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# SHAPING A SAFER AND SUSTAINABLE FUTURE

UNAUDITED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED **DECEMBER 31, 2021**



CONDENSED INTERIM FINANCIAL STATEMENTS  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 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 and Head of Legal Affairs

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  
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: 051-2823043

### 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 DECEMBER 31, 2021

The Directors of your Company are pleased to present the financial statements for the half-year ended December 31, 2021.

Global steel prices after reaching an all-time high during last year reflected a declining trend. A significant downward adjustment commenced in prices of major raw materials mainly iron ore and coking coal. The global steel demand, however, increased by 3.6% on account of post-pandemic economic recovery in major economies. Steel prices as a consequence of rising production and logistical challenges reflected a correction of 10%.

The economy continued to face challenges on account of rising imports, current account deficit and increased inflationary pressures. The State Bank of Pakistan raised the policy rate by 275 basis points taking the interest rates to 9.75%. PKR depreciated by 13% this year to Rs. 177 to US\$. The significant growth of 29% in exports to 15.2 billion US\$ and 11% in remittances by overseas Pakistanis of 15.8 billion US\$ were not enough to contain the PKR slide. The IMF program is expected to resume in Q3, resulting in improved macroeconomic stability.

Federal Government in its policy to develop FATA/PATA regions allowed sales tax exemption on raw material imports as well as on sale of finished goods. The misuse of this facility has led to an increase in imports causing significant loss to domestic industry. The Company is engaged with the Government to take corrective measures against this misuse.

Despite slowdown in the economy, your Company continued to maintain good margins with a record revenue for half year of Rs. 43 billion compared to Rs. 33 billion in the same period last year, showing a growth of 29% including strong export sales. The Company posted highest ever half year Profit after Tax and EPS of Rs. 4,224 million and 9.71 respectively, compared to Rs. 2,774 million and 6.38 in the same period last year.

Your company continues to invest in its manufacturing facilities, ERP systems, human capital and product quality enhancements. The Rs.1.27 billion debottlenecking project to expand Cold Rolled capacity is expected to be commissioned in the second half of the year. This will further strengthen the Company's already strong foothold in the engineering sector.

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: January 31, 2022

## ڈائریکٹرز رپورٹ

31 دسمبر 2021 کو ختم ہونے والی ششماہی کیلئے

کمپنی کے ڈائریکٹرز 31 دسمبر 2021 کو ختم ہونے والے ششماہی کیلئے مالیاتی تفصیلات بخوشی پیش کر رہے ہیں۔

گزشتہ سال کے دوران عالمی سطح پر اسٹیل کی قیمتوں میں اتہائی اضافے کے بعد کمی کار جان دیکھا گیا۔ یہ خاطر خواہ کمی اہم خام مال بالخصوص لوہے اور کونگ کوئلے کی قیمتوں میں تبدیلی کے باعث ہوا۔ عالمی وباء کے بعد اہم معاشی سرگرمیوں میں بحالی کے باعث عالمی سطح پر اسٹیل کی طلب میں تاہم، 3.6 فیصد کا اضافہ ہوا۔ بڑھتی ہوئی پروڈکشن اور ترسیلات کو درپیش مشکلات کے باعث فلیٹ اسٹیل کی قیمتوں میں 10 فیصد سے زائد کمی واقع ہوئی۔

بڑھتی ہوئی درآمدات، کرنٹ اکاؤنٹ کے خسارے اور بڑھتے ہوئے افراط زر کے دباؤ کے باعث معیشت کو مسلسل چیلنجز کا سامنا ہے۔ اسٹیٹ بینک آف پاکستان نے شرح سود میں 275 بیس پوائنٹس کے اضافے سے 9.75 فیصد سالانہ کر دیا۔ پاکستانی روپے کی قدر میں اس سال 13 فیصد کمی واقع ہوئی اور ڈالر کی قدر 177 پاکستانی روپے کے برابر ہو گئی۔ برآمدات میں 29 فیصد اضافے کے ساتھ 15.2 بلین امریکی ڈالرز کا اضافہ اور بیرون ملک مقیم پاکستانیوں کی جانب سے ترسیلات زر میں 11 فیصد یعنی 15.8 بلین روپے کا اہم اضافہ پاکستانی روپے کی قدر کو مستحکم رکھنے کیلئے ناکافی رہے۔ آئی ایم ایف (IMF) پروگرام کا دوبارہ آغاز وسیع پیمانے پر اقتصادی استحکام کا باعث ہوگا۔

