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UNAUDITED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2022



CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2022

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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 NINE MONTHS ENDED MARCH 31, 2022

The Directors of your Company are pleased to present the financial statements for the period ended March 31, 2022.

The commodity prices surged around the world following the Ukrainian crisis since February 2022. The situation was further aggravated due to rising oil prices as well as COVID lockdown in China. HRC prices have since reflected an increase of nearly 40% as material from both countries is unavailable. The crisis is expected to persist for some time.

The national economy remained under stress due to rising oil prices, widening current account deficit creating pressure on foreign exchange reserves, and further fuelling inflation. IMF deferred its discussions about the next tranche due to political uncertainty. Consequently, State Bank in an urgent meeting increased the interest rates by 2.5%. Pak Rupee depreciated by 17% this year to Rs. 184 to USD resulting in the imposition of a 100% cash margin on LCs, including HRC. These measures will have an adverse impact on the working capital requirements, however, adequate measures will be taken to reduce the impact.

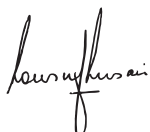
During the period, import of flat steel products under special concessions to FATA / PATA continued to impact the industry due to the misuse of sales tax exemption in the domestic market. However due to persistent efforts of the industry, FBR has commenced an exercise of measuring input and output ratios as well as energy consumption to prevent misuse.

Despite slowdown in the economy, your Company maintained its growth streak with revenue for nine months of Rs. 70.6 billion compared to Rs. 50.9 billion in the same period last year, showing a growth of 39% including strong export sales.


The sales volumes in Q3 were 50% higher than Q2 driven by domestic use and exports. The Company was again recognized among the Top 25 companies by Pakistan Stock Exchange. The Company posted a Profit after Tax and Earnings per Share of Rs. 5,355 million and Rs. 12.31, compared to Rs. 5,152 million and Rs.11.84 in the same period last year.

The Company expects the momentum to continue in the next quarter. The Company has successfully commissioned C & Z Purlin machines at its Service Centre and started commercial production. The debottlenecking project to expand Cold Rolled capacity is on track for completion in the fourth quarter.

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: April 21, 2022

ڈائریکٹرز رپورٹ

31 مارچ، 2022 کو ختم ہونے والی مدت کیلئے

کمپنی کے ڈائریکٹرز 31 مارچ 2022 کو ختم ہونے والی مدت کیلئے مالیاتی تفصیلات بخوشی پیش کر رہے ہیں۔

فروری 2022 سے جاری یوکرین کے بحران کے نتیجے میں پوری دنیا میں ایشیائے صرف کی قیمتیں بڑھ گئی ہیں۔ تیل کی بڑھتی ہوئی قیمتوں اور چین میں کرونا کے لاک ڈاؤن کی وجہ سے صورت حال مزید خراب ہو گئی۔ ایچ آرسی کی قیمتوں میں تقریباً 40 فیصد اضافے کا رجحان دیکھا گیا ہے کیونکہ دونوں ممالک سے میٹیریل کی دستیابی بند ہے۔ خدشہ ہے کہ یہ بحران مزید کچھ عرصہ رہے گا۔

قومی معیشت تیل کی بڑھتی ہوئی قیمتوں کے باعث تناؤ کا شکار رہی۔ کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے نے زرمبادلہ کے ذخائر پر دباؤ ڈالا اور مہنگائی میں مزید اضافہ ہوا۔ آئی ایم ایف نے سیاسی غیر یقینی صورت حال کے باعث اگلی قسط پر بات چیت مؤخر کر دی۔ نتیجتاً اسٹیٹ بینک نے اپنے فوری اجلاس میں انٹرسٹ کی شرح 2.5 فیصد سے بڑھادی۔ پاکستانی روپے کی قدر میں اس سال 17 فیصد کمی واقع ہوئی اور ڈالر کی قدر 184 پاکستانی روپے کے برابر ہو گئی جس کے نتیجے میں ایل سیز بشمول ایچ آرسی پر 100 فیصد کیش مارجن عائد ہو گیا۔ اس سے عملی سرمائے کی درکار ضروریات پر برے اثرات مرتب ہوں گے۔ تاہم، ان اثرات کو کم سے کم کرنے کے لئے خاطر خواہ اقدامات کئے جائیں گے۔

