



**CREATING
VALUE**

**UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2020**



CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS
ENDED DECEMBER 31, 2020

In the name of Allah, the most Gracious, the most Merciful.
This is by the Grace of Allah

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International Steels Limited

COMPANY INFORMATION

Chairman (Non-Executive)

Mr. Mustapha A. Chinoy

Independent Directors

Dr. Amjad Waheed

Ms. Nausheen Ahmad

Mr. Nihal Cassim

Non-Executive Directors

Mr. Fuad Azim Hashimi

Mr. Kamal A. Chinoy

Mr. Koji Fukushima

Director & Chief Executive Officer

Mr. Yousuf H. Mirza

Director & Chief Operating Officer

Mr. Samir M. Chinoy

Chief Financial Officer

Mr. Mujtaba Hussain

Company Secretary

Mr. Mohammad Irfan Bhatti

Chief Internal Auditor

Mrs. Asema Tapal

External Auditors

A.F. Ferguson & Co.

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: +9221-35890051

Mobile: 0334-2404222

Fax: +9221-35310191

Email: info@thk.com.pk

Registered Office

101, Beaumont Plaza, 10, Beaumont Road, Karachi – 75530

Telephone Nos: +9221-35680045-54, UAN: 021-111-019-019

Fax: +9221-35680373, E-mail: irfan.bhatti@isl.com.pk

Lahore Office

Chinoy House, 6 Bank Square, Lahore - 54000

Telephone Nos:+9242-37229752-55, UAN:+9242-111-019-019

Fax: +9242-37249755, E-mail: lahore@isl.com.pk

Islamabad Office

Office No.303-A, 3rd Floor Evacuee Trust Complex

Sector F-5/1 Agha Khan Road, Islamabad.

Telephone Nos: +9251-2823041-2, Fax: +9251-28230413

Multan Office

Office No. 708-A, "The United Mall", Plot No. 74,

Abdali Road, Multan

Telephone Nos: +9261-4570571

Factory

399 - 404, Rehri Road, Landhi, Karachi.

Telephone Nos: +9221-35013104 - 5

Fax: +9221-35013108, 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

Samba Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

International Steels Limited
DIRECTORS' REPORT
For the six months ended December 31, 2020

The Directors of your company are pleased to present the financial statements for the half year ended December 31, 2020.

Demand for steel grew sharply as major economies mainly China and the European Union eased lockdown conditions. Low inventories and higher input costs increased steel prices sharply across the world by over 60% during the year. However, the current volatility in steel prices may see an adjustment as supply improves in major markets.

The economy continues to show signs of recovery due to various initiatives taken by the Government. The first half of the year reflected stable exchange rate and SBP policy rate remained stable at 7%. During the period, all major areas of industry served by your company showed a positive growth. Your company recorded highest ever half yearly sales volumetrically as well as revenue, growing by 32% over last year. Your company continued to maintain its export footprint and exported to North America, Africa, Australia, Middle East and others. The sales revenue were Rs. 33.5 billion compared to last year's Rs. 25.4 billion. The Profit after Tax and EPS were Rs. 2,774 million and 6.38 compared to Rs. 466 million and 1.07 in the same period last year.

The Board of Directors would like to offer its sincere gratitude and appreciation to Mr. Towfiq H. Chinoy for his leadership and contribution during his tenure as founding Chief Executive and later on as Advisor and Chairman. Mr. Towfiq Chinoy strengthened the procedures of the Company thereby laying the foundation for a successful and sustainable company.

We wish to thank all our employees and stakeholders for the performance as well as pray to Almighty for the continued success of your company.