فیڈرل گورنمنٹ نے (FATA/PATA) کے علاقوں کو ترقی دینے کیلئے اپنی پالیسی میں خام مال کی درآمدات اور تیار مال کی سیلز پر ٹیکس استثناء کی اجازت دی تھی۔ اس استثناء کا کچھ مخصوص عناصر کی جانب سے غلط استعمال کیا گیا۔ جس کی باعث درآمدات میں اضافہ ہوا جو مقامی صنعت کے حق میں خاطر خواہ نقصان کا باعث بنا۔ کمپنی اس غلط استعمال کی روک تھام کے لیے حکومت کے ساتھ رابطے میں ہے۔

معیشت میں سست روی کے باوجود آپ کی کمپنی نے اس ششماہی میں 43 بلین روپے کی ریکارڈ فروخت کے ساتھ بہتر منافع کو مسلسل برقرار رکھا ہے جو گزشتہ سال اسی تقابلی مدت میں 33 بلین روپے تھی۔ یہ آمدنی مستحکم ایکسپورٹ سیلز کے ساتھ 29 فیصد اضافے کو ظاہر کرتی ہے۔ کمپنی نے ششماہی بنیاد پر سب سے بلند ترین منافع بعد از ٹیکس 4,224 ملین روپے اور منافع فی حصص (EPS) 9.71 روپے کا حصول کیا ہے جو گزشتہ سال اسی تقابلی مدت میں منافع بعد از ٹیکس 2,774 ملین روپے اور منافع فی حصص (EPS) 6.38 تھا۔

کمپنی صنعت سازی کی استعداد، ای آر پی سٹمٹز، انسانی سرمائے اور پروڈکٹ کے معیار میں اضافے کیلئے مسلسل سرمایہ کاری کرتی رہے گی۔ کولڈ رولڈ کی استعداد کو بڑھانے کیلئے 1.27 بلین روپے کی لاگت کا ڈی بوٹل نینگ منصوبہ سال کی دوسری ششماہی میں تکمیل کیلئے روبہ عمل ہے۔ اس سے کمپنی کے انجینئرنگ کے شعبہ جات میں مزید استحکام آئے گا۔

ان اہداف کے حصول کیلئے ہم اپنی انتظامیہ اور اپنے اسٹاف کی انتھک محنت اور کاوشوں کے ممنون و مشکور ہیں۔

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

محمد امجد وحید

ڈائریکٹر امجد وحید

چیئرمین

یوسف ایچ مرزا

چیف ایگزیکٹو آفیسر

کراچی: 31 جنوری، 2022



A.F.FERGUSON & Co.

## INDEPENDENT AUDITORS' REVIEW REPORT

To the members of International Steels Limited

### Report on review of Interim Financial Statements

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of International Steels Limited as at December 31, 2021 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss, and condensed interim statement of comprehensive income for the quarters ended December 31, 2021 and December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2021.

#### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Syed Muhammad Hasnain.

