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CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2022



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FOR THE SIX MONTHS ENDED DECEMBER 31, 2022



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COMPANY INFORMATION

Chairman (Non-Executive)

Mr. Kamal A. Chinoy

Independent Directors

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

Non-Executive Directors

Mr. Haroun Rashid
Mr. Mustapha A. Chinoy
Mr. Shuji Tsubota

Director and Chief Operating Officer

Mr. Samir M. Chinoy

Chief Executive Officer

Mr. Yousuf H. Mirza

Chief Financial Officer

Mr. Mujtaba Hussain

Company Secretary & Head of Legal Affairs

Ms. Schaane Ansari

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 21-111-000-322, +92 21-37120628-29
Email: sfc@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 : 021-35680373
E-mail : investors@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, Sir 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 : 021-35013108
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.
Telephone Nos: +92 21-34724184

Website

www.isl.com.pk

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
BankIslami Pakistan 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 DECEMBER 31, 2022

The Directors of your Company are pleased to present the financial statements for the half year ended December 31, 2022.

Pakistan is currently facing an economic crisis, characterized by a high fiscal deficit, significant trade and current account imbalances, and high inflation. The country has also struggled with a shortage of foreign currency, which has made it difficult to pay for imports and service its debt. The IMF program has stalled and other international financing being unavailable, the country's foreign exchange reserves are on a continuous decline. The State Bank of Pakistan has placed strict restrictions over import payments, albeit unannounced. LC opening has nearly become impossible for import of raw materials. As a result, large-scale manufacturing in the country has declined by 5.5%. Consequently the demand for your Company's products has also dropped sharply.

Inflation has remained stubbornly high at 25% resulting in the State Bank of Pakistan's policy rate increasing to 17%. It is expected that the policy rate will continue to increase. While the official value of PKR has been maintained between Rs. 225 to 230 against USD, the gap between interbank and open market rate has been severely hurting the already precarious foreign currency reserves and diverting remittances from banking channels to the grey market.

Global steel prices declined sharply near the start of the financial year to USD 570 /MT after having reached an all-time high of USD 1,100 /MT last year. However, thereafter steel prices have seen a recovery on the back of production cuts by major mills across the world and ease of COVID related restrictions in China.

In the wake of such uncertain economic conditions your Company has been focusing on vigilant inventory management in line with the weak market demand while undertaking certain key productivity measures to counter the economic headwinds. Some of the measures taken include shutdowns during peak hours to save energy costs, lowering the borrowing levels to save on interest costs and restricting capital spending to key initiatives only.

Gas availability has remained a challenge in winter and has had an adverse impact in meeting the Company's energy requirements. It is expected that gas supply will improve in the coming months.

Rigorous efforts are being employed in working capital management to reduce leverage. As a result, the Company's net cash generated from operating activities was Rs. 9 Bn in the half year.

In the backdrop of the above stated weak economic conditions, the Company's revenue dropped by 22% from Rs. 43 Bn (SPLY) to Rs. 34 Bn for the half year ended 31 Dec 2022. High-interest rates with extreme volatility in exchange rates increased the finance costs and exchange loss by more than 3 times. The Company posted a profit after tax of Rs. 61 million and EPS of Rs. 0.14 compared to PAT of Rs. 4,224 million and EPS of Rs. 9.71 in the same period last year. In these uncertain times, your Company is proactively working towards meeting the challenges of this tough economic environment.

We thank the management and staff for their untiring efforts towards the Company's goals. The Board would also like to express its appreciation to our valued customers, dealers, vendors, banks and all other stakeholders for their cooperation and trust.

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

Mr. Yousuf H. Mirza

Chief Executive Officer

Mr. Kamal A. Chinoy

Chairman

Karachi : January 27, 2023

ڈائریکٹرز رپورٹ

برائے ششماہی مختتمہ 31 دسمبر 2022

انٹرنیشنل اسٹیبلز لمیٹڈ کے ڈائریکٹرز 31 دسمبر 2022ء کو اختتام پذیر ہونے والی ششماہی کے مالیاتی گوشواروں کی تفصیلات بخوشی پیش کر رہے ہیں۔

پاکستان اس وقت ایک اقتصادی بحران کا سامنا کر رہا ہے، جس کی وجوہات کثیر مالیاتی خسارہ، تجارتی اور کرنٹ اکاؤنٹ میں نمایاں عدم توازن اور افراط زر کی بلند شرح ہیں۔ ملک زرمبادلہ کی قلت کا شکار بھی ہے، جس کی وجہ سے درآمدات اور اس کے بقایا جات کی ادائیگی نہایت مشکل ہو چکی ہے انٹرنیشنل مانیٹری فنڈ (IMF) کا معاشی بحالی پروگرام قفل کا شکار ہے جس کے سبب دیگر بین الاقوامی اداروں سے بھی قرضوں کی عدم دستیابی سے زرمبادلہ کے ذخائر میں مسلسل کمی واقع ہو رہی ہے۔ تاہم، اسٹیٹ بینک کی جانب سے درآمدی ادائیگیوں پر سخت پابندیاں غیر اعلانیہ طور پر عائد کر دی گئی ہیں۔ خام مال کی درآمد کے لئے ایل سی ہولڈنگ تقریباً ناممکن ہو چکا ہے۔ نتیجتاً، ملک میں وسیع پیمانے پر پیداوار کرنے والے اداروں کی مجموعی پیداوار میں 5.5 فیصد کمی واقع ہو چکی ہے۔ یہی وجہ ہے کہ آپ کے ادارے کی مصنوعات کی مانگ میں بھی تیزی سے کمی واقع ہوئی ہے۔

افراط زر کی شرح 25 فیصد کی غیر موافق حد تک بلند ہے نتیجتاً، اسٹیٹ بینک آف پاکستان کا پالیسی انٹرسٹ ریٹ 17 فیصد تک بڑھ چکا ہے۔ توقع کی جا رہی ہے کہ پالیسی انٹرسٹ ریٹ میں مزید اضافہ ہوتا رہے گا۔ جبکہ سرکاری سطح پر پاکستانی روپے (PKR) کی قیمت امریکی ڈالر (USD) کے مقابلے میں 225 سے 230 روپے کے درمیان برقرار رکھی گئی، انٹربینک اور اوپن مارکیٹ کی قیمتوں کے درمیان یہ فرق زرمبادلہ کے پہلے ہی سے غیر مستحکم ذخائر کو شدید نقصان پہنچاتا رہا ہے اور یہ فرق بینکوں کے ذریعے ترسیلات زر کا رخ غیر قانونی ترسیلات کی جانب موڑ رہا ہے۔

خام فولاد کی عالمی قیمتیں رواں مالی سال شروع ہونے سے قبل ہی تیزی سے کم ہو کر 570/MT امریکی ڈالر (USD) تک جا پہنچی ہیں جو گزشتہ سال 1,100/MT امریکی ڈالر (USD) کی بلند ترین سطح تک جا پہنچی تھیں۔ تاہم، بعد ازاں دنیا بھر کی بڑی پیداواری ملکوں کی جانب سے پیداوار میں کٹوتی اور چین میں کووڈ وبا سے متعلقہ پابندیوں میں کمی آسانی کے سبب خام فولاد کی قیمتوں میں بہتری دیکھنے میں آئی ہے۔

اس طرح کے غیر یقینی معاشی حالات کے تناظر میں آپ کا ادارہ گرتی ہوئی بازاری طلب کے مطابق محتاط انویسٹری منجمنٹ پر توجہ مرکوز کئے ہوئے ہے اور ان اقتصادی مشکلات کا مقابلہ کرنے کے لئے چند اہم پیداواری اور انتظامی اقدامات اٹھا رہا ہے۔ ان اقدامات میں توانائی کے اخراجات بچانے کے لئے پیک ہاورز کے دوران شٹ ڈاؤن کرنا، سودی اخراجات بچانے کے لئے قرض لینے کی سطح میں کمی کرنا اور کئی اہم اخراجات صرف اہم اقدامات تک محدود رکھنا بھی شامل ہے۔

موسم سرما کے دوران قدرتی گیس کی دستیابی ایک مشکل بنی رہی، جس کا منفی اثر ادارے کے لئے توانائی کی ضروریات پورا کرنے پر پڑا۔ آنے والے مہینوں میں توقع کی جا رہی ہے کہ گیس کی فراہمی میں بہتری آجائے گی۔

خسارہ کم کرنے کے لئے ورکنگ کپینٹل کے انتظام میں محتاط کاوشیں کی جا رہی ہیں۔ نتیجتاً، نصف سال میں ادارے کی آپریٹنگ سرگرمیوں سے حاصل ہونے والی خالص نقدی 9 ملین روپے رہی ہے۔ مذکورہ کمزور معاشی حالات کے پس منظر میں ادارے کی آمدنی 31 دسمبر 2022ء کو ختم ہونے والی ششماہی کے لئے 43 ملین روپے (SPLY) سے 22 فیصد کم ہو کر 34 ملین روپے رہا۔ شرح مبادلہ میں شدید اتار چڑھاؤ کے ساتھ ساتھ سود کی بلڈ شرحوں نے مالیاتی اخراجات اور زرمبادلہ کے نقصانات میں تین گنا سے زیادہ اضافہ کیا ہے۔ ادارے نے گزشتہ سال کی اسی مدت میں 4,224 ملین روپے کے بعد از ٹیکس منافع (PAT) اور 9.71 روپے کے فی شیئر منافع (EPS) کے مقابلے میں اس سال 61 ملین روپے کا بعد از ٹیکس منافع (PAT) اور 0.14 روپے کا فی شیئر منافع (EPS) حاصل کیا ہے۔ اس غیر مستحکم دور میں بھی آپ کا ادارہ نامساعد معاشی ماحول کی مشکلات سے نمٹنے کے لئے سرگرم عمل ہے۔

ادارے کے اہداف کے لئے انتھک کوششوں پر ہم انتظامیہ اور عملے کے شکر گزار ہیں۔ بورڈ آف ڈائریکٹرز ہمارے قابل قدر صارفین، ڈیلرز، وینڈرز، بینکوں اور دیگر تمام متعلقین کے تعاون اور اعتماد کا بھی معترف ہے۔

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



کمال اے چنئے

چیئر مین



یوسف علی مرزا

چیف ایگزیکٹو آفیسر

کراچی: 27 جنوری 2023ء



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of International Steels Limited
Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of International Steels Limited as at December 31, 2022 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2022 and December 31, 2021 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2022.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The engagement partner on the audit resulting in this independent auditor's report is Syed Muhammad Hasnain.

Chartered Accountants
Karachi

Date: February 9, 2023

UDIN: RR202210073Og4HUa3BI



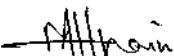
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

		(Un-audited) December 31	(Audited) June 30
Note		2022	2022
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
	Property, plant and equipment	20,442,449	20,749,605
	Right-of-use assets	51,802	63,725
	Intangible assets	199,416	176,866
	Long term deposit with Central Depository Company of Pakistan Limited	100	100
		20,693,767	20,990,296
CURRENT ASSETS			
	Stores and spares	995,490	904,026
	Stock-in-trade	22,846,666	30,196,653
	Trade debts	573,684	1,034,132
	Receivable from K-Electric Limited (KE)	-	32,874
	Advances, trade deposits and prepayments	3,983,651	110,795
	Sales tax receivable	296,501	1,739,818
	Cash and bank balances	1,699,426	896,462
		30,395,418	34,914,760
	TOTAL ASSETS	51,089,185	55,905,056
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
	Authorised share capital		
	500,000,000 (2022 : 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		
	Unappropriated profit	12,982,555	14,835,313
	Capital reserve		
	Revaluation surplus on property, plant and equipment	2,366,899	2,410,776
	TOTAL SHAREHOLDERS' EQUITY	19,699,454	21,596,089
LIABILITIES			
NON-CURRENT LIABILITIES			
	Long term financing - secured	2,158,491	2,778,846
	Deferred income - Government grant	140,987	136,550
	Gas Infrastructure Development Cess	290,259	426,521
	Deferred taxation - net	1,416,937	1,705,161
	Lease liabilities	37,753	48,786
		4,044,427	5,095,864
CURRENT LIABILITIES			
	Trade and other payables	9,220,982	6,470,477
	Contract liabilities	3,223,488	2,290,226
	Short term borrowings - secured	12,456,799	17,359,553
	Unclaimed dividend	10,440	10,301
	Current portion of long term financing - secured	1,318,827	1,419,495
	Current portion of lease liabilities	17,655	16,155
	Taxation - net	734,340	1,375,883
	Accrued mark-up	362,773	271,013
		27,345,304	29,213,103
	TOTAL LIABILITIES	31,389,731	34,308,967
CONTINGENCY AND COMMITMENTS			
	TOTAL EQUITY AND LIABILITIES	51,089,185	55,905,056

The annexed notes from 1 to 21 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

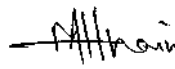


CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2022

Note	Six months ended		Three months ended		
	December 31	December 31	December 31	December 31	
	2022	2021	2022	2021	
		(Rupees in '000)		(Rupees in '000)	
Revenue from contracts with customers	14	33,925,882	43,294,474	17,381,765	18,805,136
Cost of sales		(30,950,594)	(36,083,968)	(16,646,168)	(15,930,119)
Gross Profit		2,975,288	7,210,506	735,597	2,875,017
Selling and distribution expenses		(148,478)	(396,466)	(83,007)	(216,690)
Administrative expenses		(152,846)	(164,849)	(85,272)	(80,273)
		(301,324)	(561,315)	(168,279)	(296,963)
Finance cost		(1,651,976)	(544,351)	(789,418)	(368,423)
Other operating charges		(1,115,515)	(585,361)	(340,429)	(305,220)
		(2,767,491)	(1,129,712)	(1,129,847)	(673,643)
Other income		62,012	152,823	36,549	146,633
(Loss) / profit before taxation		(31,515)	5,672,302	(525,980)	2,051,044
Taxation	15	92,380	(1,448,636)	138,386	(495,000)
Profit / (loss) after taxation		60,865	4,223,666	(387,594)	1,556,044
Earnings / (loss) per share - basic and diluted (Rupees)		0.14	9.71	(0.89)	3.58

The annexed notes from 1 to 21 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

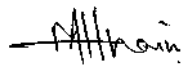


CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2022

	Six months ended		Three months ended	
	December 31	December 31	December 31	December 31
	2022	2021	2022	2021
	(Rupees in '000)		(Rupees in '000)	
Profit / (loss) after taxation	60,865	4,223,666	(387,594)	1,556,044
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss)	60,865	4,223,666	(387,594)	1,556,044

The annexed notes from 1 to 21 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

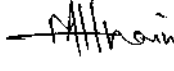


CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2022

	Issued, subscribed and paid-up capital	Revenue reserve- unappropri- ated profit	Capital reserve- Revaluation surplus on property, plant and equipment	Total
(Rupees in '000)				
Balance as at July 01, 2021	4,350,000	13,317,354	1,220,286	18,887,640
Profit for the period	-	4,223,666	-	4,223,666
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	4,223,666	-	4,223,666
Transactions with owners in their capacity as owners recorded directly in equity - Distributions				
Dividend:				
- Final Dividend @ 70% (Rs. 7.00 per share) for the year ended June 30, 2021	-	(3,045,000)	-	(3,045,000)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	16,960	(16,960)	-
Balance as at December 31, 2021	4,350,000	14,512,980	1,203,326	20,066,306
Balance as at July 01, 2022	4,350,000	14,835,313	2,410,776	21,596,089
Profit for the period	-	60,865	-	60,865
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	60,865	-	60,865
Transactions with owners in their capacity as owners recorded directly in equity - Distributions				
Dividend:				
- Final Dividend @ 45% (Rs. 4.50 per share) for the year ended June 30, 2022	-	(1,957,500)	-	(1,957,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	43,877	(43,877)	-
Balance as at December 31, 2022	4,350,000	12,982,555	2,366,899	19,699,454

The annexed notes from 1 to 21 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



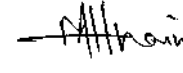
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2022

		Six months ended		
		December 31	December 31	
Note		2022	2021	
(Rupees in '000)				
CASH FLOWS FROM OPERATING ACTIVITIES				
	Cash generated from / (used in) operations	16	11,247,853	(6,386,085)
	Finance cost paid	(1,541,558)	(412,843)	
	Income on bank deposits received	4,723	19,153	
	Staff gratuity paid	(16,482)	(15,272)	
	Compensated absences paid	(8,983)	(3,085)	
	Income tax paid	(837,385)	(1,066,284)	
	Net cash generated from / (used in) operations	8,848,168	(7,864,416)	
CASH FLOWS FROM INVESTING ACTIVITIES				
	Payment for acquisition of property, plant and equipment	(463,138)	(858,783)	
	Acquisition of intangible assets	(22,706)	-	
	Proceeds from disposal of property, plant and equipment	28,936	91,368	
	Investments in Term Deposit Receipt	(640,000)	-	
	Net cash used in investing activities	(1,096,908)	(767,415)	
CASH FLOWS FROM FINANCING ACTIVITIES				
	Proceeds from long term finance	245,465	331,391	
	Repayments of long term finance	(962,051)	(743,607)	
	Short term borrowings - net	521,190	1,828,445	
	Lease rentals paid	(11,595)	(10,902)	
	Dividend paid	(1,957,361)	(3,040,264)	
	Net cash used in financing activities	(2,164,352)	(1,634,937)	
	Net increase / (decrease) in cash and cash equivalents	5,586,908	(10,266,768)	
	Cash and cash equivalents at beginning of the period	(9,530,310)	(2,283,977)	
	Cash and cash equivalents at end of the period	17	(3,943,402)	(12,550,745)

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.


