

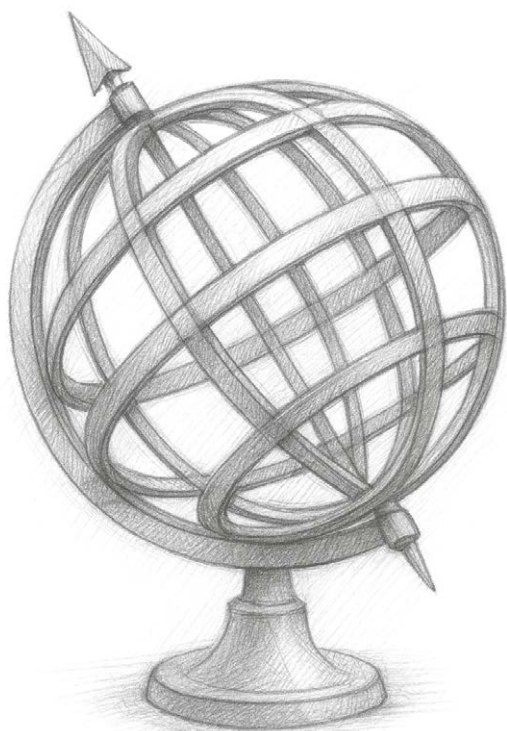
Director's Report

The Directors of International Steels Limited are pleased to present the 18th Annual Report accompanied by the audited financial statements for the year ended June 30, 2025.

GLOBAL STEEL SCENARIO

Steel prices remained volatile throughout the year, influenced by shifts in raw material costs (notably iron ore and coking coal), aggressive Chinese export policies and heightened geopolitical uncertainties. This sparked trade tensions and led to the imposition of protective tariffs and anti-dumping investigations across multiple regions. In response, major global producers responded by enhancing production efficiencies, diversifying export destinations, and accelerating investment in decarbonization initiatives to maintain competitiveness.

Looking ahead, while the industry's fundamentals remain sound, the risk of global overcapacity, pricing pressure, and rising trade protectionism may continue to shape the flat steel landscape. Strategic capacity rationalization, technological innovation, and regional demand stimulation will be key to sustaining growth.



NATIONAL ECONOMY

FY 2025 presents a cautiously optimistic outlook, reflecting the country's progress in restoring macroeconomic stability while highlighting the structural reforms required for sustainable, inclusive growth.

During FY 2025, real GDP expanded by 2.68%, a modest improvement over the prior year's growth, supported by a marked reduction in inflation, improved external balances and strengthened investor confidence. Inflation declined sharply to 4.5% from 23.4% compared to last year. This allowed the State Bank of Pakistan to reduce the policy rate by 950 basis points from July 2024, easing credit conditions and stimulating private sector activity. Fiscal discipline improved considerably, with the fiscal deficit narrowing to 5.4% of GDP and the primary surplus rising to 2.4%. Tax revenues surged by 26.2% and development spending increased, reflecting the government's commitment to growth-enhancing expenditure. The current account recorded a surplus of USD 2.1 billion, reversing a deficit of USD 2.1 billion last year, driven by record remittances and stable exports.

For ISL, these macro shifts and lower financing costs, support demand recovery and create room for volume growth. However, sustained enforcement of trade regulations and tax reforms will be critical in creating a level playing field for the domestic market.

Sectoral performance was mixed:

- **Agriculture** grew by 0.56%, hampered by a sharp decline in major crop output but supported by resilient livestock and horticulture.
- **Industry** posted 4.77% growth despite ongoing challenges in large-scale manufacturing which contracted by 1.21%.
- **Services**, the dominant sector, grew by 2.91%, led by IT, trade and financial services.

FY 2025 marks a turning point in stabilization, but the path ahead demands sustained structural reform—particularly in human capital, agriculture, export competitiveness and institutional governance.

