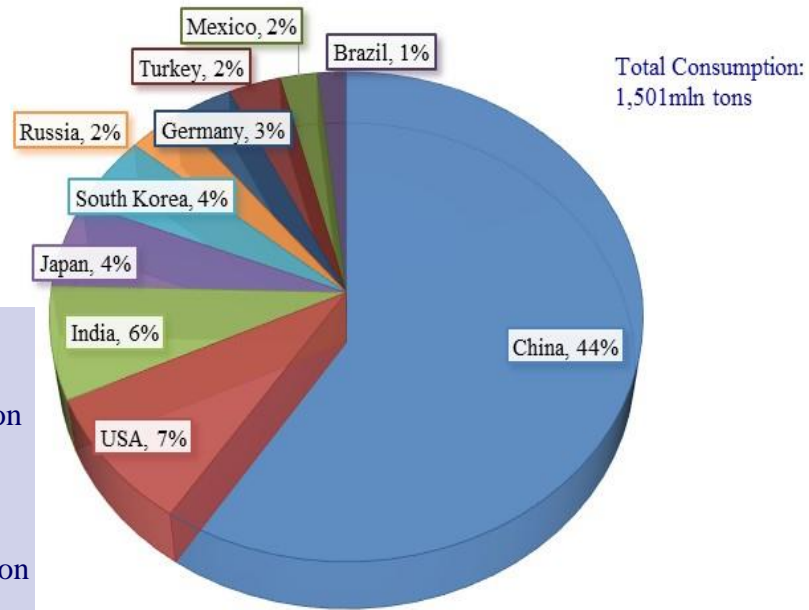
Global | Steel Consumption

Global | Steel Consumption | Trend



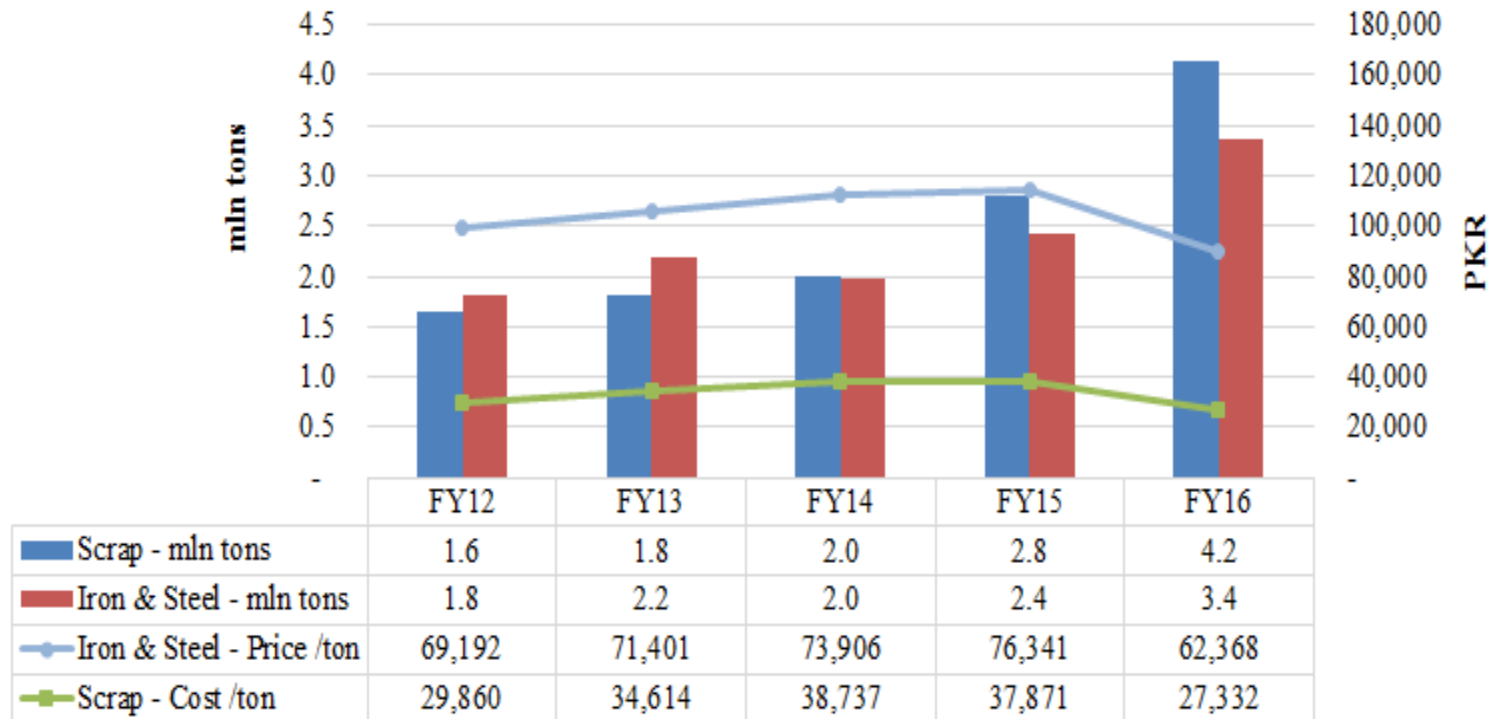
Steel Demand Forecast ⁴			
	mln tons		
	CY15	CY16 (f)	CY17 (f)
World	1,500	1,501	1,510
China	690	645	626
USA	96	99	102
India	80	84	88
Japan	63	64	64
South Korea	56	56	56
Top-5 Countries' Share in Global Steel Consumption	66%	63%	62%

GLOBAL STEEL | TOP-10 CONSUMING COUNTRIES | CY16(F)⁴

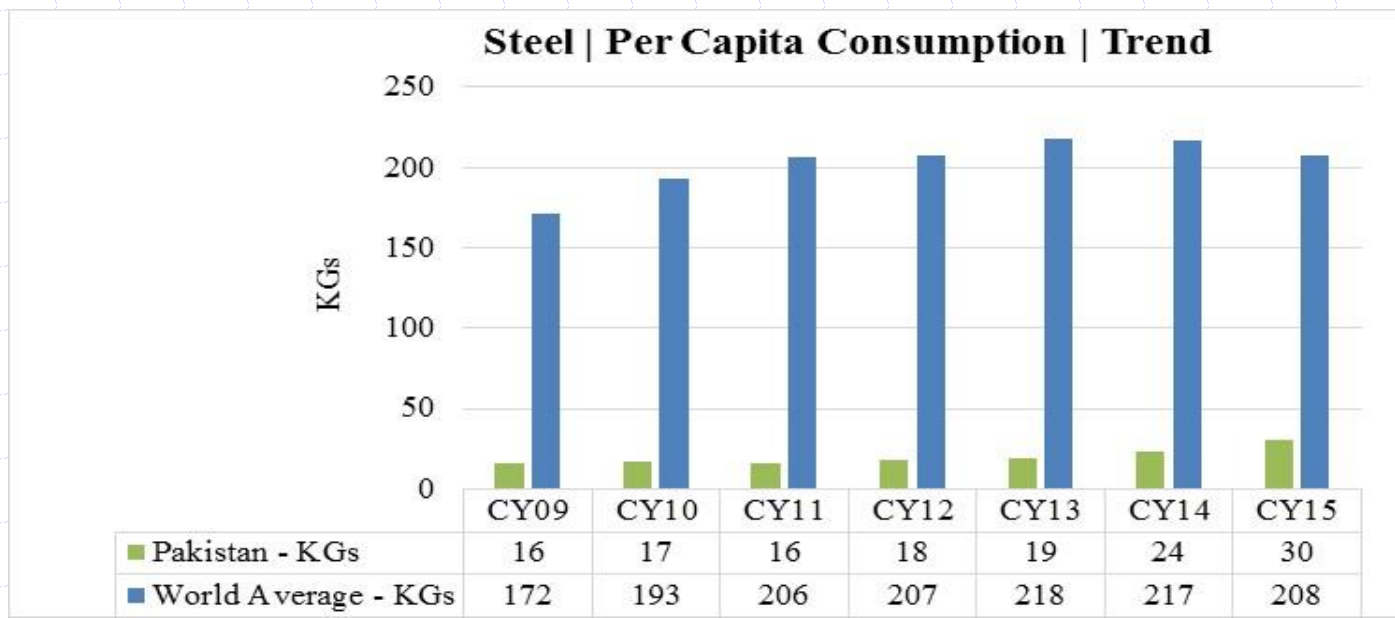
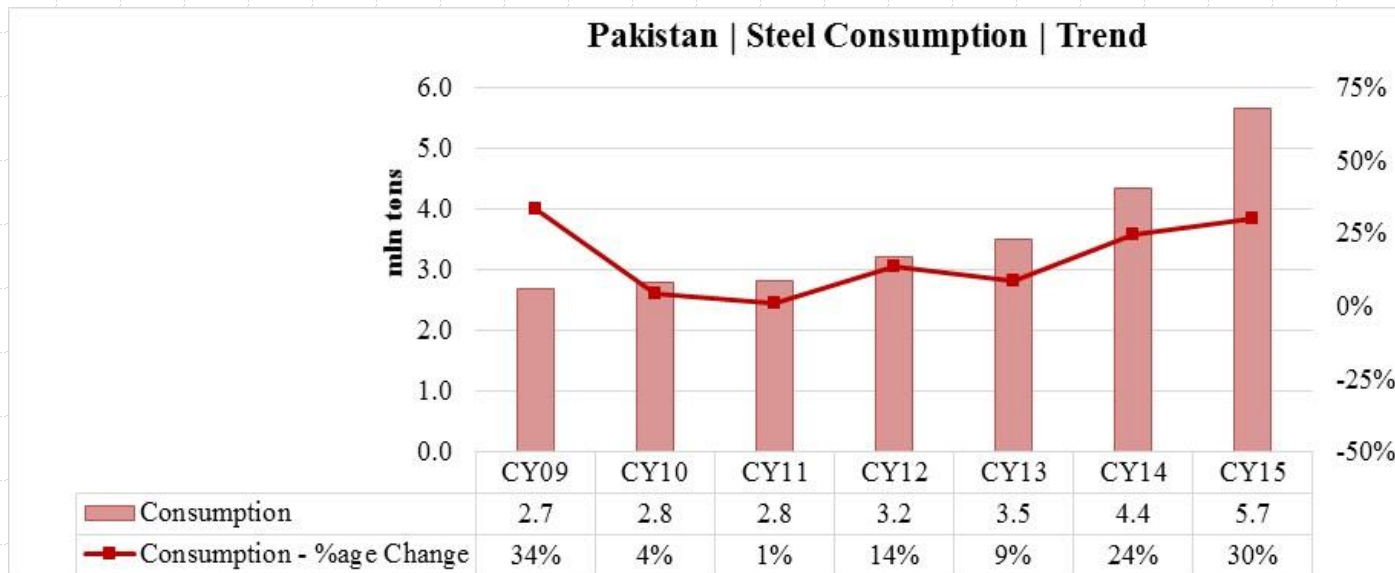


Pakistan | Raw Material Import | Trend

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

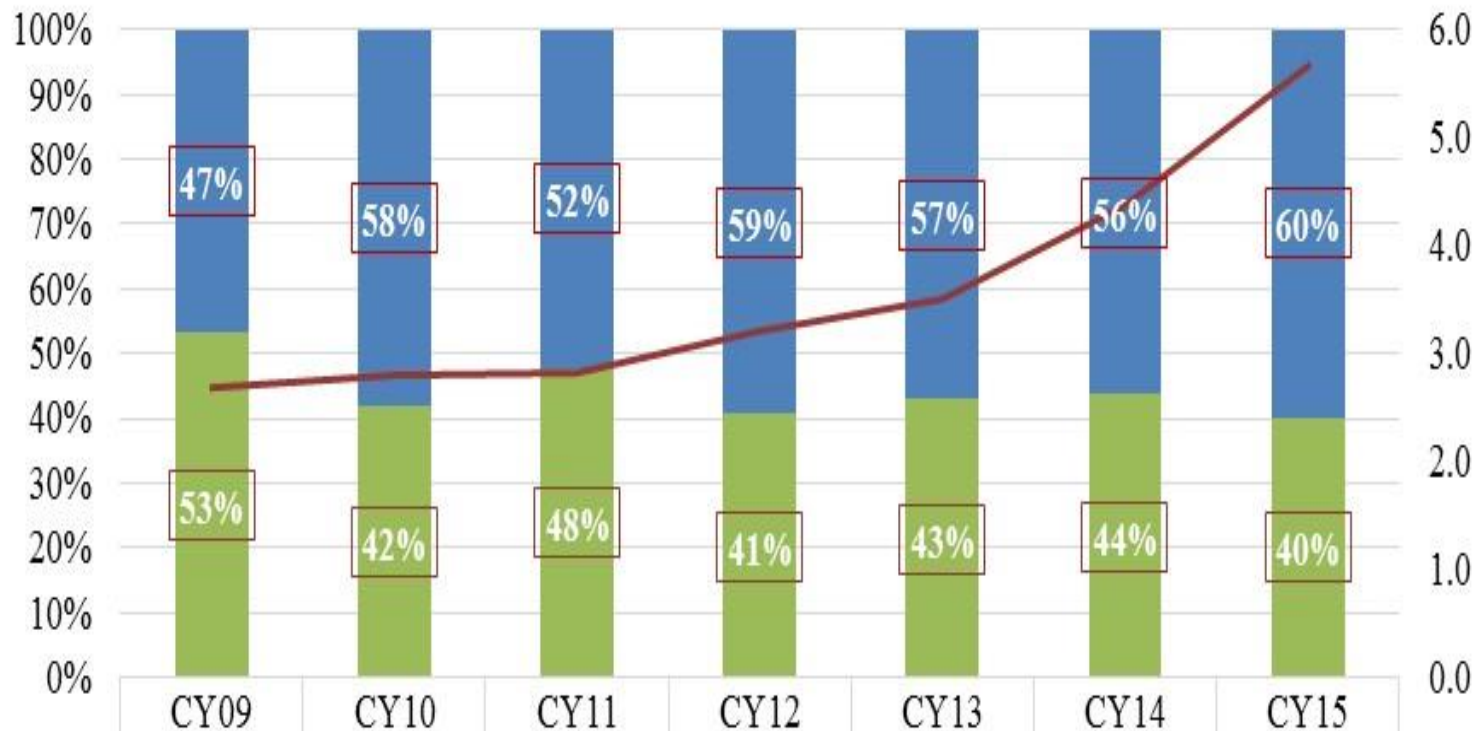


Pakistan | Steel Consumption | Trend ³



Pakistan | Steel Consumption | Trend

Pakistan | Steel Production & Import Mix³



Import - mln tons	CY09	CY10	CY11	CY12	CY13	CY14	CY15
Production - mln tons	1.3	1.6	1.5	1.9	2.0	2.5	3.4
Consumption	1.4	1.2	1.4	1.3	1.5	1.9	2.3
	2.7	2.8	2.8	3.2	3.5	4.4	5.7

Pakistan | Steel Industry | Duty Structure

Duty Structure - Before NTC Action			
	Custom	Regulatory	Total
Scrap	2%	5%	7%
Billets	5%	15%	20%
Rebar	5%	15%	20%
Hot Rolled Coil	-	5%	5%
Cold Rolled Coil	-	5%	5%

Duty Structure - Post NTC Action			
	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%

Long Steel Product| Peer Comparison

	PKR mln							
	Amreli Steels				Mughal Steels			
Performance Indicators	1HFY17	FY16	FY15	FY14	1HFY17	FY16	FY15*	FY14*
Revenues	6,558	12,400	14,414	11,962	8,684	18,983	12,241	5,973
Gross Profit	1,040	2,792	2,514	1,372	871	2,059	1,326	728
Operating Profit	684	2,085	2,004	1,018	680	1,716	1,074	637
Finance Cost	129	336	648	624	120	425	440	218
Net Profit	482	1,279	1,011	252	474	652	721	391
EBITDA	851	2,450	2,242	1,302	743	1,612	1,076	597
Balance Sheet								
Total Debt	3,488	3,696	4,757	4,943	3,588	4,473	3,310	4,415
Short Term	3,092	3,171	2,654	2,231	3,588	3,499	2,359	2,803
Long Term	396	525	2,103	2,712	-	974	951	1,612
Sponsor's Loan Qusai Equity	-	-	-	-	1,224	426	483	319
Equity	10,578	10,690	5,871	4,839	5,125	3,577	2,923	1,803
Ratios								
GP Margin	16%	23%	17%	11%	10%	11%	11%	12%
Operating Margin	10%	17%	14%	9%	8%	9%	9%	11%
Net Margin	7%	10%	7%	2%	1%	2%	6%	7%
EBITDA Margin	13%	20%	16%	11%	5%	3%	9%	10%
Leveraging	25%	26%	45%	51%	36%	53%	49%	68%
<i>*Restated</i>								
Installed Capacity								
Melting	200,000	200,000	200,000	200,000	546,000	546,000	366,000	294,000
Rebars	180,000	180,000	180,000	180,000	688,000	688,000	688,000	688,000

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- Company financial statements

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