**A.F. Ferguson & Co.**  
Chartered Accountants  
Karachi.

Date: February 16, 2022

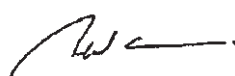
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# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

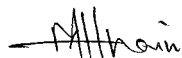
AS AT DECEMBER 31, 2021

	Note	(Unaudited)	(Audited)
		December 31, 2021	June 30, 2021
		(Rupees in '000)	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	19,247,729	19,179,617
Right-of-use assets		10,430	19,318
Intangible assets		729	885
Long term deposit with Central Depository Company of Pakistan Limited		100	100
		<b>19,258,988</b>	<b>19,199,920</b>
<b>CURRENT ASSETS</b>			
Stores and spares		844,976	676,682
Stock-in-trade	6	32,178,324	17,081,369
Trade debts		1,689,417	939,845
Receivable from K-Electric Limited (KE)		9,123	26,920
Advances, trade deposits and prepayments		265,519	1,925,675
Sales tax receivable		3,207,892	1,576,621
Cash and bank balances		144,435	292,511
		<b>38,339,686</b>	<b>22,519,623</b>
<b>TOTAL ASSETS</b>		<b>57,598,674</b>	<b>41,719,543</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shared capital and reserves</b>			
Authorised share capital 500,000,000 (2021: 500,000,000) ordinary shares of Rs.10 each		5,000,000	5,000,000
Share capital Issued, subscribed and paid-up capital		4,350,000	4,350,000
Revenue reserve Unappropriated profit		14,512,980	13,317,354
Capital reserve Revaluation surplus on property, plant and equipment		1,203,326	1,220,286
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>20,066,306</b>	<b>18,887,640</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - secured	7	3,163,103	3,730,861
Deferred income - Government grant		113,619	1,018
Gas Infrastructure Development Cess	8	561,752	708,956
Deferred taxation		1,796,529	2,031,997
Lease liabilities		-	1,929
		<b>5,635,003</b>	<b>6,474,761</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	9,412,236	6,587,651
Contract liabilities		1,268,189	1,277,439
Short term borrowings - secured	10	18,743,482	6,796,345
Unclaimed dividend		13,534	8,798
Current portion of long term financing - secured	7	1,505,376	1,462,435
Current portion of lease liabilities		12,590	20,734
Taxation - net		742,831	125,012
Accrued mark-up		199,127	78,728
		<b>31,897,365</b>	<b>16,357,142</b>
<b>TOTAL LIABILITIES</b>		<b>37,532,368</b>	<b>22,831,903</b>
<b>CONTINGENCY AND COMMITMENTS</b>	11		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>57,598,674</b>	<b>41,719,543</b>

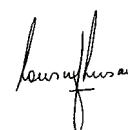
The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Nihal Cassim**  
Director & Chairman  
Board Audit Committee



**Mujtaba Hussain**  
Chief Financial  
Officer



**Yousuf H. Mirza**  
Chief Executive  
Officer



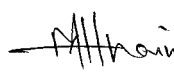
## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

### FOR THE SIX MONTHS ENDED DECEMBER 31, 2021

	Note	Six months ended		Three months ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		(Rupees in '000)		(Rupees in '000)	
Revenue from contracts with customers	12	43,294,474	33,515,947	18,805,136	17,849,460
Cost of sales		(36,083,968)	(28,559,880)	(15,930,119)	(14,285,191)
<b>Gross profit</b>		<b>7,210,506</b>	4,956,067	<b>2,875,017</b>	3,564,269
Selling and distribution expenses		(396,466)	(358,837)	(216,690)	(157,350)
Administrative expenses		(164,849)	(145,181)	(80,273)	(88,871)
		(561,315)	(504,018)	(296,963)	(246,221)
Finance cost		(544,351)	(437,895)	(368,423)	(178,971)
Other operating charges		(585,361)	(356,168)	(305,220)	(287,350)
		(1,129,712)	(794,063)	(673,643)	(466,321)
Other income		152,823	309,564	146,633	258,432
<b>Profit before taxation</b>		<b>5,672,302</b>	3,967,550	<b>2,051,044</b>	3,110,159
Taxation	13	(1,448,636)	(1,193,422)	(495,000)	(895,141)
<b>Profit after taxation</b>		<b>4,223,666</b>	2,774,128	<b>1,556,044</b>	2,215,018
<b>Earnings per share - basic and diluted (Rupees)</b>		<b>9.71</b>	6.38	<b>3.58</b>	5.09

