

International Industries (INIL)

4QFY18 EPS Rs7.06,+12% YoY (-8% QoQ); FY18 EPS Rs28.75,+25% YoY

Cash Dividend Rs6.5/share

In-line with Expectations

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Higher sales lift earnings

International Industries: Financial Highlights

	4QFY18	4QFY17	YoY	QoQ	FY18	YoY
Net Sales	16,330	11,587	41%	-4%	64,542	46%
Cost of Sales	13,813	9,578	44%	-2%	53,722	53%
Gross Profit	2,517	2,009	25%	-15%	10,820	21%
Administrative Exp	190	139	37%	44%	597	14%
Selling & Dist Exp	371	338	10%	-15%	1591	29%
Finance Cost	293	202	45%	31%	981	44%
Other operating charges	203	129	56%	-34%	834	38%
Other Income	100	73	38%	14%	338	92%
Share of profit in investee	6	11	-50%	-28%	35	-1%
Profit Before Tax	1,566	1,285	22%	-20%	7,191	18%
Taxation	240	60	297%	-59%	1,922	-4%
Profit After Tax	1,327	1,225	8%	-3%	5,268	30%
Owners of the holding company	847	757	12%	-8%	3,447	26%
EPS	7.1	6.3			28.8	

Source: PSX, Topline Research

- International Industries (INIL) posted earnings of Rs7.06/share during 4QFY18, in line with our expectations. Earnings witnessed growth of 12% YoY due to increase in subsidiary's (International Steels or ISL) earnings by 10% YoY. To recall, ISL posted higher earnings due to increase in its sales by 43% YoY to Rs12.8bn during 4QFY18.
- Gross margins of the INIL contracted by 1.9ppts YoY to 15.4% during 4QFY18 due to higher HRC prices and rupee devaluation.

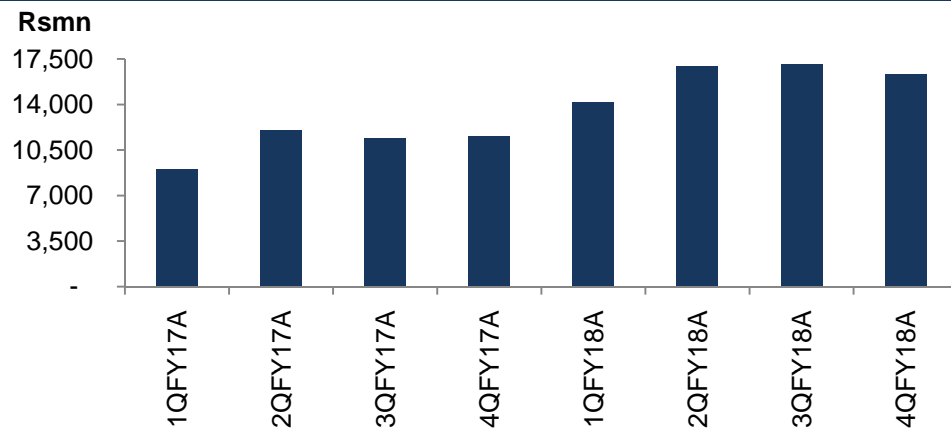
Higher sales lift earnings

- During FY18, INIL reported earnings growth 26% YoY to Rs28.75/share as ISL's earnings went up by 43%YoY. Consolidate finance cost of INIL surged by 44%YoY to Rs980mn due to higher debt borrowing amid increasing cost of its working capital requirement.
- Effective tax rate of the INIL clocked in at 26.7% during FY18 vs. 33.1% in FY17. Lower tax rate is underpinned by availability of tax rebates to ISL on its recent capex.
- Other operating expenses during FY18 increased to Rs834mn, up by 38% YoY due to FX loss on foreign payables.
- We flag 1) downward revision in duty/ADD structure, 2) volatility in commodity prices, and 3) dumping from countries not covered by anti-dumping duties as key risks to company's earnings/valuation forecast.

