Sector

Engineering

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Symbol: **INIL**
Current Price: **PKR 87.72**
Market Cap (PKR bn): **11.569**
Total Shares (mn): **131.881**
Free Float (mn): **65.940**
52 Week Low: **PKR 62.40**
52 Week High: **PKR 104.80**

International Industries Limited (INIL)

In FY23, INIL's profitability improved by 5% YoY, reaching PKR 2.273 billion, compared to PKR 2.156 billion in SPLY. However, the Company's revenue experienced a substantial 30% YoY decline, falling to PKR 26.8 billion from PKR 37.9 billion in SPLY.

This noteworthy growth in profitability was achieved through several key operational measures, including maintaining lower average inventories, reducing receivables, margin enhancement, and improving the debt-to-equity ratio (from 60:40 to 55:45).

Both the cost of sales and administrative expenses decreased by 30% and 39% in FY23, respectively. However, finance costs increased by 47% to PKR 1.7 billion due to rising interest rates. Additionally, the Company's taxation burden saw a significant rise, reaching PKR 610 million in FY23, up from PKR 150 million in SPLY.

IIL Construction Solutions secured its first order from Baluchistan Livelihood and Entrepreneurship Program (BLEP), a $50 million project funded by the World Bank.

Sales of polymers and steel decreased by 4% and 40% in FY23. INIL also successfully commissioned a 1MW solar power system in Karachi, with plans for an additional 2MW installation within the next few months, out of the planned 4MW of renewable energy.

FY23 witnessed a challenge as the FATA/PATA policy allowed tax-free imports of raw materials, resulting in a serious threat to the domestic steel industry. Approximately 43,000 tons of steel were imported at lower rates, impacting total domestic steel sales, which amounted to 70,000 tons.

INIL's total power requirement in Karachi is 4MW, primarily sourced from the Company's own resources. In Punjab, the Company uses a combination of self-generated power and electricity from WAPDA.

The Company procured 30,000 tons of CRC from ISL in FY23, with 70% of the raw material sourced internally and the remaining 30% from the local market.

Export sales decreased to PKR 18 billion in FY23 due to anti-dumping policies in the USA and Canada, the Free Trade Agreement between Australia and India, and challenging political and economic conditions in Afghanistan and Sri Lanka.

In anticipation of a gas shortage during winter, the management plans to build up stock by increasing production in October and November, when gas supply is more abundant. Any expected increase in gas prices will be passed on to consumers. Additionally, the Company is exploring alternative power generation sources.

Going forward, the management outlined its strategic approach, which includes sustaining business operations, expanding into new export markets such as GCC and MENA, reaching third-tier cities, and further investing in value-added markets like construction solutions. The Company is prepared to expand its solar energy capacity beyond 4MW if necessary in the future.

The Steel industry faces several challenges, including FATA/PATA tax exemptions, currency devaluation, higher interest rates, uncertain global economic conditions, energy shortages, and increased energy costs. These challenges are likely to continue to impact the industry's performance.

Financial Highlights			
PKR million	**2023**	**2022**	**YoY Change**
Net Sales	26,787	37,858	-29%
Cost of Sales	23,365	33,189	-30%
Gross Profit	3,422	4,669	-27%
Admin Exp	1,808	2,966	-39%
Other Operating Exp	88	124	-29%
Other Operating Income	3,089	3,261	-5%
Finance Cost	1,732	1,182	47%
PBT	2,883	3,657	-21%
Taxation	610	150	307%
PAT	2,273	2,156	5%
EPS	17.23	16.3	6%
***Source: International Industries Limited, PSX**			

Important Disclosures

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