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UNAUDITED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2023



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FOR THE NINE MONTHS ENDED MARCH 31, 2023



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COMPANY INFORMATION

Chairman (Non-Executive)

Mr. Kamal A. Chinoy

Independent Directors

Dr. Amjad Waheed
Ms. Nausheen Ahmad
Mr. Nihal Cassim

Non-Executive Directors

Mr. Haroun Rashid
Mr. Mustapha A. Chinoy
Mr. Shuji Tsubota

Director and Chief Operating Officer

Mr. Samir M. Chinoy

Chief Executive Officer

Mr. Yousuf H. Mirza

Chief Financial Officer

Mr. Mujtaba Hussain

Company Secretary & Head of Legal Affairs

Ms. Schaane Ansari

Chief Internal Auditor

Syed Zaib Zaman Shah

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 21-111-000-322, +92 21-37120628-29
Email: sfc@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 : 021-35680373
E-mail : investors@isl.com.pk

Lahore Office

Chinoy House, 6 Bank Square, Lahore - 54000.
Telephone Nos: +92 42-37229752-55,
UAN: +92 42-111-019-019
Fax: +92 42-37249755
E-mail: lahore@isl.com.pk

Islamabad Office

Office No.303-A, 3rd Floor, Evacuee Trust Complex,
Sector F-5/1, Sir Agha Khan Road, Islamabad.
Telephone Nos: +92 51-2823041 - 2 Fax: 051-28230413

Multan Office

Office No. 708-A, "The United Mall", Plot No. 74,
Abdali Road, Multan.
Telephone Nos: +92 61-4570571

Factory

399 - 404, Rehri Road, Landhi, Karachi.
Telephone Nos: +92 21-35013104 - 5 Fax : 021-35013108
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.
Telephone Nos: +92 21-34724184

Website

www.isl.com.pk

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
BankIslami Pakistan 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, 2023

The Directors of your company are pleased to present the Directors' Report and Financial Statements for the quarter ended 31st March 2023.

The national economy continued to face severe challenges due to twin deficits. The current account deficit was curtailed at the expense of a severe economic and manufacturing sector slowdown, resulting in shrinkage of the large-scale manufacturing sector by 7.6% compared to the previous year. Inflation continued to rise significantly, reaching 35.4%. Consequently, the State Bank increased the policy rate to a two-decade high of 21% to slow down the economy. Despite the measures taken by the Government, the conditions for the Extended Fund Facility agreement with IMF leading to the resumption of program have not been met, resulting in depreciation of the Pakistani Rupee (PKR) against the US Dollar (USD) to Rs. 285.

These factors had serious implications for the local industry, resulting in the contraction of demand of flat steel products, mainly from sectors such as automobiles, appliances, pipes, construction, and general fabrication. The misuse of sales tax and income tax exemptions by manufacturers in the erstwhile FATA / PATA regions continues to have a negative impact on domestic manufacturers as well as revenue loss to the government. The procurement of raw materials remained difficult due to conditions imposed on establishing letters of credit (LCs) and a 100% margin imposed on opening of LCs. Additionally, the devaluation of PKR by 55% over the last year has added further pressures on cost. Compression in demand, higher working capital requirements, and exchange rate volatility have resulted in higher steel prices. Your company is making every effort to manage costs in an effort to maintain steel prices at reasonable levels.

International steel prices were largely stable through the quarter due to rising input costs and steady uptake. However, towards the end of the quarter, some reduction in demand, mainly in China, and a slowdown in western economies driven by rising interest rates and fears of the recession potentially lead to some correction in steel prices. Your company, through efficient working capital management, productivity initiatives, and a sharp focus on export and domestic market opportunities, has been able to sell 29% more than the previous quarter.

These initiatives have resulted in a Q3 profit after tax of Rs.1.52 billion with an EPS of Rs.3.48 and Rs.1.58 billion and EPS of Rs.3.62 for the current year, compared to the prior year profit after tax of Rs.5.36 billion and EPS of Rs.12.31. Your company expects market conditions to remain challenging due to the state of the economy for the rest of the year and remains focused on navigating through the prevailing uncertainty through proactive and prudent management.