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Director & Chairman
Board Audit Committee


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Chief Executive
Officer



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED DECEMBER 31, 2022

1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on September 03, 2007 as a public unlisted Company limited by shares under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is domiciled in the province of Sindh. The Company was listed on the Pakistan Stock Exchange Limited on June 01, 2011. The Company is subsidiary of International Industries Limited (The Holding Company) which holds 245,055,543 (June 30, 2022: 245,055,543) shares of the Company as at December 31, 2022 representing 56.3% (June 30, 2022: 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. 4,177.17 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 # NC.98, near Arabian Country Club, NIP, 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 Sir Agha Khan Road, Islamabad and**
- **Office no. 708-A, The United Mall, Plot No. 74, Abdali Road, 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:

- 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 June 30, 2022.

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, 2022, 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 December 31, 2021.



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 and buildings at revalued amounts assessed by an independent valuer 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, 2022.

3.2 Changes in accounting standards, interpretations and pronouncements

a) Standards and amendments to approved accounting 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 01, 2022. However, these do not have any significant impact on the Company's financial reporting.

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

There are standards and certain other amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 01, 2023. However, these are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations 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 judgements, 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 judgements 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, 2022.

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, 2022.



5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress	Total
	(Rupees in '000)		
Cost / revalued amount			
Opening balance as at July 01, 2022	28,477,022	574,400	29,051,422
Additions	230,879	378,806	609,685
Adjustments / transfers - net	84,332	(230,879)	(146,547)
Disposals	(31,476)	-	(31,476)
	<u>28,760,757</u>	<u>722,327</u>	<u>29,483,084</u>
Accumulated depreciation			
Opening balance as at July 01, 2022	(8,301,817)	-	(8,301,817)
Charge for the period	(759,798)	-	(759,798)
Disposals	20,980	-	20,980
	<u>(9,040,635)</u>	<u>-</u>	<u>(9,040,635)</u>
Written down value as at December 31, 2022 (Un-audited)	<u>19,720,122</u>	<u>722,327</u>	<u>20,442,449</u>
Written down value as at June 30, 2022 (Audited)	<u>20,175,205</u>	<u>574,400</u>	<u>20,749,605</u>

6. STOCK-IN-TRADE

	(Un-audited) December 31 2022	(Audited) June 30 2022
	(Rupees in '000)	
Raw material		
- in hand	5,580,404	12,626,302
- in transit	5,166,064	4,712,547
	<u>10,746,468</u>	<u>17,338,849</u>
Work-in-process	3,007,033	5,315,424
Finished goods	9,082,498	7,470,757
By-products	4,283	49,519
Scrap Material	6,384	22,104
	<u>22,846,666</u>	<u>30,196,653</u>

7. ADVANCES, TRADE DEPOSITS AND PREPAYMENTS

These include Rs. 3,875.16 million (June 30, 2022: Rs. 23.41 million) kept with scheduled banks in accordance with the requirement of Circular No. 09 of 2022 of Banking Policy & Regulations Department issued by the State Bank of Pakistan, requiring 100% cash margin on the import of specified items.

8. CASH AND BANK BALANCES

These include investment in Term Deposit Receipt (TDR) amounting to Rs. 640 million (June 30, 2022: Rs. Nil) having mark-up of 14.6%. The TDR was placed against a bank guarantee submitted to the Nazir of Sindh High Court in relation to petition filed by the Company in the Court against chargeability of Super Tax.



9. LONG TERM FINANCING - secured

		(Un-audited) December 31	(Audited) June 30
		2022	2022
		(Rupees in '000)	
	Note		
Conventional			
Long Term Finance Facility (LTFF)	9.1	776,257	891,386
Temporary Economic Refinance Facility (TERF)	9.2	493,003	442,889
Islamic			
Islamic Long Term Finance Facility (ILTFF)	9.3	417,075	447,402
Long Term Finance (LTF)	9.4	1,960,000	2,450,000
Payroll Refinance Scheme	9.5	-	128,820
		3,646,335	4,360,497
Less: Deferred Income			
- Government grant	9.7	(169,017)	(162,156)
Less: Current portion of long term loans:			
Conventional			
Long Term Finance Facility (LTFF)		(250,020)	(250,020)
Temporary Economic Refinance Facility (TERF)		(30,813)	-
Islamic			
Islamic Long Term Finance Facility (ILTFF)		(57,994)	(60,655)
Long Term Finance (LTF)		(980,000)	(980,000)
Payroll Refinance Scheme		-	(128,820)
		(1,318,827)	(1,419,495)
		2,158,491	2,778,846

- 9.1** This represents finance facility loan obtained from different banks under the State Bank of Pakistan (SBP) Long Term Finance Facility for Plant and Machinery in respect of export-oriented projects at SBP Refinance rate + 0.50% to 1.00% (June 30, 2022: SBP Refinance rate at 0.50% to 1.00%).
- 9.2** This represents finance facility loan obtained from a commercial bank under the SBP's Temporary Economic Refinance Facility available to the Company at SBP Refinance rate + 1.25% (June 30, 2022: SBP Refinance rate + 1.25%) for setting up of new industrial units.
- 9.3** This represents finance facility loan obtained from different banks under the SBP's Islamic Long Term Finance Facility for Plant and Machinery in respect of export-oriented projects at SBP Refinance rate + 3.00% (June 30, 2022: SBP refinance rate at 3.00%).
- 9.4** This represents long term finance obtained under Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company at the rate of 6 months KIBOR + 0.10% (June 30, 2022: 6 months KIBOR + 0.10%).
- 9.5** This represents long term loan obtained under SBP Refinance Scheme for payment of wages and salaries, earmarked from running finance limit for the period of 3 years. These loans are at concessional rate ranging from 0.75% to 1.00% over SBP Refinance rate per annum (June 30, 2022: 0.75% to 1.00% over SBP Refinance rate).
- 9.6** The above loans are secured against joint pari passu charge over fixed assets of the Company (such as land, building, plant and machinery etc.).
- 9.7** Government grant amounting to Rs. 169.02 million (June 30, 2022: Rs. 162.16 million) has been recorded up to the period ended December 31, 2022 and Rs. 14.56 million (December 31, 2021: Rs. 10.28 million) has been amortised during the period.



10. GAS INFRASTRUCTURE DEVELOPMENT CESS

In the prior year, 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 revalued and recorded the payable at its present value by discounting the future cash flows using three year PKRV rate and has booked income of Rs. 10.41 million (December 31, 2021: Rs. 34.38 million), which has been recorded as other income. The unwinding of the GIDC during the year amounts to Rs. 39.38 million (December 31, 2021: Rs. 36.13 million).

Despite the speaking order dated August 13, 2020 by the SCP, the Federal Government did not initiate the gas project within six months, therefore, during the year ended June 30, 2021, the Company filed a petition in the SHC challenging the decision of the SCP.

11. TRADE AND OTHER PAYABLES

		(Un-audited) December 31 2022	(Audited) June 30 2022
Note		(Rupees in '000)	
	Trade creditors	4,129,447	434,497
	Accrued expenses	1,960,967	2,574,838
11.1	Provision for infrastructure cess	2,868,865	2,596,977
11.2	Workers' Welfare Fund	140,452	330,148
11.3	Workers' Profit Participation Fund	4,171	430,147
	Deferred income - Government grant	28,030	25,606
	Provision for government levies	2,579	778
	Short term compensated absences	14,640	17,242
	Others	71,831	60,244
		9,220,982	6,470,477

11.1 This includes current portion of provision for Gas Infrastructure Development Cess amounting to Rs. 878.51 million (June 30, 2022: Rs. 713.28 million) and provision against revision of gas tariff by Oil and Gas Regulation Authority amounting to Rs. 720.98 million (June 30, 2022: Rs. 688.38 million).

11.2 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. Subsequently through Sindh Finance Act 2015 and 2016, the legislation has increased the rate to 1.25% 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 03, 2021. The Company was not satisfied with the above orders and filed an appeal with the Supreme Court of Pakistan.

On September 01, 2021, the Supreme Court granted a stay order against the operation of the order of SHC dated June 04, 2021, that the bank guarantees already submitted by the Company in pursuant to the order of High Court is valid and enforceable. The court further ordered that imports should be released on submission of fresh bank guarantees equivalent to 100% of the fee amount under the Act.



Bank guarantees issued as per the above mentioned orders amounting to Rs. 2,922.50 million (June 30, 2022: Rs. 2,622.50 million) have been provided to the Excise and Taxation 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.

- 11.3** 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.

12. SHORT TERM BORROWINGS - secured

		(Un-audited) December 31 2022	(Audited) June 30 2022
(Rupees in '000)			
	Note		
Conventional			
Short term under mark-up arrangement	12.1	501,450	1,210,002
Short term borrowing under Money Market scheme -maturing within three months	12.1	3,900,000	6,950,000
Running finance under - Export Refinance Scheme	12.2	5,288,971	4,932,781
Islamic			
Short term finance under Running Musharakah	12.3	351,378	566,770
Term Musharaka - maturing within three months		250,000	1,700,000
Running finance under Islamic Export Refinance Scheme	12.4	2,165,000	2,000,000
		12,456,799	17,359,553

- 12.1** 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 15.81% to 17.08% (June 30, 2022: 11.95% to 14.61%) per annum.

- 12.2** This represents short term finance facility obtained under Export Refinance Scheme of the State Bank of Pakistan from commercial banks. The rate of mark-up on this facility ranges from 9.50% to 10.00% (June 30, 2022: 2.50% to 7.50%) per annum.

- 12.3** This represents short term finance facility obtained under Running Musharakah. The rate of mark-up ranges from 15.73% to 16.38% (June 30, 2022: 11.99% to 12.46%) per annum. This facility matures within twelve months and is renewable.

- 12.4** This represents short term finance facility obtained under Islamic Export Refinance Scheme of the State Bank of Pakistan from commercial banks. The rate of mark-up on this facility is 10.00% (June 30, 2022: 3.00% to 7.50%) per annum.

- 12.5** As at December 31, 2022, the unavailed facilities from the above borrowings amounted to Rs.16,703 million (June 30, 2022: Rs. 8,900 million).

- 12.6** The above facilities are secured by way of joint pari passu charge and ranking charge over current and future moveable assets of the Company.

13. CONTINGENCY AND COMMITMENTS

13.1 Contingency

There have been no significant changes during the period in the contingency reported in the annual audited financial statements for the year ended June 30, 2022.



13.2. Commitments

- 13.2.1** Capital expenditure commitments outstanding as at December 31, 2022 amounted to Rs. Nil (June 30, 2022: Rs. 225.09 million).
- 13.2.2** Commitments under Letters of Credit for raw materials and spares as at December 31, 2022 amounted to Rs. 4,436 million (June 30, 2022: Rs. 2,791.76 million).
- 13.2.3** The facilities for opening letters of credit and guarantees from banks as at December 31, 2022 amounted to Rs. 37,948 million (June 30, 2022: Rs. 32,300 million) and Rs. 8,331 million (June 30, 2022: Rs. 7,390 million) respectively of which unutilised balance at period end amounted to Rs. 33,512 million (June 30, 2022: Rs. 29,283 million) and Rs. 208 million (June 30, 2022: Rs. 479 million) respectively.

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

	(Un-audited) Six months ended		(Un-audited) Three months ended	
	December 31	December 31	December 31	December 31
	2022	2021	2022	2021
	(Rupees in '000)		(Rupees in '000)	
Sale of goods less returns				
Local	34,935,686	42,339,739	19,704,482	19,749,830
Export	4,555,898	7,585,644	774,199	2,159,309
	39,491,584	49,925,383	20,478,681	21,909,139
Sales tax	(5,115,107)	(6,188,204)	(2,881,748)	(2,886,829)
Trade discounts	(153,193)	(56,272)	(45,080)	(52,272)
Sales commission	(297,402)	(386,433)	(170,088)	(164,902)
	(5,565,702)	(6,630,909)	(3,096,916)	(3,104,003)
	33,925,882	43,294,474	17,381,765	18,805,136

15. TAXATION

Tax credit / (expense) for the period				
- Current	(365,842)	(1,684,106)	(136,714)	(821,128)
- Prior	170,000	-	170,000	-
	(195,842)	(1,684,106)	33,286	(821,128)
Deferred tax	288,222	235,470	105,100	326,128
	92,380	(1,448,636)	138,386	(495,000)



