

# Flash Note

Tuesday, 15 October 2019

## Engineering

### International Steels Limited (ISL)

**1QFY20 EPS clocks in at PKR 0.80; restricted margins and enhanced finance costs eat away profits, positive taxation arrests further injury**

- International Steels Limited (ISL) announced its 1QFY20 financial results with earnings clocking in at PKR 348mn (EPS: PKR 0.80) down by 59%YoY as compared to PKR 841mn (EPS: PKR 1.93) in the same period last year.
- Net Sales of the Company during 1QFY20 increased by +3%YoY, largely owing to price increases in the quarter as against comparative period, despite possible fall in offtakes.
- Gross margins of the Company during the quarter reduced to ~11% as against ~14% reported in the similar period of the preceding year, despite stable CRC-HRC margins, largely due to greater discounts offered by the Company and enhanced cost structure of the Company owing to PKR devaluation.
- Finance cost of the Company during the quarter under review leaped up by +2.3x, owing to enhanced short term financing requirements of the company and increase in benchmark interest rates.
- The Company reported a positive tax charge of 47mn during the quarter as against a charge of 300mn in the comparative period. We await the issue of interim report of the Company for further information in this regard.

Exhibit:

#### ISL Result Highlights

Period end (JUN) - PKRmn	1QFY20	1QFY19	YoY	4QFY19	QoQ
Net Sales	11,545	11,232	3%	14,539	-21%
Gross Profit	1,234	1,619	-24%	1,829	-33%
Sell. / Dist. & Admin	306	175	74%	318	-4%
Non-Operating Income	65	78	-18%	(91)	-171%
EBIT	968	1,427	-32%	1,140	-15%
Financial Charges	667	285	134%	280	139%
Pre-tax Profits	301	1,142	-74%	861	-65%
Taxation	(47)	300	n/m	556	-108%
Post-tax Profits	348	841	-59%	305	14%
EPS	0.80	1.93	14%	0.70	
DPS	-	-		1.50	

#### Key Ratios

Gross Margin (%)	10.7	14.4		12.6	
Net Margin (%)	3.0	7.5		2.1	
Effective Tax Rate (%)	n/m	26.3		64.6	

Source: Company Accounts, IGI Research

No. of Shares : 435mn

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