



R E D E F I N I N G PAKISTAN



Unaudited Condensed Interim Financial Statements
For the nine months ended 31 March 2020

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Corporate & Management Directory

Chairman (Non-Executive)

Mr. Towfiq H. Chinoy

Independent Directors

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

Non-Executive Directors

Mr. Mustapha A. Chinoy
Mr. Kamal A. Chinoy
Mr. Fuad Azim Hashimi
Mr. Koji Fukushima

Director & Chief Executive Officer

Mr. Yousuf H. Mirza

Director & Chief Operating Officer

Mr. Samir M. Chinoy

Chief Financial Officer

Mr. Mujtaba Hussain

Company Secretary

Mr. Mohammad Irfan Bhatti

Chief Internal Auditor

Ms. Asema Tapal

External Auditors

M/s KPMG Taseer Hadi & Co.

Bankers

Allied Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Dubai Islamic Bank (Pak) Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China Limited
MCB Bank Limited
Meezan Bank Limited
MCB Islamic Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Legal Advisor(s)

Mrs. Sana Shaikh Fikree

Registered Office

101 Beaumont Plaza, 10 Beaumont Road,
Karachi – 75530
Telephone Nos: +9221-35680045-54
UAN: 021-111-019-019
Fax: +9221-35680373
E-mail: irfan.bhatti@isl.com.pk

Lahore Office

Chinoy House, 6 Bank Square,
Lahore - 54000
Telephone Nos: +9242-37229752-55
UAN: +9242-111-019-019
Fax: +9242-37249755
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: +9251-2823041 - 2
Fax: +9251-2823043

Multan Office

Office No. 708-A, The United Mall,
Plot No. 74, Abdali Road, Multan
Telephone Nos: +9261-4570571

Factory

399 - 405, Rehri Road, Landhi, Karachi.
Telephone Nos: +9221-35013104 - 5
Fax: +9221-35013108
E-mail: info@isl.com.pk

Website

www.isl.com.pk

Investor Relations Contact Shares Registrar

THK Associates (Pvt.) Ltd
40-C, Block-6, P.E.C.H.S,
Off: Shahrah-e-Faisal, Karachi
UAN: +9221-111-000-322
Fax: +9221-34168271
Email: info@thk.com.pk

Shares Department

101 Beaumont Plaza, 10 Beaumont Road,
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UAN: +9221-111-019-019,
Fax: +9221-35680373
E-mail : irfan.bhatti@isl.com.pk

Directors' Report

The Directors of your Company are pleased to present the financial statements for the nine months period ended March 31, 2020.

The pandemic COVID 19 has brought Pakistan economy to a standstill. All business and trade activities have come to a close since last week of March 2020. The same lockdown across the globe, international trade, travel and business activity declined significantly. Further, the oil prices decreased and came down to as low as \$ 20 / barrel due to price war and reduced demand due to global slowdown. This lockdown of business and trade activities is continuing in April 2020 as well and with Ramadan starting in the last week of April, sales and production will be severely impacted in the last quarter. Despite lockdown in the last ten days of March, sales for the third quarter were only 6% lower vs the previous quarter.

The global slowdown had an impact on foreign investment in Pakistan debt market as well had an impact of export receipts and foreign remittance. The demand and supply position resulted in PKR depreciation from Rs 154.49 at the start of March to Rs 166.59 at month end. The SBP in order to offset the impact of lockdown and give stimulus to the economy reduced the policy rate by 225bps to 11.0% from 13.25% in March 2020.

Your company continued to strengthen its domestic market share in spite of sluggish economy and enhanced its export footprint by developing new markets and improve the capacity utilization.


Turnover was Rs.38.493 billion vs Rs.42.360 billion same period last year. However, margins were compromised leading to lower gross profit of Rs.3.4 billion (8.8%) against Rs.4.6 billion (10.9%) and Profit After Tax (PAT) at Rs.656 Million was lower against Rs. 2,360 Million. Earnings per Share (EPS) for the current nine months was Rs.1.51 as compared to Rs.5.42 in the same period last year.

Your company continues to monitor the economic situation in these unusual circumstances and taking all possible steps for safeguarding the interest of its employees and stakeholders and expects a challenging final quarter.

Your Company was recognized as winner in the engineering sector in the 35th Corporate Excellence Award of Management Association of Pakistan (MAP), following a detailed and thorough review of systems and processes. This was the second consecutive year of recognition.

We extend our gratitude to all our stakeholders for their continued support and thank the management and staff for their commitment and hard work.

We pray to Almighty Allah for the continued success of the Company.



