

International Steels (ISL)

3QFY18 EPS Rs2.4,+23% YoY (-11% QoQ); 9MFY18 EPS Rs7.43,+60%
In-line with Expectations

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Record quarterly sales; earnings marred by exchange losses

International Steel: Financial Highlights							
	3QFY18	3QFY17	YoY	QoQ	9MFY18	9MFY17	YoY
Net Sales	12,628	9,562	32%	10%	34,818	24,782	40%
Cost of Sales	10,632	7,837	36%	12%	29,049	20,224	44%
Gross Profit	1,996	1,725	16%	0%	5,769	4,558	27%
Administrative Exp	51	57	-11%	-19%	168	146	15%
Selling & Dist Exp	111	98	13%	8%	317	250	27%
Finance Cost	126	105	19%	5%	358	342	5%
Other operating charges	280	117	139%	108%	515	321	61%
Other Income	50	39	28%	-15%	108	93	17%
Profit Before Tax	1,479	1,386	7%	-10%	4,519	3,592	26%
Taxation	426	529	-19%	-8%	1,285	1,576	-18%
Profit After Tax	1,053	857	23%	-11%	3,234	2,017	60%
EPS	2.4	2.0			7.4	4.6	

Source: PSX, Topline Research

- International Steels Limited (ISL) reported 3QFY18 EPS of Rs2.4, up 23% YoY, in-line with our forecast.
- ISL surpassed its own sales record, posting highest ever quarterly sales revenue of Rs12.6bn, up 32% YoY while up 10% QoQ. We attribute this phenomenal growth to increase in both selling prices and volumes.
- Price increases were in-line with average international flat steel prices (HRC/CRC) during the outgoing quarter, up on average by 15% YoY while up 3% QoQ.

Record quarterly sales; earnings marred by exchange losses

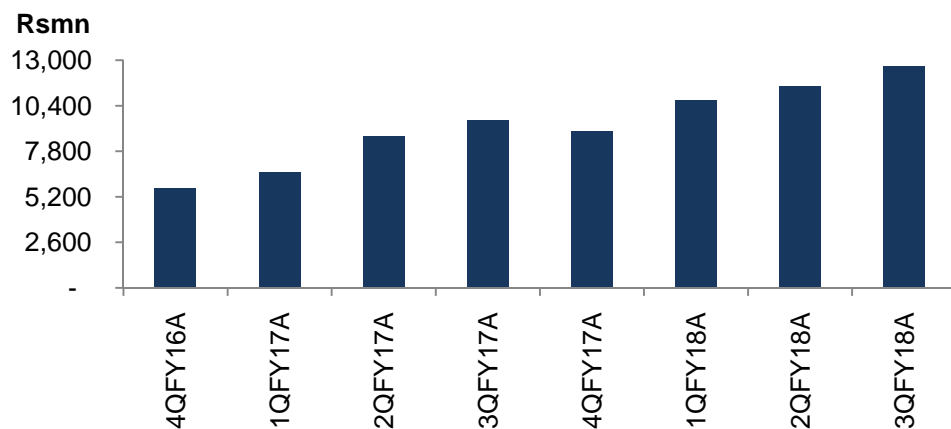
- Gross margins contracted by 224bps to 15.8% in 3QFY18 vs. 18.04% last year. This was likely due to lower spread between Galvanize Product and HRC in the outgoing quarter. However gross profits were up 16% YoY while flat sequentially.
- ISL earnings were dented by higher other operating expenses, up 139% YoY. We attribute this to exchange loss booked by the company in the outgoing quarter.
- Profit before tax during 3QFY18 rose 7% YoY to Rs1.5bn while net earnings grew by 23%. This was on the back of lower effective tax rate (down 9pts to 29%).
- We flag 1) downward revision in duty structure, 2) volatility in commodity prices, 3) dumping from countries not covered by anti-dumping duties, & 4) delay in expansion commissioning, as key risks.

ISL: Key Numbers

	FY13A	FY14A	FY15A	FY16A	FY17A
EPS	0.8	1.6	0.5	2.7	7.0
Earnings Growth	NM	90%	-71%	484%	158%
PE at Rs122.1	18.8	14.6	256.1	43.8	17.0
Dividend Yield	0%	4%	0%	1%	3%
ROE	7%	12%	4%	17%	36%
PBV	1.3	1.7	9.3	7.2	6.0

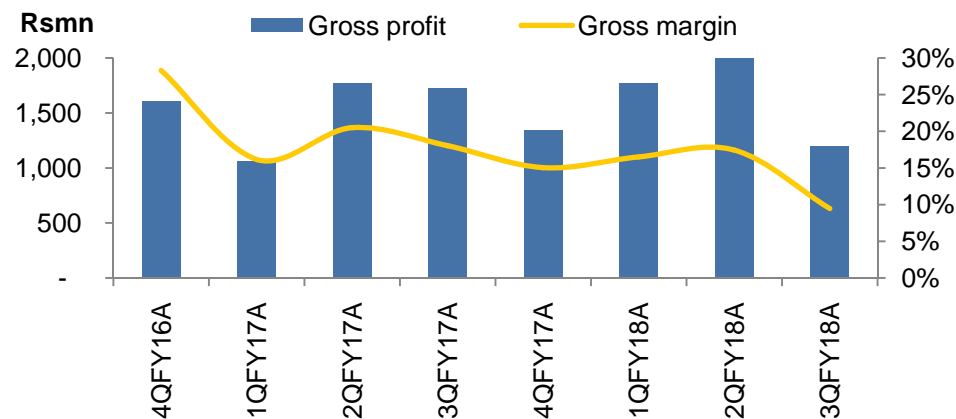
Source: Company Accounts, Topline Research

ISL: Quarterly Sales



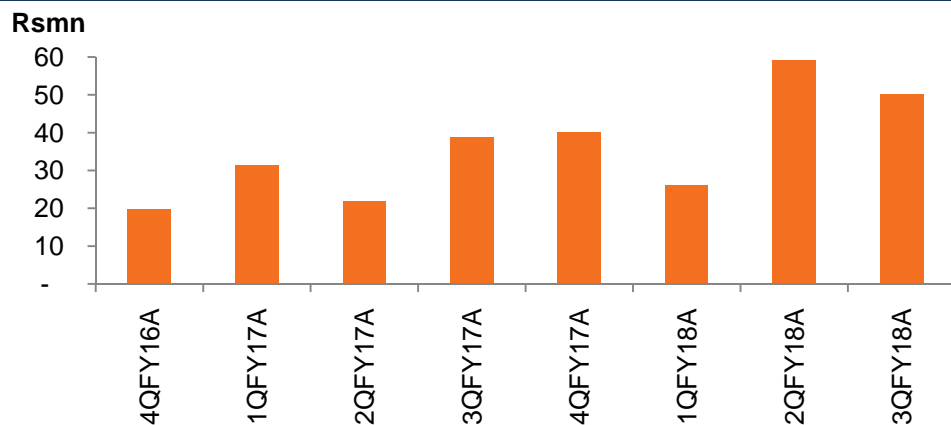
Source: Company Accounts, Topline Research

ISL: Quarterly Gross Profit & Gross Margins



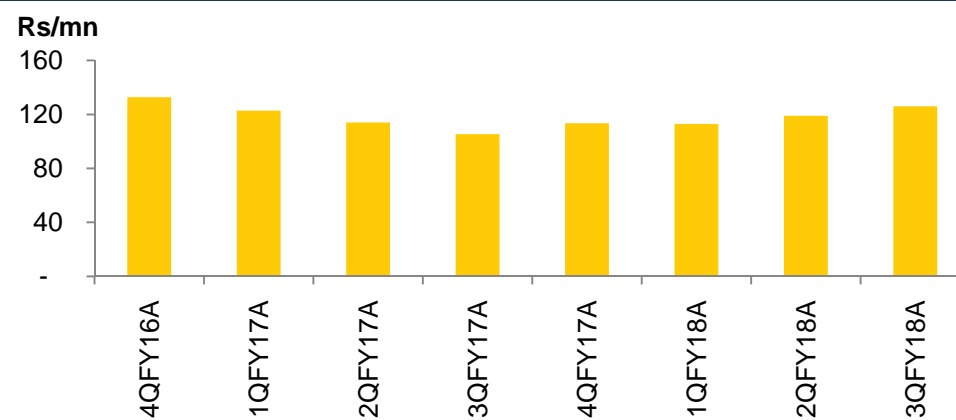
Source: Company Accounts, Topline Research

ISL: Quarterly Other Income



Source: Company Accounts, Topline Research

ISL: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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