



Shaping Tomorrow



UN-AUDITED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2021



UN-AUDITED FINANCIAL STATEMENTS  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2021**

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## COMPANY INFORMATION

### Chairman (Independent)

Dr. Amjad Waheed

### Independent Directors

Mr. Babar Badat  
Ms. Nausheen Ahmad  
Mr. Nihal Cassim

### Non-Executive Directors

Mr. Fuad Azim Hashimi  
Mr. Haroun Rashid  
Mr. Kamal A. Chinoy  
Mr. Mustapha A. Chinoy  
Mr. Shuji Tsubota

### 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

Mrs. Asema Tapal

### External Auditors

A. F. Ferguson & Co., Chartered Accountants

### Legal Advisor(s)

Mrs. Sana Shaikh Fikree

### Investor Relations Contact

Shares Registrar  
THK Associates (Pvt.) Ltd  
Plot No. 32-C, Jami Commercial Street 2  
D.H.A., Phase VII, Karachi-75500  
Phone: +92 21-35890051 Mobile: +92 334-2404222  
Email: info@thk.com.pk

### Registered Office

101, Beaumont Plaza, 10, Beaumont Road, Karachi – 75530  
Telephone Numbers : +9221-35680045-54  
UAN : +92 21-111-019-019  
Fax : +92 21-35680373  
E-mail : irfan.bhatti@isl.com.pk

### Lahore Office

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

### Islamabad Office

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

### Multan Office

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

### Factory

399 - 404, Rehri Road, Landhi, Karachi.  
Telephone Nos: +92 21-35013104 - 5  
Fax: +92 21 35013108 E-mail: info@isl.com.pk

### Service Center

Plot# LE-73-79, 102-103, 112-118, 125-129  
Survey # NC.98, Near Arabian Country Club,  
National Industrial Park, Bin Qasim, Karachi

### Website

www.isl.com.pk

### Bankers

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



## DIRECTORS' REPORT

### FOR THE PERIOD ENDED SEPTEMBER 30, 2021

The Directors of your company are pleased to present the financial statements for the quarter ended September 30, 2021.

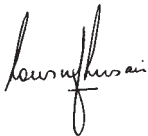
The economic growth of 3.94% last year, started showing signs of slow down in the first quarter. Large-Scale Manufacturing grew by 12.74% as compared to last year. The agricultural output is expected to increase this year as a result of Government's special focus on agriculture sector. The trade deficit continues to rise and weakening current account deficit exerts pressure on the exchange rate. The Pak Rupee has depreciated by 9% during the quarter. Inflation at 8.58% remains another concern with increasing trend in global commodity prices and depreciating Pak Rupee. State Bank of Pakistan during the quarter raised the policy rate by 25 bps which is expected to be further increased in the coming months to curb inflationary pressures.

The international steel prices remained at record high levels of around USD 1,000 during the quarter. The steel production in China has slowed down due to reduced momentum in real estate sector and regulatory restrictions imposed on steel production due to environmental concerns and withdrawal of export related rebates. The steel demand in developed economies is gathering pace as it recovers after COVID lockdown. Freight rates and port congestion levels have reached record highs resulting in limited availability of container cargo.

The Company continues to benefit from the strong demand recovery post COVID, registering net sales of Rs. 24.5 bn as compared to Rs. 15.67 bn reflecting a growth of 56% over last year. The sales growth was strong in both domestic and export markets. Exports remained strong despite logistical challenges due to port congestion in major markets. PAT and earnings per share grew by 3.8 times at Rs.2,668 million and Rs. 6.13 over same period last year.

Consistent demand, proactive and accommodative policy measures by the Government and the State Bank of Pakistan and the recommencement of IMF program would further improve the market conditions. The Rs.1.27 Bn debottlenecking project to expand Cold Rolled capacity remains on track for completion in the second half of the year. We thank the management and staff for their untiring efforts in achieving our goals.

We pray to almighty Allah for the continued success of your Company.



