

A TRADITION OF QUALITY



CORPORATE BRIEFING

MUGHAL IRON & STEEL INDUSTRIES LIMITED

FY -2020



Industry Overview



The Company principally operates in the long steel industry in Pakistan which is fragmented, with numerous small and medium-scale producers engaged in re-rolling, and melting activities. The total production capacity stands at ~5mn tons, with an almost equal share of standard and sub standard manufacturers.

The domestic industry is heavily protected, with effective duty on imports of semi-finished and finished products ranging between 26-50%.

Pakistan is amongst the lowest per capita consumers of crude steel at 19.1 kg in comparison to the regional average of 262.5kg and the world average of 238.2 kg.

Being a critical part of the construction industry supply chain, long steel is a key beneficiary of the policy support extended in the form of Construction package and other measures (subsidized financing). This along with the government's recent push for Naya Pakistan Housing Project (NPHP) will catalyze the construction activity.

From demand vantage, NPHP alone can potentially create ~6-7mn tons demand for the long steel assuming the government builds 50% of the promised houses.

Company Overview



The Company is involved in multidimensional activities from making billets to steel rebars, girders, t-iron and copper ingots.

Steel rebars cater to both housing sector market and large infrastructure projects market, while girders and t-iron mainly cater the housing sector market.

The housing sector market for steel rebars comprises mainly of housing sector in the urban areas, whereas, the housing sector market for girders and t-iron mainly comprises of housing sector in the rural areas.

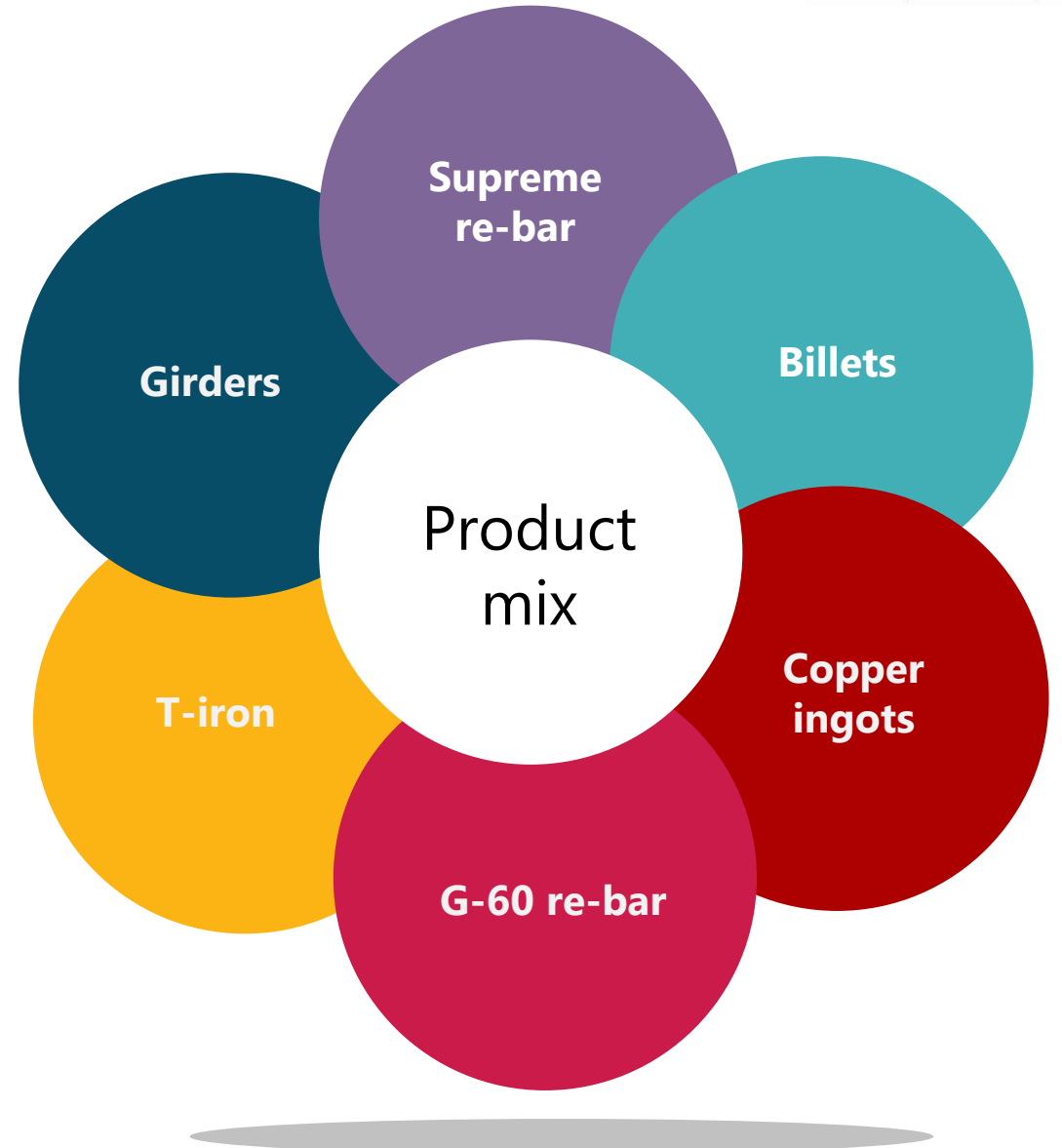
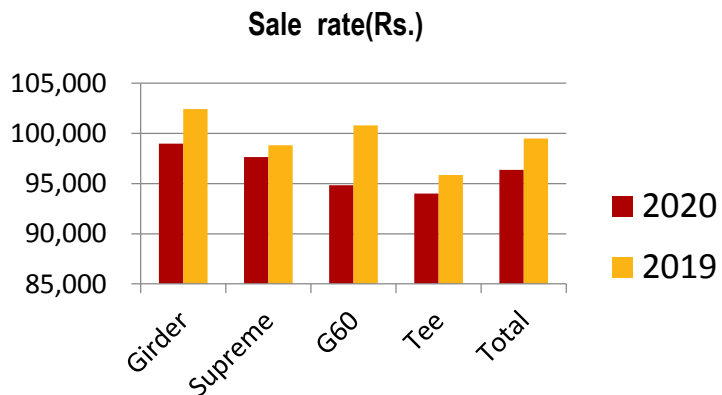
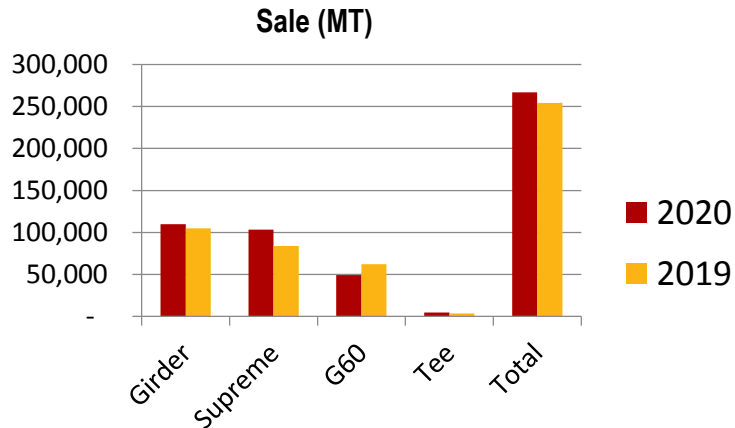
The large infrastructure projects market on the other hand comprises of demand from different projects initiated by various private sector, public sector and semi-government institutions.

