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UNAUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2023



UNAUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2023



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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

Chief Internal Auditor

Syed Zaib Zaman Shah

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
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 51-28230412-3

Multan Office

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

Factory

399 - 405, 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 SEPTEMBER 30, 2023

The Directors of your Company are pleased to present the Financial Statements for the quarter ended 30th September 2023.

The first quarter of 2024 has been marked by ongoing economic challenges, carried forward from the preceding year, including severe floods, global price volatility, and political instability. These persistent factors have precipitated a decline in economic growth and a significant upsurge in inflation, thereby impacting the overall economic landscape. The inflation, primarily due to fuel and energy cost increased to 31.4%, however the State Bank of Pakistan has maintained the policy rate at 22%.

In the quarter, the government has taken numerous steps to curb the use of informal channels utilized for currency smuggling and transit trade. These measures have resulted in sharp appreciation of PKR to Rs. 288/USD as of September 30, 2023, from its peak of Rs. 307/USD and expected to recover further.

Global steel prices have maintained a downward trend on account of falling input costs and the slowdown in major economies. Your company, through efficient working capital management, productivity and focus on exports and domestic market opportunities, was able to sell 11% more than in the previous quarter. However, apparent misuse of sales tax exemption given to import under FATA / PATA, adversely impacting the domestic manufacturing industry.

Your company has consistently demonstrated its commitment to working capital management, with emphasis on optimizing inventory. This focus has resulted in a positive cash flow of Rs. 6.2 billion from operations and a substantial 77% reduction in financial costs as compared to the same period last year.

Despite the economic headwinds, your company has made a profit after tax of Rs. 1.12 billion for the quarter. This translates into an earnings per share (EPS) of Rs. 2.57 per share, inclusive of Super Tax impact of Rs 177 million.

Your Company remains focused on optimizing working capital management, augmenting operational efficiencies, and monitoring economic indicators. We are confident that our proactive strategies will enable us to maintain a robust financial position and seize emerging opportunities including domestic and export markets.

In conclusion, we extend our appreciation to all our employees and stakeholders for their continued support and confidence in your Company.

We also express our gratitude to the Almighty for the continued success of your company.

Mr. Yousuf H. Mirza

Chief Executive Officer

Mr. Kamal A. Chinoy

Chairman

Karachi : October 24, 2023

ڈائریکٹرز رپورٹ

30 ستمبر 2023 کو ختم ہونے والی مدت کے لیے

آپ کی کمپنی کے ڈائریکٹرز 30 ستمبر 2023 کو ختم ہونے والی سہ ماہی کے مالیاتی گوشوارے پیش کرتے ہوئے پرمسرت ہیں۔

2024 کی پہلی سہ ماہی گزشتہ برس سے جاری اقتصادی چیلنجز میں گھری رہی، شدید سیلاب، عالمی سطح پر قیمتوں میں اتار چڑھاؤ، اور سیاسی عدم استحکام، یہ تمام عوامل مسلسل اقتصادی گراؤ اور افراط زر میں نمایاں اضافے کا سبب بنے، جس کا اثر مجموعی اقتصادی منظر نامے پر پڑا۔ بنیادی طور پر ایندھن اور توانائی کی لاگت کی وجہ سے افراط زر 31.4 فیصد تک بڑھ گیا، تاہم اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ 22 فیصد پر ہی برقرار رکھا۔

زیر نظر سہ ماہی میں حکومت نے کرنسی کی اسمگلنگ اور ٹرانزٹ ٹریڈ میں زیر استعمال غیر رسمی چینلز کی روک تھام کے لئے متعدد اقدامات کیے۔ ان اقدامات کے نتیجے میں پاکستانی روپے کی قدر میں تیزی سے اضافہ ہوا ہے۔ 307 روپے فی ڈالر کی بلند ترین شرح کم ہو کر 30 ستمبر 2023 تک 288 روپے فی امریکی ڈالر ہو گئی اور اس میں مزید بحالی کی توقع ہے۔

