

Chairman's Review

I am pleased to present the review for the year ended June 30, 2023, highlighting the Company's performance and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

During this fiscal year Pakistan's economy faced complex and multifaceted challenges, most notably the commodity shock from the Ukraine war, spillover from the severe impacts of last year's floods, an uncertain political environment, and a sharp increase in headline inflation. There was significant depreciation of the currency and depletion of forex reserves by 40%. The State Bank responded by raising interest rates by 8.25%, and the Government imposed administrative restrictions on imports, increased energy prices, and elevated corporate taxes. However, these fiscal and monetary measures created severe supply chain disruptions leading to a contraction of GDP to 0.29%, and a decline of 10.2% in LSM.

Global steel prices remained uncertain during the year starting from USD 1,075 /MT and tapering off to USD 560 /MT, exerting pressure on margins. The domestic steel industry also witnessed a substantial 36% reduction in the market size on the back of eroding purchase power parity. Furthermore, misuse of sales tax exemption in FATA/PATA continues to negatively impact the local steel industry. This sales tax exemption for FATA/PATA has now been further extended till June 2024 in the Finance Act 23.

Your Company's persevered in overcoming these problems and demonstrated its strength by emphasizing working capital management, resulting in cash generation of Rs. 22.3 Billion from operations and enabling it to reduce overall borrowing by Rs. 16.8 Billion. The company achieved profit after tax of Rs. 3.5 Billion as a result of adopting the above strategy and despite the last minute imposition of Super Tax at 10% of Rs. 486 million.

In line with the Company's vision and mission, the focus of the Company's management will remain on the delivery of quality products and sound business strategy for its overall success. The Company is

fueled by confidence in its fundamental strengths, the quality of its committed workforce, the production systems and effective supply chain management.

The Board has diligently performed its duties and responsibilities and has effectively guided the Company in all its strategic affairs. The Board was essential in reviewing the management performance and focusing on significant risk areas.

The Board recognizes that well-defined governance practices are critical in strengthening corporate responsibility and is dedicated to achieving excellence in corporate governance practices to conserve and sustain stakeholders' value. All Directors, including the Independent Directors, actively contributed to the Board's decision-making processes.

As Chairman of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard, and ensuring that the Board hears from an appropriate range of senior management. I will remain firmly committed to ensuring that your Company complies with all relevant codes and regulations and that our management team continues to take decisions that will create value for you in the short, medium, and long term.

The Board carried out its annual self-evaluation in line with best practices of corporate governance and found its performance to be satisfactory. The focus remained on business opportunities, risk management, and providing oversight to the management.

The Company has an independent Internal Audit department that follows a risk-based audit methodology. Internal Audit reports are presented to the Board Audit Committee quarterly and areas for improvement are discussed and highlighted.

Your Company is continuously investing substantial resources to further improve working conditions for its employees to provide a safe, healthy, and comfortable working environment.

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On behalf of the Board, I wish to acknowledge all our employee's contributions to the Company's success. I also wish to thank our shareholders, customers, suppliers, bankers, business partners, and other stakeholders for their confidence and support. The Board looks forward to next year with greater confidence in meeting the challenges ahead.



Kamal A. Chinoy

Chairman

Karachi: August 21, 2023