Director's Report

The Directors of International Steels Limited are pleased to present the 19th Annual Report accompanied by the audited financial statements for the year ended June 30, 2026.

EXECUTIVE OVERVIEW

FY2025-26 marked a strong operational and financial recovery for the Company. Higher domestic and export volumes increased net sales revenue by 50% to PKR 93.4 billion. Improved capacity utilisation and fixed-cost absorption, disciplined procurement and energy optimisation increased gross profit margin to 11.5%, while profit after taxation rose to PKR 3.67 billion from PKR 1.56 billion. Throughout the year, management balanced growth with disciplined working-capital management while addressing import-related market distortions, raw material volatility and energy costs. Operational reliability, workplace safety and product development remained key priorities.

GLOBAL STEEL SCENARIO

Global steel conditions remained subdued during FY2025-26 amid persistent overcapacity, trade tensions and uneven regional demand. Global crude steel production remained broadly stable, with China maintaining its position as the largest steel producer, maintaining pressure on regional prices and increasing the use of trade-remedy measures across major markets. In response to these conditions, steel producers focused on cost competitiveness, market diversification and the transition towards lower-carbon production.

NATIONAL ECONOMY

Pakistan's economy continued to stabilise during FY2025-26, supported by improved macroeconomic discipline, greater exchange-rate stability and continued reforms under the IMF programme. Provisional GDP growth was estimated at 3.70%, compared with revised growth of 3.18% in FY2024-25. Agriculture, industry and services grew by 2.89%, 3.51% and 4.09%, respectively. Lower financing costs and improved industrial activity contributed to demand in several steel-consuming sectors. However, the sustainability of recovery remains dependent on macroeconomic stability, energy affordability and effective enforcement of trade and tax regulations.

BUSINESS REVIEW

The Company operated in a challenging business environment marked by import pressures, elevated energy costs and evolving macroeconomic conditions. Management responded through coordinated commercial and operational measures and increased policy dialogue aimed at preserving competitiveness and shareholder value.

The Company continued to engage with government institutions and regulatory authorities to promote fair competition in the domestic steel industry and address the adverse impact of unfairly traded imports on local investment, employment and industrial capacity.

A significant development during the year was the anti-circumvention determination effective 28 June 2025, under which the applicable anti-dumping duties were extended to include Galvalume products. This measure helped address circumvention of existing trade remedies and supported fair market conditions. The Company is also pursuing trade-remedy proceedings with respect to Cold Rolled and Colour-coated steel imports, which remain under consideration by the relevant authorities. Together, these measures strengthened the Company's resilience during the year.

SALES

During the year under review, the Company recorded significant growth in domestic and export sales volumes. Domestic market share increased from 23% to 28%, reflecting stronger market penetration and customer demand.

Export sales volume increased by 108% over last year, broadening the Company's international reach and diversifying its sales base. Consistent product quality and reliable delivery performance remained central to customer retention in export markets.

Management refined the product mix, maintained disciplined pricing and strengthened product quality and customer service. Focused market development contributed to commercial growth while maintaining profitability.

MANUFACTURING OPERATIONS

The Company continued to apply Lean Manufacturing and Six Sigma practices to improve operational efficiency, product quality and process control. Production during the year reached 447,000 metric tons, reflecting higher capacity utilisation in line with market demand and contributing to improved fixed-cost absorption.

Manufacturing improvement efforts focused on process control, waste reduction and plant efficiency, with particular emphasis on lower energy consumption, higher production yields, improved asset utilisation, process automation and maintenance reliability.

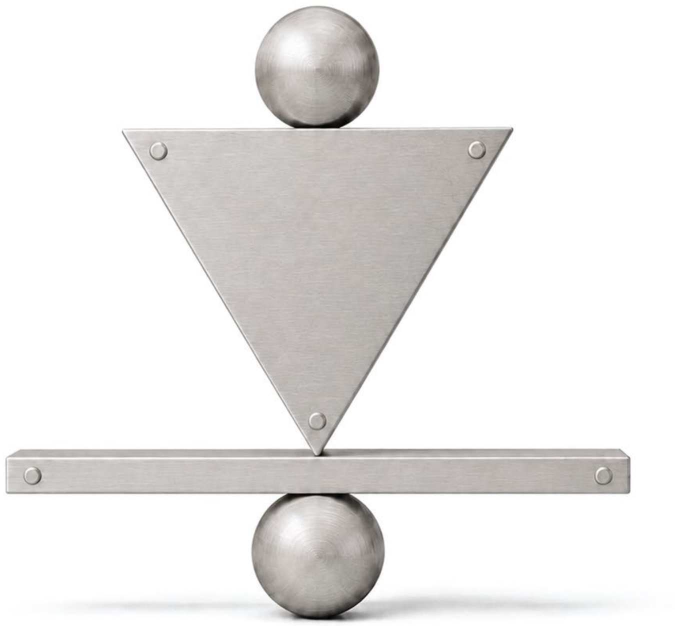
These measures enhanced plant efficiency and manufacturing cost competitiveness during the year.

HEALTH, SAFETY & ENVIRONMENT

The Company maintained high standards of Health, Safety and Environment (HSE) and strengthened safety awareness across its operations. As at 30 June 2026, the Company had completed 288 consecutive days without a Lost Time Injury, with no LTI recorded since September 2025.

To reinforce safety accountability and encourage proactive reporting, the Company launched an HSE Reward Programme in October 2025, recognising employees for positive safety behaviours and HSE observations. The Company also completed its QHSE recertification audit conducted by M/s LRQA, confirming continued compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. Environmental monitoring and emergency-preparedness activities, including fire drills, were conducted across major locations during the year.

HSE training programmes covering workplace, home and road safety reinforced safe practices across the organisation. World HSE Day 2026 was observed at all locations, with emphasis on physical safety and employee well-being. Together, these activities strengthened safety awareness, regulatory compliance and operational discipline.



ENERGY MANAGEMENT

Energy remains a significant cost component of the steel manufacturing process. The Company therefore maintains a diversified energy portfolio comprising a 19 MW captive power plant, a 6.4 MW solar power system and grid-supplied electricity.

Management continuously evaluates the relative cost, availability and reliability of each energy source and optimises the dispatch mix accordingly. This flexible approach enables the Company to select the most cost-effective energy combination while maintaining operational continuity.

A higher contribution from solar generation, together with consumption-efficiency measures, contributed to lower per-unit energy costs and reduced the Company's carbon emissions.

FINANCIALS

The financial results reflected the translation of higher sales volumes and improved operating leverage into stronger earnings.

Net sales revenue increased by 50% to Rs. 93.4 billion, compared with Rs. 62.3 billion in the previous year, reflecting higher domestic and export volumes and increased market penetration.

Gross profit margin increased to 11.5% from 8.9% in the previous year. The margin expansion was primarily attributable to higher capacity utilisation and fixed-cost absorption, disciplined procurement, manufacturing efficiencies and effective management of energy and other operating costs.

The Company's initial investment of PKR 48 million in Chinoy Engineering & Construction (Private) Limited (CECL) has generated dividends of PKR 163 million and is expected to realise further proceeds of PKR 350 million through the proposed buyback of ISL's entire shareholding. The aggregate cash return of PKR 513 million represents approximately 10.6 times the initial investment and a cumulative economic gain of approximately PKR 465 million, before taxes and transaction costs. For financial reporting purposes, the investment has been written down to the proposed buyback consideration, resulting in recognition of an impairment loss of PKR 61 million for the year ended 30 June 2026. The proposed transaction remains subject to the requisite corporate and regulatory approvals. Profit after taxation increased by approximately 135% to Rs. 3.67 billion, compared with Rs. 1.56 billion in the previous year. Higher gross profits and improved operating performance were the principal drivers of earnings growth.

EARNINGS PER SHARE

Earnings per share for the year ending June 30, 2026, were Rs. 8.44 compared with Rs. 3.58 per share last year.

VIS CREDIT RATING

VIS Credit Rating Company Limited maintained the entity ratings of the Company at 'A+/A-1' (Single A Plus/A-One), reviewed in November 2025, with a Stable outlook.

HUMAN RESOURCES

The Company promoted industrial harmony through transparent, fair and merit-based human resource practices. Talent development remained a key priority, underpinned by structured succession planning, the Stride 365 Management Trainee Officer Programme and more than 9,000 training man-hours across technical, behavioural and leadership competencies.

Employee engagement and well-being initiatives included team-building and family-oriented activities, health and life insurance coverage, paid maternity and paternity leave and on-site fitness facilities. The Company employed 724 people and recorded an employee turnover rate of 5.88%, while investing in organisational capability for future growth.

Diversity and inclusion remained an important area of focus, with female representation in the workforce increasing by approximately 60% over the past three years.

CORPORATE SOCIAL RESPONSIBILITY

The Company's Corporate Social Responsibility agenda focused on education, healthcare, environmental responsibility and community development.

In healthcare, support was provided to Karwan-e-Hayat and Al Rehmat Benevolent Trust, helping expand access to medical services for underserved communities.

In education, the Company provided scholarships to deserving students at NED University of Engineering and Technology and supported The Citizens Foundation in expanding educational opportunities for underprivileged children.

Environmental responsibility remained embedded in the Company's energy-efficiency and renewable-energy programmes. Community development initiatives were also undertaken through organisations including the Amir Sultan Chinoy Foundation.

Collectively, these programmes contributed to social development and community well-being.

RISK MANAGEMENT

The Company maintains an Enterprise Risk Management framework for the identification, assessment, monitoring and mitigation of strategic, operational, financial, regulatory and compliance risks. Principal risks include fluctuations in steel and raw-material prices, energy costs, foreign exchange movements, unfair import competition, supply-chain disruptions, working-capital and liquidity pressures, operational disruptions and changes in the regulatory environment.

A formal risk register is maintained, setting out the principal risks, their potential impact, existing controls and agreed mitigation actions. The risk register and management's response to key exposures are reviewed periodically by the Board Audit Committee, including through a dedicated risk review conducted during the year.

The Company also maintains a system of internal controls designed to safeguard assets, support reliable financial reporting and promote compliance with applicable laws, regulations and internal policies. The Internal Audit function independently evaluates the design and operating effectiveness of these controls and reports its findings and recommendations to the Board Audit Committee.

BOARD COMPOSITION & REMUNERATION

The composition of the Board and the names of Members of Board Sub-committees are detailed on Pages 108 & 110.

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 111.

DIVIDEND

Given the financial results of the Company for the year 2025-26, the Board of Directors of the Company has recommended a final cash dividend of 30% i.e., Rs. 3.00 per share for the financial year ended June 30, 2026.

APPROPRIATIONS

Appropriations	2026	2025
	Rupees in '000	
Profit after tax for the year	3,673,234	1,559,261
Interim Dividend 2026 Rs.2.00; (2025 Nil)	(870,000)	-
Final Dividend 2026 Rs 3.00. per share; (2025 Rs. 2.50 per share)	(1,305,000)	(1,087,500)

CONTRIBUTION TO THE NATIONAL EXCHEQUER AND THE ECONOMY

The Company contributed Rs. 19,432 million to the National Exchequer during the year through income tax, super tax, sales tax, customs duties and other levies, reflecting its continued contribution to the national economy.

PROVIDENT FUND & GRATUITY SCHEME

The Company provides retirement benefits to its employees through a non-contributory defined benefit gratuity scheme and a contributory provident fund. The gratuity scheme remained fully funded at year-end, with a net plan surplus of Rs. 42 million compared with Rs. 102 million in 2025. Both plans are funded schemes recognised by the tax authorities.

RECOGNITION

During the year, the Company received national recognition for its brand, workplace practices, manufacturing capabilities and corporate governance.

- Brand of the Year Award 2025 – for trust, excellence and commitment to quality.
- Brand Icon of Pakistan Award 2025 – for market leadership and brand strength.
- Second Position, 11th Employer of the Year Award (National Medium Category), Employers' Federation of Pakistan – for workplace culture, employee empowerment and sustainable growth.
- Recognition at the 40th Corporate Excellence Awards, Management Association of Pakistan – for continuous improvement and organisational excellence.
- 12th FPCCI Achievement Award 2023 (Platinum Category) – for Manufacturing and Export Marketing of Flat Steel Products.

The Company also supported sports development through the sponsorship of talented athletes. During the year, ISL-sponsored squash player Sana Bahader won titles at national-level tournaments.

FUTURE OUTLOOK

The outlook for flat steel demand is expected to benefit from improving macroeconomic stability, lower financing costs and a gradual recovery in industrial and infrastructure activity. Nevertheless, the pace and durability of recovery will depend on broader economic conditions and effective enforcement of trade and regulatory measures.

The Company's priorities for FY2026-27 include strengthening its domestic market position, expanding exports, increasing the contribution of value-added products and improving operating efficiency. Management will maintain focus on cost discipline, energy management, digital transformation, working-capital efficiency and prudent capital allocation. Regulatory engagement will remain directed towards fair competition and effective enforcement of applicable trade remedies.

Key external risks include import pressures, energy-tariff volatility, exchange-rate movements, fluctuations in global steel and raw-material prices and regulatory enforcement challenges. The Board believes that the Company's operational capabilities, financial discipline and experienced workforce provide a sound platform to manage these risks and create sustainable long-term shareholder value.

ACKNOWLEDGEMENTS

The Board would like to thank the Company's employees, customers, suppliers, shareholders and bankers for their continued support. Their confidence and goodwill contributed to the Company's progress during the year.

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