Yousuf Hussain Mirza
Chief Executive Officer



Towfiq H. Chinoy
Chairman

Karachi: 14 April 2020

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز بمسرت 31 مارچ 2020 کو ختم ہونے والی نو ماہ کی مدت کے لئے مالی حسابات پیش کرتے ہیں۔

وبائی مرض کوڈ-19 نے پاکستان کی معیشت کو روک کے رکھ دیا ہے۔ تمام کاروباری اور تجارتی سرگرمیاں مارچ 2020 کے آخری ہفتے سے بند ہیں۔ پوری دنیا میں اسی لاک ڈاؤن کی وجہ سے بین الاقوامی تجارت، سفر اور کاروباری سرگرمیوں میں نمایاں کمی واقع ہوئی ہے۔ مزید یہ کہ تیل کی قیمتیں کم ہوئیں اور قیمتوں کی جنگ اور عالمی لاک ڈاؤن کی سست روی سے تیل کی قیمتیں عالمی منڈی میں کم ہو کر 20 ڈالر فی بیرل تک آ گئیں۔ کاروباری اور تجارتی سرگرمیوں کا یہ لاک ڈاؤن اپریل 2020 میں بھی جاری ہے اور اپریل کے آخری ہفتے میں رمضان شروع ہونے کے ساتھ ہی آخری سہ ماہی میں سیلز اور پیداوار پر شدید اثر پڑے گا۔ مارچ کے آخری دس دنوں میں لاک ڈاؤن کے باوجود، تیسری سہ ماہی کی فروخت گذشتہ سہ ماہی کے مقابلے میں صرف 6 فیصد کم رہی۔

عالمی سست روی کا اثر پاکستانی ڈیٹ مارکیٹ میں غیر ملکی سرمایہ کاری کے علاوہ برآمدات کی وصولی اور غیر ملکی ترسیلات پر بھی اثر پڑا۔ اس کے نتیجے میں طلب اور رسد کی وجہ سے روپے کی قدر مارچ کے آغاز میں 154.49 روپے سے اسی مہینے کے آخر میں 166.59 روپے ہو گئی۔ لاک ڈاؤن کے اثرات کو کم کرنے اور معیشت کو محرک دینے کے لئے اسٹیٹ بینک نے مارچ 2020 میں شرح سود کو 13.25 فیصد سے 22.5bps کم کر کے 11.0 فیصد کر دیا۔

آپ کی کمپنی سست معیشت کے باوجود ملکی مارکیٹ شیئر کو مستحکم کرتی رہی اور نئی مارکیٹیں تلاش کر کے اور اپنی کچھٹی کے استعمال میں بہتری لاتے ہوئے اپنی برآمدات کو بڑھایا۔

گذشتہ سال اسی عرصہ میں 42.360 بلین روپے کے مقابلے میں اس سال کاروبار 38.493 بلین روپے تھا۔ تاہم، منافع میں کمی کے نتیجے میں مجموعی منافع 4.6 بلین روپے (10.9 فیصد) کے مقابلے میں کم ہوا یعنی 3.4 بلین روپے (8.8 فیصد)۔ جبکہ بعد از ٹیکس منافع، 2,360 بلین روپے کے مقابلے میں کم ہو کر 656 بلین روپے رہا۔ موجودہ نو ماہ کے لئے فی حصص آمدنی 1.51 روپے تھی جبکہ گذشتہ سال کی اسی مدت میں یہ آمدنی 5.42 روپے تھی۔

آپ کی کمپنی ان غیر معمولی حالات میں معاشی صورتحال پر نظر رکھے ہوئے ہے اور اپنے ملازمین اور اسٹیک ہولڈرز کے مفادات کے تحفظ کے لئے ہر ممکن اقدام اٹھا رہی ہے۔ کمپنی کو چیلنجز سے بھرپور آخری سہ ماہی کی توقع ہے۔

آپ کی کمپنی کو سسٹم اور پروسیسز کا تفصیلی اور مکمل جائزہ لینے کے بعد، مینجمنٹ ایسوسی ایشن آف پاکستان (ایم اے پی) کے 35 ویں کارپوریٹ انکلیس ایوارڈ میں انجینئرنگ کے شعبے میں فاتح کی حیثیت سے تسلیم کیا گیا۔ اس ایوارڈ کے حصول کا یہ مسلسل دوسرا سال ہے۔

ہم اپنے تمام اسٹیک ہولڈرز کی جانب سے ان کی مسلسل حمایت پر ان کا شکریہ ادا کرتے ہیں ساتھ ہی ہم کمپنی کی انتظامیہ اور اسٹاف کا ان کے عزم اور سخت محنت کے لئے شکریہ ادا کرتے ہیں۔