دوران مدت فلیٹ اسٹیل کی مصنوعات کی درآمد FATA/PATA کو فراہم کی جانے والی خصوصی رعایت کے باعث صنعت پر برے اثرات مرتب ہوئے جس کی وجہ مقامی مارکیٹ میں کچھ عناصر کی طرف سے بیلنگس سے استثناء کا غلط استعمال ہے۔ تاہم صنعتی اداروں کی مسلسل کوششوں کے باعث فیڈرل بورڈ آف ریونیو نے ان پٹ اور آؤٹ پٹ کے تناسب اور توانائی کے استعمال کا تعین شروع کر دیا ہے تاکہ غلط استعمال کی روک تھام کی جاسکے۔

معیشت میں سست روی کے باوجود آپ کی کمپنی نے 9 ماہ کی مدت کے دوران اپنی ریکارڈ آمدنی میں 70.6 بلین روپے کے ساتھ تیزی کے رجحان کو برقرار رکھا ہے جو نسبتاً گزشتہ سال اسی تقابلی مدت میں 50.9 بلین روپے تھا جو مستحکم ایکسپورٹ سبز کے ساتھ 39 فیصد اضافے کو ظاہر کرتا ہے۔

دوسری سہ ماہی کے مقابلے میں تیسری سہ ماہی میں فروخت کا حجم 50 فیصد زائد تھا، جس کی وجہ مقامی سطح پر استعمال اور برآمدات ہیں۔ پاکستان اسٹاک ایکسچینج کی جانب سے کمپنی کو دوبارہ ٹاپ 25 کمپنیز میں شامل کیا گیا۔ کمپنی نے گزشتہ سال کے مقابلے میں 5,355 ملین روپے اور 12.31 روپے کا منافع بعد از ٹیکس اور منافع فی حصص کا حصول کیا جو گزشتہ سال اسی مدت میں نسبتاً 5,152 ملین روپے اور 11.84 روپے تھا۔

کمپنی امید کرتی ہے کہ یہ استحکام آئندہ سہ ماہی میں بھی جاری و ساری رہے گا۔ کمپنی نے C&Z پرلن مشینوں کو اپنے سروس سینٹر پر کامیابی سے فعال کر کے کمزور پروڈکشن کا آغاز کر دیا گیا ہے۔ کولڈ رولڈ کی پیداواری استعداد کی توسیع کے لئے ڈی بولنگ کا منصوبہ آخری سہ ماہی میں پایا نئے تکمیل تک پہنچ جائے گا۔

ان اہداف کے حصول کیلئے ہم اپنی انتظامیہ اور اپنے اسٹاف کی انتھک محنت اور کوششوں کے ممنون و مشکور ہیں۔ ہم آپ کی کمپنی کی مسلسل کامیابی کیلئے دعا گو ہیں۔