عالمی سطح پر اسٹیل کی قیمتوں میں گرتی پیداواری لاگت اور بڑی معیشتوں کی سست روی کے سبب مندی کا رجحان برقرار ہے۔ آپ کی کمپنی، موثر ورکنگ کیپٹل مینجمنٹ، پیداواری صلاحیت اور برآمدات اور مقامی مارکیٹ پر بھرپور توجہ کے ذریعے، سچھلی سہ ماہی سے 11 فیصد زیادہ فروخت کر پائی۔ تاہم، فائنا/پائنا کے تحت درآمدات کو دی گئی سیلز ٹیکس چھوٹ کا غلط استعمال مسلسل بڑھتا رہا، جس سے مقامی پیداواری صنعت پر منفی اثر پڑا۔

آپ کی کمپنی نے ورکنگ کیپٹل بہتر بنانے کے عزم کا اعادہ کرتے ہوئے انویسٹری مینجمنٹ پر زور دیا۔ اس خصوصی توجہ کے سبب گزشتہ سال کی اسی مدت کے مقابلے میں آپریشنز کے ذریعے 6.2 ارب روپے کا مثبت نقد بہاؤ اور مالیاتی لاگت میں 77 فیصد کی خاطر خواہ کمی واقع ہوئی۔

معاشی مشکلات کے باوجود زیر نظر سہ ماہی میں آپ کی کمپنی نے 1.12 ارب روپے کا بعد از ٹیکس منافع کمایا۔ یہ 2.57 روپے کی فی شیئر آمدنی (EPS) ظاہر کرتا ہے، جس میں 177 ملین روپے کے سپر ٹیکس کے اثرات بھی شامل ہیں۔

آپ کی کمپنی بہتر ورکنگ کیپٹل مینجمنٹ، اضافی آپریشنل افادیت اور معاشی اشاریوں پر بھرپور توجہ دیتی ہے۔ ہم یقین رکھتے ہیں کہ ہماری موثر حکمت عملی ہمیں ایک مضبوط مالی پوزیشن برقرار رکھنے اور مقامی اور بین الاقوامی منڈیوں میں ابھرتے ہوئے مواقع سے فائدہ اٹھانے کے قابل بنائے گی۔

آخر میں، ہم کمپنی کی مسلسل حمایت اور اعتماد کے لئے اپنے تمام ملازمین اور اسٹیک ہولڈرز کے معترف ہیں۔

ہم اپنی کمپنی کی مسلسل کامیابی کے لئے اللہ تعالیٰ کا شکر ادا کرتے ہیں۔

کمال اے جمنے

چیرمین

یوسف علی مرزا

چیف ایگزیکٹو آفیسر

کراچی: 24 اکتوبر 2023



INTERNATIONAL STEELS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2023

		(Un-audited) September 30	(Audited) June 30
	Note	2023	2023
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	20,052,936	20,304,569
Right-of-use assets		38,787	43,839
Intangible assets		357,837	309,580
Long term deposit with Central Depository Company of Pakistan Limited		100	100
		20,449,660	20,658,088
CURRENT ASSETS			
Stores and spares		1,030,514	1,004,646
Stock-in-trade	6	16,213,424	17,261,712
Trade debts		1,834,254	1,148,499
Receivable from K-Electric Limited (KE)		7,371	16,685
Advances, trade deposits and prepayments		165,762	55,862
Sales tax receivable		204,016	480,954
Cash and bank balances	7	6,526,217	1,765,136
		25,981,558	21,733,494
		46,431,218	42,391,582
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
500,000,000 (2023: 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		15,197,911	15,146,402
Capital reserve			
Revaluation surplus on property, plant and equipment		2,165,539	2,187,478
		21,713,450	21,683,880
TOTAL SHAREHOLDERS' EQUITY			
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finance - secured	8	902,126	1,005,986
Deferred income - government grant		119,586	126,738
Gas Infrastructure Development Cess	9	76,153	148,993
Deferred taxation - net		2,064,008	1,989,947
Lease liabilities		23,492	29,426
		3,185,365	3,301,090
CURRENT LIABILITIES			
Trade and other payables	10	14,113,151	10,712,974
Contract liabilities		2,651,454	1,816,607
Short term borrowings - secured	11	2,227,859	3,334,225
Unpaid dividend		1,088,107	1,527
Unclaimed dividend		8,497	8,497
Current portion of long term finance - secured	8	392,223	377,378
Current portion of lease liabilities		21,044	19,859
Taxation - net		932,369	920,894
Accrued mark-up		97,698	214,651
		21,532,402	17,406,612
		24,717,768	20,707,702
TOTAL LIABILITIES			
CONTINGENCY AND COMMITMENTS			
	12		
		46,431,218	42,391,582

