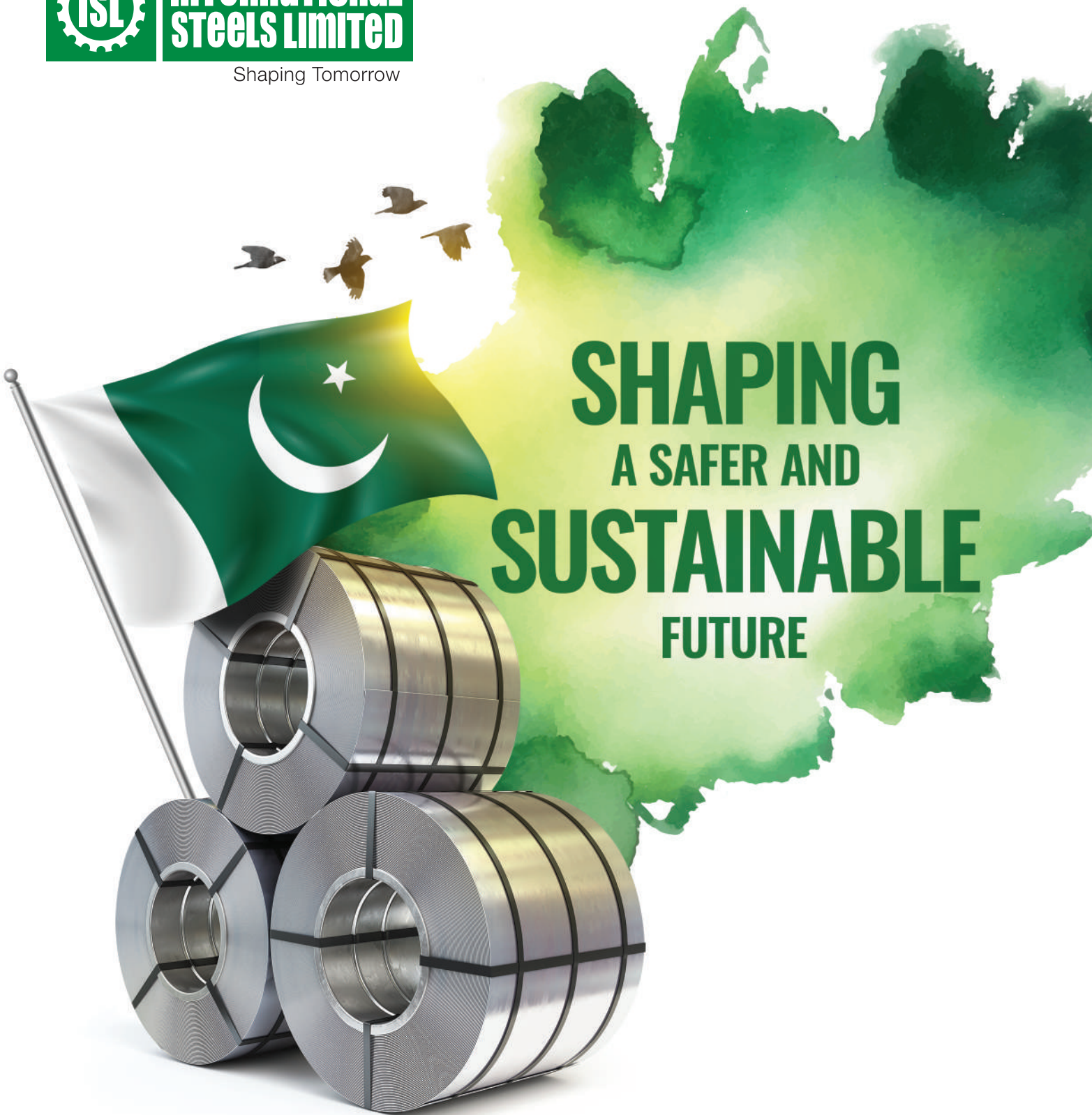




Shaping Tomorrow



UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2021



UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2021

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COMPANY INFORMATION

Chairman (Independent)

Dr. Amjad Waheed

Independent Directors

Mr. Babar Badat

Ms. Nausheen Ahmad

Mr. Nihal Cassim

Non-Executive Directors

Mr. Fuad Azim Hashimi

Mr. Haroun Rashid

Mr. Kamal A. Chinoy

Mr. Mustapha A. Chinoy

Mr. Shuji Tsubota

Director & Chief Executive Officer

Mr. Yousuf H. Mirza

Director & Chief Operating Officer

Mr. Samir M. Chinoy

Chief Financial Officer

Mr. Mujtaba Hussain

Company Secretary

Mr. Mohammad Irfan Bhatti

Chief Internal Auditor

Mrs. Asema Tapal

External Auditors

A. F. Ferguson & Co., Chartered Accountants

Legal Advisor(s)

Mrs. Sana Shaikh Fikree

Investor Relations Contact

Shares Registrar

THK Associates (Pvt.) Ltd

Plot No. 32-C, Jami Commercial Street 2

D.H.A., Phase VII, Karachi-75500

Phone: +92 21-35890051 Mobile: +92 334-2404222

Email: info@thk.com.pk

Registered Office

101, Beaumont Plaza, 10, Beaumont Road, Karachi – 75530

Telephone Numbers : +9221-35680045-54

UAN : +92 21-111-019-019

Fax : +92 21-35680373

E-mail : irfan.bhatti@isl.com.pk

Lahore Office

Chinoy House, 6 Bank Square, Lahore - 54000

Telephone Nos: +92 42-37229752-55,

UAN: +92 42-111-019-019

Fax: +92 42-37249755 E-Mail: lahore@isl.com.pk

Islamabad Office

Office No. 303-A, 3rd Floor Evacuee Trust Complex

Sector F-5/1 Agha Khan Road, Islamabad.

