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SectorENGINEERINGChase Researchresearch@chasesecurities.com
+92-21-35293054-60Symbol: **ISL**Current Price: **PKR 79.00**Market Cap (PKR bn): **34.36**Total Shares (mn): **435.00**Free Float (mn): **152.25**52 Week High: **PKR 123.00**52 Week Low: **PKR 65.45**

International Steels Limited (ISL)

In FY26, ISL reported a net turnover of PKR 93 billion as compared to PKR 62 billion in SPLY. The gross margin increased to 11% from 9% during the same period. The company posted profit after tax of PKR 3.6 billion (EPS: PKR 8.44) in FY26 as compared to PKR 1.5 billion (EPS: PKR 3.58) in the SPLY.

Total production volumes surged by 70%, rising from 267,000 tons to 435,000 tons. Overall flat steel domestic consumption grew 25% to 1.25 million tons. ISL expanded its domestic market share by 5 percentage points to 28%, benefiting from a 9% contraction in imports.

Export volumes grew by over 100%, accounting for nearly 20% of the total sales mix, with primary growth driven by sustained penetration in the United States and preemptive shipments to the European Union.

To mitigate prohibitive gas prices exceeding PKR 4,600 per MMBTU, ISL is decommissioning its captive gas power generation. The company is installing a Static Var Generator (SVG) within weeks to supply necessary reactive power, enabling higher operational loads directly from the K-Electric grid, further augmented by a newly commissioned 6.4 MW solar power plant (currently serving 11% of energy needs), aiming to slash total energy costs from 13–14 cents/kWh down to 6–7 cents/kWh.

Even though the government trimmed the Regulatory Duty (RD) on finished steel imports by 1.0% (from 5% to 4%), it simultaneously removed the entire 2.5% duty on imported HRC raw materials. This resulted in a net 1.5% in the duty differential (from 7.5% to 9.0%), providing crucial margin cushion against foreign steel dumping.

Downstream service centers and light gauge steel framing are capturing demand in high-rise construction and industrial pre-engineered buildings. Automotive applications account for 11% of domestic CRC demand.

ISL successfully established proof of product circumvention regarding Galvalume, forcing regulatory intervention and enforcement duties. Anti-dumping duties on CRC have been formally revalidated for an additional five-year period. Regulatory applications for anti-dumping protections on color-coated steel are actively in process with the National Tariff Commission (NTC).

Sales tax leakage from FATA/PATA regions remains a competitive challenge. The government raised the FATA/PATA GST rate from 10% to 12% in the recent budget, moving toward a gradual phasing-out of tax-exempt distortions that previously created an 18% price gap.

Despite severe US protectionist measures under Section 232 (comprising cumulative 50% tariffs plus specific anti-dumping duties against major steel-producing nations like China, India, and Mexico), Pakistan remains a niche exporter. The US continues to serve as ISL's single largest export destination.

European export momentum was strong ahead of the implementation of the Carbon Border Adjustment Mechanism (CBAM). While European demand is expected to moderate due to CBAM compliance, US order pipelines remain strong enough to maintain export momentum.

ISL divested its equity stake in Chinoy Engineering, which held a contract to build a 2,000-person housing camp (Phase 1) for the Reko Diq project in Balochistan. Phase 1 faced operational slowdowns caused by local security issues, while tendering for Phase 2 (an additional 3,000-person accommodation) stalled.

Going forward, management expresses high confidence in sustaining current sales momentum, capitalizing on expanded domestic market share, and maintaining rapid inventory turns through advanced analytics.

PKR million	FY25	FY26	YoY	4QFY25	4QFY26	YoY
Net sales	62,311	93,349	50%	16,636	26,073	57%
Cost of sales	-56,967	-82,621	45%	-14,860	-22,532	52%
Gross profit	5,344	10,728	101%	1,776	3,541	99%
Gross margin	9%	11%		11%	14%	
Selling/distribution expenses	-1,567	-2,951	88%	-526	-1,006	91%
Administrative expenses	-459	-595	30%	-114	-163	43%
Operating profit	3,318	7,182	116%	1,136	2,372	109%
Depreciation & amortisation	1,957	2,216	13%	428	462	8%
EBITDA	5,275	9,397	78%	1,564	2,833	81%
Financial charges	-806	-1,214	51%	-113	-240	112%
Other income	259	143	-45%	-272	38	N/A
Other charges	-367	-982	168%	140	-302	N/A
Share of associates' profit/(loss)	45	420	833%	45	-61	N/A
Profit before tax	2,450	5,548	126%	937	1,808	93%
Taxation	-890	-1,875	111%	-329	-542	65%
Profit after tax	1,559	3,673	136%	608	1,265	108%
Net margin	3%	4%		4%	5%	
EPS (PKR)	3.58	8.44	136%	1.40	2.91	108%
DPS (PKR)	2.50	5.00	100%	2.50	3.00	20%

Source: Company financials (standalone), PSX

Important Disclosures

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