BUSINESS REVIEW

International Steels Limited demonstrated resilience in navigating this challenging economic environment. The Company prioritized working capital management by aligning inventory levels with market demand and optimizing the use of letters of credit. Continued focus on operational efficiency through energy conservation measures and strategic capital allocation enabled the Company to generate cash flows, thereby reducing reliance on external financing.

The National Tariff Commission conducted a sunset review of anti-dumping duties on the Company's Cold Rolled coils and sheets. It concluded that injurious conditions for the domestic industry persisted, resulting in an extension of protective duties for another five years. This regulatory outcome has safeguarded domestic market share and provided a stable foundation for capacity utilization.

The government has reduced the sales tax exemption on FATA/PATA from 18% to 8%, as such importers will now pay 10% sales tax. The administrative measures have also been enhanced, as businesses must now deposit bankable security for the Sales Tax differential, which is only refundable upon the completion of sales within that specific area.

The National Tariff Commission has recently concluded its review of an anti-circumvention application and imposed anti-dumping duties on circumvented coated products. Combined, these measures reflect the success of ISL's proactive regulatory engagement strategy, which continues to help create a level playing field.



SALES

During the year, the Company's sales volumes were marginally higher than the previous year, generating sales revenue of PKR 62.3 billion. This performance reflects the Company's resilience in a highly competitive and challenging market environment. Domestic market share improved from 20% to 23%, reflecting stronger customer engagement, distribution reach and targeted sales programs.

However, this growth remains constrained by ongoing market distortions, particularly the misuse of sales tax exemptions granted to businesses operating in the FATA/PATA regions. These practices continue to distort competition, creating an uneven playing field and threatening the long-term sustainability of the market.

Export sales contributed meaningfully to fixed cost absorption and capacity utilization, reinforcing ISL's focus on leveraging export growth as part of its long-term volume strategy.

The Company remains firmly committed to ethical business practices and continues to advocate for a fair, transparent and equitable regulatory framework to ensure a level playing field across the industry.

MANUFACTURING OPERATIONS

The company practices Lean manufacturing and Six sigma to drive efficiencies in the production processes and reduce wastages. The current year's production was 264,000 tons, which is in line with sales demand. The company continued its strong focus on cost optimization through multiple initiatives, including reduction in process wastages and improvements in overall plant efficiency. These measures resulted in measurable cost per ton reductions, enhancing operational sustainability and competitiveness.



HEALTH, SAFETY & ENVIRONMENT

The company remains fully committed to advancing Health, Safety and Environment (HSE) standards to achieve sustainable performance. Over the past year, significant progress was made in HSE stewardship. Notably, we achieved 0.91 million safe man-hours without a lost time injury since November 2024, reflecting our strong safety culture while supporting operational continuity. The first HSE Day, held in June 2025 with participation from around 570 employees, reinforced our focus on workplace safety. We also marked World Environment Day with a tree plantation initiative, underscoring our environmental commitment.

We underwent an external QHSE Surveillance Audit by M/s LRQA, reaffirming compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards. Regular environmental monitoring and emergency evacuation drills were conducted to ensure regulatory compliance and preparedness.

Our HSE Family Online Training, held in February, received strong feedback and emphasized safety awareness among employees and their families. In total, 6,073 training hours were dedicated to various safety programs, equipping staff with vital skills and knowledge. These initiatives reflect the company's unwavering commitment to HSE excellence.

ENERGY MANAGEMENT

The company's 19 MW co-generation power plant continued to operate efficiently, with recovered heat fulfilling most of the utility requirements. In line with our sustainability practices, a major milestone was achieved with the successful installation and commissioning of a 6.4 MW solar project, further reinforcing our commitment to clean energy. The solar project generated significant annual cost savings and formed a key pillar in ISL's energy mix optimization strategy, aimed at reducing dependency on high-cost supply.

FINANCIALS

Revenue for the fiscal year totaled PKR 62.3 billion, representing a 10% decrease compared to the previous year. Gross profit margin reduced to 8.58% from 12.37% in the prior year,

primarily due to increased energy costs and low-capacity utilization. The company reported a profit after tax of Rs. 1,559 million compared to Rs. 3,655 million recorded in the same period last year. While these results reflect near-term margin compression from external pressures, management's deliberate trade-offs, focusing on market share retention, inventory optimization and energy efficiency are designed to drive improved fixed cost absorption and margin recovery over the medium term.

This decline reflects the ongoing challenges facing the industry. Profitability was primarily impacted by external pressures, including the expiry of the 5% Regulatory Duty on imports effective April 2025, the non-enforcement of Anti-Dumping Duties and intensified competition from circumvention-based imports such as Galvalume/ZAM. Additionally, sustained high energy and input costs continued to compress industry margins. Despite these headwinds, the company maintained a disciplined strategic approach focusing on market share retention, inventory optimization and cost control. These measured trade-offs, though affecting short-term profitability, have strategically positioned the company to expand volumes, enhance fixed cost absorption and capture long-term energy efficiency gains.

EARNINGS PER SHARE

Earnings per share for the year ended June 30, 2025, were Rs. 3.58 compared with Rs. 8.40 per share last year.



VIS CREDIT RATING

VIS Credit Rating Company Limited has maintained the company ratings of 'A+/A-1' (Single A Plus/A-One) reviewed in October 2024. The outlook assigned remained 'Stable'.

HUMAN RESOURCES

The Company sustained a climate of industrial harmony and a high-performance work culture built on candor, fairness, and meritocracy. Our talent strategy focused on developing capabilities at every organizational level, ensuring both business continuity and future-ready leadership. Robust engagement policies and procedures were complemented by cross-functional team-building initiatives that strengthened collaboration, trust, and organizational coherence.

With an optimal headcount of 690, ISL has embedded a structured succession plan that integrates rigorous performance evaluation with targeted learning interventions. Employees benefited from development opportunities at leading institutions such as LUMS, IBA, ICAP, MAP, and an advanced overseas leadership program in Japan.

Our commitment to employee well-being is reinforced through initiatives such as the state-of-the-art gymnasium, which promotes a healthy lifestyle and work-life balance. In recognition of our HR excellence, ISL was honored with the "Employer of the Year" award from the Employers' Federation of Pakistan. Female representation in managerial roles continues to expand, reflecting our commitment to diversity, inclusion, and merit-based advancement.



CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to sustainable development towards corporate social responsibility initiatives. Key focus areas include education, healthcare, and environmental conservation. The Company has reduced its carbon footprint through energy efficiency measures and renewable energy adoption. The Company contributed Rs. 22.6 Mn, to different health care, educational and social uplifting projects.

The Company regularly supports various healthcare facilities including Karwan-e- Hayat and Al Rehmat Benevolent Trust, to ensure the provision of quality healthcare facilities to the less privileged section of society.

ISL believes that the future of our country is linked with high-quality education. Education is critical for sustainable economic development as well as human and social interaction within society. The Company has continued to maintain a scholarship program at NED University for deserving students and provides support to The Citizen Foundation for their activities related to the promotion of education.

The Company demonstrates a firm commitment to contributing to social uplifting and community development initiatives by supporting organizations like the Amir Sultan Chinoy Foundation.

RISK MANAGEMENT

A robust ERM framework to identify and manage strategic, operational, financial and compliance risks. Key risks include market volatility, credit

risk, operational disruptions, and regulatory changes. Mitigation strategies, such as risk transfer, risk avoidance, and risk reduction, are implemented to manage these risks effectively. A robust system of internal controls has been established, communicated and monitored through regular self-assessments. Emerging risks such as import circumvention and energy cost shocks are actively mitigated through advocacy, process improvement and supply chain diversification.

A detailed risk register, encompassing key risks and corresponding controls, is maintained and reviewed periodically by the Board Audit Committee.

A dedicated BAC meeting was held on May 30, 2025, to review the risks and actions in place for their adequate mitigation.

Independent Internal Audit function, reporting directly to the Audit Committee, ensure the design and operating effectiveness of these controls.

BOARDS COMPOSITION & REMUNERATION

The composition of the Board and the names of Members of Board Sub- committees are detailed on Pages 85 & 100.

The Company has formulated a transparent policy and procedures for the remuneration of its directors.

RECOMMENDATION OF THE BOARD AUDIT COMMITTEE FOR APPOINTMENT OF AUDITOR

The Audit Committee's recommendation for auditor appointment is referred to on Page 102.

DIVIDEND

Given the financial results of the Company for the year 2024-25, the Board of Directors of the Company has recommended a final cash dividend of 25% i.e., Rs. 2.50 per share for the financial year ended June 30, 2025.

	2025	2024
Appropriations	Rupees in '000	
Profit after tax for the year	1,559,261	3,654,815
Interim Dividend 2025: Nil; (2024 Rs. 2.5 per share)	-	(1,087,500)
Final Dividend 2025 Rs. 2.50 per share; (2024 Rs. 3.00 per share)	(1,087,500)	(1,305,000)

CONTRIBUTION TO THE NATIONAL EXCHEQUER AND THE ECONOMY

Your Company contributed Rs. 14,703 Mn to the National Exchequer during the year by way of income tax, super tax, sales tax, customs duties and other levies.

PROVIDENT FUND & GRATUITY SCHEME

The Company provides retirement benefits to its employees. These include a non- contributory defined benefit Gratuity Scheme and a contributory Provident Fund. The defined benefit gratuity scheme remains fully funded at the year end with a net plan surplus of Rs. 102 Mn. at the end of the year. (2024: Rs. 55 Mn.) Both plans are funded schemes recognized by tax authorities.

RECOGNITION

ISL won its sixth consecutive award at the 39th Corporate Excellence Awards (CEA) hosted by MAP, recognizing exceptional performance and management best practices.

In September 2024, ISL was honored with the 7th CSR Award 2024 by The Intellects Club, Religion for Peace and Rotary Club.

FUTURE OUTLOOK

The Company anticipates a positive business environment in the coming year, supported by several macroeconomic and policy-driven factors. Key contributors to this outlook include pro-growth government policies, easing inflationary pressures, signs of economic recovery and a reduction in interest rates, all of which are expected to create a more conducive environment for industrial activity.

STRATEGIC PRIORITIES FOR FY 2026 WILL FOCUS ON:

- Sustained sales volume growth across domestic and export markets.
- Energy mix optimization and reduction of overall energy consumption.
- Conversion costs reduction to enhance delivered margins.
- Continued regulatory engagement to address market distortions.



With a strengthened market position, disciplined cost structure and targeted growth initiatives, ISL is positioned to navigate near-term volatility while capturing medium-term opportunities.

For the year 2026, the government has set a GDP growth target of 4.2%, primarily driven by a rebound in the agricultural sector and moderate recovery in industrial activity. Inflation, which had eased in the previous fiscal year, is forecast to rise modestly to 7.5%, largely due to base effects and global commodity price fluctuations.

Against this backdrop, the Company will continue to focus on cost management, operational efficiency and market diversification to ensure sustainable long-term growth.

Looking ahead, a continued emphasis on research and development will be essential to remain agile in a dynamic market and to strengthen our competitive position.

The Company remains fully committed to creating value for its stakeholders while contributing positively to the community and the environment.

ACKNOWLEDGMENTS

The Board would like to thank our employees, customers, suppliers, shareholders and bankers for their continued support. The confidence and goodwill of the stakeholders have allowed the Company to sustain and grow over the years.

We continue to pray to Allah for the success of the Company and the benefit of all stakeholders and the country in general.



Samir M. Chinoy
Chief Executive Officer



Kamal A. Chinoy
Chairman