Telephone Nos: +92 51-2823041 - 2 Fax: 051-28230413

Multan Office

Office No. 708-A, "The United Mall", Plot No. 74

Abdali Road, Multan

Telephone Nos: +92 61-4570571

Factory

399 - 404, Rehri Road, Landhi, Karachi.

Telephone Nos: +92 21-35013104 - 5

Fax: +92 21 35013108 E-mail: info@isl.com.pk

Service Center

Plot# LE-73-79, 102-103, 112-118, 125-129

Survey # NC.98, Near Arabian Country Club,

National Industrial Park, Bin Qasim, Karachi

Website

www.isl.com.pk

Bankers

Allied Bank Limited

Bank Al Habib Limited

Bank Alfalah Limited

Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

Industrial and Commercial Bank of China Limited

MCB Bank Limited

MCB Islamic Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Samba Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

DIRECTORS' REPORT

FOR THE PERIOD ENDED SEPTEMBER 30, 2021

The Directors of your company are pleased to present the financial statements for the quarter ended September 30, 2021.

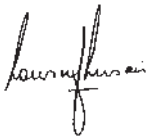
The economic growth of 3.94% last year, started showing signs of slow down in the first quarter. Large-Scale Manufacturing grew by 12.74% as compared to last year. The agricultural output is expected to increase this year as a result of Government's special focus on agriculture sector. The trade deficit continues to rise and weakening current account deficit exerts pressure on the exchange rate. The Pak Rupee has depreciated by 9% during the quarter. Inflation at 8.58% remains another concern with increasing trend in global commodity prices and depreciating Pak Rupee. State Bank of Pakistan during the quarter raised the policy rate by 25 bps which is expected to be further increased in the coming months to curb inflationary pressures.

The international steel prices remained at record high levels of around USD 1,000 during the quarter. The steel production in China has slowed down due to reduced momentum in real estate sector and regulatory restrictions imposed on steel production due to environmental concerns and withdrawal of export related rebates. The steel demand in developed economies is gathering pace as it recovers after COVID lockdown. Freight rates and port congestion levels have reached record highs resulting in limited availability of container cargo.

The Company continues to benefit from the strong demand recovery post COVID, registering net sales of Rs. 24.5 bn as compared to Rs. 15.67 bn reflecting a growth of 56% over last year. The sales growth was strong in both domestic and export markets. Exports remained strong despite logistical challenges due to port congestion in major markets. PAT and earnings per share grew by 3.8 times at Rs.2,668 million and Rs. 6.13 over same period last year.

Consistent demand, proactive and accommodative policy measures by the Government and the State Bank of Pakistan and the recommencement of IMF program would further improve the market conditions. The Rs.1.27 Bn debottlenecking project to expand Cold Rolled capacity remains on track for completion in the second half of the year. We thank the management and staff for their untiring efforts in achieving our goals.

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



Yousuf H. Mirza
Chief Executive Officer



Dr. Amjad Waheed
Chairman

Karachi: October 26, 2021

ڈائریکٹرز رپورٹ

30 ستمبر 2021 کو ختم ہونے والی سہ ماہی کیلئے

کمپنی کے ڈائریکٹرز 30 ستمبر 2021 کو ختم ہونے والی سہ ماہی کیلئے مالیاتی تفصیلات بخوشی پیش کر رہے ہیں۔

گزشتہ سال 3.94 فیصد کا معاشی نمو پہلی سہ ماہی میں سست روی کے آثار کو ظاہر کرتا ہے۔ وسیع پیمانے پر صنعت سازی میں گزشتہ سال کے مقابلے میں 12.74 فیصد کا اضافہ ہوا۔ زرعی شعبہ جات پر حکومت کی جانب خصوصی توجہ کے باعث اس سال پیداوار میں اضافہ متوقع ہے۔ تجارتی خسارے میں مسلسل اضافہ ہو رہا ہے اور کرنٹ اکاؤنٹ کے خسارے کے باعث شرح مبادلہ مسلسل دباؤ کا شکار ہے۔ پاکستانی روپے کی قدر میں دوران سہ ماہی 9 فیصد کی کمی واقع ہوئی۔ عالمی سطح پر اشیاء کی قیمتوں میں اضافے کے رجحان کے ساتھ 8.58 فیصد کا افراط زر اور پاکستانی روپے کی قدر میں کمی پریشان کن ہے۔ دوران سہ ماہی اسٹیٹ بینک آف پاکستان نے پالیسی کی شرح 25 بیسیس پوائنٹس (bps) تک بڑھادی ہے اور افراط زر کے دباؤ کو روکنے آئندہ مہینوں میں اس میں مزید اضافہ متوقع ہے۔