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

  
**Nihal Cassim**  
 Director & Chairman  
 Board Audit Committee

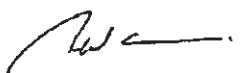
  
**Mujtaba Hussain**  
 Chief Financial  
 Officer

  
**Yousuf H. Mirza**  
 Chief Executive  
 Officer

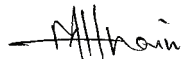
## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2021

	Six months ended		Three months ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Rupees in '000)		(Rupees in '000)	
<b>Profit after taxation</b>	<b>4,223,666</b>	2,774,128	<b>1,556,044</b>	2,215,018
Other comprehensive income / (loss)	-	-	-	-
<b>Total comprehensive income</b>	<b>4,223,666</b>	2,774,128	<b>1,556,044</b>	2,215,018

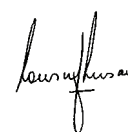
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**Nihal Cassim**  
Director & Chairman  
Board Audit Committee



**Mujtaba Hussain**  
Chief Financial  
Officer



**Yousuf H. Mirza**  
Chief Executive  
Officer

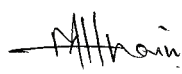
# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

## FOR THE SIX MONTHS ENDED DECEMBER 31, 2021

	Issued, subscribed & paid-up capital	Revenue reserve-unappropriated profit	Capital reserve-Revaluation surplus on property, plant and equipment	Total
	(Rupees in '000)			
<b>Balance as at July 01, 2020</b>	<b>4,350,000</b>	<b>7,121,607</b>	<b>1,254,208</b>	<b>12,725,815</b>
<b>Total comprehensive income for the period</b>				
Profit for the period	-	2,774,128	-	2,774,128
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	2,774,128	-	2,774,128
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	16,960	(16,960)	-
<b>Balance as at December 31, 2020</b>	<u>4,350,000</u>	<u>9,912,695</u>	<u>1,237,248</u>	<u>15,499,943</u>
<b>Balance as at July 1, 2021</b>	4,350,000	13,317,354	1,220,286	18,887,640
<b>Total comprehensive income for the period</b>				
Profit for the period	-	4,223,666	-	4,223,666
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	4,223,666	-	4,223,666
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	16,690	(16,690)	-
<b>Total transactions with owners of the Company</b>				
Dividend:				
Final dividend @70% (Rs.7.00 per share) for the year ended June 30, 2021	-	(3,045,000)	-	(3,045,000)
<b>Balances as at December 31, 2021</b>	<u>4,350,000</u>	<u>14,512,980</u>	<u>1,203,326</u>	<u>20,066,306</u>

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

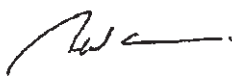
  
**Yousuf H. Mirza**  
 Chief Executive  
 Officer

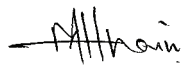
# CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

## FOR THE SIX MONTHS ENDED DECEMBER 31, 2021

Note	Six months ended		
	December 31, 2021	December 31, 2020	
	(Rupees in '000)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash (used in) / generated from operations</b>	14	<b>(6,386,085)</b>	8,234,855
Finance cost paid		(412,843)	(557,369)
Staff gratuity paid		(15,272)	(4,950)
Compensated absences paid		(3,085)	(6,482)
Income tax paid		(1,066,284)	(367,537)
		<b>(1,497,484)</b>	(936,338)
<b>Net cash (used in) / generated from operating activities</b>		<b>(7,883,569)</b>	7,298,517
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquisition of property, plant and equipment		(858,783)	(124,400)
Proceeds from disposal of property, plant and equipment		91,368	8,386
Income received on bank deposits		19,153	7,219
<b>Net cash used in investing activities</b>		<b>(748,262)</b>	(108,795)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		331,391	175,553
Repayments of long term financing		(743,607)	(823,890)
Proceeds from short term borrowings - net		1,828,445	1,374,373
Lease rentals paid		(10,902)	(10,174)
Dividend paid		(3,040,264)	(1,416)
<b>Net cash (used in) / generated from financing activities</b>		<b>(1,634,937)</b>	714,446
Net (decrease) / increase in cash and cash equivalents		<b>(10,266,768)</b>	7,904,168
Cash and cash equivalents at beginning of the period		<b>(2,283,977)</b>	(8,568,724)
Cash and cash equivalents at end of the period	15	<b>(12,550,745)</b>	(664,556)

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 AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 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 (now Companies Act, 2017) 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 (Holding Company) which holds 245,055,543 (June 30, 2021: 245,055,543 shares) shares of the Company as at December 31, 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. 4,177.17 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 and service center 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

**2.1.1.** 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 of:

- 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.