We thank the management and staff for their contribution in these challenging times and pray to Almighty Allah for the continued success of your company.

Mr. Yousuf H. Mirza
Chief Executive Officer

Mr. Kamal A. Chinoy
Chairman

Karachi : April 19, 2023

ڈائریکٹرز رپورٹ

31 مارچ 2023 کو ختم ہونے والی مدت کے لئے

کمپنی کے ڈائریکٹرز 31 مارچ 2023 کو ختم ہونے والی مدت کی رپورٹ مع مالیاتی تفصیلات بمسرت پیش کر رہے ہیں۔

قومی معیشت کو دو طرفہ خسارے کے سبب شدید مشکلات کا سامنا رہا۔ کرنٹ اکاؤنٹ خسارے کی قیمت شدید اقتصادی قدغوں اور پیداواری صنعتوں کی سست روی کی صورت ادا کرنی پڑی جس کے نتیجے میں گزشتہ برس کے مقابلے میں پیداواری صنعتوں کا پیداواری حجم 7.6 فیصد تک سکڑ گیا۔ افراط زر کی شرح میں 35.4 فیصد تک کی نمایاں اضافہ دیکھا گیا۔ نتیجتاً اسٹیٹ بینک نے معیشت سست کرنے کے لئے پالیسی کی شرح دو دہائیوں کی بلند ترین سطح یعنی 21 فیصد تک بڑھا دیا۔ حکومت کی جانب سے اٹھائے گئے اقدامات کے باوجود آئی ایم ایف کے ساتھ توسیعی فنڈ سہولت کے معاہدے کی شرائط پوری نہیں کی گئیں جس کے سبب پروگرام دوبارہ شروع نہیں ہوا۔ نتیجتاً پاکستانی روپے (PKR) کی قدر امریکی ڈالر (USD) کے مقابلے میں 285 روپے تک گر گئی۔

یہ عوامل مقامی صنعت کے لئے سنگین مضمرات کا سبب بنے، جس کے نتیجے میں خاص طور پر آٹوموبائل، آلات، پائپ، تعمیرات اور ہنزل فیبریکیشن جیسے شعبوں میں فلیٹ اسٹیل کی مصنوعات کی مانگ میں کمی واقع ہوئی۔ سابقہ فائنا/پاٹا علاقوں میں مینوفیکچررز کی جانب سے سیلر ٹیکس اور آئٹم ٹیکس کی چھوٹ کا غلط استعمال ملک بھر کے صنعت کاروں پر منفی اثر ڈال رہا ہے اور ساتھ ہی حکومتی ریونیو کا نقصان بھی ہو رہا ہے۔ لیٹر آف کریڈٹ (LCs) کے قیام پر عائد شرائط اور LCs کھولنے پر عائد 100 فیصد مارجن کے سبب خام مال کی خریداری مشکل رہی۔ مزید برآں، گزشتہ برس کے دوران پاکستانی روپے کی قدر میں 55 فیصد کمی نے بھی پیداواری لاگت پر مزید باؤ ڈالا ہے۔ مانگ میں قلت، زیادہ ورکنگ کپٹیٹل کی ضروریات، اور شرح مبادلہ میں اتار چڑھاؤ کے نتیجے میں اسٹیل کی قیمتیں بلند ہوئیں۔ آپ کی کمپنی اسٹیل کی قیمتوں کو مناسب سطح پر برقرار رکھنے کی کوشش میں پیداواری لاگت کا انتظام کرنے کی ہر ممکن کوشش کر رہی ہے۔

بڑھی ہوئی ان پٹ لاگت میں مسلسل اضافے کی وجہ سے اس سہ ماہی کے دوران بین الاقوامی اسٹیل کی قیمتیں بڑی حد تک مستحکم رہیں۔ تاہم، سہ ماہی کے اختتام تک خاص کر چین میں طلب کی قلت اور مغربی معیشتوں میں سست روی، سود کی بڑھتی شرحوں اور کساد بازاری کے خدشات اسٹیل کی قیمتوں میں ممکنہ طور پر کچھ اصلاح کا باعث بنیں ہیں۔ آپ کی کمپنی، موثر ورکنگ کپٹیٹل مینجمنٹ، پیداواری اقدامات، اور برآمدات اور مقامی مارکیٹ پر بھرپور توجہ کے ذریعے، پچھلی سہ ماہی کے مقابلے میں 29 فیصد زیادہ فروخت کرنے میں کامیاب رہی ہے۔