انٹرنیشنل اسٹیل کی قیمتیں اس سہ ماہی کے دوران تقریباً 1,000 امریکی ڈالر کے ساتھ انتہائی بلند سطح پر رہیں۔ چین میں اسٹیل کی پیداوار میں کمی واقع ہوئی جس کی وجہ ریشل اسٹیٹ کے شعبہ جات میں سست روی اور ماحولیاتی وجوہات کے باعث اسٹیل کی پیداوار پر عائد کی جانے والی ریگولیٹری پابندیاں اور برآمدات سے متعلق دی جانے والی چھوٹ سے دستبرداری ہیں۔ معاشی اعتبار سے ترقی یافتہ ممالک میں اسٹیل کی طلب میں بتدریج اضافہ ہو رہا ہے جن کی معیشت کو کوڈ کی بندش کے بعد مسلسل بحال ہو رہی ہے۔ سامان کی منتقلی کیلئے بحری کرائے اور پورٹ پر جہازوں کا بھرم انتہائی زائد رہا جس کی وجہ سے کنٹینرز کے سامان کی دستیابی محدود رہی۔

کوڈ کے بعد طلب کی بحالی کے باعث کمپنی مسلسل استفادہ حاصل کر رہی ہے، جس کے باعث مجموعی فروخت میں گزشتہ سال 15.67 بلین روپے کے مقابلے میں اس سال 24.5 بلین روپے ریکارڈ ہوئی جو 56 فیصد اضافہ ہے۔ ملکی سطح اور ایکسپورٹ مارکیٹس میں فروخت کا اضافہ مستحکم رہا۔ وسیع مارکیٹس میں پورٹ پر زائد بھرم کے باعث لوجسٹک چیلنجز کے باوجود برآمدات مستحکم رہیں۔ IPAT اور منافع فی حصص گزشتہ سال اسی مدت کے مقابلے میں 3.8 گنا اضافے کے ساتھ 2,668 بلین روپے اور 6.13 روپے رہے۔

مستقل طلب، حکومت اور اسٹیٹ بینک آف پاکستان کی جانب سے پیش قدمی اور موافق پالیسی کے اقدامات اور آئی ایم ایف (IMF) پروگرام کا دوبارہ آغاز مارکیٹ کی صورتحال میں مزید بہتری لائے گا۔ کولڈ رولڈ کی استعداد کو بڑھانے کیلئے 1.27 بلین روپے کی لاگت کا ڈی بوئل نیٹنگ منصوبہ سال کی دوسری ششماہی میں تکمیل کیلئے روبہ عمل ہے۔ ان اہداف کے حصول کیلئے ہم اپنی انتظامیہ اور اپنے اسٹاف کی انتھک کوششوں کیلئے ان کے ممنون و مشکور ہیں۔

ہم آپ کی کمپنی کی مسلسل کامیابی کیلئے دعا گو ہیں۔

۱۰۔۰۱۔۲۰۲۱

ڈاکٹر امجد وحید

چیئرمین

Yousuf Ali Mirza

یوسف علی مرزا

چیف ایگزیکٹو آفیسر

کراچی: 26 اکتوبر، 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment
Right-of-use assets
Intangible assets
Long term deposit with Central Depository Company of Pakistan Limited

CURRENT ASSETS

Stores and spares
Stock-in-trade
Trade debts
Receivable from K-Electric Limited (KE)
Advances, trade deposits and prepayments
Sales tax receivable
Cash and bank balances

TOTAL ASSETS

EQUITY AND LIABILITIES

Shared capital and reserves

Authorised share capital
500,000,000 (2021: 500,000,000) ordinary shares of Rs.10 each

Share capital

Issued, subscribed and paid-up capital

Revenue reserve

Unappropriated profit

Capital reserve

Revaluation surplus on property, plant and equipment

TOTAL SHAREHOLDERS' EQUITY

LIABILITIES

NON-CURRENT LIABILITIES

Long term financing - secured
Deferred income - Government grant
Gas Infrastructure Development Cess
Deferred taxation
Lease liabilities

CURRENT LIABILITIES

Trade and other payables
Contract liabilities
Short term borrowings - secured
Unpaid dividend
Unclaimed dividend
Current portion of long term financing
Current portion of lease liabilities
Taxation - net
Accrued mark-up

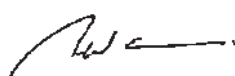
TOTAL LIABILITIES

CONTINGENCIES AND COMMITMENTS

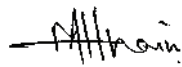
TOTAL EQUITY AND LIABILITIES

| Note | (Un-audited) | (Audited) |
|------|--------------------|---------------|
| | September 30, 2021 | June 30, 2021 |
| | (Rupees in '000) | |
| 5 | 18,847,705 | 19,179,617 |
| | 14,874 | 19,318 |
| | 1,028 | 885 |
| | 100 | 100 |
| | 18,863,707 | 19,199,920 |
| 6 | 755,620 | 676,682 |
| | 28,118,639 | 17,081,369 |
| | 4,327,989 | 939,845 |
| | 36,666 | 26,920 |
| 7 | 2,238,309 | 1,925,675 |
| | 557,888 | 1,576,621 |
| | 219,721 | 292,511 |
| | 36,254,832 | 22,519,623 |
| | 55,118,539 | 41,719,543 |
| | 5,000,000 | 5,000,000 |
| | 4,350,000 | 4,350,000 |
| | 12,948,456 | 13,317,354 |
| | 1,211,806 | 1,220,286 |
| | 18,510,262 | 18,887,640 |
| 8 | 3,596,163 | 3,730,861 |
| | 59 | 1,018 |
| 9 | 644,235 | 708,956 |
| | 2,122,652 | 2,031,997 |
| | - | 1,929 |
| | 6,363,109 | 6,474,761 |
| 10 | 16,323,127 | 6,587,651 |
| | 1,848,349 | 1,277,439 |
| 11 | 6,717,336 | 6,796,345 |
| | 3,045,000 | - |
| | 8,443 | 8,798 |
| | 1,462,440 | 1,462,435 |
| | 17,716 | 20,734 |
| | 686,846 | 125,012 |
| | 135,911 | 78,728 |
| | 30,245,168 | 16,357,142 |
| | 36,608,277 | 22,831,903 |
| 12 | 55,118,539 | 41,719,543 |

