

International Steels (ISL)

2QFY18 EPS Rs2.7, +98% YoY; +17% QoQ; 1HFY18 EPS Rs5.02, +88% YoY; DPS Rs1.5
In-line with Expectations

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ISL 2Q EPS rolls up to Rs2.7, up 98% YoY

International Steel: Financial Highlights							
	2QFY18	2QFY17	YoY	1QFY18	QoQ	1HFY18	YoY
Net Sales	11,482	8,635	33%	10,708	7%	22,190	46%
Cost of Sales	9,478	6,865	38%	8,939	6%	18,417	49%
Gross Profit	2,004	1,770	13%	1,769	13%	3,772	33%
Administrative Exp	63	44	42%	54	16%	117	6%
Selling & Dist Exp	103	86	19%	104	-1%	206	58%
Finance Cost	119	114	5%	113	6%	232	-2%
Other charges	135	117	15%	127	6%	262	29%
Other Income	59	22	172%	26	128%	85	60%
Profit Before Tax	1,643	1,430	15%	1,397	18%	3,040	38%
Taxation	465	836	-44%	394	18%	859	-18%
Profit After Tax	1,178	594	98%	1,003	17%	2,182	88%
EPS	2.7	1.4		2.3	17%	5.0	88%

Source: PSX, Topline Research

- International Steels Limited (ISL) reported 2QFY18 EPS of Rs2.7; up 98% YoY (+17% QoQ) and inline with our forecast. The result takes 1HFY18 EPS to Rs5, up 88% YoY. Along with the result ISL declared an interim cash dividend of Rs1.5/sh.
- ISL surpassed its own sales record, posting highest ever quarterly sales revenue of Rs11.5bn up 7% QoQ, owing to an increase in selling prices while volumes were likely stable, we believe.
- Price increases were in-line with average international flat steel prices, which have similarly risen by 7% QoQ during 2Q.

ISL 2Q EPS rolls up to Rs2.7, up 98% YoY

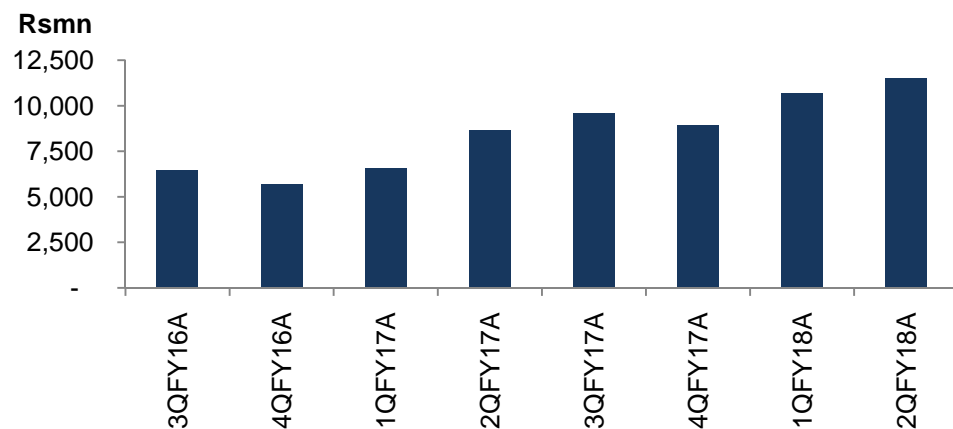
- Gross margins increased to 17.5% compared to 16.5% last quarter (20.5% last year), this is likely due to low cost carryover inventory, we believe. Consequently gross profits were up 13% YoY/QoQ to Rs2.0bn, another quarterly milestone for the company.
- Further, we opine that ISL will sustain its margins during 2HFY18, given expected price increases to pass on the impact of currency devaluation (some cost was partially passed on at the start of the year).
- ISL's costs remained in control, with SG&A remaining at 1% of sales as compared to 2% last year, while financial charges were stable.
- Resultantly, profit before tax rose 15% YoY to Rs1.6bn. Effective taxation of the company clocked in at 28% compared to 58% reported last year, resultantly tax charges fell 44% YoY to Rs465mn. Lower effective tax rate was the inherent profit driver, resulting in 98% YoY growth in profitability to Rs1.2bn (EPS Rs2.7).