Mustapha A. Chinoy
Chairman

Karachi: January 28, 2021

کمپنی کے ڈائریکٹرز 31 دسمبر 2020 کو ختم ہونے والے ششماہی کیلئے مالیاتی تفصیلات بخوشی پیش کر رہے ہیں۔

بڑی معیشت بالخصوص چین اور یورپی یونین کی جانب سے لاک ڈاؤن کی صورت حال میں نرمی کے باعث اسٹیل کی طلب میں تیزی سے اضافہ ہوا۔ کم انویٹریز اور بڑھتی ہوئی لاگت کے باعث اسٹیل کی قیمتوں میں اس سال تیزی سے اضافہ ہوا جو دنیا بھر میں 60 فیصد سے زائد ریکارڈ ہوا۔ تاہم، اسٹیل کی قیمتوں میں موجودہ طور پر غیر متوقع اور تیزی سے ہونے والی تبدیلی بڑی مارکیٹس میں رسد میں اضافے کی وجہ سے اس کے مطابق تبدیل ہو سکتی ہیں۔

گورنمنٹ کی جانب سے کئے جانے والے متعدد اقدامات کے باعث معیشت میں بہتری کے آثار نظر آ رہے ہیں۔ سال کی اول ششماہی میں مستحکم شرح مبادلہ دیکھنے میں آیا اور اسٹیل بینک آف پاکستان کی پالیسی کی شرح 7 فیصد تک مستحکم رہی۔ اس مدت کے دوران ہماری کمپنی کی جانب سے اپنے متعلقہ صنعتی میدان میں مثبت اضافہ دیکھنے میں آیا۔ آپ کی کمپنی میں ششماہی بنیاد پر سب سے زیادہ سیل ریکارڈ ہوئی جس سے آمدنی میں گزشتہ سال کی نسبت 32 فیصد زائد کا اضافہ ہوا۔ آپ کی کمپنی نے برآمدات کو مستحکم رکھتے ہوئے شمالی امریکہ، افریقہ، آسٹریلیا، وسطی ایشیا اور دیگر ممالک میں اپنی پروڈکٹس برآمد کیں۔ فروخت سے ہونے والی آمدنی گزشتہ سال کی آمدنی 25.4 بلین روپے کے مقابلے میں اس سال 33.5 بلین روپے ریکارڈ کی گئی۔ بعد از ٹیکس منافع اور ای پی ایس 2,774 ملین روپے اور 6.38 ہا جو گزشتہ سال کی اسی مدت میں 446 ملین روپے اور 1.07 تھا۔

بورڈ آف ڈائریکٹرز جناب توفیق ایچ چنائے کو بانی چیف ایگزیکٹو اور بعد ازاں ایڈوائزر اور چیئرمین کی حیثیت سے اس مدت کے دوران ان کی ماہرانہ قیادت اور خدمات کو خلوص سے سراہتے ہیں اور ان کے تہہ دل سے ممنون ہیں۔ جناب توفیق چنائے نے کمپنی کے طریقہ کار کو مستحکم کیا جس کے باعث ایک کامیاب اور مستحکم کمپنی کی بنیاد عمل میں آئی۔

ہم اپنے تمام ملازمین اور اسٹیک ہولڈرز کی اعلیٰ کارکردگی کیلئے ان کے ممنون و مشکور ہیں اور اپنی کمپنی کی مسلسل کامیابی کیلئے دعا گو ہیں۔



مصطفیٰ اے چنائے

چیئرمین

کراچی: 28 جنوری، 2021

Report on review of Interim Financial Statements

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of International Steels Limited



A·F·FERGUSON & Co.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of International Steels Limited as at December 31, 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, 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, 2020 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2020.

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.

Other Matter

The financial statements of the Company for the year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on September 6, 2020.

The engagement partner on the audit resulting in this independent auditor's report is **Syed Muhammad Hasnain**.

Chartered Accountants
Karachi

A handwritten signature in black ink that reads 'A.F. Ferguson & Co.' with a stylized flourish at the end.