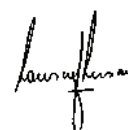
The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Nihal Cassim
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

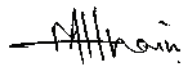
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

| | | Three months ended | |
|---|---------------------------------------|--------------------|--------------------|
| | | September 30, 2021 | September 30, 2020 |
| | | (Rupees in '000) | |
| Note | | | |
| | Revenue from contracts with customers | 13 24,489,338 | 15,666,487 |
| | Cost of sales | (20,153,849) | (14,274,689) |
| | Gross profit | 4,335,489 | 1,391,798 |
| | Selling and distribution expenses | (179,776) | (201,487) |
| | Administrative expenses | (84,576) | (56,310) |
| | | (264,352) | (257,797) |
| | Finance cost | (175,928) | (258,924) |
| | Other operating charges | (280,141) | (68,818) |
| | | (456,069) | (327,742) |
| | Other income | 6,190 | 51,132 |
| | Profit before taxation | 3,621,258 | 857,391 |
| | Taxation | 14 (953,636) | (298,281) |
| | Profit after taxation | 2,667,622 | 559,110 |
| | | (Rupees) | |
| Earnings per share - basic and diluted | | 6.13 | 1.29 |

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.


Nihal Cassim
 Director & Chairman
 Board Audit Committee


Mujtaba Hussain
 Chief Financial
 Officer

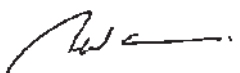

Yousuf H. Mirza
 Chief Executive
 Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

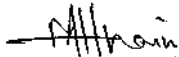
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

| Note | Three months ended | |
|--|--------------------|--------------------|
| | September 30, 2021 | September 30, 2020 |
| | (Rupees in '000) | |
| Profit after taxation | 2,667,622 | 559,110 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 2,667,622 | 559,110 |

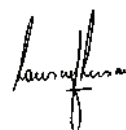
The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Nihal Cassim
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

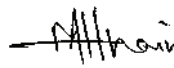
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

| | Issued, subscribed & paid-up capital | Revenue reserve- unappropriated profit | Capital reserve- Revaluation surplus on property, plant and equipment | Total |
|---|--|---|---|-------------------|
| | (Rupees in '000) | | | |
| Balance as at July 01, 2020 | 4,350,000 | 7,121,607 | 1,254,208 | 12,725,815 |
| Profit for the period | - | 559,110 | - | 559,110 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | 559,110 | - | 559,110 |
| Transactions with owners recorded directly in equity - distributions | | | | |
| Dividend: | | | | |
| - Final dividend Rs. Nil per share for the year ended June 30, 2020 | - | - | - | - |
| Total transactions with owners of the Company - distributions | - | - | - | - |
| Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax | - | 8,480 | (8,480) | - |
| Balance as at September 30, 2020 | 4,350,000 | 7,689,197 | 1,245,728 | 13,284,925 |
| Balance as at July 01, 2021 | 4,350,000 | 13,317,354 | 1,220,286 | 18,887,640 |
| Profit for the period | - | 2,667,622 | - | 2,667,622 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | 2,667,622 | - | 2,667,622 |
| Transactions with owners recorded directly in equity - distributions | | | | |
| Dividend: | | | | |
| - Final dividend Rs. 7.00 per share for the year ended June 30, 2021 | - | (3,045,000) | - | (3,045,000) |
| Total transactions with owners of the Company - distributions | - | (3,045,000) | - | (3,045,000) |
| Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax | - | 8,480 | (8,480) | - |
| Balances as at September 30, 2021 | 4,350,000 | 12,948,456 | 1,211,806 | 18,510,262 |

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.


Nihal Cassim
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial
Officer


Yousuf H. Mirza
Chief Executive
Officer

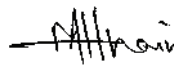
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

| | | Three months ended | |
|--|----|--------------------|--------------------|
| | | September 30, 2021 | September 30, 2020 |
| Note | | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 15 | 608,700 | 7,472,764 |
| Finance cost paid | | (113,887) | (292,366) |
| Income on bank deposits received | | 18,020 | 145 |
| Staff retirement benefits paid | | (7,576) | (1,968) |
| Payment on account of compensated absences | | (2,802) | (5,905) |
| Income tax paid | | (301,144) | (136,974) |
| Net cash generated from operating activities | | 201,311 | 7,035,696 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for acquisition of property, plant and equipment | 5 | (73,244) | (35,432) |
| Proceeds from disposal of property, plant and equipment | | 19,577 | 5,977 |
| Net cash used in investing activities | | (53,667) | (29,455) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of long term financing | | (135,652) | (161,079) |
| Proceeds from / (repayment of) short term borrowings - net | | 1,828,445 | 1,374,330 |
| Lease rentals paid | | (5,418) | (18,836) |
| Dividend paid | | (355) | (391) |
| Net cash generated from financing activities | | 1,687,020 | 1,194,024 |
| Net increase in cash and cash equivalents | | 1,834,664 | 8,200,265 |
| Cash and cash equivalents at beginning of the year | | (2,283,977) | (8,568,724) |
| Cash and cash equivalents at end of the year | 16 | (449,313) | (368,459) |

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.


