

International Steel Limited (ISL)

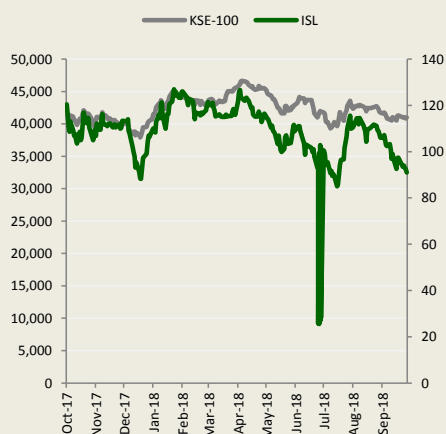
Result Review

KEY DATA

PSX Ticker	ISL
Sector	Engineering
Current Price PkR	75.77
Market Cap (PkR mn)	32,959.95
Market Cap (US\$ mn)	265.07
52 weeks High	127
52 weeks Low	75.77
Shares Outstanding (mn)	435
Free Float	40%

Source: PSX/Darson Research

RELATIVE PERFORMANCE



EPS tumbled -16%YoY owed to higher finance cost

ISL announced result today for 1QFY19, wherein the company posted an EPS OF PKR 1.93, shed -16%YoY as compared to an EPS of PKR 2.31 in consistent period last year.

For FY18 the meager upsurge of +5%YoY was witnessed in the topline of the company owed to higher selling prices. As far as gross profit is concerned it arrived at PKR 1,619mn against PKR 1,769mn, decline -8%YoY. This decline is mainly accredited to PKR depreciation and increased HRC prices. On the other hand finance cost of the company massively inclined by PKR +153%YoY to clock in at PKR 285mn, as against preceding year which was PKR 113mn, owed to increase in borrowings.

Focusing on the other income it massively increased by +202%YoY to PKR 78mn versus PKR 26mn SPLY.

PKR (mn)	1QFY19	1QFY18	YoY%
Revenue - Net	11,232	10,708	5%
Cost of Sales	9,612	8,939	8%
Gross Profit	1,619	1,769	-8%
Selling & Distribution expenses	110	104	6%
Admin Expenses	66	54	22%
Other Income	78	26	202%
Operating Profit	1,522	1,637	-7%
Financial Cost	285	113	153%
other operating charges	95	127	-25%
Profit Before Taxation	1,142	1,397	-18%
Taxation	300	394	-24%
Profit After Taxation	841	1,003	-16%
EPS	1.93	2.31	-16%

Source: Darson Research, Company Accounts

Prepared By:
 DSL Research
research@darsononline.com



Notified Research Entity

Important disclosures

This report has been prepared by Darson Securities (Pvt) Ltd. and is provided for information purposes only. Under no circumstances it is to be used or considered as an offer to sell, or a solicitation of any offer to buy. This information has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. All opinions and estimates expressed in this report constitute our present judgment only and are subject to change without notice. This report is intended for persons having professional experience in matters relating to investments.

Research Dissemination Policy:

Darson Securities (Pvt.) Ltd. endeavors to make all rightful efforts to disseminate research to all eligible clients in a timely manner through either electronic or physical distribution such as email, mail and/or fax. However, it is worth mentioning that, not all clients may receive the material at the same time.

Analyst Certification:

The research analyst(s), if any, denoted by AC on the cover of this report, who exclusively reports to the research department head, primarily involved in the preparation, writing and publication of this report, certifies that the expressed views in this report are unbiased and independent opinions of the analyst(s). The observations presented also accurately reflect the personal views of the analyst(s) based on the research about the subject companies/securities and in any case, no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. It is also important to note that the research analyst(s) or any of its close relatives do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company. Additionally, the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months. The Research analyst or its close relatives have not traded in the subject security in the past 7 days and will not trade in next 5 days.

Financial Interest Disclosure:

Darson Securities (Pvt.) Ltd. or any of its officers and directors does not have a significant financial interest (above 1% of the value of the securities of the subject company). Darson Securities (Pvt.) Ltd., their respective directors, officers, representatives, employees and/or related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise.

Risk Associated with Target Price:

Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices.

Rating System:

- | | |
|---|---------------------|
| If; | |
| • Expected return >15% | - Buy Call |
| • Expected Return is in between 0% to 15% | - Neutral/Hold Call |
| • Expected Return <0% | - Sell Call |

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: www.JamaPunji.pk

Contact Details

MALIK DIL AWAYZ AHMED , CFA
Chief Executive Officer
 Tel: +(92-21) 32471080-83
ceo@darsononline.com

SAAD PERVEZ
Equity Research Analyst
 Tel: +(92-21) 32467224
research@darsononline.com

SANTOSH KUMAR
Head of Institutional Sales
 Tel: +(92-21) 32471086-87
santosh.kumar@darsononline.com

IMRAN KHAN
Head of Retail Sales
 Tel: +(92-21) 32469678
imran.khan@darsononline.com