INTERNATIONAL STEELS LIMITED

Shaping Tomorrow

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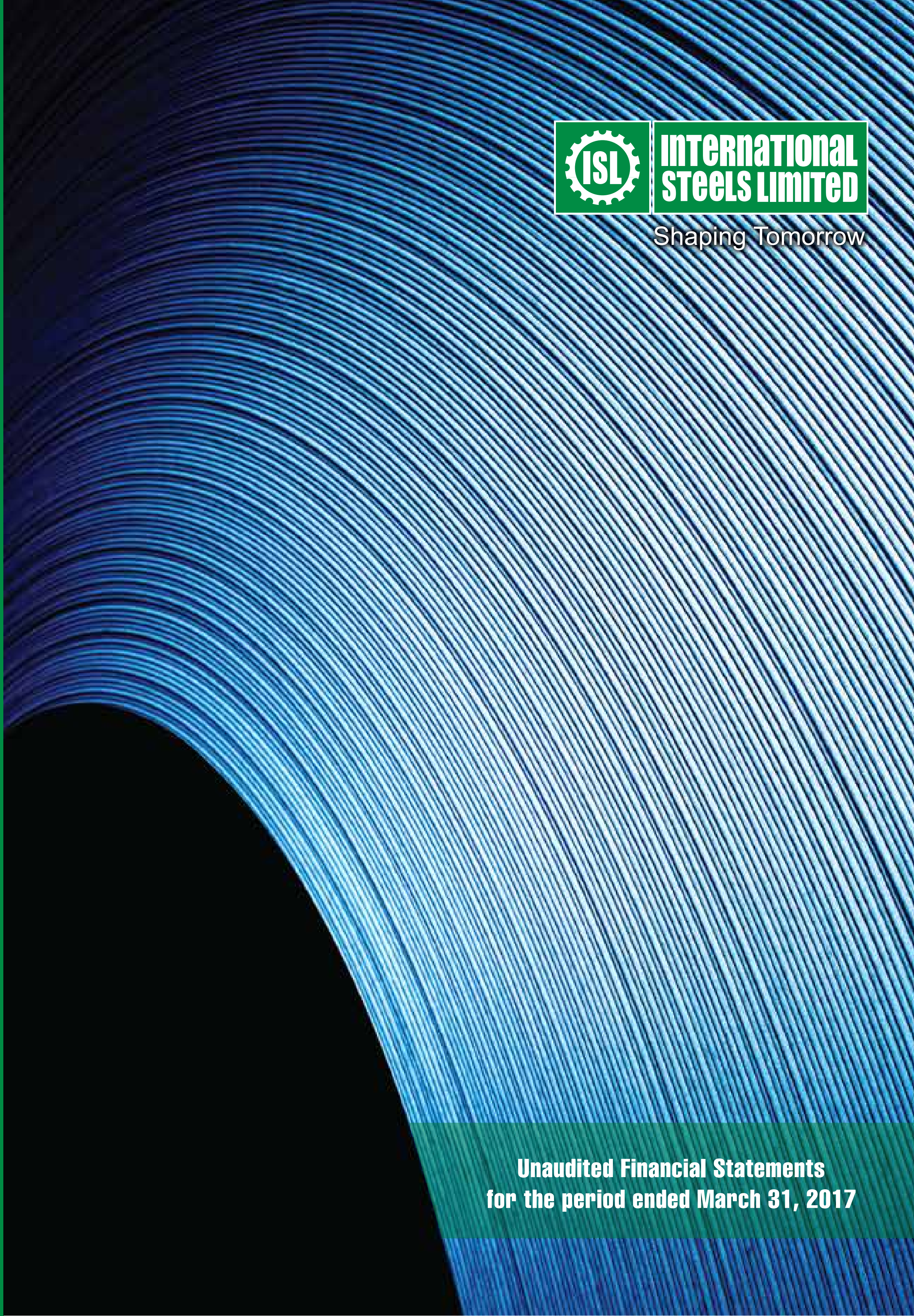

INTERNATIONAL STEELS LIMITED

Shaping Tomorrow

Unaudited Financial Statements for the period ended March 31, 2017

In the name of Allah, most Gracious, most Merciful.
This is by the Grace of Allah.

CONTENTS

Company Information

Chairman
Mr. Kemal Shoaib
Independent Chairman

Directors
Mr. Towfiq H. Chinoy
Non-Executive Director

Mr. Tariq Iqbal Khan
Independent Director

Mr. Kamran Y. Mirza
Independent Director

Syed Salim Raza
Independent Director

Syed Hyder Ali
Non-Executive Director

Mr. Kamal A. Chinoy
Non-Executive Director

Mr. Riyaz T. Chinoy
Non-Executive Director

Mr. Kazuteru Mihara
Non-Executive Director

Mr. Samir M. Chinoy
Executive Director

Chief Executive Officer
Mr. Yousuf H. Mirza
Executive Director

Chief Financial Officer
Mr. Tauqir Hasan

Company Secretary
Mr. Yasir Ali Quraishi

Internal Auditor
Mr. Usman Ahmed

External Auditors
KPMG Taseer Hadi & Co.

Bankers
Allied Bank Ltd.
Bank Al Habib Ltd.
Bank Alfalah Ltd.
Dubai Islamic Bank (Pakistan) Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd
Meezan Bank Ltd.
NIB Bank Ltd.
Samba Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.

Legal Advisor
Mrs. Sana Shaikh Fikree

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Assistant Company Secretary
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Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfer should be directed to the Shares Registrar.

Directors' Report for the period ended March 31, 2017

Directors of your company are pleased to present the financial statements for nine months ended March 31, 2017.

Sales Revenue for the nine months period ending March 31, 2017 reflected a growth of 67% and stood at Rs. 24.8 billion compared with Rs. 14.8 billion for the same period last year. Gross profit is Rs. 4.6 billion (18.4% of Sales) compared to Rs. 1.3 billion (8.8% of Sales) same period last year. The higher gross profit is mainly due to improved sales volume, margins, productivity and reduced volatility in global steel prices. As a result of these factors the profit after tax was Rs. 2.02 billion compared with Rs. 347 million, the EPS was Rs. 4.64 compared to Rs. 0.80 in the same period last year.

The profit for the third quarter at Rs. 857 million (EPS Rs. 1.97) was also a significant improvement over the profit of Rs. 425 million (EPS Rs. 0.98) for the same period last year.

The economy has shown signs of recovery supported by lower interest rates, stable foreign exchange rate and growth in the industrial sector driven by infrastructure and the engineering segment. Demand is likely to be strong as a result of opportunities emerging from the China Pakistan Economic Corridor (CPEC).

National tariff commission imposed antidumping duties on cold rolled steel and galvanized steel; (Cold Rolled: from 13.17% up to 19.04% on imports from China and Ukraine), (Galvanized Products: from 6.09% up to 40.47% on imports from China). However there are legal challenges pending in the High Court(s) of the country. It is expected that these issues will be decided upon in the coming months.

During the quarter, your Company announced a Board decision to increase capacity to 1 million tons of cold rolled steel per annum. The new capacity is expected to be commissioned in the final quarter of the 2017-2018 financial year. On completion, the Company will be able to meet the entire national demand of Galvanized Products and significantly meet growing Cold Rolled Steel needs.

Going forward, your Company’s operations may be affected due to the political and economic challenges and the volatility in the international steel prices.

We pray to Almighty Allah for the continued success of your Company.

For & behalf of
International Steels Limited

Dated: 18 April 2017
Karachi

Kemal Shoaib
Chairman

Condensed Interim Balance Sheet
As at 31 March 2017

	Note	31 March 2017 (Un-audited)	30 June 2016 (Audited)
		-------- (Rupees in '000) ---------	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	12,719,894	12,620,022
Long term deposit with Central Depository Company of Pakistan Limited		100	100
Total Non-Current Assets		12,719,994	12,620,122
Current Assets			
Stores and spares		496,698	442,597
Stock-in-trade	6	9,367,755	5,314,131
Receivable from K-Electric Limited (KE) - unsecured, considered good		39,719	40,513
Trade debts - considered good	7	730,857	520,801
Advances - considered good	8	40,152	35,069
Trade deposits, short term prepayments and other receivables	9	21,749	12,324
Sales tax receivable		375,489	410,259
Taxation - net		947,344	1,550,697
Cash and bank balances		40,995	37,615
Total Current Assets		12,060,758	8,364,006
Total Assets		24,780,752	20,984,128
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
500,000,000 (2016: 500,000,000) ordinary shares of Rs. 10 each		5,000,000	5,000,000
Issued, subscribed and paid-up capital		4,350,000	4,350,000
Unappropriated profit		3,306,564	1,818,328
Total shareholders' equity		7,656,564	6,168,328
Surplus on revaluation of property, plant and equipment - net of tax		958,978	974,298
LIABILITIES			
Non-Current Liabilities			
Long term finances - secured	10	3,943,370	4,044,973
Staff retirement benefits		24,496	24,496
Deferred taxation - net		1,634,194	810,748
Total Non-Current Liabilities		5,602,060	4,880,217
Current Liabilities			
Trade and other payables	11	8,057,783	4,694,800
Short term borrowings - secured	12	1,312,517	3,523,755
Current portion of long term finances	10	1,138,146	699,016
Accrued mark-up		54,704	43,714
Total Current Liabilities		10,563,150	8,961,285
Contingencies and Commitments	13		
Total Equity and Liabilities		24,780,752	20,984,128

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan	**Tauqir Hasan**	**Yousuf H. Mirza**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Condensed Interim Profit and Loss Account (Un-audited)

For the nine and three months period ended 31 March 2017

	Note	Nine months period ended		Three months period ended	
		31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
		---------------------------- (Rupees in '000)		----------------------------	
Net sales	14	**24,783,051**	14,820,265	**9,562,132**	6,450,056
Cost of sales	15	**(20,223,518)**	(13,514,028)	**(7,836,809)**	(5,461,968)
Gross profit		**4,559,533**	1,306,237	**1,725,323**	988,088
Administrative expenses	16	**(146,041)**	(124,904)	**(57,316)**	(49,880)
Selling and distribution expenses	17	**(250,071)**	(128,748)	**(98,028)**	(49,142)
		(396,112)	(253,652)	**(155,344)**	(99,022)
Financial charges	18	**(342,080)**	(598,766)	**(105,321)**	(176,434)
Other operating charges	19	**(320,874)**	(136,116)	**(117,029)**	(50,597)
		(662,954)	(734,882)	**(222,350)**	(227,031)
Other income	20	**91,796**	86,121	**38,664**	31,632
Profit before taxation		**3,592,263**	403,824	**1,386,293**	693,667
Taxation - net	21	**(1,575,597)**	(56,959)	**(529,366)**	(268,609)
Profit for the period		**2,016,666**	346,865	**856,927**	425,058
		---------------------------------- (Rupees)		----------------------------------	
Earnings per share - basic and diluted		**4.64**	0.80	**1.97**	0.98

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan Director & Chairman Board Audit Committee	**Tauqir Hasan** Chief Financial Officer	**Yousuf H. Mirza** Chief Executive Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine and three months period ended 31 March 2017

	Nine months period ended		Three months period ended	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
	(Rupees in '000)			
Profit for the period	**2,016,666**	346,865	**856,927**	425,058
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income for the period	**2,016,666**	346,865	**856,927**	425,058

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan	**Tauqir Hasan**	**Yousuf H. Mirza**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended 31 March 2017

	Note	Nine months period ended	
		31 March 2017	31 March 2016
CASH FLOWS FROM OPERATING ACTIVITIES		-------- (Rupees in '000) ---------	
Profit before taxation		**3,592,263**	403,824
Adjustments for:			
Depreciation		**580,461**	521,173
Amortisation		**-**	413
Gain on disposal of property, plant and equipment		**(2,053)**	(6,304)
Provision for staff gratuity		**14,092**	8,172
Provision for compensated absences		**7,135**	3,905
Financial charges		**342,080**	598,766
		941,715	1,126,125
Movement in working capital	22	**(934,621)**	1,336,061
Net cash generated from operations		**3,599,357**	2,866,010
Financial charges paid		**(331,090)**	(706,687)
Gratuity paid		**(14,092)**	(8,172)
Compensated absences paid		**(6,557)**	(14,014)
Tax (paid) / adjusted - net		**(148,798)**	42,557
		(500,537)	(686,316)
Net cash generated from operating activities		**3,098,820**	2,179,694
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(692,093)**	(385,454)
Proceeds from sale of property, plant and equipment		**13,813**	11,118
Net cash used in investing activities		**(678,280)**	(374,336)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / (repayment) of long term financing - net		**337,527**	(457,398)
Dividend paid		**(543,449)**	(6)
Net cash used in financing activities		**(205,922)**	(457,404)
Net increase in cash and cash equivalents		**2,214,618**	1,347,954
Cash and cash equivalents at beginning of the period		**(3,486,140)**	(4,031,731)
Cash and cash equivalents at end of the period		**(1,271,522)**	(2,683,777)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		**40,995**	32,032
Short term borrowings		**(1,312,517)**	(2,715,809)
		(1,271,522)	(2,683,777)

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Tauqir Hasan
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

Condensed Interim Statement of Changes in Equity (Un-audited)

For the nine months period ended 31 March 2017

	Issued, subscribed & paid-up capital	Unappropriated profit / (loss)	Total
	----------------(Rupees in '000)----------------		
Balance as at 01 July 2015	4,350,000	628,114	4,978,114
Total comprehensive income for the nine months period ended 31 March 2016			
Profit for the period	-	346,865	346,865
Total other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	346,865	346,865
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	8,689	8,689
Balance as at 31 March 2016	**4,350,000**	**983,668**	**5,333,668**
Balance as at 01 July 2016	4,350,000	1,818,328	6,168,328
Total comprehensive income for the nine months period ended 31 March 2017			
Profit for the period	-	2,016,666	2,016,666
Total other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	2,016,666	2,016,666
Transactions with the owners of the Company - distribution			
Dividend:			
-Final dividend @ 12.50% (Rs. 1.25 per share) for the year ended 30 June 2016	-	(543,750)	(543,750)
Total transactions with owners of the Company	-	(543,750)	(543,750)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	15,320	15,320
Balance as at 31 March 2017	**4,350,000**	**3,306,564**	**7,656,564**

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan	Tauqir Hasan	Yousuf H. Mirza
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on 03 September 2007 as a public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. The Company was listed on the Pakistan Stock Exchange Limited on 01 June 2011 as a result of divestment of shares by International Industries Limited ('the Holding Company') ('IIL'). The Company is in the business of manufacturing of Cold Rolled, Galvanized and Colour Coated Steel Coils and Sheets. The Company commenced commercial operation on 01 January 2011. The Company is a subsidiary of IIL. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information of the Company for the nine months period ended 31 March 2017 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance,1984 have been followed.

2.1.2 This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements as at and for the year ended 30 June 2016.

2.1.3 This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange Limited vide section 245 of the Companies Ordinance, 1984.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except that the land and buildings are stated at fair values determined by an independent valuer and the Company's liability under its defined benefit plan (gratuity) which is determined on the present value of the defined benefit obligations determined by an independent actuary.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is also the Company's functional currency and all financial information presented has been rounded-off to the nearest thousand Rupee except where stated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2016. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimating the uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2016.

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2016.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress	Total
	----------------(Rupees in '000)----------------		
Cost / revalued amount			
Opening balance	14,936,346	173,641	15,109,987
Additions	109,875	656,061	765,936
Disposal / transfer / adjustment	1,881	(109,875)	(107,994)
	15,048,102	719,827	15,767,929
Accumulated depreciation			
Opening balance	(2,489,965)	-	(2,489,965)
Charge for the period	(580,461)	-	(580,461)
Disposal / transfer / adjustment	22,391	-	22,391
	(3,048,035)	-	(3,048,035)
Written down value as at 31 March 2017 (Un-audited)	**12,000,067**	**719,827**	**12,719,894**
Written down value as at 30 June 2016 (Audited)	12,446,381	173,641	12,620,022

		Note	31 March 2017 (Un-audited)	30 June 2016 (Audited)
6.	**STOCK-IN-TRADE**		------- (Rupees in '000) -------	
	Raw material - in hand		**2,964,113**	2,192,576
	- in transit		**2,685,003**	932,278
	Work-in-process		**997,888**	546,887
	Finished goods		**2,720,751**	1,602,250
	Scrap material		**-**	40,140
			9,367,755	5,314,131
7.	**TRADE DEBTS - considered good**			
	- Secured	7.1 & 7.2	**225,890**	517,972
	- Unsecured		**504,967**	2,829
			730,857	520,801

7.1 This represents trade debts arising on account of export sales of Rs. 130.3 million (30 June 2016: Rs. 467.95 million) which are secured by way of Export Letters of Credit and Rs. 95.6 million (30 June 2016: Rs. 50.02 million) arising on account of domestic sales which are secured by way of Inland Letter of Credit.

7.2 Trade debts include an amount of Rs. Nil (30 June 2016: Rs. 91.40 million) receivable from a related party.

		Note	31 March 2017 (Un-audited)	30 June 2016 (Audited)
8.	**ADVANCES - considered good**		------- (Rupees in '000) -------	
	Advances:			
	- to suppliers		**40,152**	35,059
	- to employees		**-**	10
			40,152	35,069

8.1 These advances are non-interest bearing.

		Note	31 March 2017 (Un-audited)	30 June 2016 (Audited)
9.	**TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES**			
	Trade deposits		**6,963**	3,948
	Short term prepayments		**14,103**	6,280
	Others receivables	9.1	**683**	2,096
			21,749	12,324

9.1 Other receivables includes rent receivable from a related party amounting to Rs.0.38 million (30 June 2016: Rs. 0.47 million).

9.2 The trade deposites and other receivable are non-interest bearing.

	Note	31 March 2017 (Un-audited)	30 June 2016 (Audited)
10. LONG TERM FINANCES - secured		------- (Rupees in '000) -------	
Conventional			
Long Term Finance Facility (LTFF)	10.1	**1,963,461**	1,988,433
Long term finance	10.2 & 10.3	**1,472,222**	1,755,556
Islamic			
Long term finance	10.4 & 10.5	**1,645,833**	1,000,000
		5,081,516	4,743,989
Current portion of long term finances shown under current liabilities		**(1,138,146)**	(699,016)
		3,943,370	4,044,973

10.1 This finance has been obtained from commercial bank and is secured by way of pari passu charge over fixed assets of the Company.

10.2 Long term finance amounting to Rs. 622.2 million (30 June 2016: Rs. 755.6 million) has been obtained from commercial bank and is secured by way pari passu charge over fixed assets of the Company.

10.3 Long term finance amounting to Rs. 849.8 million (30 June 2016: Rs. 1,000 million) has been obtained from commercial bank and is secured by way of ranking charge over fixed assets of the Company.

10.4 Long term finance amounting to Rs. 812.5 million (30 June 2016: Rs. 1,000 million) has been obtained from Islamic financial institution and is secured by way of pari passu charge over fixed assets of the Company.

10.5 Long term finance amounting to Rs. 833.3 million (30 June 2016: Nil) has been obtained from Islamic financial institution and is secured by way of pari passu charge over fixed assets of the Company.

	Note	31 March 2017 (Un-audited)	30 June 2016 (Audited)
11. TRADE AND OTHER PAYABLES		------- (Rupees in '000) -------	
Trade creditors		**5,951,704**	3,622,348
Derivative financial liabilities		-	8,286
Sales commission payable		**62,908**	34,653
Accrued expenses		**811,626**	426,750
Advances from customers		**425,479**	177,170
Provision for infrastructure cess	11.1	**478,580**	362,076
Provision for government levies		**257**	409
Dividend payable		**301**	-
Unclaimed dividend		**384**	384
Short term compensated absences		**4,578**	4,000
Workers' Profit Participation Fund		**193,294**	13,817
Workers' Welfare Fund		**118,435**	41,337
Others		**10,237**	3,570
		8,057,783	4,694,800

		Note	31 March 2017 (Un-audited)	30 June 2016 (Audited)
11.1	**Movement of infrastructure cess**		------- (Rupees in '000) -------	
	Opening balance		**362,076**	287,508
	Provided during the period		**116,504**	74,568
	Closing balance		**478,580**	362,076

This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (Refer note 13.1.1).

11.2 Trade creditors includes Rs. 5,017.2 million (30 June 2016: Rs. 3,299.7 million) payable to a related party.

		Note	31 March 2017 (Un-audited)	30 June 2016 (Audited)
12.	**SHORT TERM BORROWINGS - secured**		------- (Rupees in '000) -------	
	Conventional			
	Running finance under mark-up arrangement	12.1	**70,323**	2,663,844
	Running finance under Export Refinance Scheme	12.2	**1,118,500**	-
	Islamic			
	Short term finance under Term Musharakah	12.3	-	820,809
	Short term finance under Running Musharakah	12.4	**123,694**	39,102
			1,312,517	3,523,755

12.1 The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rates of mark-up on these finances range from 5.89% to 8.00% (30 June 2016: 6.04% to 9.68%) per annum. These facilities mature within twelve months and are renewable.

12.2 The Company has borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. This facility is available as a sub - limit of short term finance facility. The rate of mark-up on this facility is 2.15% (30 June 2016: 3.96%) per annum. This facility matures within six months and is renewable.

12.3 The Company has obtained facilities for short term finance under Term Musharakah arrangement. The rate of profit is 6.31% to 6.45% (30 June 2016: 6.07% to 6.58%) per annum. This facility matures within twelve months and is renewable.

12.4 The Company has obtained facilities for short term finance under Running Musharakah arrangement. The rate of profit is 6.11% to 6.24% (30 June 2016: 6.55% to 7.18%) per annum. This facility matures within twelve months and is renewable.

12.5 As at 31 March 2017, the unavailed facilities from the above borrowings amounted to Rs. 10,087.48 million (30 June 2016: Rs. 7,876.24 million).

12.6 The above facilities are secured by way of joint and pari passu charges over current assets of the Company.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 The Sindh Finance Act, 1994 prescribed an infrastructure fee at the rate of 1% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court of Sindh on petition filed by the petitioner, passed an interim order directing that every Company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount as directed. Bank guarantees issued as per the above mentioned interim order amount to Rs. 496.5 million (2016: Rs. 376.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been made for by the Company on prudent basis (Note 11.1).

13.1.2 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including 'Sui Southern Gas Company' (SSGC)) shall collect and pay Gas Infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was applicable on the Company. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on the Company was increased to Rs. 100 per MMBTU. On 01 August 2012, the Company filed a suit bearing number 859/2012 wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Honourable High Court of Sindh at Karachi vide its ad-interim order dated 06 September 2012 has restrained SSGC from charging GID Cess above Rs. 13 per MMBTU. As a result, SSGC invoiced to the Company at Rs. 13 per MMBTU which has been recorded.

Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned Cess, as absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction therefore under the Constitution, hence, are declared as such and set at naught. However, Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court. On 22 August 2014, Supreme Court of Pakistan upheld the decision of the Peshawar High Court stating the GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

During the year 2014-15, the Government passed a new law 'Gas Infrastructure Development Cess Act 2015' - 'The Act', by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 100 per MMBTU on industrial and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded to the extent of self consumption a provision of Rs. 380.8 million (from 01 July 2011 till 22 May 2015) in this condensed interim financial information. However, inspite of the decision of the High Court of Sindh on 26 October 2016 which held that GIDC Act,2015 ultra vires the Constituition, the Company on prudent basis has maintained the provision recognized after the passage of the Act.

Further the Company has not recognized GIDC amounting to Rs. 711 million (2016: 633 million) pertaining to period from 01 July 2011 to 31 March 2017 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

13.1.3 Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the High Court of Sindh in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 07 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Company based on legal counsels' advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the High Court of Sindh or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable.

Further, based on the tax expert's advice obtained during the quarter, accumulated minimum tax liability under Section 113 of the Income Tax Ordinance, 2001 (the Ordinance) of Rs. 431 million was determined from the tax years 2013 till 2015 and an amount of Rs. 248 million on account of Alternate Corporate Tax (ACT) for the tax year 2016 under Section 113(C) of the Ordinance. However, based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projections and tax credits available to the Company under section 65(B) of the Income Tax Ordinance, 2001, accumulated minimum tax liability and Alternate Corporate Tax net of tax credit under section 65(B) amounting to Rs. 157 million has not been recorded in this condensed interim financial information for the period ended 31 March 2017.

Additionally, during the period, provision for taxation has been made based on the income for the period determined in accordance with the prevailing law for taxation of income. The charge for tax is calculated using prevailing tax rates.

13.1.4 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 265.24 million (2016: Rs. 262.7 million) as a security for supply of gas.

13.1.5 Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 5.5 million (2016: Rs. 5.5 million).

13.1.6 Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (2016: Rs. 8.67 million).

13.1.7 Guarantees and post dated cheques issued in favour of Nazir High Court issued by bank on behalf of the Company amounted to Rs. 126.91 million (2016: Rs. 2.65 million).

13.2 Commitments

13.2.1 Capital expenditure commitments outstanding as at 31 March 2017 amounted to Rs. 1,002.69 million (2016: Rs. 320.07 million).

13.2.2 Commitments under Letters of Credit for raw materials and spares as at 31 March 2017 amounted to Rs. 9,823.15 million (2016: Rs. 6,578.36 million).

13.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 March 2017 amounted to Rs. 6,841.5 million (2016: Rs. 7,934.6 million) and Rs. 190 million (2016: Rs. 194 million) respectively.

	Nine months period ended		Three months period ended	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
	---------- (Un-audited) ----------			
14. NET SALES	---------- (Rupees in '000) ----------			
Local	**25,932,808**	15,858,492	**10,239,292**	7,009,544
Export	**3,062,790**	1,567,876	**1,002,680**	595,972
	28,995,598	17,426,368	**11,241,972**	7,605,516
Toll manufacturing	**1,117**	7,678	**281**	832
	28,996,715	17,434,046	**11,242,253**	7,606,348
Sales tax	**(3,896,654)**	(2,417,831)	**(1,528,865)**	(1,061,579)
Trade discounts	**(7,989)**	(27,998)	**(3,628)**	(15,316)
Sales commission	**(309,021)**	(167,952)	**(147,628)**	(79,397)
	(4,213,664)	(2,613,781)	**(1,680,121)**	(1,156,292)
	24,783,051	14,820,265	**9,562,132**	6,450,056
15. COST OF SALES				
Opening stock of raw material and work-in-process	**2,739,463**	2,576,275	**4,360,604**	1,512,476
Purchases	**21,479,613**	11,272,475	**8,365,946**	5,375,806
Salaries, wages and benefits	**308,504**	242,786	**122,759**	89,748
Electricity, gas and water	**734,638**	646,665	**254,118**	283,917
Insurance	**14,076**	12,740	**4,943**	4,696
Security and janitorial	**14,190**	15,321	**4,757**	5,046
Depreciation	**538,054**	463,785	**177,591**	166,585
Amortisation	**-**	413	**-**	138
Stores and spares consumed	**60,676**	68,160	**22,716**	29,413
Repairs and maintenance	**53,127**	62,972	**18,999**	28,935
Postage, telephone and stationery	**4,624**	3,722	**2,061**	1,465
Vehicle, travel and conveyance	**10,731**	13,272	**3,059**	5,359
Internal material handling	**13,513**	7,001	**5,972**	3,913
Environment controlling expense	**1,305**	1,080	**419**	360
Computer stationery and software support fees	**4,854**	2,287	**931**	748
Partial manufacturing expense	**101,249**	10,768	**101,249**	-
Sundries	**12,669**	7,093	**8,274**	3,901
Recovery from sale of scrap	**(787,266)**	(482,237)	**(321,627)**	(204,271)
	25,304,020	14,924,578	**13,132,771**	7,308,235
Closing stock of raw material and work-in-process	**(3,962,001)**	(2,205,820)	**(3,962,001)**	(2,205,820)
Cost of goods manufactured	**21,342,019**	12,718,758	**9,170,770**	5,102,415
Finished goods:				
Opening stock	**1,602,250**	1,552,343	**1,386,790**	1,116,626
Closing stock	**(2,720,751)**	(757,073)	**(2,720,751)**	(757,073)
	(1,118,501)	795,270	**(1,333,961)**	359,553
	20,223,518	13,514,028	**7,836,809**	5,461,968

	Note	Nine months period ended		Three months period ended	
		31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
		(Un-audited)			
16. ADMINISTRATIVE EXPENSES		(Rupees in '000)			
Salaries, wages and benefits		**97,318**	74,160	**39,825**	23,989
Rent, rates and taxes		**4,510**	3,175	**946**	950
Electricity, gas and water		**1,506**	794	**312**	195
Insurance		**1,495**	1,287	**590**	459
Depreciation		**4,195**	4,194	**1,370**	1,523
Printing and stationery		**1,683**	1,394	**273**	72
Postage and communication		**557**	535	**193**	138
Vehicle, travel and conveyance		**4,988**	3,598	**1,585**	1,123
Legal and professional charges		**20,841**	29,808	**8,974**	19,101
Certification and registration charges		**714**	469	**168**	149
Directors' fee		**2,280**	2,100	**1,080**	600
Others		**5,954**	3,390	**2,000**	1,581
		146,041	124,904	**57,316**	49,880
17. SELLING AND DISTRIBUTION EXPENSES					
Salaries, wages and benefits		**47,052**	34,936	**19,127**	12,146
Rent, rates and taxes		**8,080**	6,028	**2,801**	1,838
Electricity, gas and water		**1,429**	721	**302**	194
Insurance		**522**	353	**231**	161
Depreciation		**2,725**	2,459	**968**	828
Postage, telephone and stationery		**1,631**	1,133	**646**	470
Vehicle, travel and conveyance		**7,380**	6,965	**2,483**	1,771
Freight and forwarding charges		**162,808**	63,851	**66,284**	28,166
Repairs and maintenance		**473**	463	**87**	139
Sales promotion		**10,583**	8,041	**3,550**	2,252
Others		**7,388**	3,798	**1,549**	1,177
		250,071	128,748	**98,028**	49,142
18. FINANCIAL CHARGES					
Mark-up on:					
- Long term finances		**245,851**	336,272	**80,325**	113,726
- Short term borrowings		**89,937**	185,771	**22,481**	60,257
	18.1	**335,788**	522,043	**102,806**	173,983
Exchange loss on FE financing		**-**	69,089	**-**	-
Interest on Workers Profit Participation Fund		**85**	-	**-**	-
Bank charges		**6,207**	7,634	**2,515**	2,451
		342,080	598,766	**105,321**	176,434

18.1 It includes mark-up under shariah compliant arrangements amounting to Rs 123.76 million (31 March 2016: Rs. 146.72 million).

	Note	Nine months period ended		Three months period ended	
		31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
		(Un-audited)			
19. OTHER OPERATING CHARGES		(Rupees in '000)			
Auditors' remuneration		**1,690**	1,660	**415**	444
Donations		**17,309**	2,190	**12,269**	-
Workers Welfare Fund		**77,255**	8,684	**29,813**	8,684
Workers Profit Participation Fund		**193,137**	21,711	**74,532**	21,711
Loss on derivative financial instruments		**31,483**	10,524	**-**	-
Exchange loss		**-**	91,347	**-**	19,758
		320,874	136,116	**117,029**	50,597
20. OTHER INCOME					
Income from non-financial assets					
Income from power generation	20.1	**31,834**	30,459	**12,210**	10,594
Recovery of shared resources cost		**28,866**	24,757	**9,625**	8,906
Gain on sale of property, plant and equipment		**2,053**	6,304	**309**	3,364
Rental income		**1,451**	1,489	**481**	631
Exchange gain		**8,370**	-	**1,943**	-
Others		**18,684**	22,745	**14,044**	8,137
		91,258	85,754	**38,612**	31,632
Income / return from financial assets					
Interest on bank deposits		**538**	367	**52**	-
		91,796	86,121	**38,664**	31,632
20.1 Income from power generation					
Net sales		**310,929**	339,648	**104,654**	113,161
Cost of electricity produced		**(279,095)**	(309,189)	**(92,444)**	(102,567)
		31,834	30,459	**12,210**	10,594
21. TAXATION - net					
- Current		**(615,831)**	(15,679)	**(271,251)**	(5,960)
- Prior		**(136,320)**	-	**-**	-
- Deferred		**(823,446)**	(41,280)	**(258,115)**	(262,649)
		(1,575,597)	(56,959)	**(529,366)**	(268,609)

	31 March 2017 (Un-audited)	30 June 2016 (Audited)
	------- (Rupees in '000) -------	
22. MOVEMENT IN WORKING CAPITAL		
(Increase) / decrease in current assets:		
Stores and spares	**(54,101)**	(88,862)
Stock-in-trade	**(2,300,899)**	1,165,162
Receivable from K-Electric Limited	**794**	9,139
Trade debts	**(210,056)**	(119,428)
Advances	**(5,083)**	(5,954)
Trade deposits, short term prepayments and other receivables	**(9,425)**	(1,042)
Sales tax receivable	**34,770**	(352,556)
	(2,544,000)	606,459
Increase in current liabilities:		
Trade and other payables	**1,609,379**	729,602
	(934,621)	1,336,061

23. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise the Holding Company, associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (provident fund) are made as per the terms of employment and contributions to the defined benefit plan (gratuity fund) are made on the basis of latest actuarial advice. Remuneration of key management personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:

	Nine months period ended		Three months period ended	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
	------------------------ (Un-audited) ------------------------			
TRANSACTIONS	---------------------- (Rupees in '000) ----------------------			
Holding company				
Sales	**4,701,633**	1,805,973	**2,770,455**	548,569
Purchases	**3,606**	2,384	**910**	417
Partial Manufacturing	**118,461**	12,599	**118,461**	-
Toll Manufacturing - sales	**28**	4,593	**-**	10
Store items - sales	**-**	215	**-**	215
Store items - purchases	**-**	634	**-**	-
Dividend paid	**306,319**	-	**-**	-
Office rent	**7,217**	7,917	**1,939**	2,639
Recovery of shared resources cost	**28,866**	24,757	**9,625**	8,906
Corporate, legal and marketing services	**5,744**	1,083	**1,558**	-
Reimbursement of Expenses	**1,562**	653	**86**	328

	Nine months period ended		Three months period ended	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
	---- (Un-audited) ----			
	---- (Rupees in '000) ----			
Associated Companies / Undertaking				
Sales	**568,156**	111,833	**242,976**	102,964
Purchases	**10,654,276**	7,284,166	**4,262,787**	3,579,290
Rental Income	**1,451**	1,489	**481**	631
Dividend paid	**49,347**	-	**-**	-
Sales Commission	**210**	-	**201**	-
Associated Person				
Sales commission	**-**	446	**-**	-
Key Management Personnel				
Remuneration and benefits	**128,830**	90,422	**52,406**	30,219
Staff retirement benefits	**9,060**	5,360	**3,682**	2,291
Staff Retirement Fund				
Contribution paid - Provident Fund	**21,665**	18,957	**8,597**	6,534
Contribution paid - Gratuity Fund	**14,092**	8,172	**4,697**	2,724

24. OPERATING SEGMENTS

24.1 This condensed interim financial information have been prepared on the basis of a single reportable segment.

24.2 Revenue from sales of steel products represents 99% (31 March 2016: 98%) of total revenue whereas remaining represent revenue from sale of surplus electricity to K-Electric Limited (KE). The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its Galvanizing plant and Cold Rolling Plant and currently any excess electricity is sold KE.

24.3 All non-current assets of the Company as at 31 March 2017 are located in Pakistan.

24.4 89% (2016: 91%) of sales of steel sheets are domestic sales whereas 11% (2016: 9%) of sales are export / foreign sales.

	Nine months period ended		Three months period ended	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
24.5 Geographic Information	---- (Rupees in '000) ----			
Domestic Sales	**25,933,925**	15,866,170	**10,239,573**	7,010,376
Export Sales	**3,062,790**	1,567,876	**1,002,680**	595,972
	28,996,715	17,434,046	**11,242,253**	7,606,348

25. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information were authorized for issue by the Board of Directors on 18 April 2017.

Tariq Iqbal Khan	**Tauqir Hasan**	**Yousuf H. Mirza**
Director & Chairman	Chief Financial Officer	Chief Executive Officer
Board Audit Committee		