Nihal Cassim
 Director & Chairman
 Board Audit Committee


Mujtaba Hussain
 Chief Financial
 Officer


Yousuf H. Mirza
 Chief Executive
 Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on September 3, 2007 as a public unlisted Company limited by shares under the repealed Companies Ordinance, 1984 and is domiciled in the province of Sindh. The Company was listed on the Pakistan Stock Exchange Limited on June 1, 2011. The Company is subsidiary of International Industries Limited (The Holding Company) which holds 245,055,543 (June 30, 2021: 245,055,543) shares of the Company as at September 30, 2021 representing 56.3% (June 30, 2021: 56.3%) of the shareholding of the Company.

The net assets of the Steel Project Undertaking of International Industries Limited (the Holding Company), amounting to Rs. 4,177.167 million determined as at August 23, 2010 (day immediately preceding the completion date) in accordance with the Scheme of Arrangement, were transferred to the Company on August 24, 2010. In consideration of transferring to and vesting the Steel Project Undertaking in the Company, 417,716,700 fully paid-up ordinary shares were issued at par value to the Holding Company.

The primary activity of the Company is the business of manufacturing of cold rolled, galvanized and colour coated steel coils and sheets. The Company commenced commercial operations on January 1, 2011. The registered office of the Company is situated at **101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi - 75530.**

The manufacturing facilities of the Company are situated at **399-405, Rehri Road, Landhi Industrial Area, and Plot No. LE-73-79, 102-103, 112-118, 125-129, Survey No. NC.98, near Arabian Country Club, National Industrial Parks, Bin Qasim Industrial Park, Karachi.**

The Company has sales offices at following locations:

- **Chinoy House, 6-Bank Square, Lahore,**
- **Office no. 303-A 3rd Floor Evacuee Trust Complex Sector F-5 / 1 Agha Khan Road, Islamabad, and**
- **Office no. 708-A, United Mall, Abdali Road, Multan.**

2. BASIS OF PREPARATION

2.1. Statement of compliance

These condensed interim financial statements of the Company have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise:

- International Accounting Standard (IAS) 34 'Interim Financial Reporting' issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

- 2.1.1.** Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.
- 2.1.2.** These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended June 30, 2021.
- 2.1.3.** The comparative condensed interim statement of financial position presented in these condensed interim financial statements has been extracted from the audited annual financial statements of the Company for the year ended June 30, 2021, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended September 30, 2020.
- 2.1.4.** These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

2.2. Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except for the Company's liability against defined benefit plan (gratuity) which is determined on the present value of defined benefit obligations less fair value of plan assets determined by an independent actuary, land & buildings at revalued amounts assessed by an independent valuer and derivative financial instruments which are stated at fair value.

2.3. Functional and presentation currency

These condensed interim financial statements are 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

3.1. The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2021.

3.2. Changes in accounting standards, interpretations and pronouncements

a) Standards and amendments to approved accounting and reporting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2021. However, these do not have any significant impact on the Company's financial reporting.

b) Standards and amendments to approved accounting and reporting standards that are not yet effective

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2022. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1. The preparation of condensed interim financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

4.2. 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 June 30, 2021.

4.3. 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 June 30, 2021.

5. PROPERTY, PLANT AND EQUIPMENT

| | Operating Assets | Capital work in progress | Total |
|---|-------------------|--------------------------|-------------------|
| | (Rupees in '000) | | |
| Cost / revalued amount | | | |
| Opening balance | 26,481,999 | 150,993 | 26,632,992 |
| Additions | 22,823 | 224,098 | 246,921 |
| Adjustments | (151,069) | (22,828) | (173,897) |
| Disposal | (52,929) | - | (52,929) |
| | 26,300,824 | 352,263 | 26,653,087 |
| Accumulated depreciation | | | |
| Opening balance | (7,453,375) | - | (7,453,375) |
| Charge for the period | (384,349) | - | (384,349) |
| Disposal | 32,342 | - | 32,342 |
| | (7,805,382) | - | (7,805,382) |
| Written down value as at September 30, 2021 (Un-audited) | 18,495,442 | 352,263 | 18,847,705 |
| Written down value as at June 30, 2021 (Audited) | 19,028,624 | 150,993 | 19,179,617 |

6. STOCK IN TRADE

| | (Un-audited) September 30, 2021 | (Audited) June 30, 2021 |
|-----------------|------------------------------------|----------------------------|
| | (Rupees in '000) | |
| Raw material | | |
| - in hand | 2,934,669 | 3,041,826 |
| - in transit | 15,999,443 | 5,287,176 |
| | 18,934,112 | 8,329,002 |
| Work-in-process | 2,940,586 | 1,853,342 |
| Finished goods | 6,212,714 | 6,812,134 |
| Scrap material | 25,694 | 69,575 |
| By-product | 5,533 | 17,316 |
| | 28,118,639 | 17,081,369 |

7. ADVANCES, TRADE DEPOSITS AND PREPAYMENTS

These include advances to suppliers amounting to Rs. 2,124.3 million (June 30, 2021: Rs. 1,837.99 million) which mainly includes advance against import of Hot Rolled Coils (HRC).