محمد امجد

ڈائریکٹر امجد

چیئرمین

محمد امجد

یوسف ایچ مرزا

چیف ایگزیکٹو آفیسر

کراچی: 21 اپریل، 2022

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

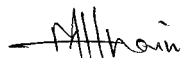
AS AT MARCH 31, 2022

| | Note | (Unaudited) | (Audited) |
|---|------|-------------------|-------------------|
| | | March 31, 2022 | June 30, 2021 |
| | | (Rupees in '000) | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 19,382,670 | 19,179,617 |
| Right-of-use assets | | 7,467 | 19,318 |
| Intangible assets | | 651 | 885 |
| Long term deposit with Central Depository Company of Pakistan Limited | | 100 | 100 |
| | | 19,390,888 | 19,199,920 |
| CURRENT ASSETS | | | |
| Stores and spares | | 1,052,829 | 676,682 |
| Stock-in-trade | 6 | 20,542,034 | 17,081,369 |
| Trade debts | | 2,891,645 | 939,845 |
| Receivable from K-Electric Limited (KE) | | 19,009 | 26,920 |
| Advances, trade deposits and prepayments | | 216,912 | 1,925,675 |
| Sales tax receivable | | 1,347,788 | 1,576,621 |
| Cash and bank balances | | 326,877 | 292,511 |
| | | 26,397,094 | 22,519,623 |
| TOTAL ASSETS | | 45,787,982 | 41,719,543 |
| EQUITY AND LIABILITIES | | | |
| SHARED CAPITAL AND RESERVES | | | |
| 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 | | 14,783,009 | 13,317,354 |
| Capital reserve Revaluation surplus on property, plant and equipment | | 1,194,845 | 1,220,286 |
| TOTAL SHAREHOLDERS' EQUITY | | 20,327,854 | 18,887,640 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Long term financing - secured | 7 | 3,200,111 | 3,730,861 |
| Deferred income - Government grant | | 148,392 | 1,018 |
| Gas Infrastructure Development Cess | 8 | 497,994 | 708,956 |
| Deferred taxation | | 1,697,954 | 2,031,997 |
| Lease liabilities | | - | 1,929 |
| | | 5,544,451 | 6,474,761 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | 7,142,993 | 6,587,651 |
| Contract liabilities | | 3,173,744 | 1,277,439 |
| Short term borrowings - secured | 10 | 7,111,359 | 6,796,345 |
| Unclaimed dividend | | 11,405 | 8,798 |
| Current portion of long term financing - secured | 7 | 1,462,435 | 1,462,435 |
| Current portion of lease liabilities | | 9,061 | 20,734 |
| Taxation - net | | 819,265 | 125,012 |
| Accrued mark-up | | 185,415 | 78,728 |
| | | 19,915,677 | 16,357,142 |
| TOTAL LIABILITIES | | 25,460,128 | 22,831,903 |
| CONTINGENCY AND COMMITMENTS | 11 | | |
| TOTAL EQUITY AND LIABILITIES | | 45,787,982 | 41,719,543 |

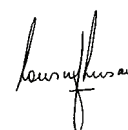
The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.



Nihal Cassim
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

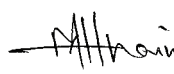
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2022

| | Note | Nine months ended | | Three months ended | |
|--|------|---------------------|----------------|---------------------|----------------|
| | | March 31, 2022 | March 31, 2021 | March 31, 2022 | March 31, 2021 |
| | | (Rupees in '000) | | (Rupees in '000) | |
| Revenue from contracts with customers | 12 | 70,557,394 | 50,917,815 | 27,262,920 | 17,401,868 |
| Cost of sales | | (61,043,302) | (41,865,151) | (24,959,333) | (13,305,270) |
| Gross profit | | 9,514,092 | 9,052,664 | 2,303,587 | 4,096,598 |
| Selling and distribution expenses | | (742,502) | (615,538) | (346,036) | (256,701) |
| Administrative expenses | | (239,569) | (276,143) | (74,720) | (130,962) |
| | | (982,071) | (891,681) | (420,756) | (387,663) |
| Finance cost | | (905,649) | (595,932) | (361,297) | (158,037) |
| Other operating charges | | (755,231) | (609,386) | (169,870) | (253,218) |
| | | (1,660,880) | (1,205,318) | (531,167) | (411,255) |
| Other income | | 174,774 | 364,336 | 21,951 | 54,772 |
| Profit before taxation | | 7,045,915 | 7,320,001 | 1,373,615 | 3,352,452 |
| Taxation | 13 | (1,690,701) | (2,167,865) | (242,065) | (974,443) |
| Profit after taxation | | 5,355,214 | 5,152,136 | 1,131,550 | 2,378,009 |
| Earnings per share - basic and diluted (Rupees) | | 12.31 | 11.84 | 2.60 | 5.47 |

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.


Nihal Cassim
 Director & Chairman
 Board Audit Committee

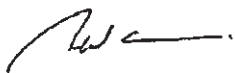

Mujtaba Hussain
 Chief Financial
 Officer


Yousuf H. Mirza
 Chief Executive
 Officer

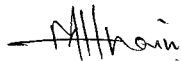
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2022

| | Nine months ended | | Three months ended | |
|-----------------------------------|-------------------|----------------|--------------------|----------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2022 | March 31, 2021 |
| | (Rupees in '000) | | (Rupees in '000) | |
| Profit after taxation | 5,355,214 | 5,152,136 | 1,131,550 | 2,378,009 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 5,355,214 | 5,152,136 | 1,131,550 | 2,378,009 |

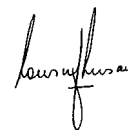
The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.