ہم اللہ تعالیٰ سے کمپنی کی مسلسل کامیابی کے لئے دعا گو ہیں۔

Yousuf Hussain

یوسف حسین مرزا
چیف ایگزیکٹو آفیسر

Yousuf Hussain

توفیق ایچ چوہان
چیئر مین

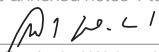
کراچی: 14 اپریل 2020

Condensed Statement of Financial Position

As at 31 March 2020

	Note	31 March 2020 (Un-audited)	30 June 2019 (Audited)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	20,473,046	19,862,302
Intangible assets		1,499	2,736
Long term deposit with Central Depository Company of Pakistan Limited		100	100
		20,474,645	19,865,138
Current assets			
Stores and spares		708,649	610,974
Stock-in-trade	6	16,613,137	14,647,959
Trade debts - considered good	7	3,359,846	868,035
Receivable from K-Electric Limited (KE) - unsecured, considered good		130,630	38,997
Advances, trade deposits and short-term prepayments	8	101,577	108,988
Sales tax receivable		2,744,105	2,312,713
Taxation		1,156,871	906,326
Cash and bank balances		96,473	402,912
		24,911,288	19,896,904
Total assets		45,385,933	39,762,042
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
500,000,000 (2019: 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			
Un-appropriated profit		7,272,679	7,240,140
Capital reserve			
Revaluation surplus on property, plant and equipment		1,258,644	1,288,130
Total shareholders' equity		12,881,323	12,878,270
LIABILITIES			
Non-current liabilities			
Long term finance - secured	9	5,471,819	6,367,141
Deferred taxation - net		1,954,917	2,230,618
Lease liabilities	3.4.1	42,540	-
		7,469,276	8,597,759
Current liabilities			
Trade and other payables	10	12,194,221	5,612,295
Contract liabilities	11	977,773	1,259,011
Short term borrowings - secured	12	10,142,721	10,191,219
Unpaid dividend		808	2,385
Unclaimed dividend		7,625	6,453
Current portion of long term finance - secured	9	1,514,594	909,943
Current portion of lease liabilities	3.4.1	15,806	-
Accrued mark-up		181,786	304,707
		25,035,334	18,286,013
Total liabilities		32,504,610	26,883,772
Contingencies and commitments	13		
TOTAL EQUITY AND LIABILITIES		45,385,933	39,762,042

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Dr. Amjad Waheed
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial Officer

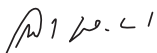

Yousuf H. Mirza
Chief Executive Officer

Condensed Statement of Profit or Loss (Un-audited)

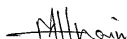
For the nine months ended 31 March 2020

		Nine months ended		Three months ended	
	Note	31 March 2020	31 March 2019	31 March 2020	31 March 2019
		(Rupees in '000)			
Net sales	14	38,492,840	42,360,017	13,128,287	16,576,606
Cost of sales	15	(35,093,053)	(37,740,378)	(11,952,216)	(15,023,791)
Gross profit		3,399,787	4,619,639	1,176,071	1,552,815
Selling and distribution expenses	16	(731,892)	(470,411)	(290,067)	(227,528)
Administrative expenses	17	(198,144)	(197,824)	(63,412)	(62,639)
		(930,036)	(668,235)	(353,479)	(290,167)
Finance cost	18	(1,746,490)	(1,009,812)	(400,528)	(417,969)
Other operating income/(expenses) - net	19	(102,074)	(248,234)	(164,893)	(83,801)
		(1,848,564)	(1,258,046)	(565,421)	(501,770)
Other income	20	43,437	124,783	10,174	41,397
Profit before taxation		664,624	2,818,141	267,345	802,275
Taxation	21	(9,071)	(458,390)	(77,728)	(190,986)
Profit after taxation		655,553	2,359,751	189,617	611,289
(Rupees)					
Earnings per share - basic and diluted		1.51	5.42	0.44	1.41

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



Dr. Amjad Waheed
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial Officer




Yousuf H. Mirza
Chief Executive Officer

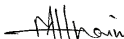
Condensed Statement of Comprehensive Income (Un-audited)

For the nine months ended 31 March 2020

	Nine months ended		Three months ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	(Rupees in '000)			
Profit after taxation	655,553	2,359,751	189,617	611,289
Other comprehensive income	-	-	-	-
Total comprehensive income	655,553	2,359,751	189,617	611,289

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Dr. Amjad Waheed
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial Officer

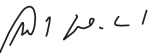

Yousuf H. Mirza
Chief Executive Officer

Condensed Statement of Cash Flows (Un-audited)

For the nine months ended 31 March 2020

		Nine months ended	
		31 March 2020	31 March 2019
Note		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		664,624	2,818,141
Adjustments for:			
Depreciation and amortisation		1,044,760	774,255
Gain on disposal of property, plant and equipment		(1,019)	(3,104)
Provision for obsolescence against spares		26,256	11,811
Provision for staff gratuity		17,714	14,337
Provision for compensated absences		5,534	5,365
Income on bank deposits		(2,322)	(631)
Finance cost		1,746,490	1,009,812
		2,837,413	1,811,845
Changes in working capital		1,207,153	1,298,107
Net cash generated from operations		4,709,190	5,928,093
Finance cost paid		(1,869,411)	(956,444)
Staff gratuity paid		(17,714)	(14,337)
Compensated absences paid		(8,536)	(6,556)
Income tax paid		(535,315)	(370,724)
		(2,430,976)	(1,348,061)
Net cash generated from operating activities		2,278,214	4,580,032
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,677,168)	(1,507,564)
Proceeds from disposal of property, plant and equipment		23,921	8,681
Income on bank deposits received		2,322	631
Net cash used in investing activities		(1,650,925)	(1,498,252)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finance		501,626	500,000
Repayments of long term finance		(792,297)	(933,804)
Proceeds from / (repayments of) short term borrowings - net		638,044	(402,563)
Lease liabilities		58,346	-
Dividend paid		(652,905)	(1,308,223)
Net cash used in financing activities		(247,186)	(2,144,590)
Net increase in cash and cash equivalents		380,103	937,190
Cash and cash equivalents at beginning of the period		(6,232,042)	(5,075,660)
Cash and cash equivalents at end of the period		(5,851,939)	(4,138,470)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	22.1	96,473	576,179
Short term borrowings - secured	22.1	(5,948,412)	(4,714,649)
		(5,851,939)	(4,138,470)

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Dr. Amjad Waheed
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer

Condensed Statement of Changes in Equity (Un-audited)