Date: February 19, 2021

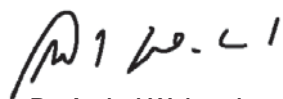
International Steels Limited

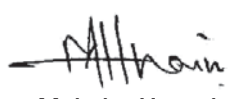
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Note	(Un-audited) December 31 2020	(Audited) June 30 2020
(Rupees in '000)			
ASSETS			
Non-current assets			
Property, plant and equipment	5	19,974,901	20,638,354
Right-of-use assets		28,205	49,377
Intangible assets		1,042	1,197
Long term deposit with Central Depository Company of Pakistan Limited		100	100
		20,004,248	20,689,028
Current assets			
Stores and spares		805,844	668,960
Stock-in-trade	6	8,321,076	15,132,206
Trade debts		569,709	1,015,744
Receivable from K-Electric Limited (KE)	7	37,425	39,393
Advances, trade deposits and prepayments		3,326,388	135,604
Staff retirement benefit		-	7,238
Sales tax receivable		1,867,527	4,033,659
Taxation - net		796,918	1,033,184
Cash and bank balances		121,748	106,196
		15,846,635	22,172,184
TOTAL ASSETS		35,850,883	42,861,212
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 500,000,000 (2020: 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		9,912,695	7,121,607
Capital reserve Revaluation surplus on property, plant and equipment		1,237,248	1,254,208
Total shareholders' equity		15,499,943	12,725,815
LIABILITIES			
Non-current liabilities			
Long term finance - secured	8	4,464,575	5,042,182
Gas Infrastructure Development Cess payable	9	770,780	-
Deferred taxation		2,089,065	1,499,446
Lease liabilities		12,590	38,098
		7,337,010	6,579,726
Current liabilities			
Trade and other payables	10	4,200,644	8,921,279
Contract liabilities		2,269,338	1,377,396
Short term borrowings - secured	11	5,006,161	11,520,404
Unclaimed dividend		7,017	8,433
Current portion of long term finance	8	1,416,904	1,487,634
Current portion of lease liabilities		19,093	16,755
Accrued mark-up		94,773	223,770
		13,013,930	23,555,671
TOTAL LIABILITIES		20,350,940	30,135,397
Contingency and commitments	12		
TOTAL EQUITY AND LIABILITIES		35,850,883	42,861,212

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


Dr. Amjad Waheed
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial
Officer


Yousuf H. Mirza
Chief Executive
Officer

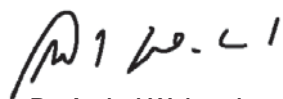
International Steels Limited

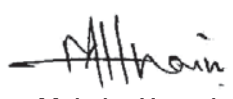
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

For the six months ended December 31, 2020

Note	Six months ended		Three months ended		
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	
------(Rupees in '000)-----					
Net sales	13	33,515,947	25,364,552	17,849,460	13,819,202
Cost of sales		(28,559,880)	(23,140,837)	(14,285,191)	(12,829,694)
Gross profit		4,956,067	2,223,715	3,564,269	989,508
Selling and distribution expenses		(358,837)	(441,825)	(157,350)	(197,674)
Administrative expenses		(145,181)	(134,732)	(88,871)	(72,972)
		(504,018)	(576,557)	(246,221)	(270,646)
Finance cost		(437,895)	(1,345,963)	(178,971)	(678,749)
Other operating charges / income - net		(356,168)	1,611	(287,350)	25,980
		(794,063)	(1,344,352)	(466,321)	(652,769)
Other income		309,564	94,471	258,432	29,938
Profit before taxation		3,967,550	397,277	3,110,159	96,031
Taxation	14	(1,193,422)	68,657	(895,141)	21,976
Profit after taxation		2,774,128	465,934	2,215,018	118,007
Earning per share - basic and diluted (Rupees)		6.38	1.07	5.09	0.27

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

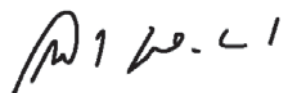

Dr. Amjad Waheed
 Director & Chairman
 Board Audit Committee


Mujtaba Hussain
 Chief Financial
 Officer


Yousuf H. Mirza
 Chief Executive
 Officer

	Six months ended		Three months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	------(Rupees in '000)-----			
Profit after taxation	2,774,128	465,934	2,215,018	118,007
Other comprehensive income	-	-	-	-
Total comprehensive income	2,774,128	465,934	2,215,018	118,007