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 December 31, 2020.

## 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 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 standards and certain other amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2022. However, these are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these 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 judgements, 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 judgements 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)		
<b>Cost / revalued amount</b>			
Opening balance as at July 01, 2021	26,481,999	150,993	26,632,992
Additions	108,921	967,808	1,076,729
Adjustments / transfers - net	(109,025)	(108,921)	(217,946)
Disposals	(75,879)	-	(75,879)
	26,406,016	1,009,880	27,415,896
<b>Accumulated depreciation</b>			
Opening balance as at July 01, 2021	(7,453,375)	-	(7,453,375)
Charge for the period	(763,046)	-	(763,046)
Disposals	48,254	-	48,254
	(8,168,167)	-	(8,168,167)
	<b>18,237,849</b>	<b>1,009,880</b>	<b>19,247,729</b>
Written down value as at December 31, 2021 (Unaudited)			
Written down value as at June 30, 2021 (Audited)	19,028,624	150,993	19,179,617

## 6. STOCK IN TRADE

	(Unaudited) December 31, 2021	(Audited) June 30, 2021
	(Rupees in '000)	
Raw material		
- in hand	10,762,315	3,041,826
- in transit	1,239,444	5,287,176
	12,001,759	8,329,002
Work-in-process	5,356,126	1,853,342
Finished goods	14,787,479	6,812,134
Scrap material	16,050	69,575
By-product	16,910	17,316
	32,178,324	17,081,369

## 7. LONG TERM FINANCING - SECURED

	Note	(Unaudited)	(Audited)
		December 31, 2021	June 30, 2021
		(Rupees in '000)	
<b>Conventional</b>			
Long Term Finance Facility (LTFF)	7.1	830,906	955,917
Temporary Economic Refinance Facility (TERF)	7.2	343,580	12,189
<b>Islamic</b>			
Islamic Long Term Finance Facility (ILTFF)	7.3	477,732	508,059
Long Term Finance (LTF)	7.4	2,940,000	3,430,000
Payroll Refinance Scheme	7.5	214,701	300,580
		<b>4,806,919</b>	5,206,745
Less: Deferred Income - Government grant	7.7	<b>(138,440)</b>	(13,449)
Less: Current portion of long term loan :			
<b>Conventional</b>			
Long Term Finance Facility (LTFF)		<b>(250,020)</b>	(250,020)
<b>Islamic</b>			
Islamic Long Term Finance Facility (ILTFF)		<b>(60,655)</b>	(60,655)
Long Term Finance (LTF)		<b>(980,000)</b>	(980,000)
Payroll Refinance Scheme		<b>(214,701)</b>	(171,760)
		<b>(1,505,376)</b>	(1,462,435)
		<b>3,163,103</b>	3,730,861