**Yousuf H. Mirza**  
Chief Executive Officer



**Dr. Amjad Waheed**  
Chairman

Karachi: October 26, 2021

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# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021

		(Un-audited)	(Audited)
	Note	September 30, 2021	June 30, 2021
		(Rupees in '000)	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	18,847,705	19,179,617
Right-of-use assets		14,874	19,318
Intangible assets		1,028	885
Long term deposit with Central Depository Company of Pakistan Limited		100	100
		<b>18,863,707</b>	<b>19,199,920</b>
<b>CURRENT ASSETS</b>			
Stores and spares		755,620	676,682
Stock-in-trade	6	28,118,639	17,081,369
Trade debts		4,327,989	939,845
Receivable from K-Electric Limited (KE)		36,666	26,920
Advances, trade deposits and prepayments	7	2,238,309	1,925,675
Sales tax receivable		557,888	1,576,621
Cash and bank balances		219,721	292,511
		<b>36,254,832</b>	<b>22,519,623</b>
<b>TOTAL ASSETS</b>		<b>55,118,539</b>	<b>41,719,543</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shared capital and reserves</b>			
Authorised share capital		5,000,000	5,000,000
500,000,000 (2021: 500,000,000) ordinary shares of Rs.10 each			
Share capital		4,350,000	4,350,000
Issued, subscribed and paid-up capital			
Revenue reserve		12,948,456	13,317,354
Unappropriated profit			
Capital reserve		1,211,806	1,220,286
Revaluation surplus on property, plant and equipment			
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>18,510,262</b>	<b>18,887,640</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - secured	8	3,596,163	3,730,861
Deferred income - Government grant		59	1,018
Gas Infrastructure Development Cess	9	644,235	708,956
Deferred taxation		2,122,652	2,031,997
Lease liabilities		-	1,929
		<b>6,363,109</b>	<b>6,474,761</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	16,323,127	6,587,651
Contract liabilities		1,848,349	1,277,439
Short term borrowings - secured	11	6,717,336	6,796,345
Unpaid dividend		3,045,000	-
Unclaimed dividend		8,443	8,798
Current portion of long term financing		1,462,440	1,462,435
Current portion of lease liabilities		17,716	20,734
Taxation - net		686,846	125,012
Accrued mark-up		135,911	78,728
		<b>30,245,168</b>	<b>16,357,142</b>
<b>TOTAL LIABILITIES</b>		<b>36,608,277</b>	<b>22,831,903</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>55,118,539</b>	<b>41,719,543</b>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

**Nihal Cassim**  
Director & Chairman  
Board Audit Committee

**Mujtaba Hussain**  
Chief Financial  
Officer

**Yousuf H. Mirza**  
Chief Executive  
Officer

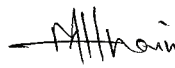
# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

## FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

		Three months ended	
		September 30, 2021	September 30, 2020
		(Rupees in '000)	
Note			
	Revenue from contracts with customers	13 24,489,338	15,666,487
	Cost of sales	(20,153,849)	(14,274,689)
	<b>Gross profit</b>	<b>4,335,489</b>	<b>1,391,798</b>
	Selling and distribution expenses	(179,776)	(201,487)
	Administrative expenses	(84,576)	(56,310)
		<b>(264,352)</b>	<b>(257,797)</b>
	Finance cost	(175,928)	(258,924)
	Other operating charges	(280,141)	(68,818)
		<b>(456,069)</b>	<b>(327,742)</b>
	Other income	6,190	51,132
	<b>Profit before taxation</b>	<b>3,621,258</b>	<b>857,391</b>
	Taxation	14 (953,636)	(298,281)
	<b>Profit after taxation</b>	<b>2,667,622</b>	<b>559,110</b>
		(Rupees)	
<b>Earnings per share - basic and diluted</b>		<b>6.13</b>	<b>1.29</b>

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**Nihal Cassim**  
 Director & Chairman  
 Board Audit Committee

  
**Mujtaba Hussain**  
 Chief Financial  
 Officer

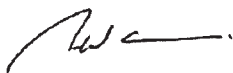
  
**Yousuf H. Mirza**  
 Chief Executive  
 Officer

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

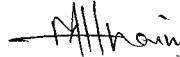
## FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

Note	Three months ended	
	September 30, 2021	September 30, 2020
	(Rupees in '000)	
Profit after taxation	2,667,622	559,110
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>2,667,622</b>	<b>559,110</b>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Nihal Cassim**  
Director & Chairman  
Board Audit Committee



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Officer



**Yousuf H. Mirza**  
Chief Executive  
Officer

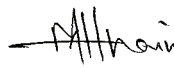
# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

## FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

	Issued, subscribed & paid-up capital	Revenue reserve- unappropriated profit	Capital reserve- Revaluation surplus on property, plant and equipment	Total
	(Rupees in '000)			
<b>Balance as at July 01, 2020</b>	<b>4,350,000</b>	<b>7,121,607</b>	<b>1,254,208</b>	<b>12,725,815</b>
Profit for the period	-	559,110	-	559,110
Other comprehensive income	-	-	-	-
Total comprehensive income	-	559,110	-	559,110
<b>Transactions with owners recorded directly in equity - distributions</b>				
Dividend:				
- Final dividend Rs. Nil per share for the year ended June 30, 2020	-	-	-	-
Total transactions with owners of the Company - distributions	-	-	-	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	8,480	(8,480)	-
<b>Balance as at September 30, 2020</b>	<b>4,350,000</b>	<b>7,689,197</b>	<b>1,245,728</b>	<b>13,284,925</b>
<b>Balance as at July 01, 2021</b>	<b>4,350,000</b>	<b>13,317,354</b>	<b>1,220,286</b>	<b>18,887,640</b>
Profit for the period	-	2,667,622	-	2,667,622
Other comprehensive income	-	-	-	-
Total comprehensive income	-	2,667,622	-	2,667,622
<b>Transactions with owners recorded directly in equity - distributions</b>				
Dividend:				
- Final dividend Rs. 7.00 per share for the year ended June 30, 2021	-	(3,045,000)	-	(3,045,000)
Total transactions with owners of the Company - distributions	-	(3,045,000)	-	(3,045,000)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	8,480	(8,480)	-
<b>Balances as at September 30, 2021</b>	<b>4,350,000</b>	<b>12,948,456</b>	<b>1,211,806</b>	<b>18,510,262</b>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

  
**Nihal Cassim**  
 Director & Chairman  
 Board Audit Committee

  
**Mujtaba Hussain**  
 Chief Financial  
 Officer

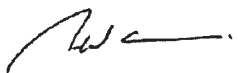
  
**Yousuf H. Mirza**  
 Chief Executive  
 Officer

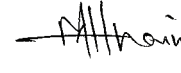
# CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

## FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

		Three months ended	
		September 30, 2021	September 30, 2020
Note		(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	15	<b>608,700</b>	7,472,764
Finance cost paid		<b>(113,887)</b>	(292,366)
Income on bank deposits received		<b>18,020</b>	145
Staff retirement benefits paid		<b>(7,576)</b>	(1,968)
Payment on account of compensated absences		<b>(2,802)</b>	(5,905)
Income tax paid		<b>(301,144)</b>	(136,974)
<b>Net cash generated from operating activities</b>		<b>201,311</b>	7,035,696
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquisition of property, plant and equipment	5	<b>(73,244)</b>	(35,432)
Proceeds from disposal of property, plant and equipment		<b>19,577</b>	5,977
<b>Net cash used in investing activities</b>		<b>(53,667)</b>	(29,455)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing		<b>(135,652)</b>	(161,079)
Proceeds from / (repayment of) short term borrowings - net		<b>1,828,445</b>	1,374,330
Lease rentals paid		<b>(5,418)</b>	(18,836)
Dividend paid		<b>(355)</b>	(391)
<b>Net cash generated from financing activities</b>		<b>1,687,020</b>	1,194,024
Net increase in cash and cash equivalents		<b>1,834,664</b>	8,200,265
Cash and cash equivalents at beginning of the year		<b>(2,283,977)</b>	(8,568,724)
Cash and cash equivalents at end of the year	16	<b>(449,313)</b>	(368,459)

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

  
**Nihal Cassim**  
 Director & Chairman  
 Board Audit Committee

  
**Mujtaba Hussain**  
 Chief Financial  
 Officer

  
**Yousuf H. Mirza**  
 Chief Executive  
 Officer



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

## 1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on September 3, 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 June 1, 2011. The Company is subsidiary of International Industries Limited (The Holding Company) which holds 245,055,543 (June 30, 2021: 245,055,543) shares of the Company as at September 30, 2021 representing 56.3% (June 30, 2021: 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 August 23, 2010 (day immediately preceding the completion date) in accordance with the Scheme of Arrangement, were transferred to the Company on August 24, 2010. In consideration of transferring to and vesting the Steel Project Undertaking in the Company, 417,716,700 fully paid-up ordinary shares were issued at par value to the Holding Company.