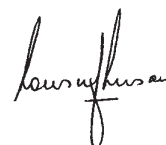
The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Dr. Amjad Waheed
Director & Chairman
Board Audit Committee



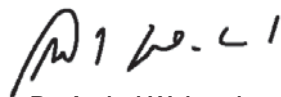
Mujtaba Hussain
Chief Financial
Officer

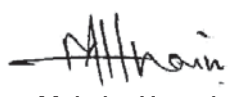


Yousuf H. Mirza
Chief Executive
Officer

	Note	Six months ended	
		December 31, 2020	December 31, 2019
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	8,234,855	830,478
Finance cost paid		(557,369)	(1,258,561)
Staff gratuity paid		(4,950)	(11,809)
Compensated absences paid		(6,482)	(8,179)
Income tax paid		(367,537)	(494,724)
		(936,338)	(1,773,273)
Net cash generated from / (used in) operating activities		7,298,517	(942,795)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property, plant and equipment	5	(124,400)	(1,348,726)
Right-of-use assets		12,996	(152,996)
Proceeds from disposal of property, plant and equipment		8,386	17,028
Income received on bank deposits		7,219	1,582
Net cash used in investing activities		(95,799)	(1,483,112)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finance		175,553	474,757
Repayments of long term finance		(823,890)	(487,801)
Proceeds from / (Repayment) of short term borrowings - net		1,374,373	(1,118,721)
Lease liabilities		(23,170)	137,786
Dividend paid		(1,416)	(647,925)
Net cash generated from / (used in) financing activities		701,450	(1,641,904)
Net increase / (decrease) in cash and cash equivalents		7,904,168	(4,067,811)
Cash and cash equivalents at beginning of the period		(8,568,724)	(6,232,042)
Cash and cash equivalents at end of the period	16	(664,556)	(10,299,853)

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


Dr. Amjad Waheed
 Director & Chairman
 Board Audit Committee


Mujtaba Hussain
 Chief Financial
 Officer


Yousuf H. Mirza
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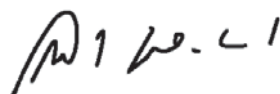
International Steels Limited

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

For the six months ended December 31, 2020

	Issued, subscribed & paid-up capital	Revenue reserve - unappropriated profit	Capital reserve - revaluation surplus on property, plant and equipment	Total
----- (Rupees in '000) -----				
Balance as at July 01, 2019	4,350,000	7,240,140	1,288,130	12,878,270
Total comprehensive income for the period				
Profit for the period	-	465,934	-	465,934
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	465,934	-	465,934
Transactions with owners recorded directly in equity - distributions				
Dividend:				
Final dividend @ 15% (Rs. 1.50 per share) for the year ended June 30, 2019	-	(652,500)	-	(652,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	19,657	(19,657)	-
Balance as at December 31, 2019	4,350,000	7,073,231	1,268,473	12,691,704
Balance as at July 01, 2020	4,350,000	7,121,607	1,254,208	12,725,815
Total comprehensive income for the period				
Profit for the period	-	2,774,128	-	2,774,128
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	2,774,128	-	2,774,128
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, 2020	4,350,000	9,912,695	1,237,248	15,499,943

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



Dr. Amjad Waheed
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

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, 2020: 245,055,543) shares of the Company as at December 31, 2020 representing 56.3% (June 30, 2020: 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 # NC.98, near Arabian Country Club, NIP, Bin Qasim Industrial Park, Karachi.

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, 2020.

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, 2020, 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, 2019.

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

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except for the Company's liability 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, 2020.

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, 2020. 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, 2021. 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 judgments 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, 2020.

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, 2020.

5. PROPERTY, PLANT AND EQUIPMENT

Cost / revalued amount

	Operating assets	Capital work in progress	Total
------(Rupees in '000)-----			
Opening balance	26,735,120	107,338	26,842,458
Additions	31,865	170,372	202,237
Adjustments	(45,972)	(31,865)	(77,837)
Disposals	(10,407)	-	(10,407)
	26,710,606	245,845	26,956,451

Accumulated depreciation

Opening balance	(6,204,104)	-	(6,204,104)
Charge for the period	(783,386)	-	(783,386)
Disposals	5,940	-	5,940
	(6,981,550)	-	(6,981,550)

Written down value as at December 31, 2020 (Un-audited)

19,729,056 245,845 19,974,901

Written down value as at June 30, 2020 (Audited)

20,531,016 107,338 20,638,354

6. STOCK-IN-TRADE

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
(Rupees in '000)		
Raw material	1,846,890	6,655,805
- in hand	2,490,365	432,047
- in transit	1,714,348	2,532,031
Work-in-process	2,160,961	5,290,148
Finished goods	28,407	10,666
By-product	80,105	211,509
Scrap material	8,321,076	15,132,206

7. ADVANCES, TRADE DEPOSITS AND PREPAYMENTS

These include advances to suppliers amounting to Rs. 3,277.14 million (June 30, 2020: Rs. 79.25 million) which mainly include advance against import of Hot Rolled Coils (HRC).

8. LONG TERM FINANCE - secured

Conventional

Long term finance facility

Islamic

Long term finance facility

Long term finance

Deferred Income

- Government Grant

Note

8.1

8.1

8.2 & 8.3

8.3

(Un-audited)
December 31,
2020

(Rupees in '000)

(Audited)
June 30,
2020

1,080,931

537,027

4,239,053

24,468

5,881,479

1,205,940

545,908

4,759,598

18,370

6,529,816

Current portion of long term finances shown under current liabilities

Conventional

Long term finance facility

Islamic

Long term finance facility

Long term finance

Deferred Income - Government Grant

(250,023)

(58,061)

(1,089,850)

(18,970)

(1,416,904)

4,464,575

(250,024)

(36,614)

(1,189,921)

(11,075)

(1,487,634)

5,042,182

- 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. 3,920 million (June 30, 2020: Rs. 4,410 million) from 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 month KIBOR + 0.1%.
- 8.3** These also include long term loans of Rs. 343.52 million (June 30, 2020: Rs. 167.97 million) obtained under SBP Refinance Scheme for payment of wages and salaries, earmarked from running finance limit, which is secured against first Joint Pari Passu Hypothecation charge over stock and book debts. These loans are at concessional rate of mark-up ranging from 0.75% to 1% per annum (June 30, 2020: 1%).

Government grant amounting to Rs. 24.47 million (June 30, 2020: Rs. 18.37 million) has been recorded upto the period ended December 31, 2020 and Rs. 9.52 million (June 30, 2020: Rs. 0.718 million) has been amortised during the period. In accordance with the terms of the grant, the Company is prohibited to lay-off the employees at least for six months from the period April 2020 to September 2020 of the grant.

9. GAS INFRASTRUCTURE DEVELOPMENT CESS PAYABLE

During the period, the Supreme Court of Pakistan has decided the Appeal against consumers upholding the vires of GIDC Act, 2015 through its judgement dated August 13, 2020. The Review Petition was filed against the Judgment, wherein the Honourable Court has provided some relief by increasing the time period for recovery of GIDC from 24 installments to 48 installments. However, the review application has been dismissed.

The Company has also filed a civil suit before the Honourable High Court of Sindh 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, which has been recorded as other income.

10. TRADE AND OTHER PAYABLES

		(Un-audited) December 31 2020	(Audited) June 30 2020
	Note	(Rupees in '000)	
Trade creditors		926,751	5,183,883
Accrued expenses	10.1	1,348,438	2,231,861
Provision for Infrastructure Cess	10.2	1,420,591	1,320,075
Provision for government levies		1,031	2,047
Short term compensated absences		10,492	11,485
Workers' Profit Participation Fund		213,609	1,290
Workers' Welfare Fund	10.3	225,896	149,278
Others		53,836	21,360
		<u>4,200,644</u>	<u>8,921,279</u>

- 10.1** These include current portion of Gas Infrastructure Development Cess payable amounting to Rs. 300.6 million and also includes provision against revision of gas tariff by Oil and Gas Regulatory Authority.
- 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, 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.1,447.5 million (June 30, 2020: Rs. 1,330.5 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 Company has obtained stay against these and the ultimate dispute has been linked with the previous infrastructure cess case.