8. LONG TERM FINANCING - SECURED

| | | (Un-audited) | (Audited) |
|---------------------|---|--------------------|--------------------|
| | | September 30, 2021 | June 30, 2021 |
| | | (Rupees in '000) | |
| Note | | | |
| Conventional | | | |
| | Long term finance facility (LTFF) | 874,937 | 955,917 |
| | Temporary Economic Refinance Facility (TERF) | 12,189 | 12,189 |
| Islamic | | | |
| | Long term finance facility (LTFF) | 492,896 | 508,059 |
| | Long term finance (LTF) | 3,430,000 | 3,430,000 |
| | Payroll refinance scheme | 257,640 | 300,580 |
| | | 5,067,662 | 5,206,745 |
| | Less: Deferred Income - Government grant | (9,059) | (13,449) |
| | Less: Current portion of long term finances shown under current liabilities | | |
| Conventional | | | |
| | Long term finance facility (LTFF) | (250,023) | (250,020) |
| Islamic | | | |
| | Long term finance facility (LTFF) | (60,657) | (60,655) |
| | Long term finance (LTF) | (980,000) | (980,000) |
| | Payroll refinance scheme | (171,760) | (171,760) |
| | | (1,462,440) | (1,462,435) |
| | | 3,596,163 | 3,730,861 |

- 8.1.** This finance has been obtained from commercial banks and an Islamic bank and is secured by way of pari passu charge over fixed assets of the Company.
- 8.2.** These include long term finance amounting to Rs. 3,430 million (June 30, 2021: Rs. 3,430 million) from Islamic window of a commercial bank and is secured by way of ranking charge over fixed assets of the Company at the rate of KIBOR+ 0.1%.
- 8.3.** This represents salaries and wages under SBP's Refinance Scheme for Payment of Wages and Salaries at concessionary rates, earmarked from running finance limit. The loan is obtained in six tranches starting from May 2020.

GAS INFRASTRUCTURE DEVELOPMENT CESS PAYABLE

9.

The Honorable Supreme Court of Pakistan (SCP) has decided the Appeal against consumers upholding the vires of GIDC Act, 2015 through its judgement dated August 13, 2020. The Supreme court on November 02, 2020 ordered that their decision of August 13, 2020 has validated the GIDC Act, 2015 in complete sense and the benefits allowed under its Section 8(2) to the industrial sector is also available. Further, payment of due GIDC was allowed in 48 installments instead of 24 installments.

The Company has also filed a civil suit before the Honourable High Court of Sindh (SHC) on the ground that the Company has not passed on the burden of Cess. Stay order was granted in the aforesaid suit, which has been operative till the next date of hearing.

The Company has recorded the payable at its present value by discounting the future cash flows using three year PKRV rate and has booked income of Rs. 183.64 million during the year ended June 30, 2021. The unwinding of the GIDC during the three months period ended September 30, 2021 amounts to Rs. 18.67 million (June 30, 2021: Rs. 40.84 million).

ISL preferred a Suit against the federation being aggrieved by the recurring demands for alleged arrears of GIDC by the gas companies even though the levy has become in-operational and dead for all intents and purposes in terms of the Judgement of the honorable Supreme Court dated August 13, 2020 on account of the federal government not having commenced work on the North-South pipeline within 6 months from the date of judgment. Any and all demands of GIDC have therefore become illegal and ultra vires.

10. TRADE AND OTHER PAYABLES

| | Note | (Un-audited) | (Audited) |
|------------------------------------|------|--------------------|---------------|
| | | September 30, 2021 | June 30, 2021 |
| | | (Rupees in '000) | |
| Trade creditors | | 11,719,310 | 1,905,134 |
| Accrued expenses | 10.1 | 2,087,928 | 2,048,316 |
| Provision for Infrastructure Cess | 10.2 | 1,718,912 | 1,625,091 |
| Provision for government levies | | 1,331 | 2,531 |
| Short term compensated absences | | 11,242 | 10,892 |
| Workers' Profit Participation Fund | | 194,692 | 553,765 |
| Workers' Welfare Fund | 10.3 | 439,838 | 361,961 |
| Deferred income - Government grant | | 9,001 | 12,431 |
| Others | | 140,873 | 67,530 |
| | | 16,323,127 | 6,587,651 |

10.1. This include current portion of provision for Gas Infrastructure Development Cess amounting to Rs. 486.65 million (June 30, 2021: Rs. 403 million) and provision against revision of gas tariff by Oil and Gas Regulation Authority amounting to Rs. 632.54 million (June 30, 2021: Rs. 610.26 million).

10.2. 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 Sindh High Court (SHC), passed an interim order directing that every company subsequent to December 27, 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees issued as per the above mentioned interim order amount to Rs. 1,667.5 million (June 30, 2021: Rs. 1,667.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been provided for by the Company on prudent basis. Subsequently through Sindh Finance Act 2015 and 2016, the legislation has doubled the rate of Sindh Infrastructure Cess.

The case was decided on June 04, 2021 by the SHC. The SHC declared first four versions of the law unconstitutional and the release of bank guarantees were ordered. However, the Sindh Infrastructure Development Cess Act, 2017 was declared constitutional with retrospective effect from 1994. The operation of the order remained suspended till September 3, 2021. The Company was not satisfied with the above orders and filed an appeal with the Supreme Court of Pakistan.

On September 09, 2021, the Supreme Court granted a stay against the operation of the order of SHC dated June 04, 2021 and restrained to release of bank guarantees. The court further ordered that imports should be released on submission of bank guarantees equivalent to the duty under the act. The next hearing is awaited.