ان اقدامات کی بدولت تیسری سہ ماہی میں 1.52 بلین روپے کے بعد از محصول منافع کے حساب سے شیئر کی قیمت 3.48 روپے رہی اور موجودہ سال کے لئے 1.58 بلین روپے کے بعد از محصول منافع کے حساب سے شیئر کی قیمت 3.62 روپے فی شیئر رہی، جبکہ گزشتہ برس اسی مدت میں 5.36 بلین روپے کے بعد از محصول منافع اور 12.31 روپے فی شیئر منافع حاصل ہوا تھا۔ آپ کی کمپنی کو توقع ہے کہ رواں سال کے بقیہ عرصے میں بھی معاشی حالات کے سبب مارکیٹ میں مشکل حالات رہیں گے، اسی لئے فعال اور محتاط انتظام کے ذریعے موجودہ غیر یقینی صورت حال سے نکلنے پر توجہ مرکوز کی جا رہی ہے۔

ہم اس مشکل وقت میں تعاون کرنے پر انتظامیہ اور عملے کا شکریہ ادا کرتے ہیں اور اللہ تعالیٰ سے اس ادارے کی مسلسل کامیابی کے لئے دعا کرتے ہیں۔

آمین
کمال اے چنائے
چیئر مین

یوسف ایچ مرزا
چیف ایگزیکٹو آفیسر

کراچی: 19 اپریل 2023ء



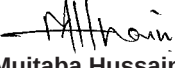
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

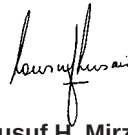
AS AT MARCH 31, 2023

AS AT MARCH 31, 2023		(Un-audited) March 31	(Audited) June 30
Note	2023	2022	
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	20,445,315	20,749,605
Right-of-use assets		46,804	63,725
Intangible assets		264,821	176,866
Long term deposit with Central Depository Company of Pakistan Limited		100	100
		20,757,040	20,990,296
CURRENT ASSETS			
Stores and spares		1,096,415	904,026
Stock-in-trade	6	17,050,610	30,196,653
Trade debts		1,508,253	1,034,132
Receivable from K-Electric Limited (KE)		71,102	32,874
Advances, trade deposits and prepayments	7	6,879,337	110,795
Sales tax receivable		730,448	1,739,818
Cash and bank balances	8	796,170	896,462
		28,132,335	34,914,760
TOTAL ASSETS		48,889,375	55,905,056
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
500,000,000 (2022 : 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		14,520,426	14,835,313
Capital reserve			
Revaluation surplus on property, plant and equipment		2,344,960	2,410,776
TOTAL SHAREHOLDERS' EQUITY		21,215,386	21,596,089
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing - secured	9	1,089,064	2,778,846
Deferred income - Government grant		133,542	136,550
Gas Infrastructure Development Cess	10	221,599	426,521
Deferred taxation		1,579,905	1,705,161
Lease liabilities		32,659	48,786
		3,056,770	5,095,864
CURRENT LIABILITIES			
Trade and other payables	11	13,821,356	6,470,477
Contract liabilities		1,872,755	2,290,226
Short term borrowings - secured	12	7,427,596	17,359,553
Unclaimed dividend		10,440	10,301
Current portion of long term financing - secured	9	828,827	1,419,495
Current portion of lease liabilities		18,738	16,155
Taxation - net		415,080	1,375,883
Accrued mark-up		222,427	271,013
		24,617,219	29,213,103
TOTAL LIABILITIES		27,673,989	34,308,967
CONTINGENCY AND COMMITMENTS			
13			
TOTAL EQUITY AND LIABILITIES		48,889,375	55,905,056

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Nihal Cassim
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial
Officer


Yousuf H. Mirza
Chief Executive
Officer



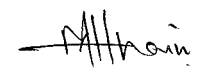
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

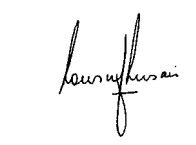
FOR THE NINE MONTHS ENDED MARCH 31, 2023

		Nine months ended		Three months ended	
		March 31	March 31	March 31	March 31
Note		2023	2022	2023	2022
		(Rupees in '000)		(Rupees in '000)	
Revenue from contracts with customers	14	57,824,271	70,557,394	23,898,389	27,262,920
Cost of sales		(51,675,090)	(61,043,302)	(20,724,495)	(24,959,333)
Gross Profit		6,149,181	9,514,092	3,173,894	2,303,587
Selling and distribution expenses		(435,126)	(742,502)	(286,648)	(346,036)
Administrative expenses		(257,766)	(239,569)	(104,920)	(74,720)
		(692,892)	(982,071)	(391,568)	(420,756)
Finance cost		(2,046,705)	(905,649)	(394,729)	(361,297)
Other operating charges		(1,443,711)	(755,231)	(328,196)	(169,870)
		(3,490,416)	(1,660,880)	(722,925)	(531,167)
Other income		116,923	174,774	54,912	21,951
Profit before taxation		2,082,796	7,045,915	2,114,313	1,373,615
Taxation	15	(505,999)	(1,690,701)	(598,379)	(242,065)
Profit after taxation		1,576,797	5,355,214	1,515,934	1,131,550
Earnings per share - basic and diluted (Rupees)		3.62	12.31	3.48	2.60

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Nihal Cassim
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial
Officer

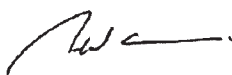

Yousuf H. Mirza
Chief Executive
Officer

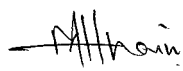


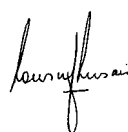
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2023

	Nine months ended		Three months ended	
	March 31	March 31	March 31	March 31
	2023	2022	2023	2022
	(Rupees in '000)		(Rupees in '000)	
Profit after taxation	1,576,797	5,355,214	1,515,934	1,131,550
Other comprehensive income	-	-	-	-
Total comprehensive income	1,576,797	5,355,214	1,515,934	1,131,550

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Nihal Cassim
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial
Officer


Yousuf H. Mirza
Chief Executive
Officer

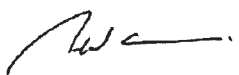


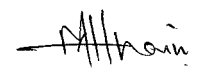
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2023

	Issued, subscribed and paid-up capital	Revenue reserve- unappropri- ed profit	Capital reserve- Revaluation surplus on property, plant and equipment	Total
	(Rupees in '000)			
Balance as at July 01, 2021	4,350,000	13,317,354	1,220,286	18,887,640
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
Transactions with owners in their capacity as owners recorded directly in equity - Distributions				
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)
	-	(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
Balance as at July 01, 2022	4,350,000	14,835,313	2,410,776	21,596,089
Profit for the period	-	1,576,797	-	1,576,797
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	1,576,797	-	1,576,797
Transactions with owners in their capacity as owners recorded directly in equity - Distributions				
Dividend:				
- Final Dividend @ 45% (Rs. 4.50 per share) for the year ended June 30, 2022	-	(1,957,500)	-	(1,957,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	65,816	(65,816)	-
Balance as at March 31, 2023	4,350,000	14,520,426	2,344,960	21,215,386

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Nihal Cassim
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial
Officer


Yousuf H. Mirza
Chief Executive
Officer

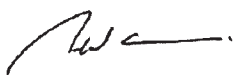


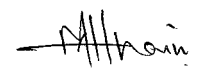
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2023

		Nine months ended	
		March 31	March 31
Note		2023	2022
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash generated from operations	18,683,987	7,415,106
	Finance cost paid	(2,074,756)	(779,632)
	Income on bank deposits received	47,376	23,073
	Staff gratuity paid	(24,856)	(22,849)
	Compensated absences paid	(10,447)	(3,388)
	Income tax paid	(1,592,052)	(1,330,491)
		(3,654,735)	(2,113,287)
	Net cash generated from operations	15,029,252	5,301,819
CASH FLOWS FROM INVESTING ACTIVITIES			
	Payment for acquisition of property, plant and equipment	(894,110)	(1,366,255)
	Acquisition of intangible assets	(88,189)	-
	Proceeds from disposal of property, plant and equipment	43,012	94,148
	Investments in Term Deposit Receipt	(384,000)	-
	Net cash used in investing activities	(1,323,287)	(1,272,107)
CASH FLOWS FROM FINANCING ACTIVITIES			
	Proceeds from long term finance	245,465	496,152
	Repayments of long term finance	(2,528,923)	(879,529)
	Short term borrowings - net	(3,882,781)	2,258,444
	Lease rentals paid	(17,481)	(14,590)
	Dividend paid	(1,957,361)	(3,912,393)
	Net cash used in financing activities	(8,141,081)	(2,051,916)
	Net increase in cash and cash equivalents	5,564,884	1,977,796
	Cash and cash equivalents at beginning of the period	(9,530,310)	(2,283,977)
	Cash and cash equivalents at end of the period	(3,965,426)	(306,181)

The annexed notes from 1 to 20 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 (UN-AUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2023

1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on September 03, 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 01, 2011. The Company is subsidiary of International Industries Limited (Holding Company) which holds 245,055,543 (June 30, 2022: 245,055,543 shares) shares of the Company as at March 31, 2023 representing 56.3% (June 30, 2022: 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 01, 2011. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi - 75530.

The manufacturing facilities of the Company are situated at 399 - 405, Rehri Road, Landhi Industrial Area, and Plot No. LE-73 - 79, 102 - 103, 112 - 118, 125 - 129, Survey # NC.98, near Arabian Country Club, NIP, 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 Sir Agha Khan Road, Islamabad; and**
- **Office no. 708-A, The United Mall, Plot No. 74, 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, 2022.

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, 2022, 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, 2022.



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, 2022.

3.2 Changes in accounting standards, interpretations and pronouncements

a) Standards and amendments to approved accounting 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 01, 2022. However, these do not have any significant impact on the Company's financial reporting.

b) Standards and amendments to approved accounting 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 01, 2023. 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 condensed interim financial statements.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of condensed interim financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make 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, 2022.

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, 2022.



5. PROPERTY, PLANT AND EQUIPMENT

Cost / revalued amount

	Operating assets	Capital work in progress	Total
	(Rupees in '000)		
Opening balance as at July 01, 2022	28,477,022	574,400	29,051,423
Additions	475,226	813,134	1,288,360
Adjustments / transfers - net	80,971	(475,226)	(394,255)
Disposals	(69,098)	-	(69,098)
	28,964,121	912,308	29,876,430

Accumulated depreciation

Opening balance as at July 01, 2022	(8,301,817)	-	(8,301,817)
Charge for the period	(1,182,755)	-	(1,182,755)
Disposals	53,458	-	53,458
	(9,431,114)	-	(9,431,114)

Written down value as at March 31, 2023 (Un-audited)

	19,533,007	912,308	20,445,315
Written down value as at June 30, 2022 (Audited)	20,175,205	574,400	20,749,605

6. STOCK-IN-TRADE

	(Un-audited) March 31 2023	(Audited) June 30 2022
	(Rupees in '000)	
Raw material		
- in hand	3,395,778	12,626,302
- in transit	6,827,669	4,712,547
	10,223,447	17,338,849
Work-in-process	3,346,393	5,315,424
Finished goods	3,440,714	7,470,757
By-products	7,099	49,519
Scrap Material	32,957	22,104
	17,050,610	30,196,653

7. ADVANCES, TRADE DEPOSITS AND PREPAYMENTS

7.1 These include Rs. 6,791.70 million (June 30, 2022: Rs. 23.41 million) kept with scheduled banks in accordance with the requirement of Circular No. 09 of 2022 of Banking Policy & Regulations Department issued by the State Bank of Pakistan, requiring 100% cash margin on the import of specified items.

7.2 Includes customs duty receivable of Rs.48.71 millions from Collectorate of Customs.

8. CASH AND BANK BALANCES

These include investment in Term Deposit Receipt (TDR) amounting to Rs. 384 million (June 30, 2022: Rs. Nil) having mark-up of 18.75%. The TDR was placed against a bank guarantee submitted to the Nazir of Sindh High Court in relation to petition filed by the Company in the Court against chargeability of Super Tax.



9. LONG TERM FINANCING - secured

		(Un-audited) March 31 2023	(Audited) June 30 2022
		(Rupees in '000)	
	Note		
Conventional			
Long Term Finance Facility (LTFF)	9.1	695,274	891,386
Temporary Economic Refinance Facility (TERF)	9.2	493,003	442,889
Islamic			
Islamic Long Term Finance Facility (ILTFF)	9.3	401,910	447,402
Long Term Finance (LTF)	9.4	490,000	2,450,000
Payroll Refinance Scheme		-	128,820
		2,080,187	4,360,497
Less: Deferred Income - Government grant	9.6	(162,296)	(162,156)
Less: Current portion of long term loans:			
Conventional			
Long Term Finance Facility (LTFF)		(250,020)	(250,020)
Temporary Economic Refinance Facility (TERF)		(30,813)	-
Islamic			
Islamic Long Term Finance Facility (ILTFF)		(57,994)	(60,655)
Long Term Finance (LTF)		(490,000)	(980,000)
Payroll Refinance Scheme		-	(128,820)
		(828,827)	(1,419,495)
		1,089,064	2,778,846

- 9.1** 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 + 0.50% to 1.00% (June 30, 2022: SBP Refinance rate at 0.50% to 1.00%).
- 9.2** 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, 2022: SBP Refinance rate + 1.25%) for setting up of new industrial units.
- 9.3** 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 + 3.00% (June 30, 2022: SBP refinance rate at 3.00%).
- 9.4** 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 + 0.10% (June 30, 2022: 6 months KIBOR + 0.10%).
- 9.5** The above loans are secured against joint pari passu charge over fixed assets of the Company (such as land, building, plant and machinery etc.).
- 9.6** Government grant amounting to Rs. 162.29 million (June 30, 2022: Rs. 162.16 million) has been recorded up to the period ended March 31, 2023 and Rs. 21.28 million (March 31, 2022: Rs. 18.34 million) has been amortised during the period.



10. GAS INFRASTRUCTURE DEVELOPMENT CESS

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

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

The Company has revalued and recorded the payable at its present value by discounting the future cash flows using three year PKRV rate and has booked income of Rs. 10.41 million (March 31, 2022: Rs. 34.38 million), which has been recorded as other income. The unwinding of the GIDC during the year amounts to Rs. 58.42 million (March 31, 2022: Rs. 57.35 million).

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 year ended June 30, 2021, the Company filed a petition in the SHC challenging the decision of the SCP.

11. TRADE AND OTHER PAYABLES

		(Un-audited) March 31 2023	(Audited) June 30 2022
Note		(Rupees in '000)	
	Trade creditors	8,197,925	434,497
	Accrued expenses	2,208,899	2,574,838
11.1	Provision for infrastructure cess	3,003,656	2,596,977
11.2	Workers' Welfare Fund	184,533	330,148
11.3	Workers' Profit Participation Fund	110,202	430,147
	Deferred income - Government grant	28,754	25,606
	Provision for government levies	3,479	778
	Short term compensated absences	16,890	17,242
	Others	67,019	60,244
		13,821,356	6,470,477

11.1 This includes current portion of provision for Gas Infrastructure Development Cess amounting to Rs. 966.24 million (June 30, 2022: Rs. 713.28 million) and provision against revision of gas tariff by Oil and Gas Regulation Authority amounting to Rs. 742.1 million (June 30, 2022: Rs. 688.38 million)

11.2 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 increased the rate to 1.25% 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 03, 2021. The Company was not satisfied with the above orders and filed an appeal with the Supreme Court of Pakistan.

On September 01, 2021, the Supreme Court granted a stay order against the operation of the order of SHC dated June 04, 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 100% of the fee amount under the Act.



Bank guarantees issued as per the above mentioned orders amounting to Rs. 3,022.50 million (June 30, 2022: Rs. 2,622.50 million) have been provided to the Excise and Taxation 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.

- 11.3** 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.

12. SHORT TERM BORROWINGS - secured

		(Un-audited) March 31 2023	(Audited) June 30 2022
		(Rupees in '000)	
	Note		
Conventional			
Short term under mark-up arrangement	12.1	2,235,990	1,210,002
Short term borrowing under Money Market scheme -maturing within three months	12.1	-	6,950,000
Running finance under - Export Refinance Scheme	12.2	3,050,000	4,932,781
Islamic			
Short term finance under Running Musharakah	12.3	2,141,606	566,770
Term Musharaka - maturing within three months		-	1,700,000
Running finance under Islamic Export Refinance Scheme	12.4	-	2,000,000
		7,427,596	17,359,553

- 12.1** 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 17.15% to 19.97% (June 30, 2022: 11.95% to 14.61%) per annum.
- 12.2** 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 9.75% to 16.75% (June 30, 2022: 2.50% to 7.50%) per annum.
- 12.3** This represents short term finance facility obtained under Running Musharakah. The rate of mark-up ranges from 17.00% to 17.46% (June 30, 2022: 11.99% to 12.46%) per annum. This facility matures within twelve months and is renewable.
- 12.4** 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 10.00% (June 30, 2022: 3.00% to 7.50%) per annum.
- 12.5** As at March 31, 2023, the unavailed facilities from the above borrowings amounted to Rs.21,732 million (June 30, 2022: Rs. 8,900 million).
- 12.6** The above facilities are secured by way of joint pari passu charge and ranking charge over current and future moveable assets of the Company.

13. CONTINGENCY AND COMMITMENTS

13.1 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, 2022.



13.2. Commitments

- 13.2.1** Capital expenditure commitments outstanding as at March 31, 2023 amounted to Rs. Nil (June 30, 2022: Rs. 225 million).
- 13.2.2** Commitments under Letters of Credit for raw materials and spares as at March 31, 2023 amounted to Rs. 7,318 million (June 30, 2022: Rs. 2,792 million).
- 13.2.3** The facilities for opening letters of credit and guarantees from banks as at March 31, 2023 amounted to Rs. 37,300 million (June 30, 2022: Rs. 32,300 million) and Rs. 8,233 million (June 30, 2022: Rs. 7,390 million) respectively of which unutilised balance at period end amounted to Rs. 29,981 million (June 30, 2022: Rs. 29,283 million) and Rs. 306 million (June 30, 2022: Rs. 479 million) respectively.

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

	(Un-audited) Nine months ended		(Un-audited) Three months ended	
	March 31	March 31	March 31	March 31
	2023	2022	2023	2022
	(Rupees in '000)		(Rupees in '000)	
Sale of goods less returns				
Local	59,713,173	64,433,298	24,777,487	22,093,559
Export	7,655,679	16,207,361	3,099,781	8,621,717
	67,368,852	80,640,659	27,877,268	30,715,276
Sales tax	(8,774,756)	(9,402,033)	(3,659,649)	(3,213,829)
Trade discounts	(235,655)	(73,090)	(82,462)	(16,818)
Sales commission	(534,169)	(608,142)	(236,767)	(221,709)
	(9,544,580)	(10,083,265)	(3,978,878)	(3,452,356)
	57,824,271	70,557,394	23,898,389	27,262,920

15. TAXATION

Tax credit / (expense) for the period				
- Current	(801,249)	(2,024,744)	(435,407)	(340,638)
- Prior	170,000	-	-	-
	(631,249)	(2,024,744)	(435,407)	(340,638)
Deferred tax	125,250	334,043	(162,972)	98,573
	(505,999)	(1,690,701)	(598,379)	(242,065)



16. CASH GENERATED FROM / (USED IN) OPERATIONS

		----- (Un-audited) -----	
		Nine months ended	
		March 31	March 31
Note		2023	2022
		(Rupees in '000)	
	Profit before taxation	2,082,796	7,045,915
	Adjustments for:		
	Depreciation and amortisation	1,197,877	1,146,565
	Gain on disposal of property, plant and equipment	(27,372)	(65,426)
	(Reversal) / Provision for obsolescence against spares	(41,365)	57,757
	Provision for staff gratuity	24,856	22,849
	Gain on discounting of Gas Infrastructure		
	Development Cess	(10,412)	(34,378)
	Unwinding of Gas Infrastructure		
	Development Cess	58,443	57,349
	Provision for compensated absences	10,095	7,488
	Income on bank deposits	(47,376)	(23,073)
	Finance costs	1,988,262	848,300
	Deferred income - Government grant	(14,565)	(18,341)
		3,138,443	1,999,090
16.1	Changes in working capital	13,462,748	(1,629,899)
		18,683,987	7,415,106
	16.1 CHANGES IN WORKING CAPITAL		
	Decrease / (Increase) in current assets:		
	Stores and spares	(151,024)	(433,904)
	Stock-in-trade	13,146,043	(3,460,665)
	Receivable from K-electric Limited	(38,228)	7,911
	Trade debts	(474,121)	(1,951,800)
	Advances, trade deposits and short-term prepayments	(6,768,542)	1,708,763
	Sales tax receivable	1,009,370	228,833
		6,723,498	(3,900,862)
	Increase in current liabilities:		
	Trade and other payables	6,739,250	2,270,963
		13,462,748	(1,629,899)
	17. CASH AND CASH EQUIVALENTS		
	Cash and bank balances	412,170	326,877
	Short term finance under mark-up arrangements	(2,235,990)	(569,584)
	Short-term finance borrowing under Running Musharakah	(2,141,606)	(63,474)
		(3,965,426)	(306,181)



18. 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:

	----- (Un-audited) ----- Nine months ended		----- (Un-audited) ----- Three months ended	
	March 31	March 31	March 31	March 31
	2023	2022	2023	2022
	(Rupees in '000)		(Rupees in '000)	
Holding company				
Sales	4,957,508	6,345,558	1,586,760	2,687,085
Purchases	10,737	180,645	4,977	165,074
Rent	8,905	8,841	2,968	2,947
Shared resources cost	19,715	55,282	3,555	14,247
Reimbursement of expenses	14,484	4,333	7,170	1,537
Sale of Fixed asset	-	2,350	-	-
Purchase of Fixed asset	-	3,350	-	-
Dividend Paid	1,102,750	2,205,500	-	490,110
Associated undertakings				
Sales	1,456,874	2,460,368	308,447	1,073,413
Purchases	20,357,372	41,449,486	6,849,635	9,676,350
Dividend Paid	177,649	355,299	-	78,954
Rental Income	2,172	2,055	724	668
Reimbursement of expenses	2,411	374	443	374
Services / Donations	7,010	24,107	197	12,243
Key management personnel				
Remuneration	271,375	213,336	92,751	71,112
Staff retirement funds				
Contribution paid	53,486	48,577	17,851	16,187
Non-executive directors				
Directors' fee	6,300	4,700	1,800	1,800



19. OPERATING SEGMENTS

- 19.1** These condensed interim financial statements have been prepared on the basis of a single reportable segment.
- 19.2** Revenue from sales of steel products represents 99.47% (June 30, 2022: 99.61%) 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.
- 19.3** 88.64% (March 31, 2022: 79.90%) of gross sales of steel sheets are domestic sales whereas 11.36% (March 31, 2022: 20.10%) of sales are export / foreign sales.

20. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors on April 19, 2023.

A handwritten signature in black ink, appearing to read 'Nihal Cassim'.

Nihal Cassim
Director & Chairman
Board Audit Committee

A handwritten signature in black ink, appearing to read 'Mujtaba Hussain'.

Mujtaba Hussain
Chief Financial
Officer

A handwritten signature in black ink, appearing to read 'Yousuf H. Mirza'.

Yousuf H. Mirza
Chief Executive
Officer