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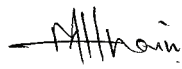
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2022

| | 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 |
| Total comprehensive income for the period | | | | |
| Profit for the period | - | 5,152,136 | - | 5,152,136 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | - | 5,152,136 | - | 5,152,136 |
| Total transactions with owners of the Company | | | | |
| Dividend: | | | | |
| - Interim dividend @30% (Rs.3.00 per share) for the period ended June 30, 2021 | | (1,305,000) | | (1,305,000) |
| Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax | - | 25,441 | (25,441) | - |
| Balance as at March 31, 2021 | 4,350,000 | 10,994,184 | 1,228,767 | 16,572,951 |
| Balance as at July 1, 2021 | 4,350,000 | 13,317,354 | 1,220,286 | 18,887,640 |
| Total comprehensive income for the period | | | | |
| Profit for the period | - | 5,355,214 | - | 5,355,214 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | - | 5,355,214 | - | 5,355,214 |
| Total transactions with owners of the Company | | | | |
| Dividend: | | | | |
| - Final dividend @70% (Rs.7.00 per share) for the year ended June 30, 2021 | - | (3,045,000) | - | (3,045,000) |
| - Interim Dividend @20% (Rs.2.00 per share) for the year ended June 30, 2022 | - | (870,000) | - | (870,000) |
| Total transactions with owners of the Company | - | (3,915,000) | - | (3,915,000) |
| Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax | - | 25,441 | (25,441) | - |
| Balance as at March 31, 2022 | 4,350,000 | 14,783,009 | 1,194,845 | 20,327,854 |

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.


Nihal Cassim
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial
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Yousuf H. Mirza
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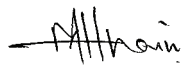
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2022

| Note | Nine months ended | | |
|--|-------------------|--------------------|--------------------|
| | March 31, 2022 | March 31, 2021 | |
| | (Rupees in '000) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 14 | 7,415,106 | 14,347,460 |
| Finance cost paid | | (779,632) | (675,201) |
| Staff gratuity paid | | (22,849) | (11,175) |
| Compensated absences paid | | (3,388) | (6,698) |
| Income tax paid | | (1,330,491) | (641,167) |
| | | (2,163,360) | (1,334,241) |
| Net cash generated from operating activities | | 5,278,746 | 13,013,219 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for acquisition of property, plant and equipment | | (1,366,255) | (249,393) |
| Proceeds from disposal of property, plant and equipment | | 94,148 | 21,344 |
| Income received on bank deposits | | 23,073 | 14,267 |
| Net cash used in investing activities | | (1,249,034) | (213,782) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long term financing | | 496,152 | 175,553 |
| Repayments of long term financing | | (879,529) | (918,679) |
| Proceeds from short term borrowings - net | | 2,258,444 | 1,374,373 |
| Lease rentals paid | | (14,590) | (27,634) |
| Dividend paid | | (3,912,393) | (1,303,926) |
| Net cash used in financing activities | | (2,051,916) | (700,313) |
| Net increase in cash and cash equivalents | | 1,977,796 | 12,099,124 |
| Cash and cash equivalents at beginning of the period | | (2,283,977) | (8,568,724) |
| Cash and cash equivalents at end of the period | 15 | (306,181) | 3,530,400 |

The annexed notes from 1 to 18 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 NINE MONTHS ENDED MARCH 31, 2022

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 March 31, 2022 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:

- 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 March 31, 2021.

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 and 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) | | |
| Cost / revalued amount | | | |
| Opening balance as at July 01, 2021 | 26,481,999 | 150,993 | 26,632,992 |
| Additions | 188,273 | 1,467,545 | 1,655,818 |
| Adjustments / transfers - net | (101,290) | (188,273) | (289,563) |
| Disposals | (81,014) | - | (81,014) |
| | 26,487,968 | 1,430,265 | 27,918,233 |
| Accumulated depreciation | | | |
| Opening balance as at July 01, 2021 | (7,453,375) | - | (7,453,375) |
| Charge for the period | (1,134,480) | - | (1,134,480) |
| Disposals | 52,292 | - | 52,292 |
| | (8,535,563) | - | (8,535,563) |
| | 17,952,405 | 1,430,265 | 19,382,670 |
| Written down value as at June 30, 2021 (Audited) | 19,028,624 | 150,993 | 19,179,617 |

