PAKISTAN **February 7, 2022**

Foundation Alert

Anti-Dumping duty imposed on Cold Rolled Coils/Sheets

Event

- National Tariff Commission (NTC) has imposed definitive anti-dumping duties on imports of the flat-rolled products of iron or non-alloy steel from Chinese Taipei, European Union, South Korea, and Vietnam for 5 years.

Impact

- NTC has imposed definitive anti-dumping duties on imports of the flat-rolled products of iron or non-alloy steel from Chinese Taipei, European Union, South Korea, and Vietnam with duty rate (% of C&F price) of 6.18/6.50/13.24/17.25% for a period of 5 years starting from 23rd August 2021.
- The investigated product is generally used in production of automotive parts, sub-assembly/inner body parts, fabrication of goods like doors/cabinets, pipes, tubes, refrigerators, washing machines, geysers, ovens etc.
- NTC initiated anti-dumping investigation on 25th Feb 2021 concerning the dumping of the flat-rolled products of iron or non-alloy steel cold- rolled (cold- reduced), not clad, plated or coated, of prime and secondary quality, into Pakistan originating in and/or exported from the European Union, Republic of Korea, Chinese Taipei and Vietnam and material injury caused by such dumped imports to the domestic industry manufacturing CR Coils/Sheets.
- On 23rd August 2021, commission imposed provisional anti-dumping duties ranging from 6.18% to 17% for four months.
- Period of investigation (POI) of dumping is from October 1, 2019 to September 30, 2020.
- Market share of dumped imports increased from 11.63% in 2018 to 14.67% in 2020 while for domestic products market share declined from 65.62% in 2018 to 59% in 2020.
- The domestic industry suffered injury during the POI on account of decline in sales, decline in profits, profitability, return on investment, production, capacity utilization, productivity.

Outlook

- The development is a material positive for ISL as it would enhance pricing certainty for the company and bode well for company's profitability.
- Increase in international margins amid higher demand from private sector and declining market share of private importers would enhance pricing power of ISL. Subsequently, results in lower working capital requirement due to decline in operating cycle. Aforementioned factors along with favorable regulatory regime and significant share of exports is expected to improve company's profitability. Thus, we retain our "Outperform" stance on the scrip with Dec-22 Target price of Rs123.1/sh.

Analyst

Research research@fs.com.pk
+92 21 3561 2290-94 Ext 335

Important disclosures:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, 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, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: 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. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and 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. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

If

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