10.3. The Company filed a constitutional petition in the Sindh High Court against notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. Stay was obtained on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan and is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971.

11. SHORT TERM BORROWINGS - SECURED

| | | (Un-audited) | (Audited) |
|---------------------------------|------|--------------------|---------------|
| | | September 30, 2021 | June 30, 2021 |
| | Note | (Rupees in '000) | |
| Conventional | | | |
| Running finance under | | | |
| Mark-up arrangements from banks | 11.1 | 450,408 | 359,255 |
| Short-term borrowings under | | | |
| Money Market scheme | | | |
| - Maturing after three months | | - | - |
| - Maturing within three months | | - | 1,850,000 |
| | | - | 1,850,000 |
| Short term finance under | | | |
| Export Refinance Scheme | 11.2 | 4,548,301 | 2,800,000 |
| Islamic | | | |
| Short term finance under | | | |
| Running Musharakah | 11.3 | 218,626 | 367,233 |
| Short term finance under | | | |
| Export Refinance Scheme | 11.4 | 1,500,001 | 1,419,857 |
| | | 6,717,336 | 6,796,345 |

- 11.1.** This represents short term finance obtained from various commercial banks for the purpose of meeting working capital requirements. The rate of mark-up on these finances ranges from 7.45% to 8.25% (June 30, 2021: 7.37% to 8.28%) per annum.
- 11.2.** This represents short term finance facility obtained under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility ranges from 2.50% to 3% (June 30, 2021: 2.75% to 3%) per annum.
- 11.3.** This represents short term finance facility obtained under Running Musharakah. The rate of mark-up ranges from 7.55% to 7.95% (June 30, 2021: 7.39% to 7.68%) per annum. This facility matures within twelve months and is renewable.
- 11.4.** This represents short term finance facility obtained under Islamic Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility is 3% (June 30, 2021: 3%) per annum.
- 11.5.** As at September 30, 2021, the unavailed facilities from the above borrowings amounted to Rs. 17,995 million (June 30, 2021: Rs. 16,714 million).
- 11.6.** The above facilities are secured by way of joint pari passu charge over current and future moveable assets of the Company.

12. CONTINGENCY AND COMMITMENTS

12.1. Contingency

| | Description of the factual basis of the proceedings and relief sought | Name of the court | Principal parties | Date instituted |
|---------------|--|-------------------|---|-----------------|
| 12.1.1 | <p>A petition was filed before Sindh High Court seeking order for the issuance of quota of concessionary import under SRO 565; release of 85,000 tons of HRC arrived at the port in November 2019 and for future shipment</p> <p>SHC granted release of 85,000 tons of HRC against submission of bank guarantee for the differential amount of duty and taxes amounting to Rs. 1,651 million. In a separate order SHC instructed the authorities to allow provisional quota subject to submission of bank guarantee for the difference of duty and taxes. As ordered, the Input-Output Co-efficient Organisation (IOCO) is issuing quota equivalent to ordered / shipped quantity of raw material on case to case basis.</p> | Sindh High Court | I.S.L vs Federation of Pakistan / Director IOCO / The Chief Collector (South) | 4-Nov-19 |

12.2. COMMITMENTS

- 12.1.1.** Capital expenditure commitments outstanding as at September 30, 2021 amounted to Rs. 810.72 million (June 30, 2021: Rs. 696.21 million).
- 12.1.2.** Commitments under Letters of Credit for raw materials and spares as at September 30, 2021 amounted to Rs. 19,184 million (June 30, 2021: Rs. 20,156.29 million).
- 12.1.3.** The unutilized facilities for opening letters of credit and guarantees from banks at period end amounted to Rs. 8,894 million (June 30, 2021: Rs. 8,431 million) and Rs. 247 million (June 30, 2021: Rs. 304.96 million) respectively.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

| Notes | Three months ended | |
|-----------------------------|--------------------|--------------------|
| | (Un-audited) | (Un-audited) |
| | September 30, 2021 | September 30, 2020 |
| | (Rupees in '000) | |
| Sale of goods less returns: | | |
| Local | 22,589,909 | 15,643,333 |
| Export | 5,426,335 | 2,558,656 |
| | 28,016,244 | 18,201,989 |
| Sales tax | (3,301,375) | (2,296,342) |
| Trade discounts | (4,000) | (64,074) |
| Sales commission | (221,531) | (175,086) |
| | (3,526,906) | (2,535,502) |
| | 24,489,338 | 15,666,487 |

14. TAXATION

| | | |
|----------|------------------|------------------|
| Current | (862,978) | (223,924) |
| Deferred | (90,658) | (74,357) |
| | (953,636) | (298,281) |

15. CASH GENERATED FROM OPERATIONS

| | | |
|--|------------------|------------------|
| Profit before taxation | 3,621,258 | 857,391 |
| Adjustments for: | | |
| Depreciation and amortisation | 388,871 | 392,209 |
| Loss / (Gain) on disposal of property, plant and equipment | 1,010 | (1,913) |
| Unwinding of Gas Infrastructure Development Cess | 18,667 | - |
| Provision for obsolescence against spares | 16,346 | 19,374 |
| Provision for staff gratuity | 7,576 | 6,225 |
| Provision for compensated absences | 3,152 | 2,836 |
| Income on bank deposits | (18,020) | (145) |
| Finance cost | 157,261 | 258,924 |
| Government grant | (4,391) | (884) |
| | 570,472 | 676,626 |
| Changes in working capital | 15.1 (3,583,030) | 5,938,747 |
| | 608,700 | 7,472,764 |

15.1. CHANGES IN WORKING CAPITAL

| CHANGES IN WORKING CAPITAL | | Three months ended | |
|--|--|--------------------|--------------------|
| | | (Un-audited) | (Un-audited) |
| | | September 30, 2021 | September 30, 2020 |
| | | (Rupees in '000) | |
| Notes | | | |
| Decrease / (Increase) in current assets: | | | |
| Stores and spares | | (95,284) | (132,871) |
| Stock-in-trade | | (11,037,270) | 7,889,624 |
| Receivable from K-Electric Limited | | (9,746) | (6,236) |
| Trade debts | | (3,388,144) | 440,694 |
| Advances, trade deposits and short-term | | | |
| Prepayments | | (312,634) | 65,009 |
| Sales tax receivable | | 1,018,733 | 1,341,688 |
| | | (13,824,345) | 9,597,908 |
| Decrease in current liabilities: | | | |
| Trade and other payables | | 9,670,405 | (4,522,044) |
| Contract liabilities | | 570,910 | 862,883 |
| | | (3,583,030) | 5,938,747 |

16. CASH AND CASH EQUIVALENTS

| | | | |
|--|----|------------------|------------------|
| Cash and bank balances | | 219,721 | 165,982 |
| Running finance under mark-up arrangement from banks | 11 | (450,408) | (534,441) |
| Short term borrowing under Running Musharakah | 11 | (218,626) | - |
| | | <u>(449,313)</u> | <u>(368,459)</u> |

17. TRANSACTIONS WITH RELATED PARTIES

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 rates agreed under a contract / arrangement / agreement. The contribution to defined contribution plan (provident fund) are made as per the terms of employment and contribution to the defined benefit plan (gratuity fund) are made on the basis of latest actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagement.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement. Rental income is recognized on straight line basis over the term of the respective lease agreement.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements, are as follows:

| | Three months ended | |
|---|--------------------|--------------------|
| | (Un-audited) | (Un-audited) |
| | September 30, 2021 | September 30, 2020 |
| | (Rupees in '000) | |
| Holding company | | |
| Sales | 995,321 | 458 |
| Purchases | 9,434 | 1,188 |
| Rent | 2,947 | 105,960 |
| Shared resources cost | 16,768 | 11,315 |
| Reimbursement of expenses | 1,068 | 942 |
| Corporate, legal, marketing & internal audit services | 4,526 | 3,200 |
| Dividend | 1,715,389 | - |
| Associated undertakings | | |
| Sales | 1,009,772 | 49,592 |
| Purchases | 24,486,630 | 2,392,146 |
| Dividend | 276,344 | - |
| Rental income | 719 | 607 |
| Reimbursement of expenses | - | 1,170 |
| Donation | - | 3,100 |
| Services | 379 | 1,521 |
| Key management personnel | | |
| Remuneration | 71,112 | 56,759 |
| Staff retirement funds | | |
| Contribution paid | 16,201 | 18,888 |
| Non-executive directors | | |
| Directors' fee | 1,300 | 1,900 |
| Reimbursement of Chairman's expenses | - | 646 |

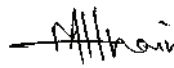
18. OPERATING SEGMENTS

- 18.1.** These condensed interim financial statements have been prepared on the basis of a single reportable segment.
- 18.2.** Revenue from sales of steel products represents 99.59% (June 30, 2021: 99.26%) 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 Cold Rolling, Galvanizing and Colour Coating Plants and currently any excess electricity is sold to KE.
- 18.3.** 80.63% (June 30, 2021: 85.31%) of gross sales of steel sheets are domestic sales whereas 19.37% (June 30, 2021: 14.69%) of sales are export / foreign sales.

19. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors on October 26, 2021.


Nihal Cassim
 Director & Chairman
 Board Audit Committee


Mujtaba Hussain
 Chief Financial
 Officer


Yousuf H. Mirza
 Chief Executive
 Officer



📍 HEAD OFFICE

101, Beaumont Plaza, 10, Beaumont Road, Karachi – 75530.

Tel: +92 (21) 111 091 091

Fax: +92 (21) 111 091 091

Email: info@isl.com.pk

📍 LAHORE OFFICE

Chinoy House, 6-Bank Square, Lahore.

Tel: +92 (21) 111 091 091

Fax: +92 (42) 3722 0384

📍 ISLAMABAD OFFICE

Office no. 303-A, 3rd Floor Evacuee Trust Complex Sector F-5/Aga Khan Road Islamabad.

Tel: +92 (51) 2823 0412

Tel: +92 (51) 2823 0413

📍 MULTAN OFFICE

Office no. 708-A, United Mall, Abdali Road, Multan.

Tel: +92 (61) 4570571

🏭 FACTORY ADDRESS

399-405, Rehri Road, Landhi Industrail Area, Karachi.

Tel: +92 (21) 3501 3104 - 5

Fax: +92 (21) 3501 3108

🏭 SERVICE CENTER

Plot# LE-73-79, 102-103, 112-118, 125-129

Survey # NC.98, Near Arabian Country Club,

National Industrial Park, Bin Qasim, Karachi

✉ SALES INQUIRIES

sales@isl.com.pk

✉ CAREERS

careers@isl.com.pk

✉ GENERAL INFORMATION

info@isl.com.pk

🌐 WEBSITE

www.isl.com.pk



🌐 FOLLOW US



/International Steels Limited