INSTITUTIONAL EQUITY RESEARCH NOTE

Amreli Steels Limited

PSX: ASTL • Sector: Engineering (PSX classification) • Industry: Long Steel – Billets & Rebar

Thesis: balance-sheet repair + operating-margin recovery + P/B re-rating

INVESTMENT RATING	CURRENT PRICE	BASE TARGET	12–24 MO EXP. RETURN
BUY	**Rs 17.74**	**Rs 40.00**	**+125%**
12–24 month horizon	PSX close, Fri Oct 2, 2026	Bull case: Rs 90 | Bear: Rs 12	Base case; no dividend assumed

Research Date	October 4, 2026	**Prepared By**	FIBCOS Equity Research Desk
Data As Of	October 3, 2026 (last PSX close: Oct 2)	**Price Source**	Pakistan Stock Exchange data portal
Report Type	Initiation of Coverage	**Investment Horizon**	12–24 Months
Market Cap / Shares	Rs 5.98bn / 337.01m	**Probability-Weighted Value**	Rs 39.1 (+120%)
Latest Annual Result	FY26 (year ended Jun 30, 2026)	**Credit Rating (PACRA)**	CCC / A4, Developing outlook (Mar-26)

EXECUTIVE SUMMARY

Amreli Steels (ASTL), one of Pakistan's largest rebar producers and the owner of the country's largest billet melt shop, trades at roughly 0.50x our estimated book value per share of Rs 35.6. The discount reflects three years of distress: cumulative net losses of about Rs 10.6bn across FY23–FY25, a going-concern emphasis in the FY25 audit report, a CCC credit rating, and the shutdown of the SITE Karachi rolling mill. We believe the market is now pricing the company as if that distress will persist, even though the three conditions that caused it have begun to reverse.

First, the balance sheet has been reset. A Master Restructuring Agreement (MRA) converted roughly Rs 10–11bn of short-term debt into long-term facilities, rescheduled a further Rs 2.54bn of long-term loans and deferred mark-up for three years, while the sponsors injected Rs 1bn of equity at Rs 25 per share (41% above today's price). **Second, the sector has turned.** The listed steel sector (AL Habib Capital Markets' coverage) swung to profit in FY26, with sector gross margin reaching 12% in 4QFY26. **Third, ASTL's own numbers have started to inflect.** FY26 sales rose 33% to Rs 21.34bn, and our derivation from reported full-year and nine-month figures implies a 4QFY26 gross margin of about 12.6%, versus 6.3% for the full year.

Quality-of-earnings caveat. FY26 net profit of Rs 548m (EPS Rs 1.69) was created by a one-off Rs 3.07bn gain on loan modification; excluding it, FY26 would have been a loss of roughly Rs 2.5bn before tax effects. The nine-month operating result was still a loss of Rs 300m, and EBITDA covered finance cost only 0.1x in 1HFY26. The investment case is therefore a bet on operating recovery and de-risking, not on reported FY26 earnings.

Our base-case target of **Rs 40**, on a 12–24 month horizon, equals about 1.05x FY28E book value per share of Rs 38.1. A blended methodology value of Rs 36.5 (P/B, discounted normalised P/E, peer P/B parity) is lifted by a disclosed Rs 3.5 de-risking premium (FIBCOS analyst judgment, with explicit milestones) to reach the target (Section 07). The bull case (Rs 90) needs gross margin near 14% and revenue approaching the FY22 peak; the bear case (Rs 12) is severe. The probability-weighted value of Rs 39.1 implies +120% from the Rs 17.74 Friday close, and the shares have fallen about 11% since September 23, which widens the gap to our target. **BUY** for risk-tolerant fundamental investors; position sizing should reflect the issuer's credit stress, dilution and liquidity risk.

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Evidence standard used in this note

Tag	Meaning
[R]	Reported: company filing, exchange or regulator data
[S]	Sourced: rating agency, news report or sector study (cited)
[D]	Derived: FIBCOS arithmetic on reported figures (calculation shown)
[E]	Estimate: FIBCOS forecast or modelled value
[J]	Judgment: FIBCOS analyst inference or opinion, not directly observable

Where the note moves from observed evidence to FIBCOS inference, it says so. Combined tags such as [R/D] mean a figure mixes reported and derived inputs. Inference lines are hypotheses to be tested against reported data each quarter.