Mughal Supreme steel rebars are used to target the housing sector in the urban areas since steel rebars are used for construction of roofs in urban areas. G60 steel rebars are mainly used to cater large infrastructure projects market.

Since girders and t-iron are products used for construction of roofs in rural areas, therefore they are used to target the rural housing market.

Product portfolio

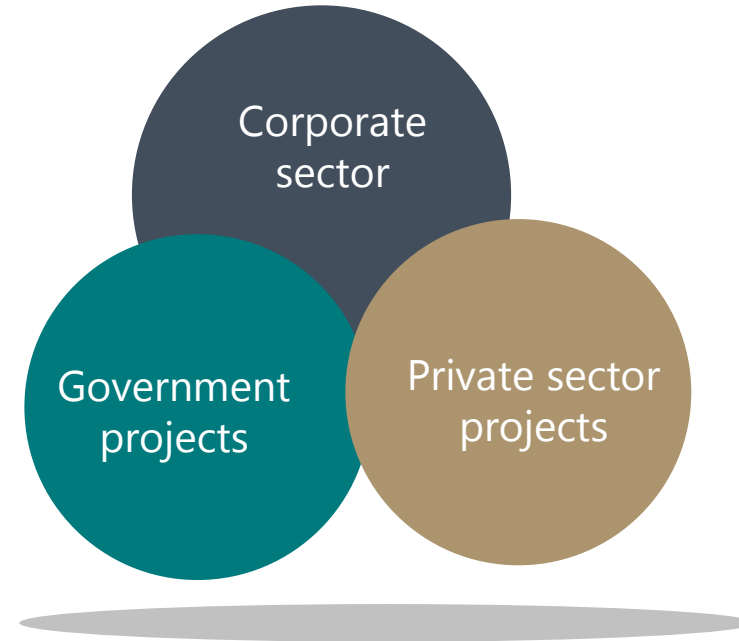
The company has a strategically developed diversified product portfolio making it capable of mitigating risks due to adverse economic changes and markets / political risks.