6. STOCK IN TRADE

| | (Unaudited) March 31, 2022 | (Audited) June 30, 2021 |
|-----------------|-------------------------------|----------------------------|
| | (Rupees in '000) | |
| Raw material | | |
| - in hand | 5,507,153 | 3,041,826 |
| - in transit | 1,884,959 | 5,287,176 |
| Work-in-process | 3,948,363 | 1,853,342 |
| Finished goods | 9,113,761 | 6,812,134 |
| By-product | 35,902 | 17,316 |
| Scrap | 51,896 | 69,575 |
| | 20,542,034 | 17,081,369 |

7. LONG TERM FINANCING - SECURED

| | Note | (Unaudited) | (Audited) |
|--|------|--------------------|---------------|
| | | March 31, 2022 | June 30, 2021 |
| | | (Rupees in '000) | |
| Conventional | | | |
| Long Term Finance Facility (LTFF) | 7.1 | 815,376 | 955,917 |
| Temporary Economic Refinance Facility (TERF) | 7.2 | 442,889 | 12,189 |
| Islamic | | | |
| Islamic Long Term Finance Facility (ILTFF) | 7.3 | 462,566 | 508,059 |
| Long Term Finance (LTF) | 7.4 | 2,940,000 | 3,430,000 |
| Payroll Refinance Scheme | 7.5 | 171,760 | 300,580 |
| | | 4,832,591 | 5,206,745 |
| Less: Deferred Income - Government grant | 7.7 | (170,045) | (13,449) |
| Less: Current portion of long term loan : | | | |
| Conventional | | | |
| Long Term Finance Facility (LTFF) | | (250,020) | (250,020) |
| Islamic | | | |
| Islamic Long Term Finance Facility (ILTFF) | | (60,655) | (60,655) |
| Long Term Finance (LTF) | | (980,000) | (980,000) |
| Payroll Refinance Scheme | | (171,760) | (171,760) |
| | | (1,462,435) | (1,462,435) |
| | | 3,200,111 | 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 + 0.5% to 1% (June 30, 2021: SBP Refinance rate at 1%).
- 7.2.** This represents finance facility loan obtained from a 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 and is secured by way of pari passu charge over fixed assets of the Company 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. 170.05 million (June 30, 2021: Rs. 13.45 million) has been recorded upto the period ended March 31, 2022 and Rs. 18.34 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) |
|------------------------------------|------|------------------|---------------|
| | | March 31, 2022 | June 30, 2021 |
| | | (Rupees in '000) | |
| Trade creditors | | 1,694,946 | 1,905,134 |
| Accrued expenses | 9.1 | 2,370,779 | 2,048,316 |
| Provision for infrastructure cess | 9.2 | 2,302,141 | 1,625,091 |
| Provision for government levies | | 1,631 | 2,531 |
| Deferred income - Government grant | | 21,654 | 12,431 |
| Short term compensated absences | | 14,992 | 10,892 |
| Workers' Profit Participation Fund | | 378,813 | 553,765 |
| Workers' Welfare Fund | 9.3 | 309,613 | 361,961 |
| Others | | 48,424 | 67,530 |
| | | 7,142,993 | 6,587,651 |

9.1. These include current portion of provision for Gas Infrastructure Development Cess amounting to Rs. 637.2 million (June 30, 2021: Rs. 403.26 million) and provision against revision of gas tariff by Oil and Gas Regulation Authority amounting to Rs. 667.48 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. 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 100% of the fee amount under the Act.

Bank guarantees issued as per the above mentioned orders amounting to Rs. 2,322.5 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.

