

Let's put some light on steel sector...

*Iron ore prices slightly increases ~ went up to \$63**

- Iron ore price slightly increases in international markets ~ which will lead to a rise in steel related products ~ If the trend continues...
- If prices sustain in international markets we believe that local manufacturers will either maintain or increase their price levels in order to pass on the incremental cost impact

Duty structures still remains favourable for the sector ~

- Imposed regulatory duty on various imported steel products make them expensive but still imported products are eating up the market share due to higher demand given low production output in domestic market.

China ~ world largest user for iron ore...

“We are increasing the debt-to-GDP ratio support achieving a medium to high speed rate of economic growth” *Chinese finance minister statement*

Any situation where china reflects more than the expected growth rates ~ Steel prices will surge...

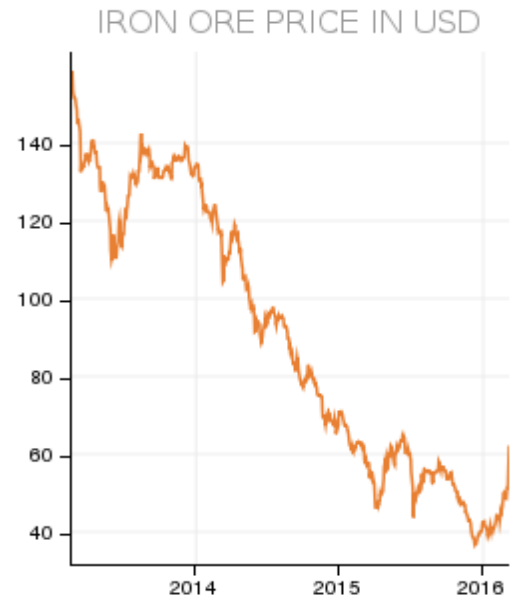
Continuation of coverage companies:

- **Amreli Steel (ASTL) is undergoing expansion phase ~ manufacturers still not able to meet**

REK-66

www.jamapunji.pk

*Source - www.quandl.com



- We see 2016 to be a good year for steel sector companies
- Growth in margins along with higher demand
- Mughal launching new bar ~ “Mughal supreme” – as per notice | This will be an earthquake resistant bar and could be used mainly in northern areas for construction purpose

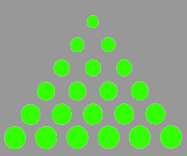
Analyst

Ali Sufyan (ACCA Affiliate)

Tel: 35290460

UAN: 111-111-721

www.scstrade.com



the demand | Expansion is required.....

MUGHAL is been awarded few more contracts mainly in Punjab province which could beef up their revenue base.

MUGHAL contracts ~ supply of steel bars for Frontier Works Organization (FWO) projects is also good omen (as per notice at PSX) given their distinctive positioning in Pakistan. Based on their website, FWO is one of the biggest construction firm which is currently indulge in construction of dams, bridges, public infra-structure and highways which is also in the knowledge of the general public. This can be some of some benefit to MUGHAL rebars in the construction project.

‘Research Analyst’ Certification: ‘Research Analyst’ involves in this ‘Research Report’ certifies that:

-‘Research Analyst’ or any of his close relatives do not have a financial interest in the securities of the ‘Subject Company’ aggregating more than 1% of the value of the ‘Subject Company’

-Research Analyst or his close relative has neither served as a director/officer in the past 3 years nor received any compensation from the Subject Company in the previous 12 months

-his compensation will not be related to the recommendations or views given in Research Report

Distribution of ‘Research Report’

Standard Capital Securities (Pvt.) Ltd. will distribute Research Report to clients in a timely manner through electronic distribution vide email or through physical distribution such as courier express. Standard Capital will make all efforts; even so it is possible that not all clients may receive Research Report at the same time given technical glitches or breakdown/slowdown of internet during the process of sending emails.

‘Research Entity’ Disclosures

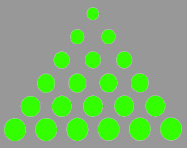
-Standard Capital Securities (Pvt.) Ltd. or any of its officers and directors does not have a significant financial interest (above 1% of the value of the securities) of the subject company.

-Standard Capital Securities (Pvt.) Ltd. employee including directors, officers or associates has not served the subject company in preceding 36 months.

-Subject Company is not been a client for Standard Capital Securities (Pvt.) Ltd. during the publication of Research Report

-Standard Capital Securities (Pvt.) Ltd. has not managed public offering, take over or buyback of securities for the Subject Company in the past 12 months neither receives any compensation from the subject company for corporate advisory or underwriting services in the past 12 months.

-Standard Capital Securities (Pvt.) Ltd. may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such



securities. Standard Capital Securities (Pvt.) Ltd. may have recently underwritten/or in the process of underwriting the securities of an issuer mentioned herein. Standard Capital Securities (Pvt.) Ltd. may also have provided/providing advisory services to the issuer mentioned herein.

Rating System

-Standard Capital Securities (Pvt.) Ltd. standardized recommendation structure i.e Buy/positive, Hold/neutral and Sell/negative, based on Target, if any or vide various valuation methods.

-Target price / recommendation could be deduced from Price Earnings, Price to book, dividend discount, discounted cash flows etc

-recommendation range include buy / positive 10% or more below target price, sell/negative 10% above target price

-The time duration is the financial reporting period of Subject Company

-Research analyst will use Price to earnings, Price to book value, Discounted cash flow and Dividend discount model for valuation purpose