- 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	Note	(Un-audited) December 31 2020	(Audited) June 30 2020
		(Rupees in '000)	
Conventional			
Running finance under mark-up arrangement from banks	11.1	604,830	164,222
Short-term borrowing under Money Market scheme			
- Maturing after three months		-	750,000
- Maturing within three months		-	6,100,000
		-	6,850,000
Short term finance under Export Refinance Scheme	11.2	2,800,000	1,175,628
Islamic			
Short term finance under Running Musharakah	11.3	181,474	2,410,698
Short term finance under Export Refinance Scheme	11.4	1,419,857	919,856
		5,006,161	11,520,404

- 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 7.40% to 8.53% (June 30, 2020: 7.87% to 11.72%) 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 2.75% to 3% (June 30, 2020: 3%) per annum.
- 11.3** This represents short term finance facility obtained under Running Musharakah. The rate of mark-up ranges from 7.63% to 7.90% (June 30, 2020: 8.46% to 11.84%) 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, 2020: 3%) per annum.
- 11.5** As at December 31, 2020, the unavailed facilities from the above borrowings amounted to Rs. 16,000 million (June 30, 2020: Rs. 7,879.59 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. CONTINGENCIES AND COMMITMENTS

12.1 Contingency

12.1.1	Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
	A petition was filed before the Sindh High Court seeking order for the issuance of quota for concessionary import under SRO 565; release of 85,000 tons of HRC arrived at the port in November 2019 and for future shipments.	Sindh High Court	I.S.L. vs Federation of Pakistan / Director IOCO / The Chief Collector (South)	November 4, 2019
	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 Organization (IOCO) is issuing quota equivalent to ordered / shipped quantity of raw material on case to case basis.			

12.2 Commitments

12.2.1 Capital expenditure commitments outstanding as at December 31, 2020 amounted to Rs. Nil (June 30, 2020: Rs. 78.46 million).

12.2.2 Commitments under Letters of Credit for raw materials and spares as at December 31, 2020 amounted to Rs. 10,915 million (June 30, 2020: Rs. 8,419 million).

12.2.3 The facilities for opening letters of credit and guarantees from banks as at December 31, 2020 amounted to Rs. 26,000 million (June 30, 2020: Rs. 25,472 million) and Rs. 4,716 million (June 30, 2020: Rs. 4,061 million) respectively of which unutilised balance at period end amounted to Rs. 15,084 million (June 30, 2020: Rs. 17,053 million) and Rs. 715 million (June 30, 2020: Rs. 229 million) respectively.

13. NET SALES	Six months ended		Three months ended	
	December 31, 2020 (Un-audited)	December 31, 2019 (Un-audited)	December 31, 2020 (Un-audited)	December 31, 2019 (Un-audited)
	------(Rupees in '000)-----			
Local	33,789,868	25,137,438	18,146,535	13,771,858
Export	5,141,228	4,310,191	2,582,572	2,323,322
	38,931,096	29,447,629	20,729,107	16,095,180
Sales tax	(4,953,566)	(3,498,930)	(2,657,224)	(1,909,088)
Trade discounts	(88,221)	(305,210)	(24,147)	(207,992)
Sales commission	(373,362)	(278,937)	(198,276)	(158,898)
	(5,415,149)	(4,083,077)	(2,879,647)	(2,275,978)
	33,515,947	25,364,552	17,849,460	13,819,202
14. TAXATION				
Current	(603,803)	(184,608)	(379,879)	(68,731)
Deferred	(589,619)	253,265	(515,262)	90,707
	(1,193,422)	68,657	(895,141)	21,976