The primary activity of the Company is the business of manufacturing of cold rolled, galvanized and colour coated steel coils and sheets. The Company commenced commercial operations on January 1, 2011. The registered office of the Company is situated at **101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi - 75530.**

The manufacturing facilities of the Company are situated at **399-405, Rehri Road, Landhi Industrial Area, and Plot No. LE-73-79, 102-103, 112-118, 125-129, Survey No. NC.98, near Arabian Country Club, National Industrial Parks, Bin Qasim Industrial Park, Karachi.**

The Company has sales offices at following locations:

- **Chinoy House, 6-Bank Square, Lahore,**
- **Office no. 303-A 3rd Floor Evacuee Trust Complex Sector F-5 / 1 Agha Khan Road, Islamabad, and**
- **Office no. 708-A, United Mall, Abdali Road, Multan.**

## 2. BASIS OF PREPARATION

### 2.1. Statement of compliance

These condensed interim financial statements of the Company have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise:

- International Accounting Standard (IAS) 34 'Interim Financial Reporting' issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

**2.1.1.** Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.1.2.** These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended June 30, 2021.

**2.1.3.** The comparative condensed interim statement of financial position presented in these condensed interim financial statements has been extracted from the audited annual financial statements of the Company for the year ended June 30, 2021, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended September 30, 2020.

**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 against defined benefit plan (gratuity) which is determined on the present value of defined benefit obligations less fair value of plan assets determined by an independent actuary, land & 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.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1.** The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2021.

### **3.2. Changes in accounting standards, interpretations and pronouncements**

#### **a) Standards and amendments to approved accounting and reporting standards that are effective**

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2021. However, these do not have any significant impact on the Company's financial reporting.

#### **b) Standards and amendments to approved accounting and reporting standards that are not yet effective**

There are certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 1, 2022. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

## **4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT**

**4.1.** The preparation of condensed interim financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make 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 June 30, 2021.

**4.3.** The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended June 30, 2021.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Operating Assets	Capital work in progress	Total
	(Rupees in '000)		
<b>Cost / revalued amount</b>			
Opening balance	26,481,999	150,993	26,632,992
Additions	22,823	224,098	246,921
Adjustments	(151,069)	(22,828)	(173,897)
Disposal	(52,929)	-	(52,929)
	<u>26,300,824</u>	<u>352,263</u>	<u>26,653,087</u>
<b>Accumulated depreciation</b>			
Opening balance	(7,453,375)	-	(7,453,375)
Charge for the period	(384,349)	-	(384,349)
Disposal	32,342	-	32,342
	<u>(7,805,382)</u>	<u>-</u>	<u>(7,805,382)</u>
<b>Written down value as at September 30, 2021 (Un-audited)</b>	<b><u>18,495,442</u></b>	<b><u>352,263</u></b>	<b><u>18,847,705</u></b>
Written down value as at June 30, 2021 (Audited)	<u>19,028,624</u>	<u>150,993</u>	<u>19,179,617</u>

## 6. STOCK IN TRADE

	(Un-audited) September 30, 2021	(Audited) June 30, 2021
	(Rupees in '000)	
Raw material		
- in hand	2,934,669	3,041,826
- in transit	15,999,443	5,287,176
	<u>18,934,112</u>	<u>8,329,002</u>
Work-in-process	2,940,586	1,853,342
Finished goods	6,212,714	6,812,134
Scrap material	25,694	69,575
By-product	5,533	17,316
	<u>28,118,639</u>	<u>17,081,369</u>

## 7. ADVANCES, TRADE DEPOSITS AND PREPAYMENTS

These include advances to suppliers amounting to Rs. 2,124.3 million (June 30, 2021: Rs. 1,837.99 million) which mainly includes advance against import of Hot Rolled Coils (HRC).

## 8. LONG TERM FINANCING - SECURED

		(Un-audited)	(Audited)
		September 30, 2021	June 30, 2021
		(Rupees in '000)	
Note			
<b>Conventional</b>			
	Long term finance facility (LTFF)	874,937	955,917
	Temporary Economic Refinance Facility (TERF)	12,189	12,189
<b>Islamic</b>			
	Long term finance facility (LTFF)	492,896	508,059
	Long term finance (LTF)	3,430,000	3,430,000
	Payroll refinance scheme	257,640	300,580
		<b>5,067,662</b>	<b>5,206,745</b>
	Less: Deferred Income - Government grant	<b>(9,059)</b>	<b>(13,449)</b>
	Less: Current portion of long term finances shown under current liabilities		
<b>Conventional</b>			
	Long term finance facility (LTFF)	<b>(250,023)</b>	<b>(250,020)</b>
<b>Islamic</b>			
	Long term finance facility (LTFF)	<b>(60,657)</b>	<b>(60,655)</b>
	Long term finance (LTF)	<b>(980,000)</b>	<b>(980,000)</b>
	Payroll refinance scheme	<b>(171,760)</b>	<b>(171,760)</b>
		<b>(1,462,440)</b>	<b>(1,462,435)</b>
		<b>3,596,163</b>	<b>3,730,861</b>

- 8.1.** This finance has been obtained from commercial banks and an Islamic bank and is secured by way of pari passu charge over fixed assets of the Company.
- 8.2.** These include long term finance amounting to Rs. 3,430 million (June 30, 2021: Rs. 3,430 million) from Islamic window of a commercial bank and is secured by way of ranking charge over fixed assets of the Company at the rate of KIBOR+ 0.1%.
- 8.3.** This represents salaries and wages under SBP's Refinance Scheme for Payment of Wages and Salaries at concessionary rates, earmarked from running finance limit. The loan is obtained in six tranches starting from May 2020.

## GAS INFRASTRUCTURE DEVELOPMENT CESS PAYABLE

### 9.

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

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

The Company has recorded the payable at its present value by discounting the future cash flows using three year PKRV rate and has booked income of Rs. 183.64 million during the year ended June 30, 2021. The unwinding of the GIDC during the three months period ended September 30, 2021 amounts to Rs. 18.67 million (June 30, 2021: Rs. 40.84 million).

ISL preferred a Suit against the federation being aggrieved by the recurring demands for alleged arrears of GIDC by the gas companies even though the levy has become in-operational and dead for all intents and purposes in terms of the Judgement of the honorable Supreme Court dated August 13, 2020 on account of the federal government not having commenced work on the North-South pipeline within 6 months from the date of judgment. Any and all demands of GIDC have therefore become illegal and ultra vires.

## 10. TRADE AND OTHER PAYABLES

	Note	(Un-audited)	(Audited)
		September 30, 2021	June 30, 2021
		(Rupees in '000)	
Trade creditors		<b>11,719,310</b>	1,905,134
Accrued expenses	10.1	<b>2,087,928</b>	2,048,316
Provision for Infrastructure Cess	10.2	<b>1,718,912</b>	1,625,091
Provision for government levies		<b>1,331</b>	2,531
Short term compensated absences		<b>11,242</b>	10,892
Workers' Profit Participation Fund		<b>194,692</b>	553,765
Workers' Welfare Fund	10.3	<b>439,838</b>	361,961
Deferred income - Government grant		<b>9,001</b>	12,431
Others		<b>140,873</b>	67,530
		<b>16,323,127</b>	6,587,651

**10.1.** This include current portion of provision for Gas Infrastructure Development Cess amounting to Rs. 486.65 million (June 30, 2021: Rs. 403 million) and provision against revision of gas tariff by Oil and Gas Regulation Authority amounting to Rs. 632.54 million (June 30, 2021: Rs. 610.26 million).

**10.2.** The Sindh Finance Act, 1994 prescribed an infrastructure fee at the rate of 1% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The Sindh High Court (SHC), passed an interim order directing that every company subsequent to December 27, 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees issued as per the above mentioned interim order amount to Rs. 1,667.5 million (June 30, 2021: Rs. 1,667.5 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. Subsequently through Sindh Finance Act 2015 and 2016, the legislation has doubled the rate of Sindh Infrastructure Cess.

The case was decided on June 04, 2021 by the SHC. The SHC declared first four versions of the law unconstitutional and the release of bank guarantees were ordered. However, the Sindh Infrastructure Development Cess Act, 2017 was declared constitutional with retrospective effect from 1994. The operation of the order remained suspended till September 3, 2021. The Company was not satisfied with the above orders and filed an appeal with the Supreme Court of Pakistan.

On September 09, 2021, the Supreme Court granted a stay against the operation of the order of SHC dated June 04, 2021 and restrained to release of bank guarantees. The court further ordered that imports should be released on submission of bank guarantees equivalent to the duty under the act. The next hearing is awaited.

**10.3.** The Company filed a constitutional petition in the Sindh High Court against notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. Stay was obtained on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan and is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971.

## 11. SHORT TERM BORROWINGS - SECURED

		(Un-audited)	(Audited)
		September 30, 2021	June 30, 2021
	Note	(Rupees in '000)	
<b>Conventional</b>			
Running finance under			
Mark-up arrangements from banks	11.1	450,408	359,255
Short-term borrowings under			
Money Market scheme			
- Maturing after three months		-	-
- Maturing within three months		-	1,850,000
		-	1,850,000
Short term finance under			
Export Refinance Scheme	11.2	4,548,301	2,800,000
<b>Islamic</b>			
Short term finance under			
Running Musharakah	11.3	218,626	367,233
Short term finance under			
Export Refinance Scheme	11.4	1,500,001	1,419,857
		6,717,336	6,796,345

- 11.1.** This represents short term finance obtained from various commercial banks for the purpose of meeting working capital requirements. The rate of mark-up on these finances ranges from 7.45% to 8.25% (June 30, 2021: 7.37% to 8.28%) per annum.
- 11.2.** This represents short term finance facility obtained under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility ranges from 2.50% to 3% (June 30, 2021: 2.75% to 3%) per annum.
- 11.3.** This represents short term finance facility obtained under Running Musharakah. The rate of mark-up ranges from 7.55% to 7.95% (June 30, 2021: 7.39% to 7.68%) per annum. This facility matures within twelve months and is renewable.
- 11.4.** This represents short term finance facility obtained 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% (June 30, 2021: 3%) per annum.
- 11.5.** As at September 30, 2021, the unavailed facilities from the above borrowings amounted to Rs. 17,995 million (June 30, 2021: Rs. 16,714 million).
- 11.6.** The above facilities are secured by way of joint pari passu charge over current and future moveable assets of the Company.

## 12. CONTINGENCY AND COMMITMENTS

### 12.1. Contingency

Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
<p><b>12.1.1</b> A petition was filed before Sindh High Court seeking order for the issuance of quota of concessionary import under SRO 565; release of 85,000 tons of HRC arrived at the port in November 2019 and for future shipment</p> <p>SHC granted release of 85,000 tons of HRC against submission of bank guarantee for the differential amount of duty and taxes amounting to Rs. 1,651 million. In a separate order SHC instructed the authorities to allow provisional quota subject to submission of bank guarantee for the difference of duty and taxes. As ordered, the Input-Output Co-efficient Organisation (IOCO) is issuing quota equivalent to ordered / shipped quantity of raw material on case to case basis.</p>	Sindh High Court	I.S.L vs Federation of Pakistan / Director IOCO / The Chief Collector (South)	4-Nov-19

## 12.2. COMMITMENTS

- 12.1.1.** Capital expenditure commitments outstanding as at September 30, 2021 amounted to Rs. 810.72 million (June 30, 2021: Rs. 696.21 million).
- 12.1.2.** Commitments under Letters of Credit for raw materials and spares as at September 30, 2021 amounted to Rs. 19,184 million (June 30, 2021: Rs. 20,156.29 million).
- 12.1.3.** The unutilized facilities for opening letters of credit and guarantees from banks at period end amounted to Rs. 8,894 million (June 30, 2021: Rs. 8,431 million) and Rs. 247 million (June 30, 2021: Rs. 304.96 million) respectively.

## 13. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Three months ended	
	(Un-audited)	(Un-audited)
	September 30, 2021	September 30, 2020
Notes	(Rupees in '000)	
Sale of goods less returns:		
Local	22,589,909	15,643,333
Export	5,426,335	2,558,656
	<b>28,016,244</b>	<b>18,201,989</b>
Sales tax	(3,301,375)	(2,296,342)
Trade discounts	(4,000)	(64,074)
Sales commission	(221,531)	(175,086)
	<b>(3,526,906)</b>	<b>(2,535,502)</b>
	<b>24,489,338</b>	<b>15,666,487</b>

## 14. TAXATION

Current	(862,978)	(223,924)
Deferred	(90,658)	(74,357)
	<b>(953,636)</b>	<b>(298,281)</b>

## 15. CASH GENERATED FROM OPERATIONS

Profit before taxation	3,621,258	857,391
<b>Adjustments for:</b>		
Depreciation and amortisation	388,871	392,209
Loss / (Gain) on disposal of property, plant and equipment	1,010	(1,913)
Unwinding of Gas Infrastructure Development Cess	18,667	-
Provision for obsolescence against spares	16,346	19,374
Provision for staff gratuity	7,576	6,225
Provision for compensated absences	3,152	2,836
Income on bank deposits	(18,020)	(145)
Finance cost	157,261	258,924
Government grant	(4,391)	(884)
	<b>570,472</b>	<b>676,626</b>
Changes in working capital	15.1 (3,583,030)	5,938,747
	<b>608,700</b>	<b>7,472,764</b>



## 15.1. CHANGES IN WORKING CAPITAL

CHANGES IN WORKING CAPITAL		Three months ended	
		(Un-audited)	(Un-audited)
		September 30, 2021	September 30, 2020
		(Rupees in '000)	
Notes			
Decrease / (Increase) in current assets:			
	Stores and spares	(95,284)	(132,871)
	Stock-in-trade	(11,037,270)	7,889,624
	Receivable from K-Electric Limited	(9,746)	(6,236)
	Trade debts	(3,388,144)	440,694
	Advances, trade deposits and short-term		
	Prepayments	(312,634)	65,009
	Sales tax receivable	1,018,733	1,341,688
		(13,824,345)	9,597,908
Decrease in current liabilities:			
	Trade and other payables	9,670,405	(4,522,044)
	Contract liabilities	570,910	862,883
		(3,583,030)	5,938,747

## 16. CASH AND CASH EQUIVALENTS

Cash and bank balances		219,721	165,982
Running finance under mark-up arrangement from banks	11	(450,408)	(534,441)
Short term borrowing under Running Musharakah	11	(218,626)	-
		<u>(449,313)</u>	<u>(368,459)</u>

## 17. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise the Holding Company, associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rates agreed under a contract / arrangement / agreement. The contribution to defined contribution plan (provident fund) are made as per the terms of employment and contribution to the defined benefit plan (gratuity fund) are made on the basis of latest actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagement.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement. Rental income is recognized on straight line basis over the term of the respective lease agreement.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements, are as follows:

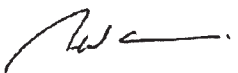
	Three months ended	
	(Un-audited)	(Un-audited)
	September 30, 2021	September 30, 2020
	(Rupees in '000)	
<b>Holding company</b>		
Sales	995,321	458
Purchases	9,434	1,188
Rent	2,947	105,960
Shared resources cost	16,768	11,315
Reimbursement of expenses	1,068	942
Corporate, legal, marketing & internal audit services	4,526	3,200
Dividend	1,715,389	-
<b>Associated undertakings</b>		
Sales	1,009,772	49,592
Purchases	24,486,630	2,392,146
Dividend	276,344	-
Rental income	719	607
Reimbursement of expenses	-	1,170
Donation	-	3,100
Services	379	1,521
<b>Key management personnel</b>		
Remuneration	71,112	56,759
<b>Staff retirement funds</b>		
Contribution paid	16,201	18,888
<b>Non-executive directors</b>		
Directors' fee	1,300	1,900
Reimbursement of Chairman's expenses	-	646

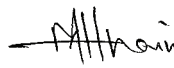
## 18. OPERATING SEGMENTS

- 18.1.** These condensed interim financial statements have been prepared on the basis of a single reportable segment.
- 18.2.** Revenue from sales of steel products represents 99.59% (June 30, 2021: 99.26%) of total revenue whereas remaining represent revenue from sale of surplus electricity to K-Electric Limited (KE). The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its Cold Rolling, Galvanizing and Colour Coating Plants and currently any excess electricity is sold to KE.
- 18.3.** 80.63% (June 30, 2021: 85.31%) of gross sales of steel sheets are domestic sales whereas 19.37% (June 30, 2021: 14.69%) of sales are export / foreign sales.

## 19. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors on October 26, 2021.

  
**Nihal Cassim**  
 Director & Chairman  
 Board Audit Committee

  
**Mujtaba Hussain**  
 Chief Financial  
 Officer

  
**Yousuf H. Mirza**  
 Chief Executive  
 Officer



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