

International Steels (ISL)

4QFY18 EPS Rs2.6,+10% YoY (+7% QoQ); FY18 EPS Rs10.03,+43% YoY

Cash Dividend of Rs3/share

In-line with Expectations

Topline Research

research@topline.com.pk

Tel: +9221-35303330

Topline Securities, Pakistan



www.jamapunji.pk

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Lower tax rate drives 4QFY18 EPS to Rs2.6, up by 10% YoY

International Steel: Financial Highlights

	4QFY18	4QFY17	YoY	QoQ	FY18	YoY
Net Sales	12,803	8,950	43%	1%	47,621	41%
Cost of Sales	10,999	7,603	45%	3%	40,048	44%
Gross Profit	1,804	1,347	34%	-10%	7,573	28%
Administrative Exp	117	69	71%	6%	434	102%
Selling & Dist Exp	118	84	40%	131%	285	-14%
Finance Cost	181	113	60%	44%	539	18%
Other operating charges	119	104	15%	-57%	662	56%
Other Income	16	40	-61%	-69%	151	14%
Profit Before Tax	1,284	1,017	26%	-13%	5,803	26%
Taxation	153	-11	NM	-64%	1,438	-8%
Profit After Tax	1,131	1,027	10%	7%	4,365	43%
EPS	2.6	2.4			10.0	

Source: PSX, Topline Research

- International Steels (ISL) reported its financial results for 4QFY18, where company reported earnings of Rs2.6/share, up by 10% YoY due to increase in net sales by 43% YoY. While, FY18 earnings grew by 43% YoY to Rs10/share due to higher sales and lower effective tax rate of 25% in FY18 vs. 34% in FY17.
- Effective tax rate of the company during 4QFY18 hovered at around 12% due to availability of tax rebates on recent capex, we believe.

Lower tax rate drives 4QFY18 EPS to Rs2.6, up by 10% YoY

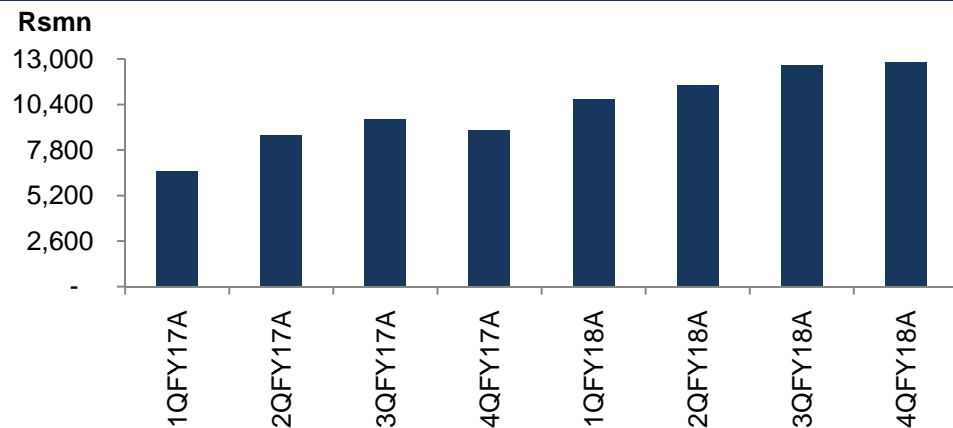
- Gross margins of the company contracted by 1.7ppts QoQ to 14.1% during 4QFY18 due to increase in HRC prices and rupee devaluation. Full year (FY18) gross margins fell by 1.6ppt YoY to 15.9%.
- Finance cost of the company increased by 60% YoY and 44% QoQ due to increase in debt borrowings by the company to finance increasing cost of its working capital.
- Exchange losses on foreign currency payables enhanced other operating expenses of the company by 56% YoY to Rs662mn during FY18.
- We flag 1) downward revision in duty structure, 2) volatility in commodity prices, 3) dumping from countries not protected by anti-dumping duties, & 4) devaluation beyond our assumptions, as key risks.