		Six months ended	
15. CASH GENERATED FROM OPERATIONS	Note	December 31, 2020 (Un-audited)	December 31, 2019 (Un-audited)
(Rupees in '000)			
Profit before taxation		3,967,550	397,277
Adjustments for:			
Depreciation and amortisation		791,718	705,193
Gain on disposal of property, plant and equipment		(3,919)	(1,639)
Provision for obsolescence against spares		35,734	15,419
Provision for staff gratuity		12,188	11,809
Gain on discounting of Gas Infrastructure Development Cess payable		(183,637)	-
Provision for compensated absences		5,489	2,927
Income on bank deposits		(7,219)	(1,582)
Finance cost		437,895	1,345,963
Government grant		(9,523)	-
Changes in working capital	15.1	1,078,726	2,078,090
		3,188,579	(1,644,889)
		8,234,855	830,478
15.1 CHANGES IN WORKING CAPITAL			
Decrease / (Increase) in current assets:			
Stores and spares		(172,619)	(110,407)
Stock-in-trade		6,811,130	2,510,174
Receivable from K-Electric Limited		1,968	(20,981)
Trade debts		446,035	(568,114)
Advances, trade deposits and short-term prepayments		(3,190,784)	(47,244)
Sales tax receivable		2,166,132	(1,266,448)
		6,061,862	496,980
Decrease in current liabilities:			
Trade and other payables		(2,873,283)	(2,141,869)
		3,188,579	(1,644,889)
16. CASH AND CASH EQUIVALENTS			
Cash and bank balances		121,748	374,878
Running finance under mark-up arrangement from banks	11	(604,830)	(1,273,654)
Short-term borrowing under Money Market scheme	11	-	(8,900,000)
Short term borrowing under Running Musharakah	11	(181,474)	(501,077)
		(664,556)	(10,299,853)

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.

	Six months ended		Three months ended	
	December 31, 2020 (Un-audited)	December 31, 2019 (Un-audited)	December 31, 2020 (Un-audited)	December 31, 2019 (Un-audited)
------(Rupees in '000)-----				
Holding company				
Sales	471	1,572,505	13	639,389
Purchases	3,465	126,854	2,277	32,616
Rent	108,702	11,925	2,742	2,550
Shared resources cost	36,609	41,103	22,094	20,598
Reimbursement of expenses	9,610	2,220	8,668	1,933
Partial manufacturing - sales	-	6,053	-	6,053
Associated undertakings				
Sales	187,640	445,346	138,048	323,687
Purchases	10,873,131	9,751,202	8,480,985	650,752
Rental income	1,507	2,195	900	830
Reimbursement of expenses	1,170	1,177	-	878
Services	23,267	53,925	18,646	38,634
Key management personnel				
Remuneration	112,580	117,733	55,821	55,030
Staff retirement funds				
Contribution paid	19,334	26,648	11,966	18,048
Non-executive directors				
Directors' fee	3,600	3,225	1,700	1,300
Reimbursement of Chairman's expenses	3,196	1,600	2,550	1,193

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% (June 30, 2020: 99%) of total revenue whereas remaining represent revenue from sale of surplus electricity to KElectric 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 86.79% (June 30, 2020: 83.83%) of sales of steel sheets are domestic sales whereas 13.21% (June 30, 2020: 16.17%) of sales are export / foreign sales.

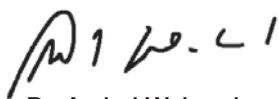
19. GENERAL

19.1 Non-adjusting event after balance sheet date

The Board of Directors of the Company in their meeting held on January 28, 2021 have declared an interim cash dividend of Rs. 3.00 per share for the year ending June 30, 2021 amounting to Rs. 1,305 million (2020: Nil). The condensed interim financial statements do not include the effect of above interim dividend which will be accounted for in the subsequent period.

19.2 Date of authorisation for issue

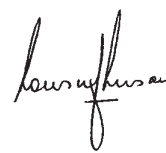
These condensed interim financial statements were authorised for issue by the Board of Directors on January 28, 2021.



Dr. Amjad Waheed
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer