

Analysts:

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INTERNATIONAL STEELS LIMITED**Chief Executive: Mr. Samir M. Chinoy****RATING DETAILS**

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A+	A1	A+	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	November 21, 2025		October 29, 2024	

APPLICABLE METHODOLOGY(IES):

VIS Entity Rating Criteria Methodology – Industrial Corporates

(<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>)**Rating Scale:**(<https://docs.vis.com.pk/docs/VISRatingScales.pdf>)**RATING RATIONALE**

The assigned ratings reflect the business profile of ISL as a prominent and well-established player in the flat-steel sector, supported by a strong sponsor and governance profile. The industry remains inherently cyclical, with performance linked to imported raw-material availability, exchange-rate movements and energy costs; however, ISL's growing product palette and prudent risk management have enabled it to maintain relative stability within a challenging competitive landscape. Sector conditions, while still demanding, are showing early signs of normalization, aided by an improving macroeconomic backdrop, easing global steel input prices and the phased withdrawal of FATA/PATA sales-tax exemptions, which is expected to restore a more competitive field during FY26.

Ratings also incorporate ISL's sound financial risk profile, reflected in a stronger capitalization base, conservative leverage and healthy debt-service coverage. During FY25, margins were temporarily compressed due to lower fixed cost absorption under subdued demand; however, the Company's liquidity position remained solid, supported by efficient working capital management and strong banking relationships. Going forward, topline is projected to strengthen in line with recovering domestic demand and sustained export activity, while profitability is expected to improve on account of lower raw-material costs, enhanced energy efficiency following the commissioning of the solar project and operating-cost savings from the rollout of the new integrated IT and process-automation systems.

COMPANY PROFILE

International Steels Limited ('ISL' or 'the Company') was incorporated in September 2007, as a public unlisted company and eventually became listed on the Pakistan

RS. MILLION	FY23	FY24	FY25
Net Sales	76,753	69,300	62,311
PBT	5,191	4,698	2,450
PAT	3,519	3,655	1,559
Paid up call	4,350	4,350	4,350
Equity (incl. surplus on PEE)	21,684	23,197	25,111
Total Debt	4,767	4,780	5,443
Debt Leverage	1.06	1.02	1.16
Gearing	0.24	0.23	0.25
FFO	4,692	4,049	2,391
FFO/Total Debt (x)	0.98	0.85	0.44
NP Margin	4.6%	5.3%	2.5%

Stock Exchange Limited in June, 2011. ISL is a subsidiary of International Industries Limited (IIL or 'the Holding Company') which as of FY25 holds 56.3% of ISL's shareholding. Company's key shareholders also include highly rated foreign entities namely 'Sumitomo Corporation' (9.08%), which has representation on its board, and 'JFE Steel Corp' (4.74%), both of which maintain commercial ties with ISL as its key suppliers, underscoring their strategic interest in the Company's operations.

The Company is engaged in the business of manufacturing of cold rolled, galvanized and color coated steel coils and sheet. The head office of the Company is situated at Beaumont Plaza, Civil Lines, Karachi, while it has two manufacturing facilities, located in Landhi Industrial Area and Bin Qasim Industrial Park, Karachi.

GROUP PROFILE

ISL is part of Amir S. Chinoy (ASC) Group, a prominent conglomerate in the industrial sector with diverse presence in sectors including:

1. Steel and galvanized pipes through International Industries Limited (IIL)
2. Cold rolled, galvanized and color coated steel coils and sheets through ISL (which operates as a subsidiary of IIL)
3. Electrical wires and cables through Pakistan Cables Ltd
4. Engineering and construction through Chinoy Engineering & Construction (Pvt) Limited.

INDUSTRY PROFILE & BUSINESS RISK

The steel industry in Pakistan is broadly categorized into three sub-sectors: long, flat and pipes/tubes. The flat-steel segment—comprising hot-rolled coils (HRC), cold-rolled coils (CRC) and galvanized and color-coated sheets account for nearly one-third of total national steel output and serves as a critical input for the automotive, appliances, construction and engineering sectors.

VIS assesses the business-risk profile of the flat-steel industry as 'Medium,' reflecting its inherent cyclical nature, capital-intensive structure and sensitivity to energy costs. These characteristics, however, also create significant barriers to entry, which limit the number of large, integrated producers. In recent years, capacity utilization has remained subdued amid weak macroeconomic activity and price competition from imported materials and products benefiting from FATA/PATA tax exemptions. The ongoing phased withdrawal of these exemptions over the next four years is expected to restore fair competition and improve the operating environment for domestic manufacturers.

On the cost side, the industry remains exposed to foreign-exchange volatility and import restrictions due to its dependence on imported HRC, the principal raw material for flat-steel manufacturing. Both quality and price of HRC are influenced by global supply-demand conditions, international inventory cycles and policy decisions in major steel-producing countries. In addition, the sector's high energy intensity continues to render it sensitive to fluctuations in gas and electricity tariffs.

Looking ahead, the flat-steel segment is projected to witness modest recovery during FY26, supported by gradual economic stabilization, with GDP growth forecast around 3.6 % by the IMF and 4.2 % targeted by the Government of Pakistan (GoP). Implementation of anti-dumping duties, coupled with the phase-out of FATA/PATA sales-tax exemptions, is expected to promote a more equitable competitive landscape and strengthen demand for locally manufactured flat-steel products.

Product Profile & Capacity

Overall capacity utilization in the flat-steel segment has exhibited a declining trend over recent years, primarily on account of subdued domestic demand, tightening macroeconomic conditions and an uneven competitive landscape. However, the cold-rolled and color-coated segments recorded modest improvement during FY25, supported by competitive pricing strategies, the continuation of anti-dumping duties on select imported grades and the gradual phase-out of FATA/PATA sales-tax exemptions, which have started to normalize market dynamics. Growth in color-coated products was further aided by rising rural and semi-urban construction demand, reflecting increased penetration of pre-painted sheets in non-urban markets.

(Metric Tons)	Capacity vs Utilization				
CAPACITY	FY21	FY22	FY23	FY24	FY25
Cold rolled steel coil	454,000	454,000	454,000	454,000	454,000
Galvanizing	462,000	462,000	462,000	462,000	462,000
Color coated	84,000	84,000	84,000	84,000	84,000
TOTAL	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
PRODUCTION					
Cold rolled	197,228	181,137	135,270	95,477	108,045
Galvanizing	279,678	213,200	154,006	172,200	147,825
Color coated	15,478	17,037	14,268	6,185	8,168
TOTAL	492,384	411,374	303,544	273,862	264,038
UTILIZATION					
Cold rolled	43%	40%	30%	21%	24%
Galvanizing	61%	46%	33%	37%	32%
Color coated	18%	20%	17%	7%	10%
TOTAL %	49%	41%	30%	27%	26%

The Competition Commission of Pakistan (CCP) has imposed a penalty on the Company related to cartelization in the flat steel sector. The Company is in the process of filing an appeal against the order.

FINANCIAL RISK

Capital Structure

As of FY25, the Company's capitalization indicators reflected a marginal increase yet remained comfortably within conservative thresholds. Gearing and leverage were reported at 0.25x and 1.16x, respectively (FY24: 0.23x and 1.02x). Long-term borrowings declined further by year-end owing to scheduled repayments, while short-term debt levels were maintained at manageable levels throughout the year. The Company's capital structure continues to demonstrate strong financial flexibility, underpinned by low gearing and sustained liquidity buffers that reinforce its resilience through industry cycles.

Profitability

During FY25, ISL reported net sales of PKR 62.3 billion (FY24: PKR 69.3 billion), reflecting a 10 % year-on-year decline attributable to subdued domestic demand and volatility in international steel prices. Despite these macro headwinds, the Company achieved a 15 % year-on-year increase in domestic sales volumes, supported by competitive pricing and focused distribution, resulting in an overall gain in market share within the flat-steel segment. Domestic demand was weighed down by competitive pressures from FATA/PATA-based producers and higher inflows of imported material; however, the gradual phase-out of regional tax exemptions is expected to ease this imbalance in FY26.

Export volumes were constrained by trade-remedy actions in key destinations, particularly the continuation of U.S. tariffs on steel categories. Consequently, shipments to the U.S. declined by 47 % YoY, contributing around 9 % to total sales compared to 15 % in FY24. Management continues to diversify the export base toward Europe and regional Asian markets to mitigate concentration risk.

The Company's current sales mix is concentrated in the automobile and agricultural segments, where demand is primarily led by the two-wheeler industry and rural construction-linked consumption of products such as roofing sheets, buckets and fabricated frames. Both end-use sectors are expected to post gradual recovery in FY26 amid improving rural liquidity, higher infrastructure spending and stable interest-rate environment.

PRODUCT WISE SALES	FY21	FY22	FY23	FY24	FY25
Cold rolled	25,608	36,865	31,197	23,099	22,218
Galvanized product	41,353	51,327	42,479	43,276	37,540
By-product	2,836	3,232	3,078	2,924	2,553
	69,796	91,424	76,753	69,300	62,311
Cold rolled	37%	40%	41%	33%	36%
Galvanized product	59%	56%	55%	63%	60%
By-product	4%	4%	4%	4%	4%

Gross margin during FY25 declined to 8.6 % (FY24: 12.4 %) primarily on account of lower fixed-cost absorption and elevated energy costs. The impact of these cost pressures is expected to moderate in FY26 following the commissioning of the 6.4 MW solar power plant during FY25.

During the year, ISL also made a strategic investment of PKR 48.45 million in Chinoy Engineering & Construction Limited (CECL), representing a 17 % equity stake alongside group companies, International Industries Limited and Pakistan Cables Limited, which together hold 51% ownership. CECL is engaged in construction and has secured a contract with Reko Diq Mining Company for designing and constructing a permanent accommodation camp at the Copper-Gold Mines in Baluchistan. ISL recognized its share of profit amounting to PKR 44.9 million from CECL under the equity method during FY25.

Looking ahead, revenue growth is expected to improve in tandem with macroeconomic stabilization and normalization of demand, supported by a more level competitive field as the FATA/PATA sales-tax exemptions are phased out. Profitability is projected to recover on the back of declining raw-material costs, sustained energy-efficiency gains from the solar project, and operational improvements through the integration of the new SCADA-based IT and process-control system, which will enhance plant monitoring and cost visibility.

Debt Coverage & Liquidity

During FY25, the Company's current ratio remained adequate at 1.28× (FY24: 1.29×), indicating a balanced short-term liquidity position. The cash-conversion cycle lengthened marginally to 103 days (FY24: 87 days), primarily due to higher inventory levels maintained in anticipation of improved demand in FY26. All sales continued to be executed on a cash or advance-payment basis, with no credit exposure to customers. The Company typically maintains inventory equivalent to around 60 days of production requirements, along with one month of material in the procurement pipeline to ensure operational continuity.

Funds from Operations (FFO) stood at PKR 2.39 billion (FY24: PKR 4.05 billion), reflecting the impact of lower profitability; nevertheless, liquidity indicators remained strong. FFO-to-Short-Term Debt and FFO-to-Total Debt ratios were reported at 0.53× and 0.44×, respectively (FY24: 1.14× and 0.85×), while the Debt-Service-Coverage Ratio (DSCR) remained comfortable at 3.18× (FY24: 4.04×). Short-term debt coverage also remained satisfactory at 5.09× (FY24: 5.53×). Liquidity was further supported by cash and bank balances of PKR 3.4 billion at end-FY25 (FY24: PKR 2.7 billion).

FINANCIAL SUMMARY (amounts in PKR millions)				Appendix I
BALANCE SHEET	FY22	FY23	FY24	FY25
Property, Plant and Equipment	20,750	20,305	20,016	21,171
Stock-in trade	30,197	17,262	18,259	21,803
Trade debts	1,034	1,148	1,423	1,351
Cash and bank balance	896	1,765	2,708	3,437
Total Assets	55,905	42,392	44,690	50,068
Long term debt	4,263	1,433	1,220	894
Short term debt	17,360	3,334	3,560	4,549
Total debt	21,623	4,767	4,780	5,443
Trade and other payables	6,470	10,713	12,822	15,581
Total Liabilities	34,309	20,708	21,492	24,957
Paid up capital	4,350	4,350	4,350	4,350
Unappropriated profit	14,835	15,146	16,735	17,116
Total Equity	21,596	21,684	23,197	25,111
Tier-1 Equity	19,185	19,496	21,085	21,466
INCOME STATEMENT	FY22	FY23	FY24	FY25
Net Sales	91,424	76,753	69,300	62,311
Gross Profit	12,381	10,608	8,573	5,344
Operating Profit	10,430	9,221	6,010	3,318
Finance Costs	(1,323)	(2,264)	(856)	(806)
Profit Before Tax	8,001	5,191	4,698	2,450
Profit After Tax	5,412	3,519	3,655	1,559
RATIO ANALYSIS	FY22	FY23	FY24	FY25
Gross Margin (%)	13.5%	13.8%	12.4%	8.6%
Operating Margin (%)	11.4%	12.0%	8.7%	5.3%
Net Margin (%)	5.9%	4.6%	5.3%	2.5%
Funds from Operation (FFO) (PKR Mn)	7,714	4,692	4,049	2,391
FFO to Total Debt (x)	0.36	0.98	0.85	0.44
FFO to Long Term Debt (x)	1.81	3.27	3.32	2.67
Gearing (x)	1.13	0.24	0.23	0.25
Leverage (x)	1.79	1.06	1.02	1.16
Debt Servicing Coverage Ratio (x)	3.20	2.63	4.04	3.18
Current Ratio (x)	1.20	1.25	1.29	1.28
(Stock in trade + trade debts) / STD (x)	1.80	5.52	5.53	5.09
Return on Average Assets (%)	11.1%	7.2%	8.4%	3.3%
Return on Average Equity (%)	29.4%	18.2%	18.0%	7.3%
Cash Conversion Cycle (days)	138	88	87	103

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	International Steels Limited				
Sector	Steel Industry				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Outlook / Rating Watch	Rating Action
	RATING TYPE: ENTITY				
	21-Nov-25	A+	A1	Stable	Reaffirmed
	29-Oct-24	A+	A1	Stable	Reaffirmed
	24-Nov-23	A+	A1	Stable	Maintained
	10-Apr-23	A+	A1	Rating Watch - Developing	Maintained
	23-May-22	A+	A1	Stable	Reaffirmed
	12-Mar-21	A+	A1	Stable	Maintained
	20-Oct-20	A+	A1	Rating Watch- Negative	Maintained
	21-Jun-19	A+	A1	Stable	Reaffirmed
	04-Apr-18	A+	A1	Stable	Reaffirmed
	13-Jan-17	A+	A1	Stable	Initial
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meetings Conducted	S.No.	Name	Designation	Date	
	1.	Mr. Samir M. Chinoy	CEO	29-Sept, 2025	
	2.	Mr. Usman Ahmed	CFO		
	3.	Mr. Asad Ayub	Financial Controller		