
China Precision Steel announces Q1 fiscal 2010 results

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China Precision Steel Inc a niche precision steel processing Company principally engaged in producing and selling high precision, cold rolled steel products announced its fiscal 2010 Q1 results for the period ended September 30th 2009.

Q1 Highlights

1. Revenue was USD 17.0 million
2. Gross profit was USD 0.7 million with 4.1% gross margin
3. Net loss was USD 0.3 million
5. Fully diluted loss per share was USD 0.01

Revenue for the Q1 of fiscal 2010 was USD 17.0 million down by 32.8% from revenue in the Q1 of fiscal 2009 of USD 25.4 million. The decline in revenue was mainly attributed to the decrease in sales volume combined with lower average selling prices as a result of the global economic slowdown. Total sales volume and average selling price per ton in the Q1 decreased to 22,293 tonnes and USD 764, respectively compared to total sales volume and average selling price of 24,216 and USD 1,047 respectively, in the Q1 of 2010. High carbon and low carbon sales accounted for 34.5% and 55.3% of total sales, respectively, compared to 21.2% and 59.7%, respectively in the Q1 of fiscal 2009. Exports represented 18% of total sales for the quarter.

Gross profit in the Q1 was USD 703,359 down by 82.2% from gross profit in the same period a year ago of USD 4.0 million. Gross margin was 4.1% compared to 15.6% in the Q1 of fiscal 2009. The decline in gross margin was mainly due to lower selling prices during the quarter as compared to the same period a year ago.

Selling expenses for the first quarter of fiscal 2010 were USD 31,809, or 0.2% of revenue compared to USD 211,298, or 0.8% of revenue, in the first fiscal quarter of fiscal 2009. The decline in selling expenses was primarily attributable to lower commissions costs associated with export products. Administrative expenses were USD 578,698, or 3.4% of revenue, compared to USD 462,100, or 1.8% of revenue. The increase in administrative expenses is due to an increase in salaries as a result of an increase in the average number of staff as well as an increase in stock and listing fees period on period. China Precision Steel also recognized an allowance for bad and doubtful debts in the amount of USD 117,117 during the quarter as compared to nil for the same period a year ago.

Operating loss for the quarter was USD 68,003, compare to operating income of USD 3.3 million in the Q1 of fiscal 2009. Net loss for the Q1 of fiscal 2010 was USD 275,191, compared to net income of USD 2.9 million for the Q1 of fiscal 2009. Fully diluted loss per share was USD 0.01 compared to fully diluted earnings per share of USD 0.06 in the same period a year ago.

Dr Wo Hing Li Chairman & CEO of China Precision Steel said "Overall demand for our precision steel products has improved from the lows we experienced in the Q3 of fiscal 2009 as our sales volume has increased 100% from 11,000 tonnes to 22,000 tonnes in the Q1 of 2010 fiscal year. However, we are still experiencing pricing pressures from the overcapacity in steel production which continues to put pressure on our margins. As the steel industry recovers from the impact of the global economic crisis, we expect market demand and our average selling prices will continue to gradually improve during the coming year."

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