

COMPANY UPDATE

International Steels Limited

Engineering

Recommendation	NEUTRAL	
Target Price: Dec-20		73.2
Last Closing: 25-Aug-20		74.0
Upside (%):	-	1.1
Valuation Methodology:	Discounted Cash Flow (DCF)	
Time Horizon:		4M

Market Data

Bloomberg Tkr.	ISL PA		
Shares (mn)	435.0		
Free Float Shares (mn)	130.5		
Free Float Shares (%)	30.0%		
Market Cap (PKRbn USDmn)	32.2	208.6	
Exchange	KSE 100		
Price Info.	90D	06M	12M
Abs. Return	32.2	47.2	126.4
Lo	49.9	29.9	29.9
Hi	75.0	75.0	75.0

Key Company Financials

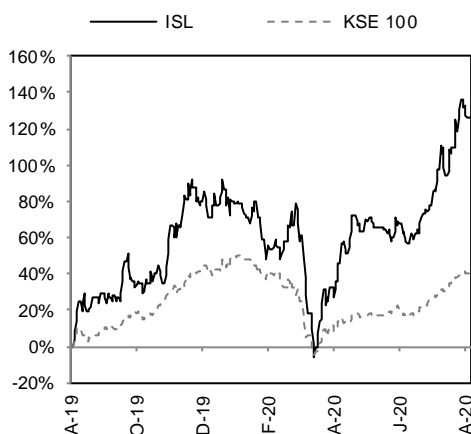
Period End: Jun

PKRbn	2019a	2020e	2021f	2022f
Total Revenue	55.1	47.5	50.3	59.3
Net Income	2.7	0.7	2.0	2.6
EPS (PKR)	6.1	1.7	4.6	6.0
DPS (PKR)	3.0	0.8	1.8	2.5
Total Assets	39.8	38.9	39.1	40.0
Total Equity	12.9	12.3	14.0	15.8

Key Financial Ratios

ROE (%)	42.8	21.6	5.9	15.1
P/E (x)	12.1	43.6	16.2	12.2
P/B (x)	2.7	2.5	2.6	2.3
DY (%)	4.1	1.0	2.4	3.4

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

Muhammad Saad

Analyst

muhammad.saad@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 816

Engineering

ISL: 4QFY20E earnings to decline by 56%QoQ to PKR 0.19/share; FY20 to close at PKR 1.70/share

- International Steels Limited (ISL) board meeting is scheduled today on 25th Aug-20 to announce financial result for 4QFY20, wherein we expect the company to post an EPS of PKR 0.19, down by almost 56%QoQ and 88%YoY.
- As against 3QFY20, net sales of the Company during 4QFY20E are expected to shy away by 31%QoQ largely on the back of anticipated reduced sales of CRC during the period amid severe lockdown situation in Sindh, where the manufacturing premises of ISL is located.
- However, we expect, better retention prices on the back of improved sales prices that are expected to push gross margins to 9.6% as against 9.0% recorded in the sequential quarter.

4QFY20E earnings to drop by 56%QoQ to PKR 0.19/share; FY20E EPS to close at PKR 1.70, pay out of PKR 0.75/share expected

International Steels Limited (ISL) board meeting is scheduled today on 25th Aug-20 to announce financial result for 4QFY20, wherein we expect the company to post net earnings of PKR 83mn (EPS: PKR 0.19), down by almost 56%QoQ and 88%YoY. This will conclude FY20E earnings to PKR 739mn (EPS: PKR 1.70), down by 72%YoY, as against profit of PKR 2.7bn (EPS: PKR 6.12) reported in the similar period of the preceding year. We expect the Company to declare a final cash dividend of PKR 0.75/share along with the result.

Key Result highlights

- As against 3QFY20, net sales of the Company during 4QFY20E are expected to shy away by 31%QoQ largely on the back of anticipated reduced sales of CRC during the period (down ~36%QoQ) amid countrywide lockdown situation, which was specifically severe in Sindh, where the manufacturing premises of ISL is located.
- However, we expect, better retention prices on the back of improved sales prices that are expected to push gross margins to 9.6% as against 9.0% recorded in the sequential quarter.
- Other expenses are expected to revert to normal levels where finance costs are expected to increase marginally by 7xQoQ. To recall, though benchmark interest rates had been substantially cut-off during 4Q, the applicable 3M KIBOR rate on borrowings would be that of 31-Mar-20, that stood at 11.22%. The benefit of low borrowing costs would thus be available from 1QFY20.

Exhibit: ISL 4QFY20E Result Preview						
Period end (JUN) - PKRmn	4QFY20E	3QFY20A	QoQ	FY20E	FY19A	YoY
Net Sales	9,052	13,128	-31%	47,545	55,062	-14%
Gross Profit	869	1,176	-26%	4,269	6,449	-34%
Sell. / Dist. & Admin	286	353	-19%	1,216	986	23%
Non-Operating Income	5	10	-51%	110	39	2.8x
EBIT	539	668	-19%	2,950	4,968	-41%
Financial Charges	428	401	7%	2,174	1,289	69%
Pre-tax Profits	111	267	-58%	776	3,679	-79%
Taxation	28	78	-64%	37	1,015	-96%
Post-tax Profits	83	190	-56%	739	2,664	-72%
EPS	0.19	0.44		1.70	6.12	
DPS	0.75	-		0.75	3.00	
Key Ratios						
Gross Margin (%)	9.6	9.0		9.0	11.7	
Net Margin (%)	0.9	1.4		1.6	4.8	
Effective Tax Rate (%)	25.0	29.1		4.7	27.6	

Source: Company Accounts, IGI Research

No. of Shares: 435mn

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Time Horizon: Dec – 2020

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Discounted Cash Flow)

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Jama Punji
 سرمایہ کاری سمجھداری کے ساتھ
<http://www.jamapunji.pk>

Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

IGI Finex Securities Limited

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Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559	Islamabad Office Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861
Faisalabad Office Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815	Rahim Yar Khan Office Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651
Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183	

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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