For the nine months ended 31 March 2020

	Issued, subscribed & paid-up capital	Revenue reserve- unappropriated profit/(loss)	Capital reserve- revaluation Surplus on property, plant and equipment	Total
	(Rupees in '000)			
Balance as at 01 July 2018	4,350,000	6,532,704	942,304	11,825,008
Total comprehensive income for the period				
Profit for the period	-	2,359,751	-	2,359,751
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	2,359,751	-	2,359,751
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 30% (Rs. 3.00 per share) for the year ended 30 June 2018	-	(1,305,000)	-	(1,305,000)
- Interim dividend @ 15.00% (Re. 1.50 per share) for the period ended 31 December 2018	-	(652,500)	-	(652,500)
Total transactions with owners of the company - distributions	-	(1,957,500)	-	(1,957,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	15,319	(15,319)	-
Balance as at 31 March 2019	4,350,000	6,950,274	926,985	12,227,259
Balance as at 01 July 2019	4,350,000	7,240,140	1,288,130	12,878,270
Total comprehensive income for the period				
Profit for the period	-	655,553	-	655,553
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	655,553	-	655,553
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 15% (Rs. 1.50 per share) for the year ended 30 June 2019	-	(652,500)	-	(652,500)
Total transactions with owners of the Company - distributions	-	(652,500)	-	(652,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	29,486	(29,486)	-
Balance as at 31 March 2020	4,350,000	7,272,679	1,258,644	12,881,323

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.


Dr. Amjad Waheed
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial Officer


Yousuf H. Mirza
Chief Executive Officer

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 and is domiciled in the province of Sindh. The Company was listed on the Pakistan Stock Exchange Limited on 01 June 2011. The Company is subsidiary of International Industries Limited (The Holding Company) which holds 245,055,543 (30 June 2019: 245,055,543 shares) shares of the Company as at 31 March 2020 representing 56.3% (30 June 2019: 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. 4,177.167 million determined as at 23 August 2010 (day immediately preceding the completion date) in accordance with the Scheme of Arrangement, were transferred to the Company on 24 August 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 01 January 2011. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi - 75530.

The manufacturing facility of the Company is situated at 399-405, Rehri Road, Landhi Industrial Area, Karachi and having sales offices located at Lahore, Islamabad and 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 of:

- 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 30 June 2019.

2.1.3 The comparative condensed 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 30 June 2019, whereas the comparative condensed statement of profit or loss, condensed statement of comprehensive income, condensed statement of cash flows and condensed statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended 31 March 2019.

2.1.4 These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except for the Company's liability 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 & buildings at revalued amounts assessed by an independent valuer and derivative financial instruments 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.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

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 audited financial statements for the year ended 30 June 2019 except for the adoption of new standards effective as of 01 July 2019 as referred to in note 3.4 to these condensed interim financial statements.

3.2 New standards, interpretations and amendments adopted by the Company

The Company has adopted IFRS 16 'Leases' from 01 July 2019. The impact of the adoption of the standard and the new accounting policies are disclosed in note 3.4 below. A number of other new standards are effective from 01 July 2019 but they do not have a material effect on the Company's condensed interim financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- IFRS 14 'Regulatory Deferral Accounts' - (effective for annual periods beginning on or after 01 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

3.4 Changes in accounting policies

The below explains the impact of the adoption of IFRS 16 'Leases' on the Company's condensed interim financial statements different to those applied in prior periods.

3.4.1 IFRS 16 'Leases'

The Company has adopted IFRS 16 'Leases' from 01 July 2019. IFRS 16 has introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 'Determining whether an Arrangement contains a Lease'. Under IFRS 16, the Company determines whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 July 2019.

B. As a lessee

As a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases, i.e. these leases are on-balance sheet. The Company has elected to apply the IFRS 16 requirements on the rented properties only. Low value assets, if there any, are and shall remain excluded from its application. The Company shall recognize the lease payments associated with any low value assets as an expense on a straight-line basis over the lease term.

i. Significant accounting policies

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or the Company's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

ii. Transition

Previously, the Company classified property leases as operating leases under IAS 17. The lease typically runs for a period of 3 to 10 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

Company's incremental borrowing rate as at 01 July 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application.

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 judgments, 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 judgments 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 30 June 2019, except for those related to IFRS 16 as explained in note 3.4.1.
- 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 30 June 2019.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress	Right-of-use assets	Total
(Rupees in '000)				
Cost / revalued amount				
Opening balance	24,058,543	663,029	-	24,721,572
Additions	231,714	1,664,168	-	1,895,882
Transfer / adjustment	15,419	(301,998)	67,865	(218,714)
Disposal	(63,576)	-	-	(63,576)
	24,242,100	2,025,199	67,865	26,335,164
Accumulated depreciation				
Opening balance	(4,859,270)	-	-	(4,859,270)
Charge for the period	(1,029,656)	-	(13,866)	(1,043,522)
Transfer	-	-	-	-
Disposal	40,674	-	-	40,674
	(5,848,252)	-	(13,866)	(5,862,118)
Written down value as at 31 March 2020 (Un-audited)	18,393,848	2,025,199	53,999	20,473,046
Written down value as at 30 June 2019 (Audited)	19,199,273	663,029	-	19,862,302

- 5.1** The 'right-of-use assets' along with its depreciation charge has been recognised to comply with the requirements of IFRS 16 'Leases'. Refer note 3.4.1 for details.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

6. STOCK-IN-TRADE

	Note	31 March 2020 (Un-audited)	30 June 2019 (Audited)
		(Rupees in '000)	
Raw material - in hand		2,770,042	1,919,579
- in transit		9,313,127	4,811,283
Work-in-process		1,532,975	1,942,101
Finished goods		2,860,307	5,850,831
By-product		24,918	5,424
Scrap material		111,768	118,741
		16,613,137	14,647,959

7. TRADE DEBTS - considered good

- Secured	7.1	780,179	151,932
- Unsecured		2,579,667	716,103
		3,359,846	868,035
7.1 Related party from whom debts is due is as under:			
- Sumitomo Corporation		134,224	-
- IIL Australia PTY Limited		59,864	19,120

8. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	31 March 2020 (Un-audited)	30 June 2019 (Audited)
	(Rupees in '000)	
Advances to suppliers- considered good	36,823	64,594
Trade deposits	11,268	14,617
Margin against shipping guarantee	5,976	16,255
Short term prepayments	47,510	13,522
	101,577	108,988

9. LONG TERM FINANCE - secured

Conventional

Long Term Finance Facility (LTFF)	9.1 & 9.2	1,250,220	1,460,418
Long term finance		-	266,666

Islamic

Long Term Finance Facility (LTFF)	9.3	523,693	-
Long Term Finance	9.4, 9.5 & 9.6	5,212,500	5,550,000
		6,986,413	7,277,084

Current portion of long term finances shown under current liabilities

Conventional

Long Term Finance Facility (LTFF)		(250,027)	(237,721)
Long term finance		-	(222,222)

Islamic

Long Term Finance Facility (LTFF)		(22,067)	-
Long Term Finance		(1,242,500)	(450,000)

(1,514,594) (909,943)

5,471,819 **6,367,141**

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

Conventional

- 9.1 Long term finance amounting to Rs. 628.466 million (30 June 2019: Rs.740.441 million) has been obtained from a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.
- 9.2 Long term finance amounting to Rs. 621.754 million (30 June 2019: Rs.719.977 million) has been obtained from a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.

Islamic

- 9.3 Long term finance amounting to Rs. 523.693 million (30 June 2019: Nil) has been obtained from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.
- 9.4 Long term finance amounting to Rs. 62.5 million (30 June 2019: Rs.250 million) has been obtained from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.
- 9.5 Long term finance amounting to Rs. 250 million (30 June 2019: 400 million) has been obtained from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.
- 9.6 Long term finance amounting to Rs. 4,900 million (30 June 2019: 4,900 million) has been obtained from Islamic window of a commercial bank and is secured by way of ranking charge over fixed assets of the Company.

10. TRADE AND OTHER PAYABLES

Note	31 March 2020 (Un-audited)	30 June 2019 (Audited)
	(Rupees in '000)	
Trade creditors	10.1 8,857,465	2,525,391
Accrued expenses	1,866,101	1,742,862
Provision for infrastructure cess	10.2 1,230,686	1,058,166
Provision for government levies	328	329
Short term compensated absences	9,235	12,237
Workers' Profit Participation Fund	33,999	17,024
Workers' Welfare Fund	154,062	219,266
Others	42,345	37,020
	12,194,221	5,612,295
10.1 Related party to whom payment is due is as under:		
- Jubilee General Insurance Company Limited	11,915	-
- Pakistan Cable Limited	30	-
10.2 Provision for infrastructure cess		
Opening balance	1,058,166	774,813
Provided during the period	172,520	283,353
Closing balance	1,230,686	1,058,166
11. CONTRACT LIABILITIES		
Sales commission payable	4,379	50,183
Advances from customers	11.1 973,394	1,208,828
	977,773	1,259,011

- 11.1 Advances from customers are unsecured and include Rs. Nil (30 June 2019: Rs. 0.17 million) received from a related party for supply of finished goods.

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

12. SHORT TERM BORROWINGS - secured

	Note	31 March 2020 (Un-audited)	30 June 2019 (Audited)
(Rupees in '000)			
Conventional			
Running finance under mark-up arrangement from banks	12.1	209,590	5,881,084
Short-term borrowing under Money Market scheme			
Maturing after three months		4,000,000	-
Maturing within three months		950,000	500,000
	12.1	4,950,000	500,000
Short term finance under Export Refinance Scheme	12.2	1,305,020	1,984,265
Short term finance under FE25	12.3	1,969,433	-
Islamic			
Short term finance under Running Musharakah	12.4	788,822	253,870
Short term finance under Term Murabaha		-	1,572,000
Short term finance under Export Refinance Scheme	12.5	919,856	-
		10,142,721	10,191,219

- 12.1** The facilities for short term finance available from various commercial banks are for the purpose of meeting working capital requirements. The rate of mark-up on these finances ranges from 11.53% to 14.72% (30 June 2019: 7.12% to 13.90%) per annum.
- 12.2** The Company has obtained short term finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility is 3% (30 June 2019: 2.1% to 3%) per annum.
- 12.3** The Company has obtained facility for short term finance under FE25 loan scheme. The rate of mark-up ranges from 3% to 4% per annum.
- 12.4** The Company has obtained facilities for short term finance under Running Musharakah. The rate of mark-up ranges from 13.74% to 14.21% (30 June 2019: 7.12% to 13.10%) per annum. This facility matures within twelve months and is renewable.
- 12.5** The Company has obtained short term finance facility under Islamic Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility is 3% per annum.
- 12.6** As at 31 March 2020, the unavailed facilities from the above borrowings amounted to Rs. 7,057 million (30 June 2019: Rs. 11,459 million).
- 12.7** The above facilities are secured by way of joint pari passu charge over current and future moveable assets of the Company

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
13.1.1 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 on petition filed by the petitioner, passed an interim order directing that every company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees issued as per the above mentioned interim order amount to Rs.1,261 million (30 June 2019: Rs. 1,111.5 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 (Note 10.2). Subsequently through Sindh Finance Act 2015 and 2016, the legislation has doubled the rate of Sindh infrastructure cess. The Company has obtained stay against these and the ultimate dispute has been linked with the previous infrastructure cess case.	Sindh High Court	I.S.L. v/s Secretary Excise and Taxation / Federation of Pakistan	15-May-12

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
<p>1312 In 2011, the Gas Infrastructure Development Cess was levied via GIDC Act 2011 and further the rate of cess was amended via Finance Bill 2012 - 2013 which was challenged in the Supreme Court of Pakistan. The Supreme Court of Pakistan declared GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.</p> <p>During 2015, the Government passed a new law 'Gas Infrastructure Development Cess Act 2015' ('the Act'), by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Sindh High Court. The Company is confident of favorable outcome and therefore, has not recorded, to the extent of self consumption, a provision of Rs. 390.8 million (from 01 July 2011 till 22 May 2015) in these financial statements. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the Sindh High Court held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of Sindh High Court. This appeal filed before the Divisional Bench of Sindh High Court was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas Regulatory Authority (OGRA) and has correctly applied the factual position. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. Such decision was challenged on appeal before Supreme Court of Pakistan, where in the Company was not the party, and the Supreme Court of Pakistan has reserved the judgement on the appeal. In light of aforementioned developments, the Company on prudent basis, continues to recognise provision after the passage of the Act.</p> <p>Further the Company has not recognized GIDC amounting to Rs. 1,014 million (2019: Rs. 935 million) pertaining to period from 01 July 2011 to 31 March 2020 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).</p>	Sindh High Court	I.S.L v/s OGRA / SSGC / Federation of Pakistan	8-Jan-12
<p>1313 Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs. 600 Per MMBTU vide its notification dated 30 December 2016, increasing the rate by Rs. 112 per MMBTU disregarding the protocol laid down in OGRA Ordinance, 2002. The Company filed a suit before the Sindh High Court (the Court) challenging the increase in gas tariff. The Court granted a stay, subject to submission of security for the differential amount with the Nazir of the court. The Company has issued cheques amounting to Rs. 424.8 million (30 June 2019: Rs. 424.8 million) in favour of the Nazir of the Court upto September 2018. The Company, on prudent basis, has also accrued this amount in these financial statements. OGRA has further revised the gas tariff to Rs. 780 per MMBTU vide its notification dated 04 October 2018, further increasing the rate by Rs. 180 per MMBTU. The Company filed a petition before the court challenging such further revision and the Sindh High Court passed a judgement in favour of the Company dated 27 February 2020.</p>	Sindh High Court	I.S.L v/s OGRA / SSGC / Federation of Pakistan	19-Jan-17

Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months ended 31 December 2019

Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
13.14 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.	Sindh High Court	Sindh Revenue Board / Government of Sindh/ Federation of Pakistan / Governing body of the Workers Welfare Fund / Federal Board of Revenue	6-Sept-17

13.15 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 404.65 million (30 June 2019: Rs. 404.67 million) as a security for supply of gas.

13.16 Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 54 million (30 June 2019: Rs. 53 million).

13.17 Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (30 June 2019: Rs. 8.67 million).

13.18 Guarantees issued in favour of Wah Industries issued by bank on behalf of the Company amounted to Rs. 19.966 million (30 June 2019: Rs. 59.11 million).

13.19 Guarantees issued in favour of Collector of Customs issued by bank on behalf of the Company amounted to Rs. 3,394.407 million (30 June 2019: Rs. 4.39 million).

13.2 Commitments

13.21 Capital expenditure commitments outstanding as at 31 March 2020 amounted to Rs. 54 million (30 June 2019: Rs. 446.2 million).

13.22 Commitments under Letters of Credit for raw materials and spares as at 31 March 2020 amounted to Rs. 12,400 million (30 June 2019: Rs. 11,843 million).

13.23 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 March 2020 amounted to Rs. 13,495 million (30 June 2019: Rs. 10,822 million) and Rs. 246 million (30 June 2019: Rs. 1,206 million) respectively.

14. NET SALES

	Nine months ended		Three months ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	(Un-audited)			
	(Rupees in '000)			
Local	37,727,003	47,117,551	12,589,564	18,125,091
Export	6,840,148	2,582,376	2,529,957	1,251,536
	44,567,151	49,699,927	15,119,521	19,376,627
Sales tax	(5,348,793)	(6,802,791)	(1,849,863)	(2,595,224)
Trade discounts	(335,834)	(28,063)	(30,624)	(6,413)
Sales commission	(389,684)	(509,056)	(110,747)	(198,384)
	(6,074,311)	(7,339,910)	(1,991,234)	(2,800,021)
	38,492,840	42,360,017	13,128,287	16,576,606

14.1 DISAGGREGATION OF REVENUE

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

Primary geographical markets:

Local	31,652,692	39,777,641	10,598,330	15,325,070
Asia	2,928,873	980,061	989,339	560,983
Australia	97,266	4,642	25,832	-
Americas	2,813,977	1,373,088	1,251,286	584,524
Africa	984,364	224,585	247,832	106,029
Europe	15,668	-	15,668	-
	38,492,840	42,360,017	13,128,287	16,576,606

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

Major product lines:

Cold Rolled

Galvanized Product

By-product

Nine months ended		Three months ended	
31 March 2020	31 March 2019	31 March 2020	31 March 2019
(Un-audited)			
(Rupees in '000)			
15,730,584	14,268,653	5,400,745	6,558,630
21,347,659	25,977,654	7,290,303	9,083,023
1,414,597	2,113,710	437,239	934,953
38,492,840	42,360,017	13,128,287	16,576,606

15. COST OF SALES

Raw material consumed

Opening stock of raw material

Purchases

Closing stock of raw material

Manufacturing overheads

Salaries, wages and benefits

Electricity, gas and water

Insurance

Security and janitorial

Depreciation and amortisation

Operating supplies and consumables

Provision for obsolescence against spares

Repairs and maintenance

Postage, telephone and stationery

Vehicle, travel and conveyance

Internal material handling

Environment controlling expense

Computer stationery and software support fees

Partial manufacturing expense

Sundries

Work-in-process

Opening stock

Closing stock

Cost of goods manufactured

Finished goods, by-products and scrap

Opening stock

Closing stock

Nine months ended		Three months ended	
31 March 2020	31 March 2019	31 March 2020	31 March 2019
(Un-audited)			
(Rupees in '000)			
1,919,579	5,930,245	5,079,764	3,525,734
29,786,799	36,836,179	6,292,383	13,589,336
31,706,378	42,766,424	11,372,147	17,115,070
(2,770,042)	(3,195,300)	(2,770,042)	(3,195,300)
28,936,336	39,571,124	8,602,105	13,919,770
430,856	414,502	144,972	139,171
1,091,412	997,766	340,101	354,231
20,227	20,246	8,259	3,501
23,961	21,709	7,901	7,733
934,383	692,699	316,055	246,721
96,210	89,621	34,073	30,840
26,256	11,811	10,837	2,933
70,876	78,616	27,068	30,592
4,641	5,841	1,467	1,631
25,391	25,593	5,666	6,541
10,157	37,082	3,089	14,192
1,976	1,764	517	461
8,176	4,591	4,308	1,546
6,286	-	2,743	-
18,780	12,961	11,788	3,788
2,769,588	2,414,802	918,844	843,881
31,705,924	41,985,926	9,520,949	14,763,651
1,942,101	1,187,243	2,562,830	2,937,667
(1,532,975)	(2,442,623)	(1,532,975)	(2,442,623)
409,126	(1,255,380)	1,029,855	495,044
32,115,050	40,730,546	10,550,804	15,258,695
5,974,996	2,561,284	4,398,405	5,316,548
(2,996,993)	(5,551,452)	(2,996,993)	(5,551,452)
2,978,003	(2,990,168)	1,401,412	(234,904)
35,093,053	37,740,378	11,952,216	15,023,791

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

16. SELLING AND DISTRIBUTION EXPENSES

	Nine months ended		Three months ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	(Un-audited)			
	(Rupees in '000)			
Salaries, wages and benefits	67,973	69,004	21,404	25,576
Rent, rates and taxes	27,090	22,140	26,985	11,472
Electricity, gas and water	2,195	2,005	560	496
Insurance	1,518	994	576	439
Depreciation and amortisation	17,125	5,743	(7,396)	1,958
Postage, telephone and stationery	3,905	2,988	1,447	1,528
Vehicle, travel and conveyance	17,587	20,016	4,762	4,387
Freight and forwarding charges	519,068	256,471	206,949	145,204
Sales promotion	64,352	83,923	32,909	32,190
Others	11,079	7,127	1,871	4,278
	731,892	470,411	290,067	227,528

17. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	109,775	114,619	35,198	36,895
Rent, rates and taxes	377	3,602	30	1,135
Electricity, gas and water	1,950	1,693	501	416
Insurance	1,664	1,981	762	796
Security and janitorial services	597	484	343	197
Depreciation and amortisation	10,768	4,454	3,639	1,543
Printing and stationery	2,449	4,503	249	293
Postage and communication	1,431	1,111	207	262
Vehicle, travel and conveyance	7,502	6,718	3,021	2,328
Legal and professional charges	42,721	45,630	14,937	15,128
Certification and registration charges	5,145	3,100	17	572
Directors' fee	5,325	3,525	2,100	1,350
Others	8,440	6,404	2,408	1,724
	198,144	197,824	63,412	62,639

18. FINANCE COST

Conventional				
- Mark-up on long term finances	73,867	84,847	19,409	30,130
- Mark-up on short term borrowings	783,710	499,872	119,785	184,575
	857,577	584,719	139,194	214,705
Islamic				
- Profit on long term finances	558,919	284,317	190,538	136,361
- Profit on short term borrowings	307,189	131,889	67,817	65,862
	866,108	416,206	258,355	202,223
Interest on Workers' Profit Participation Fund	471	1,053	471	-
Bank charges	16,124	7,834	5,796	1,041
Interest on lease liabilities	6,210	-	(3,288)	-
	1,746,490	1,009,812	400,528	417,969

19. OTHER OPERATING (INCOME) / EXPENSES - net

Auditors' remuneration	2,097	2,259	446	362
Donations	8,200	33,777	7,200	23,053
Workers' Welfare Fund	(18,163)	60,628	5,750	17,253
Workers' Profit Participation Fund	34,024	151,570	14,373	43,133
Exchange loss	75,916	-	137,124	-
	102,074	248,234	164,893	83,801

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

		Nine months ended		Three months ended	
	Note	31 March 2020	31 March 2019	31 March 2020	31 March 2019
(Un-audited)					
(Rupees in '000)					
20. OTHER INCOME					
Income from non-financial assets					
Income from power generation	20.1	24,038	18,227	7,305	8,206
(Loss) / Gain on sale of property, plant and equipment		1,019	3,104	(620)	1,521
Rental income		1,919	1,461	602	487
Exchange gain		-	65,911	-	10,024
Others		14,139	35,449	2,147	20,588
		41,115	124,152	9,434	40,826
Income from financial assets					
Income on bank deposits - conventional		2,322	631	740	571
		43,437	124,783	10,174	41,397
20.1 Income from power generation					
Net sales		494,514	291,477	163,328	87,864
Cost of electricity produced		(470,476)	(273,250)	(156,023)	(79,658)
		24,038	18,227	7,305	8,206
21. TAXATION					
- Current		(284,770)	(615,922)	(100,162)	(242,990)
- Prior		-	-	-	-
- Deferred		275,699	157,532	22,434	52,004
		(9,071)	(458,390)	(77,728)	(190,986)
22. CHANGES IN WORKING CAPITAL					
		31 March 2020 (Unaudited)	31 March 2019 (Audited)		
		(Un-audited)			
		(Rupees in '000)			
<i>(Increase) / decrease in current assets:</i>					
Stores and spares		(123,931)		(111,365)	
Stock-in-trade		(1,965,178)		(107,621)	
Receivable from K-Electric Limited		(91,633)		11,669	
Trade debts		(2,491,811)		148,118	
Advances, trade deposits, short-term prepayments		7,408		3,166	
Sales tax receivable		(431,392)		(505,024)	
		(5,096,537)		(561,057)	
<i>Increase / (decrease) in current liabilities:</i>					
Trade and other payables		6,303,690		1,859,164	
		1,207,153		1,298,107	
22.1 Cash and cash equivalents					
		31 March 2020 (Unaudited)	30 June 2019 (Audited)		
		(Rupees in '000)			
Cash and bank balances		96,473		402,912	
Running finance under mark-up arrangement from banks		(209,590)		(5,881,084)	
Short-term borrowing under Money Market scheme		(4,950,000)		(500,000)	
Short term borrowing under Running Musharakah		(788,822)		(253,870)	
		(5,851,939)		(6,232,042)	

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

23. 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.

	Nine months ended		Three months ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	(Un-audited)			
	(Rupees in '000)			
Holding company				
Sales	1,572,505	6,495,527	-	2,533,510
Purchases	131,396	16,895	4,542	2,036
Rent	34,635	18,036	22,710	10,196
Shared resources cost	63,030	57,622	21,927	16,663
Reimbursement of expenses	2,986	5,737	766	2,280
Partial manufacturing -sales	6,431	54	378	-
Dividend paid	367,583	735,167	-	735,167
Associated undertakings				
Sales	807,004	431,947	361,658	45,677
Purchases	19,871,656	32,065,419	10,120,454	9,471,173
Dividend paid	59,216	118,433	-	-
Rental income	2,796	1,461	601	487
Reimbursement of expenses	1,762	1,376	585	659
Services	56,144	54,944	2,336	6,855
Key management personnel				
Remuneration	173,755	184,685	56,738	59,028
Staff retirement funds				
Contribution paid	39,332	36,163	12,684	14,187
Non-executive directors				
Directors' fee	5,325	3,000	2,100	825
Reimbursement of Chairman's expenses	2,178	864	884	216

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months ended 31 March 2020

24. OPERATING SEGMENTS

24.1 These condensed interim financial statements have been prepared on the basis of a single reportable segment.

24.2 Revenue from sales of steel products represents 99% (30 June 2019: 99%) of total revenue whereas remaining represents 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.

24.3 85% (30 June 2019: 93.88%) of sales of steel sheets are domestic sales whereas 15% (30 June 2019: 6.12%) of sales are export / foreign sales.

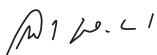
25. GENERAL

25.1 Corresponding figures

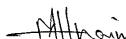
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. There have been no rearrangements and reclassifications in these condensed interim financial statements except for the reclassification of recovery of scrap from cost of sales to sales.

25.2 Date of authorization for issue

These condensed interim financial statements were authorised for issue by the Board of Directors on 14 April 2020.



Dr. Amjad Waheed
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer