

Flash Note

Monday, 19 August 2019



Securities

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Engineering

International Steels Limited (ISL)

FY19 EPS clocks in at PKR 6.12; Restricted margins, enhanced finance costs and substantial taxation in 4QFY19 combine together to present a depressed result

- International Steels Limited (ISL) announced its 4QFY19 financial results with earnings clocking in at PKR 305mn (EPS: PKR 0.70) down by 73% YoY as compared to PKR 1.13bn (EPS: PKR 2.60) in the same period last year. On a cumulative basis, this brings FY19 earnings to PKR 2.66bn (EPS: PKR 6.12) down by 39% YoY as against PKR 4.37bn (EPS: PKR 10.03) in the corresponding period last year.
- The Company announced a final dividend of PKR 1.50/share along with result, taking full year dividend to PKR 3.00/share.
- Net Sales of the Company during FY19 increased by +16% YoY, largely owing to deeper penetration in the domestic market in the back of enhanced capacity.
- Gross margins of the Company during FY19 reduced substantially to ~12% as against ~16% reported in the similar period of the preceding year, largely owing to curtailed CRC-HRC margins, greater discounts offered by the Company and enhanced cost structure of the Company owing to PKR devaluation and notional cost of depreciation.
- Finance cost of the Company during FY19 leaped up by +2.4x, largely representing unwinding of interest costs to the income statement post capitalization of new Cold Rolling Mill (CRM) plant.
- The effective tax rate of the Company for FY19 increased to ~28% likely on account of continuation of super tax and reduction of tax credits available on recently inaugurated CRM facility of the Company to half. We await annual report of the Company for further information in this regard.

Exhibit:

ISL Result Highlights

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	14,539	12,803	14%	55,062	47,621	16%
Gross Profit	1,829	1,804	1%	6,449	7,573	-15%
Sell. / Dist. & Admin	318	235	35%	986	720	37%
Non-Operating Income	(91)	16	-7.8x	39	151	-74%
EBIT	1,140	1,465	-22%	4,968	6,342	-22%
Financial Charges	280	181	54%	1,289	539	2.4x
Pre-tax Profits	861	1,284	-33%	3,679	5,803	-37%
Taxation	556	153	-3.6x	1,015	1,438	-29%
Post-tax Profits	305	1,131	-73%	2,664	4,365	-39%
EPS	0.70	2.60	-73%	6.12	10.03	
DPS	1.50	3.00		3.00	4.50	

Key Ratios

Gross Margin (%)	12.6	14.1		11.7	15.9
Net Margin (%)	2.1	8.8		4.8	9.2
Effective Tax Rate (%)	64.6	11.9		27.6	24.8

Source: Company Accounts, IGI Research

No. of Shares : 435mn

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