CORPORATE BRIEFING SESSION 2023

AGHA STEEL INDUSTRIES LIMITED

CHALLENGES FOR THE YEAR

Inflation

Interest Rates

Declining Forex Reserves

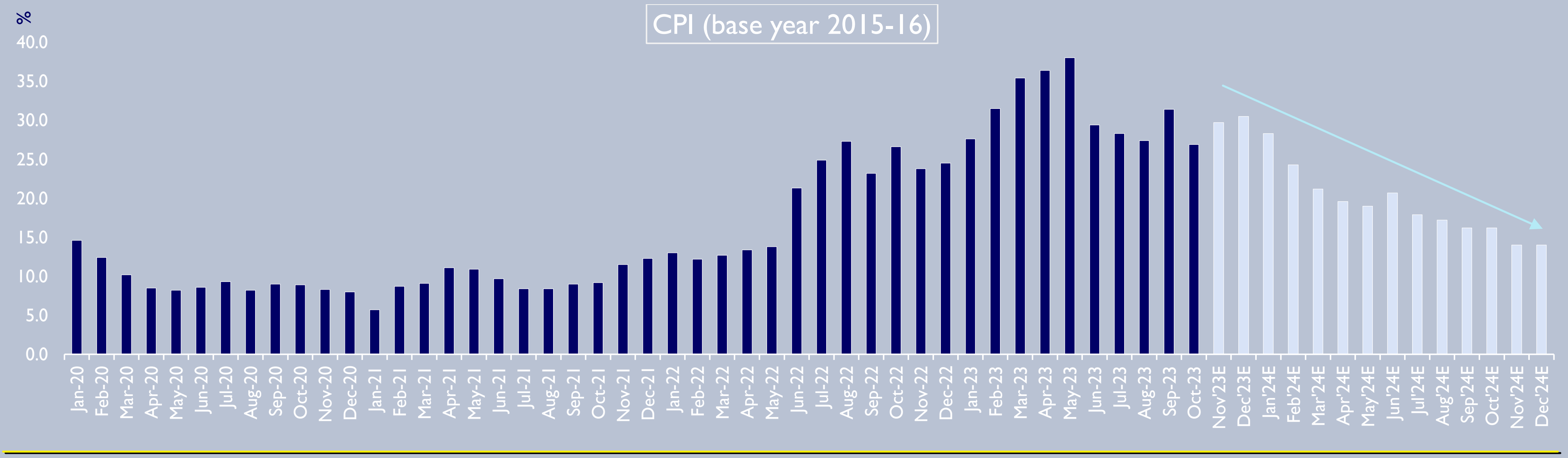
Declining Demand

Overall uncertainty for Investors

Raw Material Supply Chain

INFLATION HAS PEAKED!

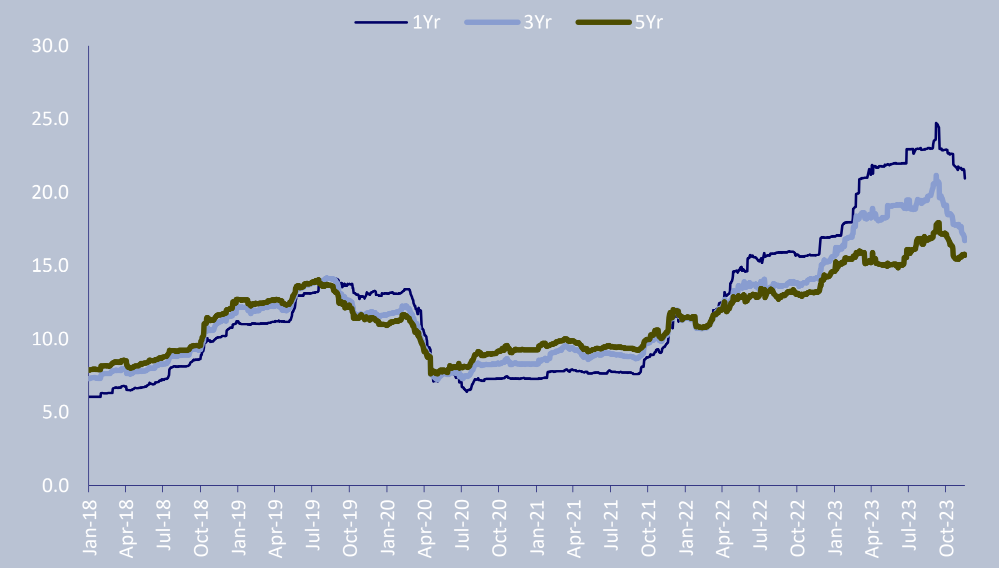
- Commodity super cycle in FY22 followed by rampant currency depreciation in 2023, kept inflation high marking a peak of 38%YoY in May 2023.
- Going forward, inflation is expected to continue its downward trajectory, especially in the second half of the current fiscal year. We expect Jan-Dec 2024 average inflation to settle at 18.6%, with the lowest reading expected in Nov 2024 of 14%.
- While acknowledging the upside risks to inflation targets due to rise in local gas tariffs and sustained food inflation, declining international commodity prices and limited PKR depreciation will provide support in bringing inflation down to our target.



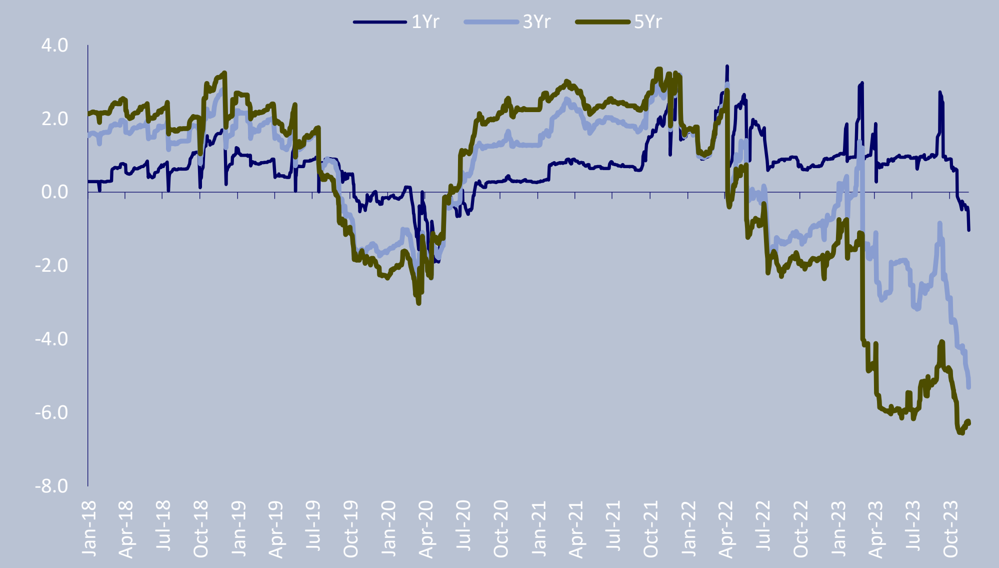
INTEREST RATE EASING CYCLE TO BEGIN IN CY24

- After touching highest ever interest rates in Pakistan, the intended objectives to cool down demand and control the current account deficit was achieved.
- In response to tapering inflation, we expect the State Bank of Pakistan (SBP) to initiate its first rate cut in the beginning of CY24, where onwards, the real rates will be in a substantially positive territory.
- We expect policy rate to fall to 19% by FY24-end.
- Bond markets are clearly reflecting broad based rate cut expectation in the upcoming year, with short term bills trading below policy rate after 3 years.