- 7.1.** This represents finance facility loan obtained from different banks under the State Bank of Pakistan (SBP) Long Term Finance Facility for Plant and Machinery in respect of export-oriented projects at SBP Refinance rate +1% (June 30, 2021: SBP Refinance rate at 1%).
- 7.2.** This represents finance facility loan obtained from commercial bank under the SBP's Temporary Economic Refinance Facility available to the Company at SBP Refinance rate + 1.25% (June 30, 2021: SBP Refinance rate + 1.25%) for setting up of new industrial units.
- 7.3.** This represents finance facility loan obtained from different banks under the SBP's Islamic Long Term Finance Facility for Plant and Machinery in respect of export-oriented projects at SBP Refinance rate + 3% (June 30, 2021: SBP refinance rate at 3%).
- 7.4.** This represents long term finance obtained under Islamic window of a commercial bank at the rate of 6 months KIBOR + 0.1% (June 30, 2021: 6 months KIBOR +0.1%).
- 7.5.** This represents long term loans obtained under SBP Refinance Scheme for payment of wages and salaries, earmarked from running finance limit. These loans are at concessional rate ranging from 0.75% to 1% over SBP Refinance rate per annum (June 30, 2021: 0.75% to 1% over SBP Refinance rate).
- 7.6.** The above loans are secured against joint pari passu charge and ranking charge over fixed assets of the Company (such as land, building, plant and machinery etc.).
- 7.7.** Government grant amounting to Rs. 138.44 million (June 30, 2021: Rs. 13.45 million) has been recorded upto the period ended December 31, 2021 and Rs. 10.28 million (June 30, 2021: Rs. 20.54 million) has been amortised during the period.



## 8. GAS INFRASTRUCTURE DEVELOPMENT CESS

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.

Despite the speaking order dated August 13, 2020 by the SCP, the Federal Government did not initiate the gas project within six months, therefore, during the prior financial year, the Company has filed a petition in the SHC challenging the decision of the SCP.

## 9. TRADE AND OTHER PAYABLES

	Note	(Unaudited)	(Audited)
		December 31, 2021	June 30, 2021
		(Rupees in '000)	
Trade creditors		<b>4,378,102</b>	1,905,134
Accrued expenses	9.1	<b>2,171,908</b>	2,048,316
Provision for infrastructure cess	9.2	<b>2,145,901</b>	1,625,091
Provision for government levies		<b>1,331</b>	2,531
Deferred income - Government grant		<b>24,821</b>	12,431
Short term compensated absences		<b>12,742</b>	10,892
Workers' Profit Participation Fund		<b>311,041</b>	553,765
Workers' Welfare Fund	9.3	<b>280,074</b>	361,961
Others		<b>86,316</b>	67,530
		<b>9,412,236</b>	6,587,651

**9.1.** These include current portion of provision for Gas Infrastructure Development Cess amounting to Rs. 552.22 million (June 30, 2021: Rs. 403.26 million) and provision against revision of gas tariff by Oil and Gas Regulation Authority amounting to Rs. 654.08 million (June 30, 2021: Rs. 610.26 million).

**9.2.** 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 amounting to Rs. 2,122.5 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 1, 2021, the Supreme Court granted a stay order against the operation of the order of SHC dated June 4, 2021, that the bank guarantees already submitted by the Company in pursuant to the order of High Court is valid and enforceable. The court further ordered that imports should be released on submission of fresh bank guarantees equivalent to the duty under the Act.

- 9.3.** 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.

## 10. SHORT TERM BORROWINGS - SECURED

	Note	(Unaudited)	(Audited)
		December 30, 2021	June 30, 2021
		(Rupees in '000)	
<b>Conventional</b>			
Running finance under			
Mark-up arrangements from banks	10.1	<b>7,598,859</b>	359,255
Short-term borrowing under			
Money Market scheme			
- Maturing after three months	10.1	<b>1,950,000</b>	1,850,000
Short term finance under			
Export Refinance Scheme	10.2	<b>4,548,302</b>	2,800,000
<b>Islamic</b>			
Short term finance under			
Running Musharakah	10.3	<b>3,146,321</b>	367,233
Short term finance under			
Export Refinance Scheme	10.4	<b>1,500,000</b>	1,419,857
		<b>18,743,482</b>	<b>6,796,345</b>