ISL: Key Numbers					
	FY13A	FY14A	FY15A	FY16A	FY17A
EPS	6.4	7.4	5.0	12.0	22.9
Earnings Growth	182%	17%	-33%	140%	91%
PE at Rs244.5	38.3	32.8	49.0	20.4	10.7
Dividend Yield	1%	1%	2%	2%	3%
ROE	19%	20%	13%	12%	19%
PBV	7.2	6.5	6.2	2.4	2.1

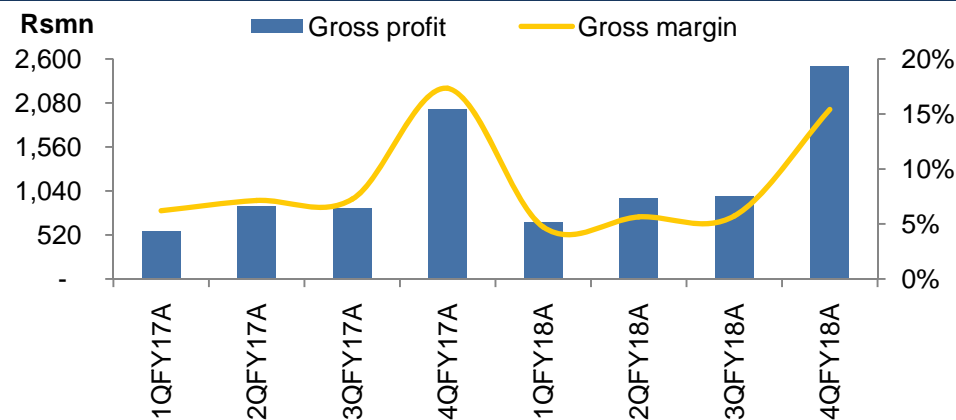
Source: Company Accounts, Topline Research

INIL: Quarterly Sales



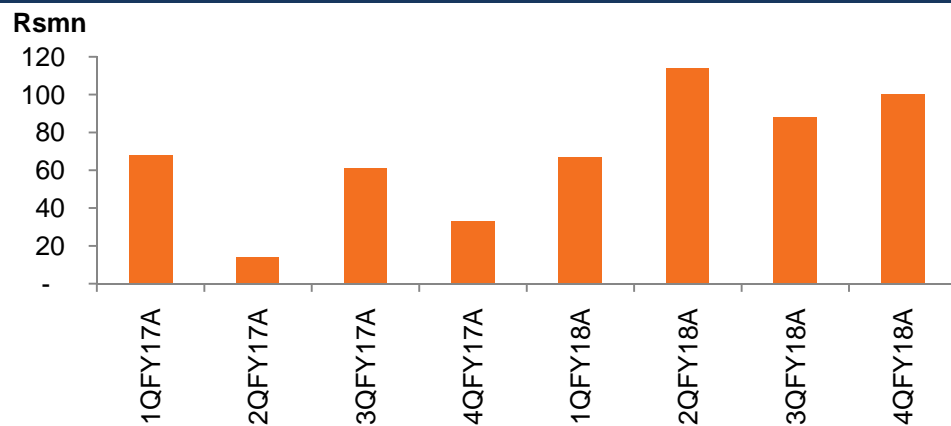
Source: Company Accounts, Topline Research

INIL: Quarterly Gross Profit & Gross Margins



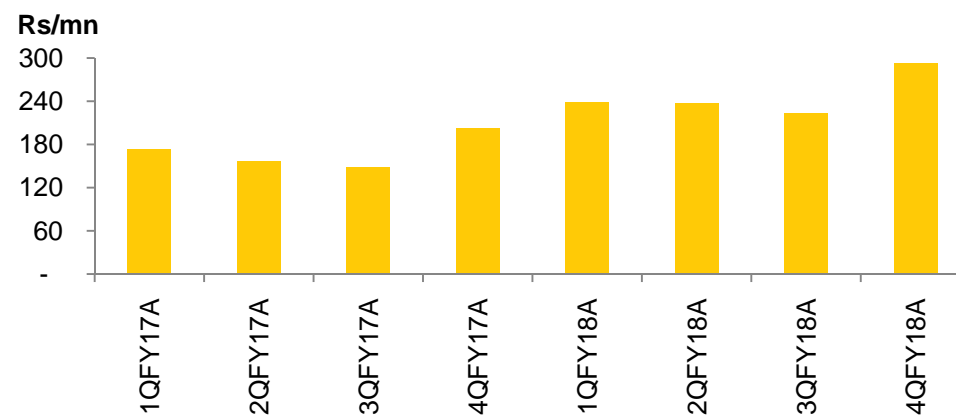
Source: Company Accounts, Topline Research

INIL: Quarterly Other Income



Source: Company Accounts, Topline Research

INIL: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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