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



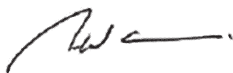
INTERNATIONAL STEELS LIMITED

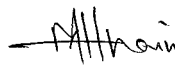
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

		Three months ended	
		September 30	September 30
		2023	2022
		(Rupees in '000)	
	Note		
Revenue from contracts with customers	13	19,207,230	16,544,117
Cost of sales		(16,742,374)	(14,304,426)
Gross profit		2,464,856	2,239,691
Selling and distribution expenses		(368,367)	(65,471)
Administrative expenses		(107,386)	(67,574)
		(475,753)	(133,045)
Finance cost		(195,684)	(862,558)
Other operating charges		(145,141)	(775,086)
		(340,825)	(1,637,644)
Other income		124,885	25,463
Profit before taxation		1,773,163	494,465
Income tax expense	14	(656,093)	(46,006)
Profit after taxation		1,117,070	448,459
		(Rupees)	
Earnings per share - basic and diluted		2.57	1.03

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


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Director & Chairman
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Yousuf H. Mirza
Chief Executive
Officer



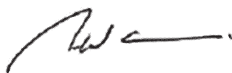
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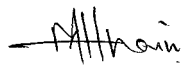
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

	Three months ended	
	September 30 2023	September 30 2022
	(Rupees in '000)	
Profit after taxation	1,117,070	448,459
Other comprehensive income	-	-
Total comprehensive income for the year	1,117,070	448,459

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


Nihal Cassim
Director & Chairman
Board Audit Committee


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Chief Financial
Officer


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Officer



INTERNATIONAL STEELS LIMITED

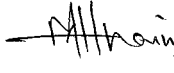
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

	Issued, subscribed & paid-up capital	Revenue reserve- unappropriat- ed profit	Capital reserve- Revaluation surplus on property, plant and equipment	Total
	(Rupees in '000)			
Balance as at July 01, 2022	4,350,000	14,835,313	2,410,776	21,596,089
Profit for the period	-	448,459	-	448,459
Other comprehensive income	-	-	-	-
Total comprehensive income	-	448,459	-	448,459
Transactions with 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)
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	-	21,939	(21,939)	-
Balance as at September 30, 2022	4,350,000	13,348,211	2,388,837	20,087,048
Balance as at July 01, 2023	4,350,000	15,146,402	2,187,478	21,683,880
Profit for the period	-	1,117,070	-	1,117,070
Other comprehensive income	-	-	-	-
Total comprehensive income	-	1,117,070	-	1,117,070
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 25% (Rs. 2.50 per share) for the year ended June 30, 2023	-	(1,087,500)	-	(1,087,500)
Total transactions with owners of the Company - distributions	-	(1,087,500)	-	(1,087,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	21,939	(21,939)	-
Balances as at September 30, 2023	4,350,000	15,197,911	2,165,539	21,713,450

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


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Board Audit Committee


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Officer


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INTERNATIONAL STEELS LIMITED

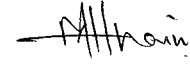
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

Note	Three months ended	
	September 30	September 30
	2023	2022
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
	Cash generated / (used in) from operations	
15	6,981,023	(3,694,204)
	(303,978)	(615,453)
	131,716	2,180
	(9,614)	(8,108)
	(7,195)	(7,924)
	(570,553)	(681,033)
	6,221,399	(5,004,542)
CASH FLOWS FROM INVESTING ACTIVITIES		
5	(223,088)	(126,044)
	(48,421)	(13,797)
	20,920	9,115
	(1,600,000)	-
	(1,850,589)	(130,726)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	9,881
	(96,167)	(138,072)
	(1,100,000)	521,190
	(6,276)	(5,954)
	(920)	(11)
	(1,203,363)	387,034
	3,167,447	(4,748,234)
	1,096,911	(9,530,310)
16	4,264,358	(14,278,544)