Market Portfolio



The overall market portfolio comprises of retail, corporate and export sector.



Key Strengths



01 Strong brand recognition

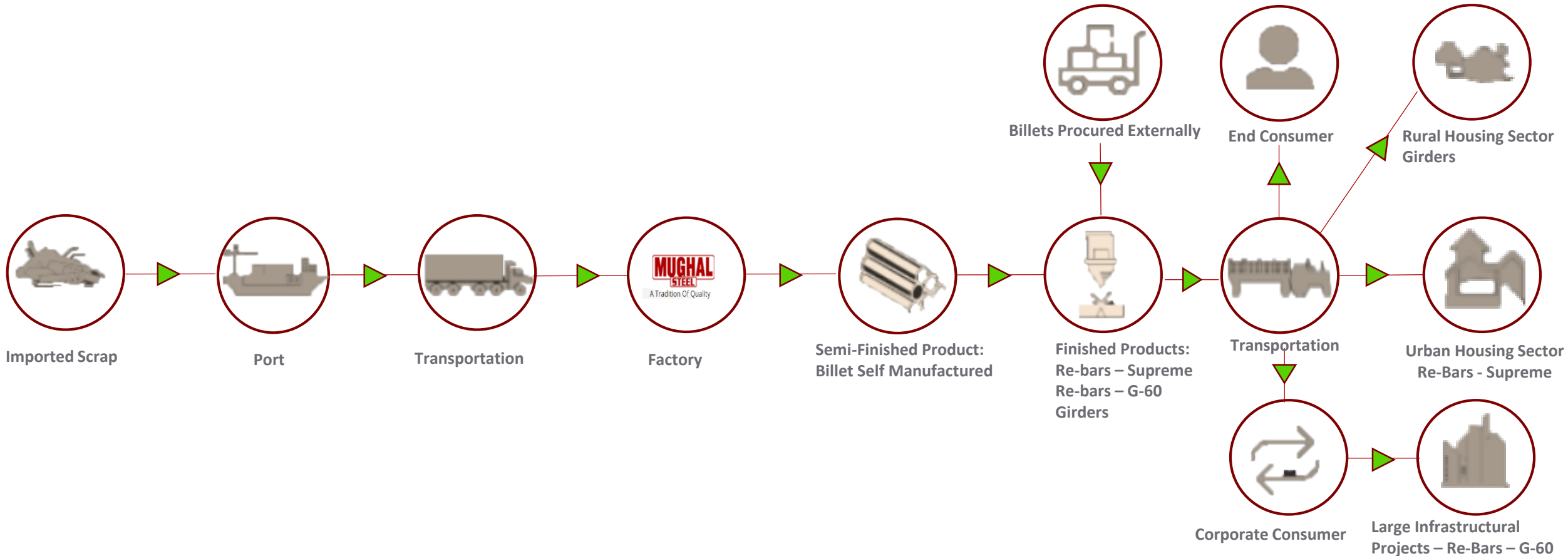
02 Diversified product and market portfolio

03 One stop sale centers for long rolled steel products

04 Strong clientele / distribution network

05 Cost effective inbound logistics

Value Chain



Access to Key Raw Materials and energy for steel production



Expertise in steel processing and finished products

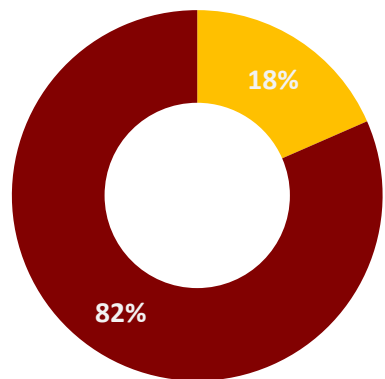


Secure Logistics & Supply Chain



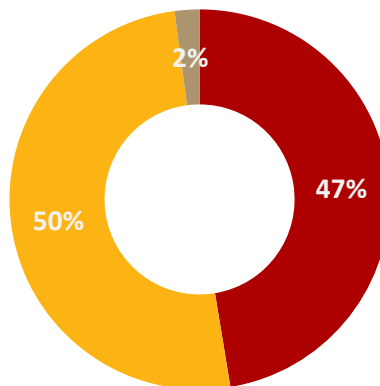
Diversified Customer Base

**Market mix
2020**



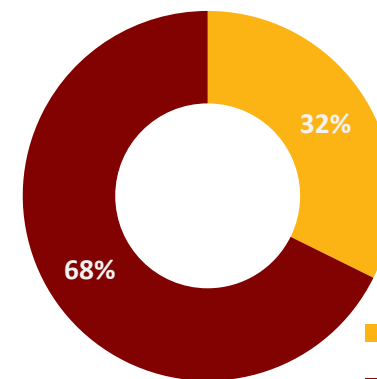
- Corporate sector
- Retail sector

**Retail mix
2020**



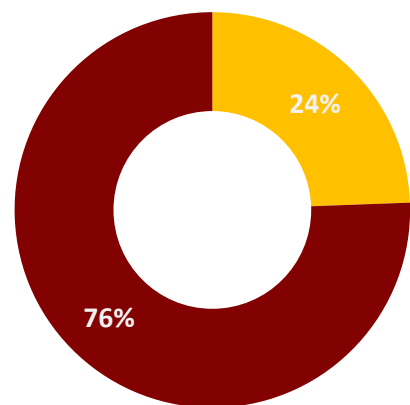
- Supreme
- Girder
- Tee

**Re-bar mix
2020**



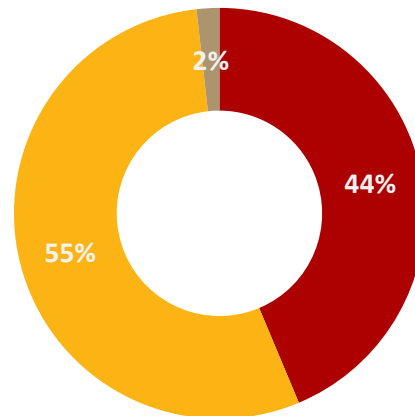
- G-60
- Supreme

**Market mix
2019**



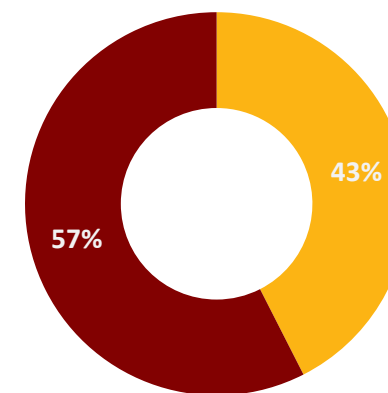
- Corporate sector
- Retail sector

**Retail mix
2019**



- Supreme
- Girder
- Tee

**Re-bar mix
2019**



- G-60
- Supreme

Year Overview



Financial year 2019-2020 was a tough year for your Company amidst the adverse economic conditions of the Country which were further aggravated post the outbreak of Covid-19 crisis.

It is in these times more than any other, where our strategically developed highly diversified product and market portfolio resilient to different economic conditions, clearly differentiated our competitiveness and ability to weather the adversities.

Despite of the adversities and challenges, the Company managed to stay agile, resilient and post reasonable performance.

On a strategic front, during 2019-2020, the Board continued to pursue its product and market diversification strategy and took further steps to sharpen our strategic focus by investing in new products and international markets in order to further enhance the already dynamic and diversified product portfolio by entering non-ferrous market through exports of copper ingots.

In reaction to the potential threat from Covid-19, we focused on ensuring we maintain our financial strength and flexibility, reducing the risk to our operations and safeguarding the well-being of the Company's employees and contractors, whilst at the same time minimizing the potential impact on the business.

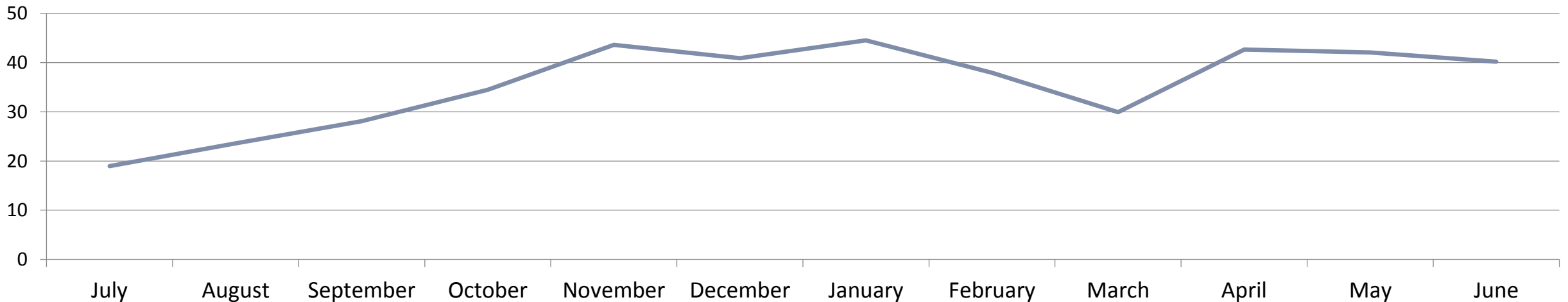
The outbreak also resulted in postponement of our re-bar re-rolling mill expansion, since the foreign commissioning engineers could not travel to Pakistan due to travel ban.