- 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) |
|---|------|------------------|------------------|
| | | March 31, 2022 | June 30, 2021 |
| | | (Rupees in '000) | |
| Conventional | | | |
| Running finance under mark-up arrangement | 10.1 | 569,584 | 359,255 |
| Short-term borrowing under Money Market scheme - Maturing within three months | 10.1 | - | 1,850,000 |
| Short term finance under Export Refinance Scheme | 10.2 | 4,548,301 | 2,800,000 |
| Islamic | | | |
| Short term finance under Running Musharakah | 10.3 | 63,474 | 367,233 |
| Short term finance under Export Refinance Scheme | 10.4 | 1,930,000 | 1,419,857 |
| | | <u>7,111,359</u> | <u>6,796,345</u> |

- 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 10.48% to 10.89% (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 2.5% to 2.9% (June 30, 2021: 2.75% to 3%) per annum.
- 10.3.** This represents short term finance facility obtained under Running Musharakah. The rate of mark-up ranges from 10.48% to 10.94% (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 March 31, 2022, the unavailed facilities from the above borrowings amounted to Rs.17,767 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 March 31, 2022 amounted to Rs. 475.79 million (June 30, 2021: Rs. 696.21 million).

11.2.2. Commitments under Letters of Credit for raw materials and spares as at March 31, 2022 amounted to Rs. 15,074 million (June 30, 2021: Rs. 20,156 million).

11.2.3 The facilities for opening letters of credit and guarantees from banks as at March 31, 2022 amounted to Rs. 15,550 million (June 30, 2021: Rs. 20,852 million) and Rs. 6,900 million (June 30, 2021: Rs. 4,228 million) respectively; unutilised balance at period end amounted to Rs. 17,522 million (June 30, 2021: Rs. 8,431 million) and Rs. 418 million (June 30, 2021: Rs. 305 million) respectively.

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

| | (Unaudited) | | | |
|------------------|---------------------|----------------|--------------------|----------------|
| | Nine months ended | | Three months ended | |
| | March 31, 2022 | March 31, 2021 | March 31, 2022 | March 31, 2021 |
| | (Rupees in '000) | | | |
| Local | 64,433,298 | 50,656,558 | 22,093,559 | 16,866,690 |
| Export | 16,207,361 | 8,313,873 | 8,621,717 | 3,172,645 |
| | 80,640,659 | 58,970,431 | 30,715,276 | 20,039,335 |
| Sales tax | (9,402,033) | (7,410,806) | (3,213,829) | (2,457,240) |
| Trade discounts | (73,090) | (93,301) | (16,818) | (5,080) |
| Sales commission | (608,142) | (548,509) | (221,709) | (175,147) |
| | (10,083,265) | (8,052,616) | (3,452,356) | (2,637,467) |
| | 70,557,394 | 50,917,815 | 27,262,920 | 17,401,868 |

13. TAXATION

| | | | | |
|----------|--------------------|-------------|------------------|-----------|
| Current | (2,024,744) | (1,503,503) | (340,638) | (899,700) |
| Deferred | 334,043 | (664,362) | 98,573 | (74,743) |
| | (1,690,701) | (2,167,865) | (242,065) | (974,443) |

14. CASH GENERATED FROM OPERATIONS

| | | |
|--|-------------------------|------------|
| Profit before taxation | 7,045,915 | 7,320,001 |
| Adjustments for: | | |
| Depreciation and amortisation | 1,146,565 | 1,188,159 |
| Gain on disposal of property, plant and equipment | (65,426) | (12,011) |
| Provision for obsolescence against spares | 57,757 | 59,500 |
| Provision for staff gratuity | 22,849 | 18,413 |
| Gain on discounting of Gas Infrastructure Development Cess | (34,378) | - |
| Unwinding of Gas Infrastructure Development Cess | 57,349 | - |
| Provision for compensated absences | 7,488 | 7,955 |
| Income on bank deposits | (23,073) | (14,267) |
| Finance cost | 848,300 | 595,932 |
| Deferred income - Government grant | (18,341) | (15,394) |
| | 1,999,090 | 1,828,287 |
| Changes in working capital | 14.1 (1,629,899) | 5,199,172 |
| | 7,415,106 | 14,347,460 |