- 10.1.** 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 7.78% to 10.35% (June 30, 2021: 7.37% to 8.28%) per annum.
- 10.2.** This represents short term finance facility obtained under Export Refinance Scheme of the State Bank of Pakistan from commercial banks. The rate of mark-up on this facility ranges from 2.50% to 2.90% (June 30, 2021: 2.75% to 3.00%) per annum.
- 10.3.** This represents short term finance facility obtained under Running Musharakah. The rate of mark-up ranges from 7.88% to 9.25% (June 30, 2021: 7.39% to 7.68%) per annum. This facility matures within twelve months and is renewable.
- 10.4.** This represents short term finance facility obtained under Islamic Export Refinance Scheme of the State Bank of Pakistan from commercial banks. The rate of mark-up on this facility is 3% (June 30, 2021: 3%) per annum.
- 10.5** As at December 31, 2021, the unavailed facilities from the above borrowings amounted to Rs. 7,307 million (June 30, 2021: Rs. 16,714 million).
- 10.6** The above facilities are secured by way of joint pari passu charge over current and future moveable assets of the Company.

## 11. CONTINGENCY AND COMMITMENTS

### 11.1 Contingency

There have been no significant changes during the period in the contingency reported in the annual audited financial statements for the year ended June 30, 2021.

### 11.2 Commitments

- 11.2.1** Capital expenditure commitments outstanding as at December 31, 2021 amounted to Rs. 520.94 million (June 30, 2021 : Rs. 696.21 million).

**11.2.2.** Commitments under Letters of Credit for raw materials and spares as at December 31, 2021 amounted to Rs. 9,330 million (June 30, 2021: Rs. 20,156 million).

**11.2.3** The facilities for opening letters of credit and guarantees from banks as at December 31, 2021 amounted to Rs. 29,997 million (June 30, 2021: Rs. 20,852 million) and Rs. 6,300 million (June 30, 2021: Rs. 4,228 million) respectively of which unutilised balance at period end amounted to Rs. 16,794 million (June 30, 2021: Rs. 8,431 million) and Rs. 24 million (June 30, 2021: Rs. 305 million) respectively.

## 12. REVENUE FROM CONTRACTS WITH CUSTOMERS

	(Unaudited)			
	Six months ended		Three months ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Notes	(Rupees in '000)			
Sale of goods less returns:				
Local	42,339,739	33,789,868	19,749,830	18,146,535
Export	7,585,644	5,141,228	2,159,309	2,582,572
	<b>49,925,383</b>	38,931,096	<b>21,909,139</b>	20,729,107
Sales tax	<b>(6,188,204)</b>	(4,953,566)	<b>(2,886,829)</b>	(2,657,224)
Trade discounts	<b>(56,272)</b>	(88,221)	<b>(52,272)</b>	(24,147)
Sales commission	<b>(386,433)</b>	(373,362)	<b>(164,902)</b>	(198,276)
	<b>(6,630,909)</b>	(5,415,149)	<b>(3,104,003)</b>	(2,879,647)
	<b>43,294,474</b>	33,515,947	<b>18,805,136</b>	17,849,460

## 13. TAXATION

Current	(1,684,106)	(603,803)	(821,128)	(379,879)
Deferred	235,470	(589,619)	326,128	(515,262)
	<b>(1,448,636)</b>	(1,193,422)	<b>(495,000)</b>	(895,141)

## 14. CASH (USED IN) / GENERATED FROM OPERATIONS

Profit before taxation 5,672,302 3,967,550

### Adjustments for:

Depreciation and amortisation	772,090	791,718
Gain on disposal of property, plant and equipment	(63,743)	(3,919)
Unwinding of Gas Infrastructure		
Development Cess	36,133	-
Provision for obsolescence against spares	32,481	35,734
Provision for staff gratuity	15,272	12,188
Provision for compensated absences	4,935	5,489
Income on bank deposits	(19,153)	(7,219)
Finance cost	508,218	437,895
Deferred income - Government grant	(10,280)	(9,523)
Gain on discounting of Gas Infrastructure		
Development Cess	(34,378)	(183,637)
	<b>1,241,575</b>	1,078,726
Changes in working capital	14 (13,299,962)	3,188,579
	<b>(6,386,085)</b>	8,234,855