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



INTERNATIONAL STEELS LIMITED

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

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

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 (Holding Company) which holds 245,055,543 (June 30, 2023: 245,055,543 shares) shares of the Company as at September 30, 2023 representing 56.3% (June 30, 2023: 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 01, 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 (NIP), Bin Qasim Industrial Park, Karachi.

The Company has sales offices at following locations:

- Chinoy House, 6-Bank Square, Lahore - 54000
- Office No. 303-A 3rd Floor Evacuee Trust Complex Sector F-5/1 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, 2023.



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, 2023, 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, 2022.

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) that 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, 2023.

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, 2023. 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 January 01, 2024. 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, 2023.
- 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, 2023.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress	Total
	(Rupees in '000)		
Cost / revalued amount			
Opening balance as at July 01, 2023	29,549,092	703,715	30,252,807
Additions	183,143	213,305	396,448
Adjustments / transfers - net	9,783	(183,143)	(173,360)
Disposals	(54,351)	-	(54,351)
	29,687,667	733,877	30,421,544
Accumulated depreciation			
Opening balance as at July 01, 2023	(9,948,236)	-	(9,948,236)
Charge for the period	(463,278)	-	(463,278)
Disposals	42,906	-	42,906
	(10,368,608)	-	(10,368,608)
Written down value as at September 30, 2023 (Un-audited)	19,319,059	733,877	20,052,936
Written down value as at June 30, 2023 (Audited)	19,600,854	703,715	20,304,569

6. STOCK-IN-TRADE

	(Un-audited) September 30 2023	(Audited) June 30 2023
	(Rupees in '000)	
Raw material		
- in hand	2,292,346	5,862,618
- in transit	7,105,101	3,594,350
	9,397,447	9,456,968
Work-in-process	2,374,864	470,796
Finished goods	4,395,659	7,306,129
By-products	5,788	4,943
Scrap material	39,666	22,876
	16,213,424	17,261,712

7. CASH AND BANK BALANCES

These include investment in Term Deposit Receipt (TDR) amounting to Rs. 1,984 million @ 20.25% to 20.50% (June 30, 2023: Rs. 384 million @ 19.85%). The TDR Rs. 384 million 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.



8. LONG TERM FINANCE - secured

	Note	(Un-audited) September 30	(Audited) June 30
		2023	2023
(Rupees in '000)			
Conventional			
Long Term Finance Facility (LTFF)	8.1	574,723	655,706
Temporary Economic Refinance Facility (TERF)	8.2	493,003	493,003
Islamic			
Islamic Long Term Finance Facility (ILTFF)	8.3	374,863	390,027
		1,442,589	1,538,736
Less: Deferred Income - Government grant	8.5	(148,240)	(155,372)
Less: Current portion of long term loans:			
Conventional			
Long Term Finance Facility (LTFF)		(266,662)	(254,479)
Temporary Economic Refinance Facility (TERF)		(61,625)	(61,625)
Islamic			
Islamic Long Term Finance Facility (ILTFF)		(63,936)	(61,274)
		(392,223)	(377,378)
		902,126	1,005,986

8.1 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, 2023: SBP Refinance rate at 0.50% to 1.00%).

8.2 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, 2023: SBP Refinance rate + 1.25%) for setting up of new industrial units.

8.3 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, 2023: SBP refinance rate at 3.00%).

8.4 The above loans are secured against joint pari passu charge over fixed assets of the Company (such as land, building, plant and machinery etc.).

8.5 Government grant amounting to Rs. 148.24 million (June 30, 2023: Rs. 155.37 million) has been recorded up to the period ended September 30, 2023 and Rs. 7.13 million (September 30, 2022: Rs. 7.17 million) has been amortised during the period.