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 Rs121.7	130.4	14.6	262.3	44.9	17.4
Dividend Yield	0%	4%	0%	1%	3%
ROE	8%	12%	4%	17%	36%
PBV	11.4	1.7	9.6	7.4	6.2

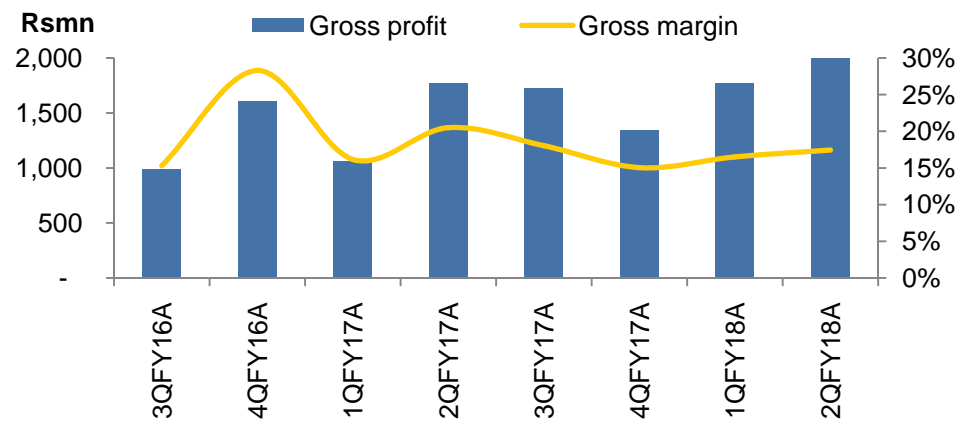
Source: Company Accounts, Topline Research

ISL: Quarterly Sales



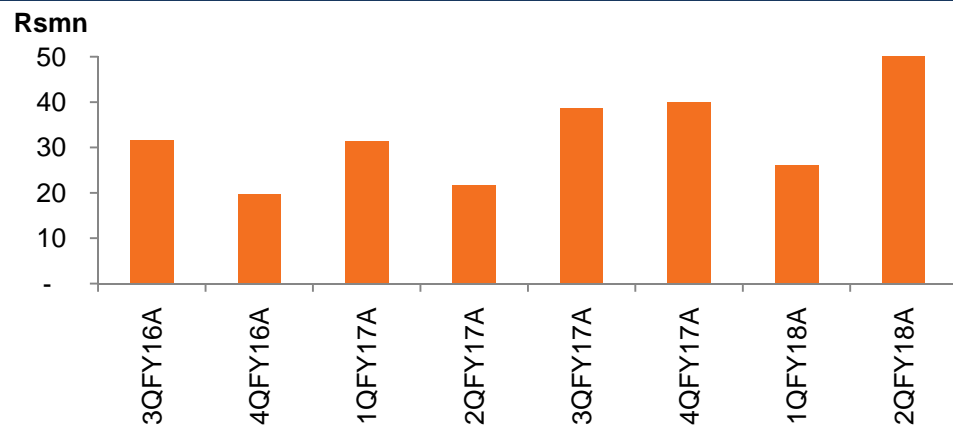
Source: Company Accounts, Topline Research

ISL: Quarterly Gross Profit & Gross Margins



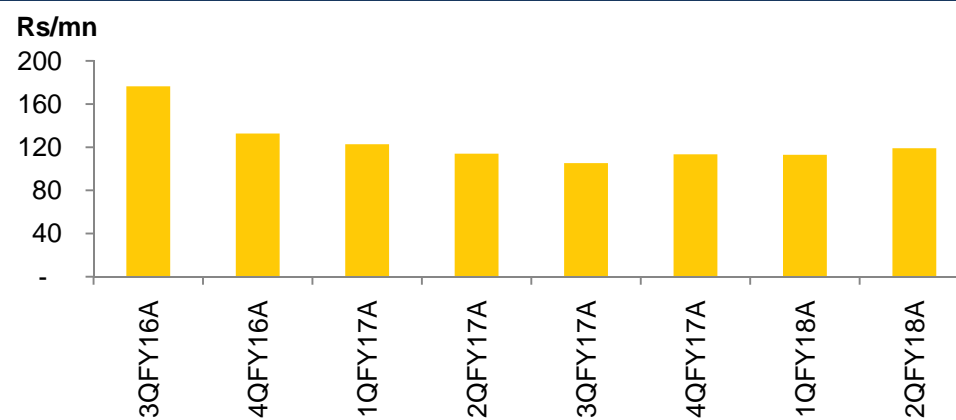
Source: Company Accounts, Topline Research

ISL: Quarterly Other Income



Source: Company Accounts, Topline Research

ISL: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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