ISL: Key Numbers

	FY14A	FY15A	FY16A	FY17A	FY18A
EPS	1.6	0.5	2.7	7.0	10.0
Earnings Growth	90%	-71%	484%	158%	43%
PE at Rs111.4	14.6	240.1	41.1	15.9	11.1
Dividend Yield	4%	0%	1%	3%	4%
ROE	12%	4%	17%	36%	40%
PBV	8.4	8.8	6.8	5.7	4.4

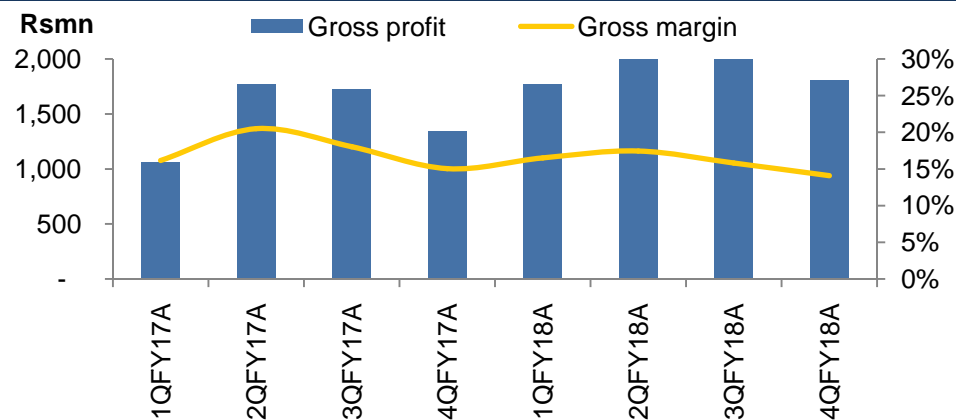
Source: Company Accounts, Topline Research

ISL: Quarterly Sales



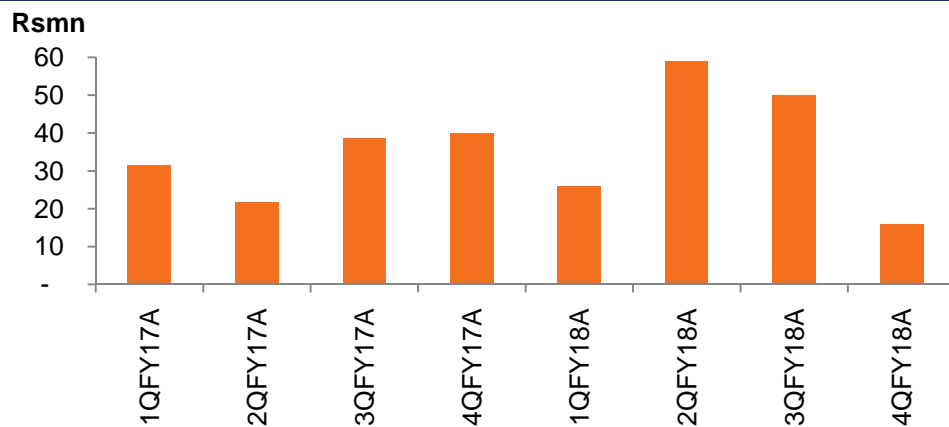
Source: Company Accounts, Topline Research

ISL: Quarterly Gross Profit & Gross Margins



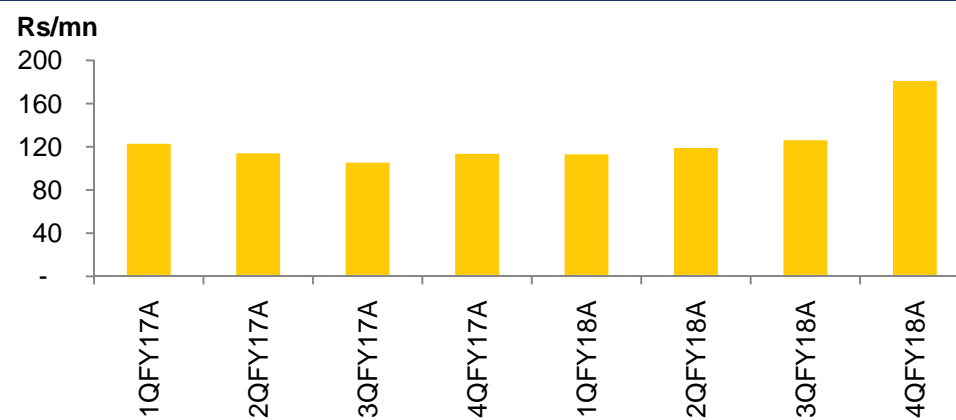
Source: Company Accounts, Topline Research

ISL: Quarterly Other Income



Source: Company Accounts, Topline Research

ISL: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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