14.1. CHANGES IN WORKING CAPITAL

| | | (Unaudited) | |
|--|--|--------------------|----------------|
| | | March 31, 2022 | March 31, 2021 |
| Notes | | (Rupees in '000) | |
| (Increase) / decrease in current assets: | | | |
| | | (433,904) | (323,306) |
| | | (3,460,665) | 1,543,512 |
| | | 7,911 | (26,673) |
| | | (1,951,800) | 82,617 |
| | | 1,708,763 | (275,784) |
| | | 228,833 | 2,759,007 |
| | | (3,900,862) | 3,759,373 |
| Increase / (decrease) in current liabilities: | | | |
| | | 2,270,963 | 1,439,799 |
| | | (1,629,899) | 5,199,172 |

15. CASH AND CASH EQUIVALENTS

| | | | |
|--|--|------------------|-----------|
| | | 326,877 | 3,821,991 |
| | | (569,584) | (219,561) |
| | | (63,474) | (72,030) |
| | | (306,181) | 3,530,400 |

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:

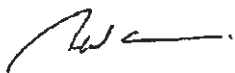
| | (Unaudited) | | | |
|--------------------------------------|-------------------|----------------|--------------------|----------------|
| | Nine months ended | | Three months ended | |
| | March 31, 2022 | March 31, 2021 | March 31, 2022 | March 31, 2021 |
| | (Rupees in '000) | | | |
| Holding company | | | | |
| Sales | 6,345,558 | 1,024 | 2,687,085 | 553 |
| Purchases | 180,645 | 4,657 | 165,074 | 1,193 |
| Rent | 8,841 | 111,442 | 2,947 | 2,741 |
| Shared resources cost | 55,282 | 56,443 | 14,247 | 19,833 |
| Reimbursement of expenses | 4,333 | 10,959 | 1,537 | 1,349 |
| Sale of Fixed asset | 2,350 | - | - | - |
| Purchase of Fixed asset | 3,350 | - | - | - |
| Dividend paid | 2,205,500 | 735,167 | 490,110 | 735,167 |
| Associated undertakings | | | | |
| Sales | 2,460,368 | 572,879 | 1,073,413 | 385,239 |
| Purchases | 41,449,486 | 18,211,049 | 9,676,350 | 7,337,917 |
| Dividend paid | 355,299 | 118,433 | 78,954 | 118,433 |
| Rental income | 2,055 | 1,822 | 668 | 608 |
| Reimbursement of expenses | 374 | 1,170 | 374 | - |
| Services / Donations | 24,107 | 29,611 | 12,243 | 6,372 |
| Key management personnel | | | | |
| Remuneration | 213,336 | 170,268 | 71,112 | 57,688 |
| Staff retirement funds | | | | |
| Contribution paid | 48,577 | 33,590 | 16,187 | 14,256 |
| Non-executive directors | | | | |
| Directors' fee | 4,700 | 6,600 | 1,800 | 3,000 |
| Reimbursement of Chairman's expenses | - | 3,605 | - | 408 |

17. OPERATING SEGMENTS

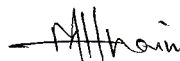
- 17.1.** These condensed interim financial statements have been prepared on the basis of a single reportable segment.
- 17.2.** Revenue from sales of steel products represents 99.70% (June 30, 2021: 99.26%) of total revenue whereas remaining represent revenue from sale of surplus electricity to K-Electric 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.** 79.90% (March 31, 2021: 86%) of gross sales of steel are domestic sales whereas 20.10% (March 31, 2021: 14%) of sales are export / foreign sales.

18. DATE OF AUTHORIZATION FOR ISSUE

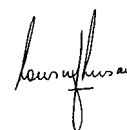
These condensed interim financial statements were authorised for issue by the Board of Directors on April 21, 2022.



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) 111 019 019
Fax: +92 (21) 3568 0373
Email: info@isl.com.pk

📍 LAHORE OFFICE

Chinoy House, 6-Bank Square, Lahore.
Tel: +92 (42) 111 019 019
Fax: +92 (42) 3722 0384

📍 ISLAMABAD OFFICE

Office No. 303-A, 3rd Floor, Evacuee Trust Complex, Sector F-5/1, Agha Khan Road, Islamabad.
Tel: +92 (51) 2823 041 - 2
Fax: +92 (51) 2823 043

📍 MULTAN OFFICE

Office No. 708-A, United Mall, Abdali Road, Multan.
Tel: +92 (61) 4570571

🏭 FACTORY ADDRESS

399-405, Rehri Road, Landhi Industrial 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