#### 14.1. CHANGES IN WORKING CAPITAL

		----- (Unaudited) -----	
		Six months ended	
		December 31, 2021	December 31, 2020
Notes		(Rupees in '000)	
(Increase) / decrease in current assets:			
	Stores and spares	(200,775)	(172,619)
	Stock-in-trade	(15,096,955)	6,811,130
	Receivable from K-Electric Limited	17,797	1,968
	Trade debts	(749,572)	446,035
	Advances, trade deposits and short-term prepayments	1,660,156	(3,190,784)
	Sales tax receivable	(1,631,271)	2,166,132
		<u>(16,000,620)</u>	<u>6,061,862</u>
Increase / (Decrease) in current liabilities:			
	Trade and other payables	2,700,658	(2,873,283)
		<u>(13,299,962)</u>	<u>3,188,579</u>

#### 15. CASH AND CASH EQUIVALENTS

	Cash and bank balances	144,435	121,748
	Running finance under mark-up arrangement from banks	10 (7,598,859)	(604,830)
	Short-term borrowing under Money Market Scheme	10 (1,950,000)	-
	Short-term finance under Running Musharakah	10 (3,146,321)	(181,474)
		<u>(12,550,745)</u>	<u>(664,556)</u>

#### 16. 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:

	(Unaudited)			
	Six months ended		Three months ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Rupees in '000)			
<b>Holding company</b>				
Sales	3,658,473	471	2,663,152	13
Purchases	15,571	3,465	6,137	2,277
Rent	5,894	108,702	2,947	2,742
Shared resources cost	41,035	36,609	19,741	22,094
Reimbursement of expenses	2,796	9,610	1,728	8,668
Sale of Fixed asset	2,350	-	2,350	-
Purchase of Fixed asset	3,350	-	3,350	-
Dividend paid	1,715,389	-	-	-
<b>Associated undertakings</b>				
Sales	1,386,955	187,640	377,183	138,048
Purchases	31,773,136	10,873,131	7,286,506	8,480,985
Dividend paid	276,344	-	-	-
Rental income	1,387	1,507	668	900
Reimbursement of expenses	-	1,170	-	-
Services	11,864	23,267	11,485	18,646
<b>Key management personnel</b>				
Remuneration	142,224	112,580	71,112	55,821
<b>Staff retirement funds</b>				
Contribution paid	32,390	19,334	16,189	11,966
<b>Non-executive directors</b>				
Directors' fee	2,900	3,600	1,600	1,700
Reimbursement of Chairman's expenses	-	3,196	-	2,550

## 17. OPERATING SEGMENTS

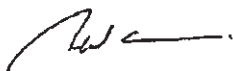
- 17.1.** These condensed interim financial statements have been prepared on the basis of a single reportable segment.
- 17.2.** Revenue from sales of steel products represents 99% (June 30, 2021: 99.26%) of total revenue whereas remaining represent revenue from sale of surplus electricity to K-Electric 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.
- 17.3.** 84.81% (December 31, 2020: 86.79%) of sales of steel sheets are domestic sales whereas 15.19% (December 31, 2020: 13.21%) of sales are export / foreign sales.

## 18. NON-ADJUSTING EVENTS AFTER REPORTING DATE

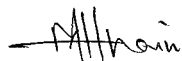
The Board of Directors of the Company in their meeting held on January 31, 2022 have declared an interim cash dividend of Rs. 2.00 (December 31, 2020: Rs. 3.00) per share for the year ending June 30, 2022 amounting to Rs. 870 million (December 31, 2020: Rs. 1,305 million). The condensed interim financial statements do not include the effect of above interim dividend which will be accounted for in the subsequent period.

## 19. DATE OF AUTHORIZATION FOR ISSUE

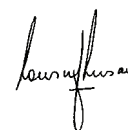
These condensed interim financial statements were authorised for issue by the Board of Directors on January 31, 2022.



**Nihal Cassim**  
Director & Chairman  
Board Audit Committee



**Mujtaba Hussain**  
Chief Financial  
Officer



**Yousuf H. Mirza**  
Chief Executive  
Officer



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