Bond yields have started moving down



Bond yields to policy rate spread – indicating rate cuts



Source: SBP, Mufap, Alfalah CLSA Research

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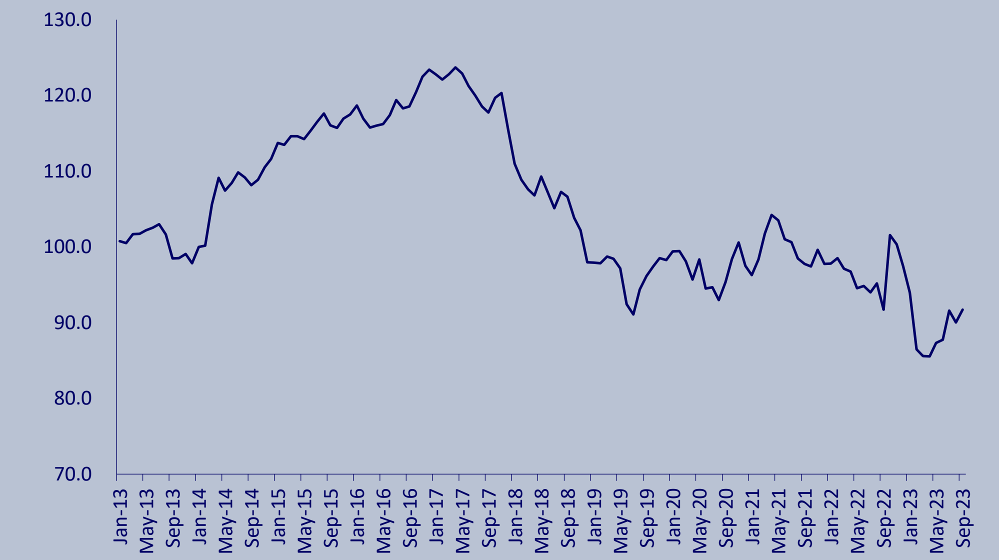
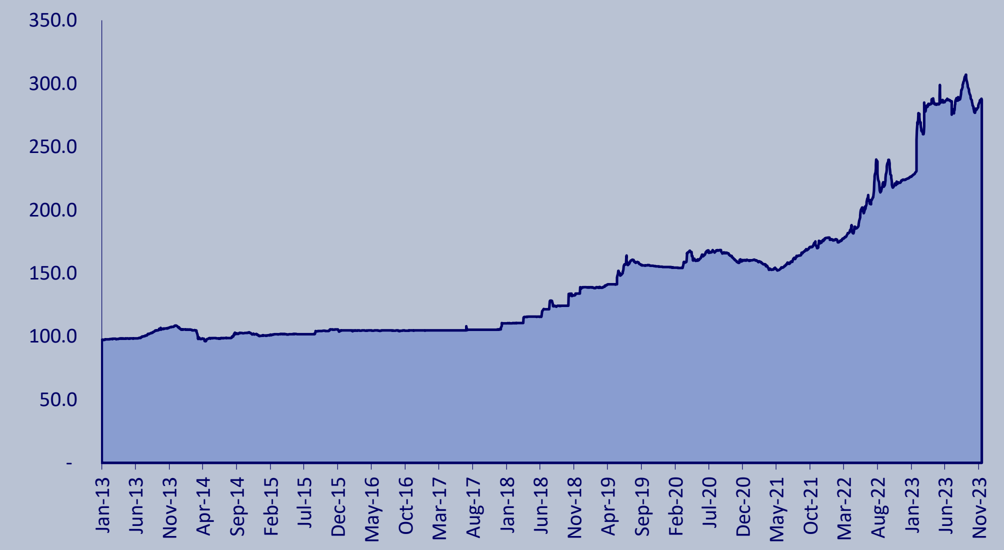
MASSIVE CURRENCY DEVALUATION OVER

- The backlog of currency pressure had cleared in the past 2 years, we expect currency to now run its normal course and depreciate at the rate of 7-8% per annum.
- REER is trading at a comfortable level of 91.72.
- Current account deficit, a key pressure on currency, has declined 58%YoY to USD947mn in 1QFY24.
- SBP reserves stand at USD7.4bn (import cover 1.55 months).