Key Performance Indicators



	FY15	FY16	FY17	FY18	FY19	FY 2020
GP Margin (%)	10.84	10.85	10.45	12.57	10.34	9.59
Net Margin (%)	5.38	4.71	5.27	5.81	4.45	2.17
ROE (%)	19.36	21.09	14.93	17.28	18.30	7.27
ROCE (%)	16.60	18.28	16.58	17.24	14.35	5.28
Dividend payout (%)	5	30	26	22	12	-
Bonus (%)	15	-	-	-	-	-

Share price performance



Profit or Loss & Comments



Rs. in millions	FY 20	FY19
Sales	27,304	30,828
Gross profit	2,617	3,189
Finance cost	1,515	786
Taxation (income / expense)	39	364
Profit for the year	593	1,373
EPS	2.36	5.46

Decrease in net sales revenue was mainly due to closure of operations during lock down period and fall in average sale rates during the year.

Gross margins declined mainly due to increase in input costs which could not be passed on entirely.

Finance costs increased due to significant increase in KIBOR rate, increase in average outstanding borrowings and recognition of exchange loss in respect of foreign currency short-term borrowings due to devaluation of Pak rupee in March.

Taxation for the year resulted in net income mainly due to reversal of over provision of income tax charged in last year by Rs. 44.380 million and reversal of deferred taxation by Rs. 242.321 million.

Resultantly, profit for the year and EPS decreased by 56.82% as compared to corresponding period.

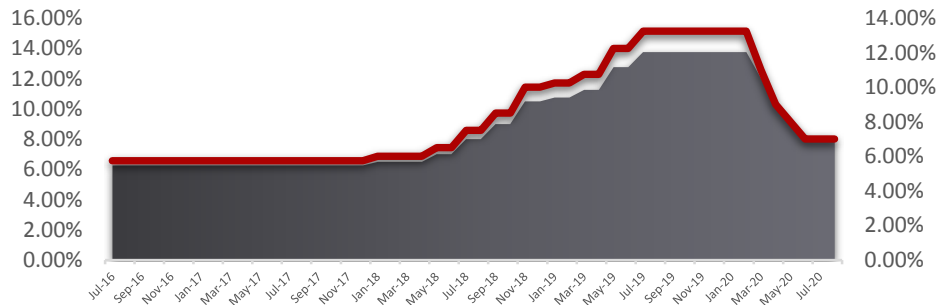
Going Forward



Monetary Easing

Impact of interest rate cuts by SBP will also have positive impact on the profitability of the Company.

The State Bank of Pakistan in a series of scheduled and non-scheduled meetings, slashed the overall benchmark interest rate by a substantial 625 bps, taking it to 7% as against 13.25% in the beginning of Mar'20. This is expected to ease pressure over earnings which have been under severe stress of short-term and long term finances.



Export operations

We will continue to expand our export operations.

Construction Package & Finance Act 2020

On the fiscal front, the government in order to boost economic activity in the wake of Covid-19 laid out a tax-free budget incorporating different tax measures and economic incentives for construction and development sector.

Improved Economic Outlook

With the current macro-economic situation, in the short to medium term, the Outlook of the steel industry will continue to improve. It is expected that Government spending on development projects will increase resulting in increase in demand for steel.

With the government committed towards fulfillment of CPEC, construction work over dams is expected to begin in due course. Similarly, rising population and increasing urbanization has also created shortage of houses in the country which is being addressed by the government through Naya Pakistan Housing Scheme (NPHS). A subsidy worth PKR 30bn has been earmarked in the Federal Budget 2020 for this purpose. These positive announcements will create additional demand for the steel sector.

Bar re-rolling mill expansion

We expect our bar re-rolling mill expansion to come online by the end of the calendar year 2020 which will result in increase in rebar sales.

Question & Answers