16. CASH GENERATED FROM / (USED IN) OPERATIONS

		----- (Un-audited) -----	
		Six months ended	
		December 31	December 31
Note		2022	2021
		(Rupees in '000)	
	(Loss) / Profit before taxation	(31,515)	5,672,302
	Adjustments for:		
	Depreciation and amortisation	769,844	772,090
	Gain on disposal of property, plant and equipment	(18,440)	(63,743)
	(Reversal) / Provision for obsolescence against spares	(41,365)	32,481
	Provision for staff gratuity	16,482	15,272
	Gain on discounting of Gas Infrastructure Development Cess	(10,412)	(34,378)
	Unwinding of Gas Infrastructure Development Cess	39,378	36,133
	Provision for compensated absences	6,381	4,935
	Income on bank deposits	(4,723)	(19,153)
	Finance costs	1,612,598	508,218
	Deferred income - Government grant	(14,565)	(10,280)
		2,355,178	1,241,575
	Changes in working capital	8,924,190	(13,299,962)
		11,247,853	(6,386,085)

16.1 CHANGES IN WORKING CAPITAL

	Decrease / (Increase) in current assets:		
	Stores and spares	(50,099)	(200,775)
	Stock-in-trade	7,349,987	(15,096,955)
	Receivable from K-electric Limited	32,874	17,797
	Trade debts	460,448	(749,572)
	Advances, trade deposits and short-term prepayments	(3,872,856)	1,660,156
	Sales tax receivable	1,443,317	(1,631,271)
		5,363,671	(16,000,620)
	Increase in current liabilities:		
	Trade and other payables	3,560,519	2,700,658
		8,924,190	(13,299,962)

17. CASH AND CASH EQUIVALENTS

	Cash and bank balances	1,059,426	144,435
	Short term finance under mark-up arrangements	(501,450)	(7,598,859)
	Short-term borrowing under Money Market scheme	(3,900,000)	(1,950,000)
	Short-term borrowing under Running Musharakah	(351,378)	(3,146,321)
	Short-term borrowing under Term Musharakah	(250,000)	-
		(3,943,402)	(12,550,745)



18. 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:

	----- (Un-audited) ----- Six months ended		----- (Un-audited) ----- Three months ended	
	December 31	December 31	December 31	December 31
	2022	2021	2022	2021
	(Rupees in '000)		(Rupees in '000)	
Holding company				
Sales	3,370,748	3,658,473	1,806,861	2,663,152
Purchases	5,760	15,571	1,247	6,137
Rent	5,937	5,894	2,990	2,947
Shared resources cost	16,160	41,035	9,279	19,741
Reimbursement of expenses	7,314	2,796	6,651	1,728
Sale of Fixed asset	-	2,350	-	2,350
Purchase of Fixed asset	-	3,350	-	3,350
Dividend Paid	1,102,750	1,715,389	-	-
Associated undertakings				
Sales	1,148,427	1,386,955	248,900	377,183
Purchases	13,507,737	31,773,136	3,872,562	7,286,506
Dividend Paid	177,649	276,344	-	-
Rental Income	1,448	1,387	724	668
Reimbursement of expenses	1,968	-	1,641	-
Services / Donations	6,813	11,864	5,646	11,485
Key management personnel				
Remuneration	178,624	142,224	96,410	71,112
Staff retirement funds				
Contribution paid	30,703	32,390	13,306	16,189
Non-executive directors				
Directors' fee	4,500	2,900	2,300	1,600



19. OPERATING SEGMENTS

- 19.1** These condensed interim financial statements have been prepared on the basis of a single reportable segment.
- 19.2** Revenue from sales of steel products represents 99.34% (June 30, 2022: 99.61%) 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.
- 19.3** 88.46% (December 31, 2021: 84.81%) of gross sales of steel sheets are domestic sales whereas 11.54% (December 31, 2021: 15.19%) of sales are export / foreign sales.

20. NON-ADJUSTING EVENTS AFTER REPORTING DATE

The Board of Directors of the Company in their meeting held on January 27, 2023 have declared an interim cash dividend of Rs. Nil (December 31, 2021: Rs. 2.00) per share for the year ending June 30, 2023 amounting to Rs. Nil (December 31, 2021: Rs. 870 million). The condensed interim financial statements do not include the effect of above interim dividend which will be accounted for in the subsequent period.

21. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors on January 27, 2023.

A handwritten signature in black ink, appearing to read 'Nihal Cassim'.

Nihal Cassim
Director & Chairman
Board Audit Committee

A handwritten signature in black ink, appearing to read 'Mujtaba Hussain'.

Mujtaba Hussain
Chief Financial
Officer

A handwritten signature in black ink, appearing to read 'Yousuf H. Mirza'.

Yousuf H. Mirza
Chief Executive
Officer