

Foundation Alert

INIL: Analyst Briefing Takeaways

Event

- International Industries Limited (INIL PA) held its Analyst briefing today to discuss its financial/operational performance of the company for FY21 and future outlook of the company. Following are the key takeaways of the briefing.

Impact

- INIL PA profitability clocked in at Rs5,457mn (EPS Rs41.38) in FY21 as compared to loss of Rs607mn (LPS Rs4.60) in FY20.
- Management attributes increase in profitability to (1) higher sales volume in both domestic and export market, (2) savings on account of operational efficiencies, (3) lower finance cost due to decline in working capital requirement amid lower interest rates, (4) increased profitability of polymer business and (6) better profitability of ISL due to higher HRC-CRC margins,
- In FY21 company revenue has increased by 50% YoY due to increase in prices and higher volumes. INIL management has also discussed mix of Pakistan steel market and disclosed that flat steel products and tube & pipe segment accounts for 32% market share of the domestic steel market.
- To Highlight, in domestic pipe market Fabrication/Furniture/Water & Gas Distribution/Automotive/Oil & Gas/Construction/Fencing/Other Transmission industries demand stand at 183/111/33/30/20/33/11/39 Ktons.
- Company domestic sales volume increased by 25% YoY to 135K tons and its exports increased by 71% YoY to 43K tons in FY21. Furthermore, INIL polymer segment increased by 26% YoY to 12K tons in FY21.
- INIL management also discussed key challenges ahead due to COVID outbreak and global supply chain disruptions and shared that INIL profitability would be affected by significant increase in freight cost, higher energy cost, rupee depreciation and inventory loss triggered by increased volatility in steel prices.
- Moreover, on expansion of UPVC sewerage pipes and fitting projects INIL management shared that project is expected to achieve COD in 4QFY22 with estimated cost of Rs200mn. This new project will allow company to increase its market share in PPRC market.
- Furthermore, company expects demand from largest consumers of CR tubes/black pipes (light/heavy fabrication) to remain elevated given strong rebound in economic activity and incentives offered by the Government to the construction sector.

Outlook

- The company is not in our formal coverage. However, company may benefit from (1) improving dynamics of ISL (INIL hold 55% of ISL), (2) increasing exports of the product and (3) expansions beyond borders.

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Fig 01: 4QFY21 INIL Consolidated Financial Highlights (Rs mn)

	4QFY21	4QFY20	YoY	QoQ	FY21	FY20	YoY
Net sales	26,379	13,404	97%	3%	98,746	65,657	50%
Cost of sales	21,181	12,380	71%	5%	81,178	59,773	36%
Gross Profit	5,198	1,024	408%	-6%	17,568	5,883	199%
Admin expense	195	143	37%	-36%	791	584	36%
S&D expense	945	349	171%	32%	2,525	1,711	48%
Other op charges	674	323	109%	110%	1,423	352	304%
Other Income	97	199	-51%	-469%	527	202	161%
EBIT	3,480	409	752%	-16%	13,355	3,439	288%
Financial charges	436	805	-46%	27%	1,567	3,547	-56%
PBT	3,045	(397)	-868%	-20%	11,788	(109)	-10925%
Taxation	888	(5)	-19540%	-21%	3,071	211	1352%
PAT	2,157	(392)	-650%	-20%	8,717	(320)	-2821%
NCI	1,011	(107)	-1043%	-3%	3,260	287	1037%
Profit attrib to owner	1,146	(285)	-502%	-31%	5,457	(607)	-999%
EPS	3.67	7.07			41.38	(4.60)	
GP Margins	19.7%	7.6%			17.8%	9.0%	
NP Margins	8.2%	-2.9%			8.8%	-0.5%	
Effective tax	29.2%	1.2%			26.0%	-194.2%	

Source: Company Accounts, Foundation Research, September 2021

Important disclosures:

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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.