Real Effective Exchange Rate



USD PKR Parity



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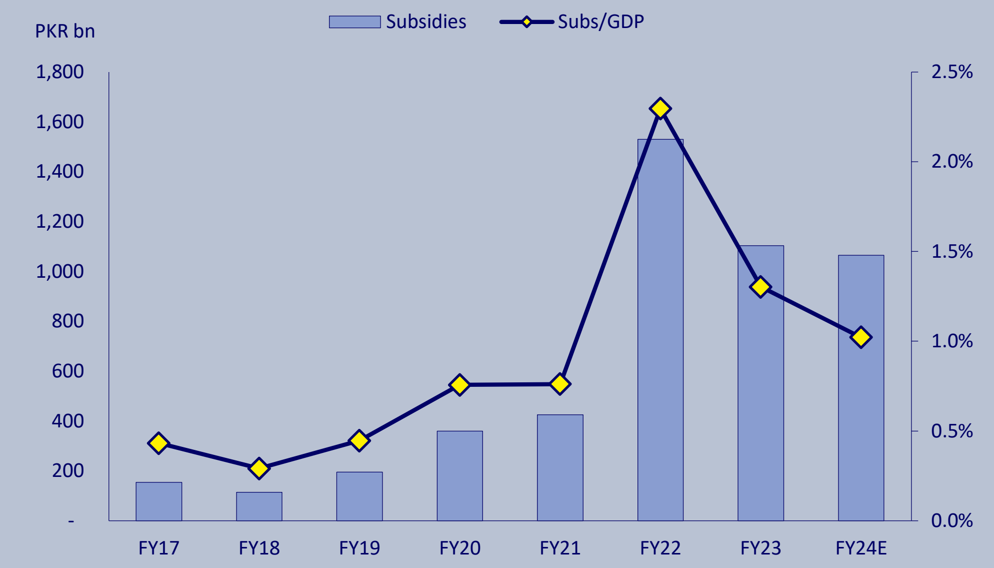
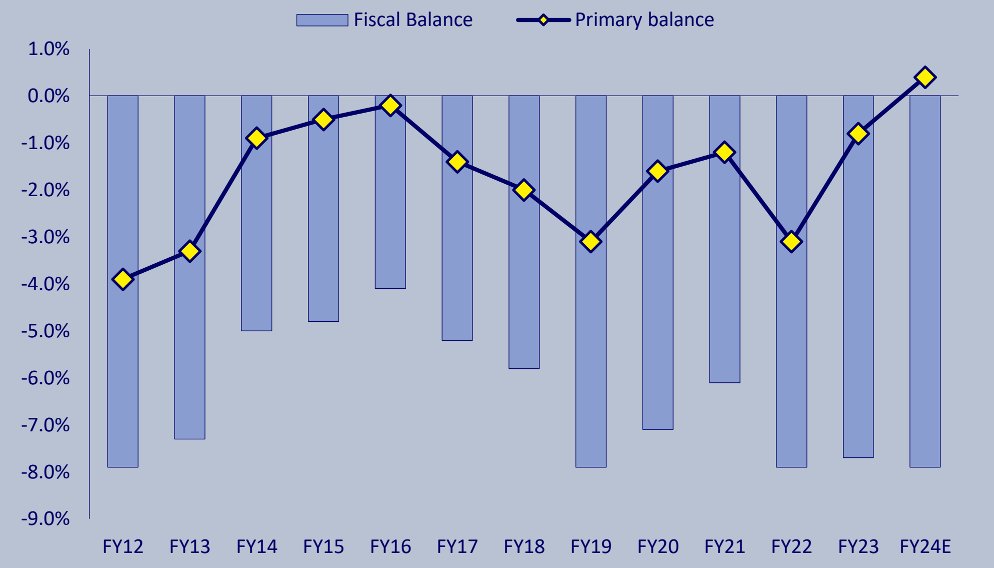
FISCAL CONSOLIDATION TO CONTINUE

- IMF has mandated Pakistan to increase revenues and reduce subsidies & discretionary spending to bring primary surplus to 0.4% of GDP in FY24.
- Pakistan is on track to achieve the IMF mandated target, with 1Q primary budget surplus clocking in at 0.4% of GDP.
- Taxing the untaxed is the theme for future, wherein the FBR (revenue collection authority) has unveiled an ambitious plan to the IMF to bring 1.5mn (35% growth) new taxpayers into the net by FY24 end.
- In addition, it has been proposed to bring Agriculture and Retailers under the tax net which contribute ~42% to the GDP.

Subsidies as % of GDP



Fiscal / Primary deficit



Source: SBP, Mufap, Alfalah CLSA Research

REFORM SNAPSHOT

What has been done	Yet to be done
Power tariff increased to reduce subsidy	Bring 1.5mn new taxpayers into the net by FY24 end
Anti power theft campaign launched	Tax Agriculture and Retailers contributing ~42% to GDP
Increase in gas prices to stop all flow of circular debt	Privatize loss making SOEs
Free float currency	Respond resolutely if near-term price pressures reemerge
Subsidies reduction in a gradual manner	Address undercapitalized financial institutions
Crackdown on grey market to curb smuggling and outflow of dollars	Timely disbursement of committed external support
Repatriation of illegal foreign residents	Increase SBP FX reserves to USD10.4bn by FY24-end
Surpassed tax collection and primary budget surplus targets	Maintain power circular debt stock at FY23-end levels

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FINANCIAL SNAPSHOT

Sales

24.16 Billion

Gross Profit

4.82 Billion

Operating Profit

0.98 Billion

Net Profit

0.905 Billion

EPS

Rs 1.5

Bars Sold

110,000 MT

HIGHLIGHTS

	June 30, 2023	June 30, 2022
Gross Income	20,933,281	25,647,947
Total Expense	20,028,385	23,793,177
Net Profit	904,896	1,854,770

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MARGIN ANALYSIS

Area	***Measure***	***Year ended FY 2023***	***Year ended FY 2022***
GP Ratio	%	**23.42**	21.41
EBITDA Ratio	%	**23.49**	18.93
NP ratio	%	**4.39**	7.23
Interest cover	Times	**1.51**	2.27
DSCR	Times	**1.23**	1.04

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FINANCIAL STATEMENTS

INCOME STATEMENT

	FY 2023		FY 2022	
	Rs '000'	%	Rs '000'	%
Turnover - net	20,582,205	100	25,647,947	100
Cost of sales	(15,762,192)	(77)	(20,157,658)	(79)
Gross profit	4,820,013	23	5,490,289	21
Administrative expenses	(310,906)	(2)	(334,601)	(1)
Selling and distribution costs	(319,830)	(2)	(353,682)	(1)
Finance costs	(3,208,735)	(16)	(2,135,829)	(8)
	(3,839,471)	(19)	(2,824,112)	(11)
Operating profit	980,542	5	2,666,177	10
Other expenses	(163,315)	(1)	(681,044)	(3)
Other income	351,076	2	303,236	1
Profit before taxation	1,168,303	6	2,288,369	9
Taxation - net	(263,407)	(1)	(433,599)	(2)
Profit after taxation	904,896	4	1,854,770	7

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STATEMENT OF FINANCIAL POSITION

Particulars	FY 2023		FY 2022	
	Rs '000'	%	Rs '000'	%
Property, plant and equipment	21,277,380	50.68	19,149,088	46.17
Intangible asset	42,390	0.10	48,670	0.12
Long term deposits and receivable	449,463	1.07	477,311	1.15
Stores, spares parts and loose tools	2,360,897	5.62	2,054,803	4.95
Stock-in-trade	10,439,863	24.87	12,299,705	29.65
Trade and other receivables	4,948,795	11.79	5,271,889	12.71
Loans and advances	1,815,346	4.32	1,439,288	3.47
Deposits	17,632	0.04	21,227	0.05
Tax refunds due from Government	540,924	1.29	500,242	1.21
Cash and bank balances	87,295	0.21	215,063	0.52
Total Assets	41,979,985	100	41,477,286	100
Equities and liabilities				
Share Capital & Reserves	16,570,450	39.47	15,665,554	37.77
Non Current liabilities	5,896,480	14.05	6,570,539	15.84
Current liabilities	19,513,055	46.48	19,241,193	46.39
	41,979,985	100	41,477,286	100

RATIO ANALYSIS

Ratios		FY 2023	FY 2022
Profitability ratios			
Gross Margin	%	23%	21%
Net Margin	%	4%	7%
Return on equity after tax	%	6%	13%
Investment/ Market Ratio			
EPS	Rs.	1.5	3.07
Liquidity Ratio			
Current Ratio	Times	1.04	1.13
Quick ratio	Times	0.48	0.56
Capital Structure Ratio			
Long term Debt to Equity	%	50%	56%
Long term Debt to Assets	%	20%	13%
Gearing Ratio	%	58%	60%
Breakup Value Per Share	Rs.	27.39	25.9

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MI.DA UPDATES

COLD COMMISSIONING PHASE 1


MV ROOM


DANIELI


L1
L2


ABB
ASAL
GREEN