9. GAS INFRASTRUCTURE DEVELOPMENT CESS

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 recognised GIDC payable with respect to its captive power plant used for self consumption. This payable has been revalued and recorded at its present value by discounting the future cash flows using three year PKRV rate and has booked income of Rs. Nil (June 30, 2023: Rs. 20.71 million), which has been recorded as other income. The unwinding of the GIDC during the year amounts to Rs. 17.47 million (September 30, 2022: Rs. 20.62 million).

The Company has not recognized GIDC amounting to Rs. 769 million (June 30, 2023: Rs. 769 million) pertaining to period from 01 July 2011 to 31 Jul 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).

Despite the speaking order dated August 13, 2020 by The Supreme court, the Federal Government did not initiate the gas project within six months, therefore, the Company has filed a petition in the SHC challenging the decision of the Supreme court.

10. TRADE AND OTHER PAYABLES

	Note	(Un-audited) September 30	(Audited) June 30
		2023	2023
(Rupees in '000)			
Trade creditors	10.1	7,788,576	4,238,058
Accrued expenses	10.2	2,409,738	2,561,331
Provision for infrastructure cess	10.3	3,339,595	3,212,439
Workers' Welfare Fund		289,519	251,385
Workers' Profit Participation Fund		95,334	277,332
Deferred income - Government grant		28,654	28,634
Provision for government levies		3,995	3,095
Short term compensated absences		14,871	19,140
Others		142,869	121,560
		14,113,151	10,712,974

10.1 This includes current portion of provision for Gas Infrastructure Development Cess amounting to Rs.1,135.78 million (June 30, 2023: Rs. 1,045.41 million) and provision against revision of gas tariff by Oil and Gas Regulation Authority amounting to Rs. 717.82 million (June 30, 2023: Rs. 717.82 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 100% 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%.

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 1, 2021, the Supreme Court granted a stay order against the operation of the order of SHC dated June 4, 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. 3,482.50 million (June 30, 2023: Rs. 3,222.50 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.

- 10.3** The Company filed a constitutional petition in the SHC 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

	Note	(Un-audited) September 30	(Audited) June 30
		2023	2023
(Rupees in '000)			
Conventional			
Short term under mark-up arrangement	11.1	44,262	10,521
Running finance under Export Refinance Scheme	11.2	1,950,000	3,050,000
Islamic			
Short term finance under Running Musharakah	11.3	233,597	273,704
		2,227,859	3,334,225

- 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 22.51% to 23.11% (June 30, 2023: 21.75% to 22.20%) per annum.
- 11.2** 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 is 19% (June 30, 2023: 16.50% to 17.75%) per annum.
- 11.3** This represents short term finance facility obtained under Running Musharakah. The rate of mark-up ranges from 23.00% to 23.30% (June 30, 2023: 22.18% to 22.48%) per annum. This facility matures within twelve months and is renewable.
- 11.4** As at September 30, 2023, the unavailed facilities from the above borrowings amounted to Rs.23,932 million (June 30, 2023: Rs. 25,826 million).
- 11.5** The above facilities are secured by way of joint pari passu charge and ranking charge over current and future moveable assets of the Company.

12. CONTINGENCY AND COMMITMENTS

12.1 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, 2023.



12.2 Commitments

12.2.1 Commitments under Letters of Credit for raw materials and spares as at September 30, 2023 amounted to Rs. 10,798 million (June 30, 2023: Rs. 8,983.51 million).

12.2.2 The facilities for opening letters of credit and guarantees from banks as at September 30, 2023 amounted to Rs. 39,300 million (June 30, 2023: Rs. 38,300 million) and Rs. 8,586 million (June 30, 2023: Rs. 8,284 million) respectively of which unutilised balance at period end amounted to Rs. 28,501 million (June 30, 2023: Rs. 29,316 million) and Rs. 414 million (June 30, 2023: Rs. 7,794.97 million) respectively.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

	(Un-audited)	
	Three months ended	
	September 30	September 30
	2023	2022
Note	(Rupees in '000)	
Sale of goods less returns:		
Local	18,725,581	15,231,204
Export	3,762,733	3,781,699
	22,488,314	19,012,903
Sales tax	(2,865,439)	(2,233,359)
Trade discounts	(226,298)	(108,113)
Sales commission	(189,347)	(127,314)
	(3,281,084)	(2,468,786)
	19,207,230	16,544,117
14. INCOME TAX EXPENSE		
Current	(582,028)	(229,128)
Deferred	(74,065)	183,122
	(656,093)	(46,006)
15. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	1,773,163	494,465
Adjustments for:		
Depreciation and amortisation	468,494	409,905
Gain on disposal of property, plant and equipment	(9,475)	(7,011)
Provision for net realisable value written off stores and spares	13,316	18,719
Provision for staff gratuity	9,614	8,108
Unwinding of Gas Infrastructure Development Cess	17,469	20,615
Provision for compensated absences	2,926	3,072
Income on bank deposits	(131,716)	(2,180)
Finance cost	178,215	841,942
Deferred income - Government grant	(7,132)	(7,172)
	541,711	1,285,999
Changes in working capital	15.1 4,666,149	(5,474,668)
	6,981,023	(3,694,204)



15.1 CHANGES IN WORKING CAPITAL

		(Un-audited)	
		Three months ended	
		September 30	September 30
		2023	2022
Note		(Rupees in '000)	
Decrease / (increase) in current assets:			
	Stores and spares	(39,184)	(10,822)
	Stock-in-trade	1,048,288	(2,123,357)
	Receivable from K-Electric Limited	9,314	(14,454)
	Trade debts	(685,755)	360,686
	Advances, trade deposits, and short-term prepayments	(109,900)	(2,948)
	Sales tax receivable	276,938	(1,132,125)
		499,701	(2,923,020)
Increase / (decrease) in current liabilities:			
	Trade and other payables	3,331,601	(1,094,837)
	Contract liabilities	834,847	(1,456,811)
		4,666,149	(5,474,668)

16. CASH AND CASH EQUIVALENTS

	Cash and bank balances	4,542,217	218,886
	Short term finance under mark-up arrangement	11 (44,262)	(884,895)
	Short-term borrowing under Money Market Scheme	-	(12,550,000)
	Short term finance borrowing under Running Musharakah	11 (233,597)	(512,535)
	Term Musharakah	-	(550,000)
		4,264,358	(14,278,544)

17. TRANSACTIONS WITH RELATED PARTIES

The 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 rate 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 contractual engagements.

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.

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)	
	Three months ended	
	September 30	September 30
	2023	2022
	(Rupees in '000)	
Holding company:		
Sales	167,217	1,563,887
Purchases	6,271	4,513
Rent / Lease payments	3,191	2,947
Shared resources cost	41,457	6,881
Reimbursement of expenses	-	663
Corporate, legal, marketing and internal audit services	-	2,749
Dividend	612,639	1,102,750
Associated undertakings		
Sales	804,671	899,527
Purchases	8,732,483	9,635,175
Dividend	98,694	177,649
Rental Income	729	724
Reimbursement of Expenses	8,735	327
Services	686	1,167
Key management personnel		
Remuneration	109,845	82,214
Staff retirement funds		
Contribution paid	20,110	17,398
Non-executive directors		
Directors' fee	2,500	2,200

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 99.65% (June 30, 2023: 99.55%) 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** 83.27% (September 30, 2022: 80.11%) of gross sales are domestic sales whereas 16.73% (September 30, 2022: 19.89%) of sales are export sales.

19. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors on October 24, 2023 .

Nihal Cassim
Director & Chairman
Board Audit Committee

Mujtaba Hussain
Chief Financial
Officer

Yousuf H. Mirza
Chief Executive
Officer

Head 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 : info@isl.com.pk

Lahore Office

Chinoy House, 6 Bank Square, Lahore - 54000.
Telephone Nos: +92 42-37229752-55,
UAN: +92 42-111-019-019
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 51-28230412-3

Multan Office

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

Factory

399 - 405, 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

Sales Inquiries

sales@isl.com.pk

Careers

careers@isl.com.pk

Website

www.isl.com.pk



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