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**A part of  
our lives**

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

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# International Steels Limited Company Information

As at 31 March 2018

## **Chairman (Independent)**

Mr. Kemal Shoaib

## **Independent Directors**

Mr. Tariq Iqbal Khan  
Mr. Kamran Y. Mirza  
Syed Salim Raza

## **Non-Executive Directors**

Mr. Towfiq H. Chinoy  
Mr. Kamal A. Chinoy  
Syed Hyder Ali  
Mr. Riyaz T. Chinoy  
Mr. Kazuteru Mihara

## **Executive Directors**

Mr. Yousuf H. Mirza (Chief Executive Officer)  
Mr. Samir M. Chinoy

## **Chief Financial Officer**

Mr. Mujtaba Hussain

## **Company Secretary**

Ms. Uzma Amjad Ali

## **Chief Internal Auditor**

Mrs. Asema Tapal

## **External Auditors**

M/s KPMG Taseer Hadi & Co.

## **Bankers**

Allied Bank Limited  
Bank Al Habib Limited  
Bank Alfalah Limited  
Dubai Islamic Bank Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
MCB Islamic Bank Limited  
Meezan Bank Limited  
Samba Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
United Bank Limited

## **Legal Advisor(s)**

Mrs. Sana Shaikh Fikree

## **Registered Office**

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

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

Fax: +9221-35680373,

e-mail: uzma.amjad@isl.com.pk

## **Lahore Office**

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## **Islamabad Office**

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## **Multan Office**

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

## **Factory**

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e-mail: info@isl.com.pk

## **Website**

www.isl.com.pk

## **Investor Relations Contact**

### **Shares Registrar**

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

## **Assistant Company Secretary**

Mr. Mohammad Irfan Bhatti  
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10 Beaumont Road, Karachi.  
UAN: +9221-111-019-019,  
Fax: +9221-35680373  
e-mail : irfan.bhatti@isl.com.pk

## International Steels Limited Directors' Report

As at 31 March 2018

Directors of your company are pleased to present the financial statements for the third quarter and nine months ended March 31, 2018.

Pakistan's economy continued to face challenges in wake of rising current account deficit and declining foreign exchange reserves. The PKR experienced a further decline of 5% in March, creating threat of inflationary pressures. The international steels prices remained steady for most of the year. However prices may enter a period of uncertainty as United States imposed additional duties on steel imports likely to result in a global surplus.

Sales of the company during the nine months reflected a growth of 40% at Rs. 34.8 bn as compared to same period last year. Similarly, PAT at Rs. 3.2 bn and EPS at Rs 7.43 per share were 60% higher against corresponding period last year. Anti-dumping duties imposed by National Tariff Commission on Cold rolled and Galvanized steel products faced continued legal challenges and remained partially enforced.

The expansion project enhancing capacity to 1,000,000 tons remains on plan for commissioning in the final quarter. This will strengthen company's position as the leading manufacturer of Cold rolled and Galvanized products in the country. The expansion will result in significant contribution to the national exchequer in increased revenue, foreign exchange savings through import substitution and increased exports.

On behalf of Directors we extend our gratitude to all our stakeholders for their continued support. We also thank management and staff for their commitment, hard work and pray to Almighty Allah for the continued success of your company.

Dated: 17 April 2018  
Karachi.

For & behalf of  
International Steels Limited



Kemal Shoaib  
Chairman


# International Steels Limited


## Condensed Interim Statement of Financial Position

As at 31 March 2018

	Note	31 March 2018 (Un-audited)	30 June 2017 (Audited) (Restated)
------(Rupees in '000)-----			
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	5	17,194,927	13,639,451
Intangible assets		2,899	3,903
Long term deposit with Central Depository Company of Pakistan Limited		100	100
<b>Total Non Current Assets</b>		<b>17,197,926</b>	<b>13,643,454</b>
<b>Current Assets</b>			
Stores and spares		600,583	507,696
Stock-in-trade	6	15,826,747	9,537,846
Trade debts - considered good	7	765,558	764,043
Advances to suppliers - considered good		58,541	48,463
Trade deposits and short term prepayments	8	39,819	22,533
Other receivable from K-Electric Limited (KE) - unsecured, considered good		38,737	42,987
Sales tax receivable		1,816,147	1,134,288
Taxation - net		-	616,557
Cash and bank balances		11,989	53,228
<b>Total Current Assets</b>		<b>19,158,121</b>	<b>12,727,641</b>
<b>Total Assets</b>		<b>36,356,047</b>	<b>26,371,095</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised capital		5,000,000	5,000,000
500,000,000 (2017: 500,000,000) ordinary shares of Rs. 10 each			
Share Capital			
Issued, subscribed and paid-up capital		4,350,000	4,350,000
Revenue Reserve			
Unappropriated profit		5,408,046	3,246,005
Capital Reserve			
Revaluation Surplus on property, plant and equipment - net of tax		942,922	958,242
<b>Total shareholders' equity</b>		<b>10,700,968</b>	<b>8,554,247</b>
<b>LIABILITIES</b>			
<b>Non Current Liabilities</b>			
Long term finances - secured	9	6,313,871	3,621,272
Staff retirement benefits		-	23,578
Deferred taxation - net		1,645,731	1,456,421
<b>Total Non Current Liabilities</b>		<b>7,959,602</b>	<b>5,101,271</b>
<b>Current Liabilities</b>			
Trade and other payables	10	8,173,974	6,410,128
Short term borrowings - secured	11	8,185,398	5,039,236
Current portion of long term finances	9	1,197,073	1,197,073
Taxation - net		47,797	-
Accrued mark-up		91,235	69,140
<b>Total Current Liabilities</b>		<b>17,695,477</b>	<b>12,715,577</b>
<b>Contingencies and Commitments</b>	12		
<b>Total Equity and Liabilities</b>		<b>36,356,047</b>	<b>26,371,095</b>

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

  
Tariq Iqbal Khan  
Director & Chairman  
Board Audit Committee

  
Mujtaba Hussain  
Chief Financial Officer

  
Yousuf H. Mirza  
Chief Executive Officer


# International Steels Limited


## Condensed Interim Profit and Loss Account (Un-audited)

For the nine and three months period ended 31 March 2018

	Note	Nine months period ended		Three months period ended	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
----- (Rupees in '000) -----					
Net sales	13	34,817,652	24,781,934	12,627,981	9,561,851
Cost of sales	14	(29,048,752)	(20,223,518)	(10,631,574)	(7,836,809)
<b>Gross profit</b>		<b>5,768,900</b>	<b>4,558,416</b>	<b>1,996,407</b>	<b>1,725,042</b>
Selling and distribution expenses	15	(316,866)	(250,071)	(110,659)	(98,028)
Administrative expenses	16	(167,811)	(146,041)	(50,932)	(57,316)
		(484,677)	(396,112)	(161,591)	(155,344)
Financial charges	17	(357,931)	(342,080)	(125,615)	(105,321)
Other operating charges	18	(515,448)	(320,874)	(280,175)	(117,029)
		(873,379)	(662,954)	(405,790)	(222,350)
Other income	19	108,281	92,913	49,981	38,945
<b>Profit before taxation</b>		<b>4,519,125</b>	<b>3,592,263</b>	<b>1,479,007</b>	<b>1,386,293</b>
Taxation	20	(1,284,904)	(1,575,597)	(426,329)	(529,366)
<b>Profit after taxation for the period</b>		<b>3,234,221</b>	<b>2,016,666</b>	<b>1,052,678</b>	<b>856,927</b>
----- (Rupees) -----					
<b>Earnings per share - basic and diluted</b>		<b>7.43</b>	<b>4.64</b>	<b>2.42</b>	<b>1.97</b>

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

  
Tariq Iqbal Khan  
Director & Chairman  
Board Audit Committee

  
Mujtaba Hussain  
Chief Financial Officer

  
Yousuf H. Mirza  
Chief Executive Officer

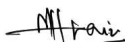
**International Steels Limited****Condensed Interim Statement of Comprehensive Income (Un-audited)***For the nine and three months period ended 31 March 2018*

	<u>Nine month period ended</u>		<u>Three month period ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	------(Rupees in '000)-----			
<b>Profit after taxation for the period</b>	<b>3,234,221</b>	<b>2,016,666</b>	<b>1,052,678</b>	<b>856,927</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b><u>3,234,221</u></b>	<b><u>2,016,666</u></b>	<b><u>1,052,678</u></b>	<b><u>856,927</u></b>

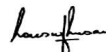
The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.



**Tariq Iqbal Khan**  
Director & Chairman  
Board Audit Committee



**Mujtaba Hussain**  
Chief Financial Officer




**Yousuf H. Mirza**  
Chief Executive Officer


**International Steels Limited**  
**Condensed Interim Cash Flow Statement (Un-audited)**

For the nine months period ended 31 March 2018

	Note	
	Nine months period ended	
	31 March 2018	31 March 2017
	------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,519,125	3,592,263
<b>Adjustments for:</b>		
Depreciation and amortization	630,798	580,461
Gain on disposal of property, plant and equipment	(7,164)	(2,053)
Provision for staff gratuity	15,723	14,092
Provision for compensated absences	11,120	7,135
Financial charges	357,931	342,080
	1,008,408	941,715
Changes in working capital	21 (5,708,596)	(934,621)
<b>Net cash generated from operations</b>	<b>(181,063)</b>	<b>3,599,357</b>
Financial charges paid	(335,836)	(331,090)
Gratuity paid	(39,301)	(14,092)
Compensated absences paid	(6,620)	(6,557)
Tax paid	(431,240)	(148,798)
	(812,997)	(500,537)
<b>Net cash (used in) / generated from operating activities</b>	<b>(994,060)</b>	<b>3,098,820</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(4,196,308)	(692,093)
Proceeds from disposal of property, plant and equipment	18,202	13,813
<b>Net cash used in investing activities</b>	<b>(4,178,106)</b>	<b>(678,280)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	4,100,000	1,000,000
Repayment of long term financing	(1,407,401)	(662,473)
Dividend paid	(707,834)	(543,449)
<b>Net cash generated / (used in) from financing activities</b>	<b>1,984,765</b>	<b>(205,922)</b>
Net (decrease) / increase in cash and cash equivalents	(3,187,401)	2,214,618
Cash and cash equivalents at beginning of the period	(4,986,008)	(3,486,140)
Cash and cash equivalents at end of the period	(8,173,409)	(1,271,522)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	11,989	40,995
Short term borrowings	(8,185,398)	(1,312,517)
	(8,173,409)	(1,271,522)

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

  
Tariq Iqbal Khan  
Director & Chairman  
Board Audit Committee

  
Mujtaba Hussain  
Chief Financial Officer


  
Yousuf H. Mirza  
Chief Executive Officer




**International Steels Limited**  
**Condensed Interim Statement of Changes in Equity (Un-audited)**  
*For the nine months period ended 31 March 2018*

Note	Issued, subscribed & paid-up capital	Revenue Reserve Unappropriated profit / (loss)	Capital Reserve Revaluation surplus on property, plant and equipment	Total
Restated ------(Rupees in '000)-----				
<b>Balance as at 01 July 2016 as previously reported</b>	4,350,000	1,818,328	-	6,168,328
Effect of change in accounting policy - net of deferred tax	-	-	-	-
Revaluation surplus on property, plant and equipment included in Equity	-	-	974,298	974,298
Loss on revaluation charged to profit and loss	-	(4,369)	4,369	-
	-	(4,369)	978,667	974,298
<b>Balance as at 01 July 2016 as restated</b>	4,350,000	1,813,959	978,667	7,142,626
<i>Total comprehensive income for the nine months period ended 31 March 2017</i>				
Profit for the period	-	2,016,666	-	2,016,666
Total other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	2,016,666	-	2,016,666
<b>Transactions with the owners of the Company - distribution</b>				
Dividend:				
- Final dividend @ 12.50% (Rs. 1.25 per share) for the year ended 30 June 2016	-	(543,750)	-	(543,750)
Total transactions with owners of the Company	-	(543,750)	-	(543,750)
Transferred from revaluation surplus on property, plant and equipment - net of deferred tax	-	15,320	(15,320)	-
<b>Balance as at 31 March 2017</b>	4,350,000	3,302,195	963,347	8,615,542
Balance as at 01 July 2017 as previously reported	4,350,000	3,250,374	-	7,600,374
Effect of change in accounting policy - net of deferred tax	-	-	-	-
Revaluation surplus on property, plant and equipment included in Equity	-	-	953,873	953,873
Loss on revaluation charged to profit and loss	-	(4,369)	4,369	-
	-	(4,369)	958,242	953,873
<b>Balance as at 01 July 2017 as restated</b>	4,350,000	3,246,005	958,242	8,554,247
<i>Total comprehensive income for the nine months period ended 31 March 2018</i>				
Profit for the period	-	3,234,221	-	3,234,221
Total other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	3,234,221	-	3,234,221
<b>Transactions with the owners of the Company - distribution</b>				
Dividend:				
- Final dividend @ 10.0% (Rs. 1.00 per share) for the year ended 30 June 2017	-	(435,000)	-	(435,000)
- Interim dividend @ 15.0% (Rs. 1.50 per share) for the period ended 31 Dec 2017	-	(652,500)	-	(652,500)
Total transactions with owners of the Company	-	(1,087,500)	-	(1,087,500)
Transferred from revaluation surplus on property, plant and equipment - net of deferred tax	-	15,320	(15,320)	-
<b>Balance as at 31 March 2018</b>	4,350,000	5,408,046	942,922	10,700,968

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

  
**Tariq Iqbal Khan**  
 Director & Chairman  
 Board Audit Committee

  
**Mujtaba Hussain**  
 Chief Financial Officer

  
**Yousuf H. Mirza**  
 Chief Executive Officer

## **International Steels Limited**

### **Notes to the Condensed Interim Financial Information (Un-audited)**

*For the nine months period ended 31 March 2018*

#### **1. STATUS AND NATURE OF BUSINESS**

International Steels Limited ('the Company') was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 and is domiciled in the province of Sindh.

The net assets of the Steel Project Undertaking of International Industries Limited (the Holding Company), amounting to Rs. 4,177.167 million determined as at 23 August 2010 (day immediately preceding the completion date) in accordance with the Scheme of Arrangement, were transferred to the Company on 24 August 2010. In consideration of transferring to and vesting the Steel Project Undertaking in the Company, 417,716,700 fully paid-up ordinary shares were issued at par value to the Holding Company.

The Company was listed on the Pakistan Stock Exchange Limited on 01 June 2011. As at 31 March 2018, the Holding Company held 245,055,543 shares (2017: 245,055,543 shares) of the Company.

The primary activity of the Company is the business of manufacturing of cold rolled, galvanized and colour coated steel coils and sheets. The Company commenced commercial operations on 01 January 2011. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi.

#### **2. BASIS OF PREPARATION**

##### **2.1 Statement of compliance**

This condensed interim financial information of the Company for the period ended 31 March 2018 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'. These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

##### **2.2 Basis of measurement**

This condensed interim financial information has been prepared under the historical cost convention except that the land and buildings are stated at fair values determined by an independent valuer and the Company's liability under its defined benefit plan (gratuity) which is determined on the present value of the defined benefit obligations determined by an independent actuary.

##### **2.3 Functional and presentation currency**

This condensed interim financial information is 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 methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2017, except as disclosed in note 3.3.

**3.2** Certain amendments and interpretations to approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

## International Steels Limited

### Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31 March 2018

- 3.3 Effective 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the previous Companies Ordinance, 1984 (the repealed Ordinance). Section 235 of the repealed Ordinance relating to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified presentation and accounting treatment relating to the revaluation of property, plant and equipment which was not in accordance with the requirement of IAS 16 'Property, Plant and Equipment'. Consequent to deletion of said section from the Act, the Company has changed its accounting policy with respect to surplus arising on revaluation of property, plant and equipment to conform it with the requirement of IAS 16. Previously, the Company used to transfer such surplus to an account called 'Surplus on revaluation of fixed assets' which was shown separately in statement of financial position after Capital and Reserves (i.e. Equity). Further the surplus on revaluation of fixed assets was allowed to be applied by the Company in setting off or in diminution of any deficit arising from the revaluation of any other fixed assets of the Company. The said change in accounting policy has been made in accordance with the requirement of IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors'.

	30 June 2017			30 June 2016		
	As previously reported	Impact due to change in policy	As restated	As previously reported	Impact due to change in policy	As restated
------(Rupees in '000')-----						
<b>Effect on balance sheet</b>						
Unappropriated profit	3,250,374	(4,369)	3,246,005	1,818,328	(4,369)	1,813,959
Revaluation surplus on property, plant and equipment	953,873	4,369	958,242	974,298	4,369	978,667

The Company has made the changes in its accounting policy as per the requirements of the Companies Act 2017 and has restated certain comparatives. However there was no change in the reported amounts of statement of profit or loss account and other comprehensive income.

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

- 4.1 The preparation of condensed interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.
- 4.2 The significant judgements made by management in applying the Company's accounting policies and the key sources of estimating the uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2017.
- 4.3 The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2017.

#### 5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress	Total
------(Rupees in '000')-----			
<b>Cost / revalued amount</b>			
Opening balance	15,780,699	1,090,094	16,870,793
Additions	85,435	4,144,427	4,229,862
Disposal / transfer / adjustment	29,488	(85,435)	(55,947)
	15,895,622	5,149,086	21,044,708
<b>Accumulated depreciation</b>			
Opening balance	(3,231,342)	-	(3,231,342)
Charge for the period	(629,794)	-	(629,794)
Disposal / transfer / adjustment	11,355	-	11,355
	(3,849,781)	-	(3,849,781)
<b>Written down value as at 31 March 2018 (Un-audited)</b>	<b>12,045,841</b>	<b>5,149,086</b>	<b>17,194,927</b>
Written down value as at 30 June 2017 (Audited)	12,549,357	1,090,094	13,639,451

## International Steels Limited

### Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31 March 2018

6. STOCK-IN-TRADE	Note	31 March 2018 (Un-audited) ------(Rupees in '000)-----	30 June 2017 (Audited)
Raw material - in hand		7,467,747	3,028,194
- in transit		4,020,573	1,813,193
Work-in-process		1,931,251	1,190,872
Finished goods		2,407,176	3,505,587
		<u>15,826,747</u>	<u>9,537,846</u>
<b>7. TRADE DEBTS - considered good</b>			
- Secured	7.1	251,577	272,397
- Unsecured		513,981	491,646
		<u>765,558</u>	<u>764,043</u>
<b>7.1</b> Related party from whom debts is due is as under:			
-Sumitomo Corporation		<u>174,113</u>	<u>9,553</u>

#### 8. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits	15,196	7,894
Short term prepayments	24,623	14,639
	<u>39,819</u>	<u>22,533</u>

#### 9. LONG TERM FINANCES - secured

##### Conventional

Long Term Finance Facility (LTFF)	9.1	1,753,999	1,940,567
Long term finance	9.2 & 9.3	594,445	1,377,778

##### Islamic

Long term finance	9.4, 9.5, 9.6 & 9.7	5,162,500	1,500,000
		7,510,944	4,818,345

Current portion of long term finances shown under current liabilities

##### Conventional

Long Term Finance Facility (LTFF)	(235,962)	(235,962)
Long term finance	(327,778)	(450,000)

##### Islamic

Long term finance	(633,333)	(511,111)
	(1,197,073)	(1,197,073)

	<u>6,313,871</u>	<u>3,621,272</u>
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- 9.1** This finance has been obtained from a commercial banks and is secured by way of pari passu charge over fixed assets of the Company.
- 9.2** Long term finance amounting to Rs. 444 million (2017: Rs.578 million) has been obtained from a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.
- 9.3** Long term finance amounting to Rs. 150 million (2017: Rs.800 million) has been obtained from a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.

## International Steels Limited

### Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31 March 2018

- 9.4 Long term finance amounting to Rs. 563 million (2017: Rs.750 million) has been obtained from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.
- 9.5 Long term finance amounting to Rs. 500 million (2017: Rs.750 million) has been obtained from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.
- 9.6 During the period, the Company converted its long term loan (conventional) amounting to Rs. 500 million (2017:Nil) to long term finance (Islamic) under Diminishing Musharakah which is secured by pari passu charge over fixed assets of the Company.
- 9.7 During the period, the Company acquired a long term loan (Islamic) amounting to Rs. 3,600 million (2017:Nil) under Diminishing Musharkah which is secured by ranking charge over fixed assets of the Company.

#### 10. TRADE AND OTHER PAYABLES

	Note	31 March 2018 (Un-audited) ------(Rupees in '000)-----	30 June 2017 (Audited)
Trade creditors	10.1	3,809,451	4,081,902
Payable to provident fund		-	1,229
Sales commission payable		81,297	52,509
Accrued expenses		1,248,035	935,228
Advances from customers		1,147,576	390,740
Provision for infrastructure cess	10.2	719,788	519,204
Provision for government levies		230	257
Dividend payable		654,832	275,166
Unclaimed dividend		656	656
Short term compensated absences		10,428	5,928
Workers' Profit Participation Fund		242,964	-
Workers' Welfare Fund		237,637	140,452
Others		21,080	6,857
		<u>8,173,974</u>	<u>6,410,128</u>

- 10.1 Related party to whom payments is due is as under:  
-Sumitomo Corporation

	<u>34,314</u>	<u>3,011,880</u>
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#### 10.2 Movement of infrastructure cess

Opening balance	519,204	362,076
Provided during the period	200,584	157,128
Closing balance	<u>719,788</u>	<u>519,204</u>

#### 11. SHORT TERM BORROWINGS - secured

##### Conventional

Running finance under mark-up arrangement	11.1	4,665,978	1,570,864
Running finance under Export Refinance Scheme	11.2	1,861,675	1,118,500

##### Islamic

Short term finance under Running Musharakah	11.3	907,745	860,369
Short term finance under Term Musharakah	11.4	750,000	1,489,503
		<u>8,185,398</u>	<u>5,039,236</u>

## **International Steels Limited**

### **Notes to the Condensed Interim Financial Information (Un-audited)**

*For the nine months period ended 31 March 2018*

- 11.1** The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rate of mark-up on these finances ranges from 6.11% to 8.00% (2017: 6.08% to 8.00%) per annum. These facilities mature within twelve months and are renewable.
- 11.2** The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility ranges from 2.10% to 2.15% (2017: 2.15%) per annum. These facilities mature within twelve months and are renewable.
- 11.3** The Company has obtained facilities for short term finance under Running Musharakah. The rate of mark-up ranges from 6.36% to 6.63% (2017: 6.33% to 6.53%) per annum. This facility matures within twelve months and is renewable.
- 11.4** The Company has obtained facilities for short term finance under Term Musharakah. The rate of mark-up ranges from 6.11% to 6.55% (2017: 6.07% to 6.14%) per annum. This facility matures within twelve months and is renewable.
- 11.5** The unavailed facilities from the above borrowings amounted to Rs. 4,414.60 million (2017: Rs. 6,360.76 million).
- 11.6** The above facilities are secured by way of hypothecation of current and future moveable assets of the Company.

## **12. CONTINGENCIES AND COMMITMENTS**

### **12.1 Contingencies**

- 12.1.1** The Sindh Finance Act, 1994 prescribed an infrastructure fee at the rate of 1% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court of Sindh on petition filed by the petitioner, passed an interim order directing that every company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees issued as per the above mentioned interim order amount to Rs. 725.4 million (2017: Rs. 536.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been made for by the Company on prudent basis (Note 10.2). Subsequently through Sindh Finance Act 2015 and 2016, the legislation has doubled the rate of said cess. The Company has obtained stay against these and the ultimate dispute has been linked with the previous infrastructure cess case.
- 12.1.2** In 2011, the Gas Infrastructure Development Cess was levied via GIDC Act 2011 and further the rate of cess was amended via Finance Bill 2012 - 2013 which was challenged in the Supreme Court of Pakistan. The Supreme Court of Pakistan declared GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

During 2015, the Government passed a new law 'Gas Infrastructure Development Cess Act 2015' ('the Act'), by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 380.8 million (from 01 July 2011 till 22 May 2015) in this condensed interim financial information. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh. This appeal filed before the Divisional Bench of High Court of Sindh was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas Regulatory Authority (OGRA) and has correctly applied the factual position. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In view of aforementioned developments, the Company on prudent basis, continue to recognise provision after the passage of the Act.

Further the Company has not recognized GIDC amounting to Rs. 824 million (2017: Rs. 739 million) pertaining to period from 01 July 2011 to 31 March 2018 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).

- 12.1.3** Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the High Court of Sindh in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 07 May 2013, whereby it was held that the benefit of carry forward of minimum tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than minimum tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Company, based on legal counsels' advice, considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the High Court of Sindh or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable.

Further, based on the tax expert's advice obtained during the year, accumulated minimum tax liability under Section 113 of the Income Tax Ordinance, 2001 (the Ordinance) of Rs. 431 million was determined from the tax years 2013 till 2015 and an amount of Rs. 248 million on account of Alternate Corporate Tax (ACT) for the tax year 2016 under Section 113(C) of the Ordinance. However, based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projections and tax credits available to the Company under section 65(B) of the Income Tax Ordinance, 2001, accumulated minimum tax liability and alternate corporate tax net of tax credit under section 65(B) amounting to Rs. 148 million (2017: Rs. 157 million) has not been recorded in this condensed interim financial information.

- 12.1.4** OGRA has issued notification for increase in gas tariff disregarding the protocol laid down in OGRA Ordinance, 2002. The Company has filed a suit in the High Court of Sindh (the Court) challenging the gas tariff increase. The Court has granted a stay order, subject to security deposit of the differential amount with the Nazir of the Court. The Company has deposited amount of Rs. 286.6 million (2017: 107.7 million) as post dated cheques with the Nazir of the Court. The Company, on prudent basis, has also accrued this amount in this condensed interim financial information.
- 12.1.5** Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is paying Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provincial establishment in its judgement. A similar view is likely to be taken in this case as well where the liability will have to be discharged in the respective province.
- 12.1.6** The Model Collectorate of Customs (MCC), Peshawar stopped the exports of the Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 2 April 2002 on the account of non-payment of 17% Sales Tax. A Constitutional Petition in the Sindh High Court (SHC) on 1 October 2015 arguing that there is no sales tax on exports to Afghanistan as per manufacturing bond rules SRO 450(I) / 2015 and that SRO 190 issued in 2002 was never implemented and hence under the Sales Tax Act 1990 no such liability could be raised at this stage. The SHC granted a stay order by allowing our exports to Afghanistan subject to depositing bank guarantees worth Rs. 2.65 million (2017: Rs. 2.65 million) (i.e. value of disputed sales tax amount) before the Nazir of the SHC. On 30 October 2015 FBR issued a clarification as to the applicability of SRO 190(I) / 2002 and stated that exports made to Afghanistan does not attract the levy of sales tax. The same has already been filed before the SHC and disposal of the case along with return of the said bank guarantees is awaited.

## International Steels Limited

### Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31 March 2018

- 12.1.7** Guarantees issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs.269.7 million (2017: Rs. 268.7 million) as a security for supply of gas.
- 12.1.8** Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 12.0 million (2017: Rs. 5.5 million).
- 12.1.9** Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (2017: Rs. 8.67 million).
- 12.1.10** Guarantees issued in favour of Wah Industries issued by bank on behalf of the Company amounted to Rs. 85.26 million (2017: Nil).

#### 12.2 Commitments

- 12.2.1** Capital expenditure commitments outstanding amounted to Rs. 1,371.7 million (2017: Rs. 3,016.6 million).
- 12.2.2** Commitments under Letters of Credit for raw materials and spares amounted to Rs. 7,577.8 million (2017: Rs. 4,616.45 million).
- 12.2.3** The unavailed facilities for opening Letters of Credit and Guarantees from banks amounted to Rs.11,754.57 million (2017: Rs. 13,501.95 million) and Rs. 59 million (2017: Rs. 190 million) respectively.

#### 13. NET SALES

	Nine months period ended		Three months period ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	----- (Un-audited) -----			
	----- (Rupees in '000) -----			
Local	37,531,783	25,932,808	13,683,467	10,239,292
Export	3,345,768	3,062,790	1,139,035	1,002,680
	<b>40,877,551</b>	<b>28,995,598</b>	<b>14,822,502</b>	<b>11,241,972</b>
Sales tax	(5,625,974)	(3,896,654)	(2,045,365)	(1,528,865)
Trade discounts	(26,115)	(7,989)	(9,032)	(3,628)
Sales commission	(407,810)	(309,021)	(140,124)	(147,628)
	<b>(6,059,899)</b>	<b>(4,213,664)</b>	<b>(2,194,521)</b>	<b>(1,680,121)</b>
	<b>34,817,652</b>	<b>24,781,934</b>	<b>12,627,981</b>	<b>9,561,851</b>

#### 14. COST OF SALES

Opening stock of raw material and work-in-process	4,219,066	2,739,463	3,186,413	4,360,604
Purchases	32,375,093	21,479,613	17,055,474	8,365,946
Salaries, wages and benefits	342,043	308,504	115,152	122,759
Electricity, gas and water	794,053	734,638	286,403	254,118
Insurance	14,792	14,076	4,039	4,943
Security and janitorial	16,103	14,190	4,869	4,757
Depreciation and amortisation	560,387	538,054	185,930	177,591
Operating supplies and consumables	67,052	60,676	17,420	22,716
Repairs and maintenance	61,494	53,127	17,832	18,999
Postage, telephone and stationery	4,918	4,624	1,833	2,061
Vehicle, travel and conveyance	10,138	10,731	4,439	3,059
Internal material handling	8,596	13,513	2,012	5,972
Environment controlling expense	1,347	1,305	393	419
Computer stationery and software support fees	3,801	4,854	1,275	931
Partial manufacturing expense	-	101,249	-	101,249
Sundries	8,495	12,669	1,826	8,274
Recovery from sale of scrap	(1,138,039)	(787,266)	(402,683)	(321,627)
	<b>37,349,339</b>	<b>25,304,020</b>	<b>20,482,627</b>	<b>13,132,771</b>
Closing stock of raw material and work-in-process	(9,398,998)	(3,962,001)	(9,398,998)	(3,962,001)
Cost of goods manufactured	<b>27,950,341</b>	<b>21,342,019</b>	<b>11,083,629</b>	<b>9,170,770</b>
<i>Finished goods:</i>				
Opening stock	3,505,587	1,602,250	1,955,121	1,386,790
Closing stock	(2,407,176)	(2,720,751)	(2,407,176)	(2,720,751)
	<b>1,098,411</b>	<b>(1,118,501)</b>	<b>(452,055)</b>	<b>(1,333,961)</b>
	<b>29,048,752</b>	<b>20,223,518</b>	<b>10,631,574</b>	<b>7,836,809</b>



## International Steels Limited

### Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31 March 2018

15. SELLING AND DISTRIBUTION EXPENSES	Nine months period ended		Three months period ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	------(Un-audited)-----			
	------(Rupees in '000)-----			
Salaries, wages and benefits	59,057	47,052	19,389	19,127
Rent, rates and taxes	8,540	8,080	2,905	2,801
Electricity, gas and water	1,861	1,429	436	302
Insurance	569	522	165	231
Depreciation	4,790	2,725	1,704	968
Postage, telephone and stationery	2,053	1,631	1,098	646
Vehicle, travel and conveyance	10,238	7,380	3,601	2,483
Freight and forwarding charges	186,988	162,808	59,913	66,284
Sales promotion	36,179	10,583	19,359	3,550
Others	6,591	7,861	2,089	1,636
	<b>316,866</b>	<b>250,071</b>	<b>110,659</b>	<b>98,028</b>
16. ADMINISTRATIVE EXPENSES				
Salaries, wages and benefits	103,727	97,318	31,861	39,825
Rent, rates and taxes	3,696	4,510	1,209	946
Electricity, gas and water	1,592	1,506	330	312
Insurance	1,547	1,495	601	590
Security and janitorial services	395	-	114	-
Depreciation	4,439	4,195	1,445	1,370
Printing and stationery	4,393	1,683	576	273
Postage and communication	1,831	557	243	193
Vehicle, travel and conveyance	5,355	4,988	1,886	1,585
Legal and professional charges	27,320	20,841	8,385	8,974
Certification and registration charges	3,591	714	33	168
Directors' fee	2,850	2,280	750	1,080
Others	7,075	5,954	3,499	2,000
	<b>167,811</b>	<b>146,041</b>	<b>50,932</b>	<b>57,316</b>
17. FINANCIAL CHARGES				
Conventional				
- Interest on long term finances	121,633	178,483	36,887	53,064
- Interest on short term borrowings	100,983	54,232	41,353	12,569
	<b>222,616</b>	<b>232,715</b>	<b>78,240</b>	<b>65,633</b>
Islamic				
- Mark-up on long term finances	82,747	67,368	26,846	27,261
- Mark-up on short term borrowings	47,427	35,705	17,723	9,912
	<b>130,174</b>	<b>103,073</b>	<b>44,569</b>	<b>37,173</b>
	<b>352,790</b>	<b>335,788</b>	<b>122,809</b>	<b>102,806</b>
Interest on Workers Profit Participation Fund	-	85	-	-
Bank charges	5,141	6,207	2,806	2,515
	<b>357,931</b>	<b>342,080</b>	<b>125,615</b>	<b>105,321</b>
18. OTHER OPERATING CHARGES				
Auditors' remuneration	1,802	1,690	454	415
Donations	47,900	17,309	28,100	12,269
Workers Welfare Fund	97,185	77,255	31,806	29,813
Workers Profit Participation Fund	242,964	193,137	79,517	74,532
Loss on derivative financial instruments	2,054	31,483	-	-
Exchange loss	123,543	-	140,298	-
	<b>515,448</b>	<b>320,874</b>	<b>280,175</b>	<b>117,029</b>

## International Steels Limited

### Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31 March 2018

Nine months period ended		Three months period ended	
31 March 2018	31 March 2017	31 March 2018	31 March 2017

------(Un-audited)-----  
------(Rupees in '000)-----

#### 19. OTHER INCOME

##### Income from non-financial assets

Income from power generation	19.1	23,945	31,834	4,705	12,210
Recovery of shared resources cost		45,109	28,866	18,780	9,625
Gain on sale of property, plant and equipment		7,164	2,053	4,740	309
Rental income		1,455	1,451	484	481
Exchange gain		-	8,370	-	1,943
Others		30,608	19,801	21,272	14,325
		<b>108,281</b>	<b>92,375</b>	<b>49,981</b>	<b>38,893</b>
<b>Income / return from financial assets</b>					
Interest on bank deposits		-	538	-	52
		<b>108,281</b>	<b>92,913</b>	<b>49,981</b>	<b>38,945</b>

#### 19.1 Income from power generation

Net sales		319,239	310,929	100,872	104,654
Cost of electricity produced		(295,294)	(279,095)	(96,167)	(92,444)
		<b>23,945</b>	<b>31,834</b>	<b>4,705</b>	<b>12,210</b>

#### 20. TAXATION

- Current	(1,084,744)	(615,831)	(373,765)	(271,251)
- Prior	(10,850)	(136,320)	(3,000)	-
- Deferred	(189,310)	(823,446)	(49,564)	(258,115)
	<b>(1,284,904)</b>	<b>(1,575,597)</b>	<b>(426,329)</b>	<b>(529,366)</b>

20.1 Under section 5A of the Income Tax Ordinance 2001 a tax shall be imposed at the rate of 7.5% of the accounting profit before tax on every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute atleast 40% of its after tax profit within six months of the end of the tax year through cash or bonus shares. However, no provision has been made for tax on undistributed profit as the Board of Directors of the Company intend to distribute sufficient dividend for the year ending 30 June 2018, so that such tax is not required to be paid.

#### 21. CHANGES IN WORKING CAPITAL

	31 March 2018	31 March 2017
	------(Un-audited)----- ------(Rupees in '000)-----	
<i>(Increase) / decrease in current assets:</i>		
Stores and spares	(92,887)	(54,101)
Stock-in-trade	(4,081,521)	(2,300,899)
Receivable from K-Electric Limited	4,250	794
Trade debts	(1,515)	(210,056)
Advances	(10,078)	(5,083)
Trade deposits and short term prepayments	(17,286)	(9,425)
Sales tax receivable	(681,859)	34,770
	<b>(4,880,896)</b>	<b>(2,544,000)</b>
<i>Increase / (decrease) in current liabilities:</i>		
Trade and other payables	(827,700)	1,609,379
	<b>(5,708,596)</b>	<b>(934,621)</b>

## International Steels Limited

### Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31 March 2018

#### 22. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, directors of the Company and its subsidiary company, key management personnel and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Contributions to its defined contribution plan (Provident Fund) are made as per the terms of employment and contributions to its defined benefit plan (Gratuity Fund) are in accordance with actuarial advice. Remuneration of key management personnel is in accordance with their terms of employment and Company's policy.

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 this condensed interim financial information, are as follows:

	Nine months period ended		Three months period ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	------(Un-audited)-----			
	------(Rupees in '000)-----			
<b>TRANSACTIONS</b>				
<b>Holding company</b>				
Sales	6,535,433	4,701,633	3,010,713	2,770,455
Purchases	228,593	3,606	24,263	910
Partial manufacturing	23	118,489	-	118,461
Dividend paid	245,056	306,319	-	-
Office rent	6,057	7,217	2,019	1,939
Recovery of shared resources cost	45,109	28,866	18,780	9,625
Corporate, legal and marketing services	13,087	5,744	6,043	1,558
Reimbursement of expenses	4,205	1,562	879	86
<b>Associated Companies / undertaking</b>				
Sales	938,331	568,156	216,182	242,976
Purchase:	22,667,442	10,654,276	12,984,073	4,262,787
Rental Income	1,455	1,451	484	481
Donation	6,500	-	6,000	-
Dividend paid	39,478	49,347	-	-
Sales Commission	-	210	-	210
<b>Key Management Personnel</b>				
Remuneration and benefits	186,106	137,890	60,197	56,088
<b>Staff Retirement Fund</b>				
Contribution paid	55,157	35,757	11,358	13,294
<b>Non Executive Directors</b>				
Directors' fees	2,850	2,280	750	1,080

## International Steels Limited

### Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31 March 2018

#### 23. OPERATING SEGMENTS

- 23.1 This condensed interim financial information have been prepared on the basis of a single reportable segment.
- 23.2 Revenue from sales of steel products represents 99% (2017: 99%) 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.
- 23.3 All non current assets of the Company as at 31 March 2018 are located in Pakistan.
- 23.4 92% (2017: 89%) of sales of steel sheets are domestic sales whereas 8% (2017: 11%) of sales are export / foreign sales.

#### 24. DATE OF AUTHORISATION FOR ISSUE

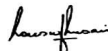
- 24.1 Corresponding figures have been reclassified for the purposes of comparison and better presentation. These reclassifications have no impact on previously reported profit or equity.
- 24.2 This condensed interim financial information was authorised for issue by the Board of Directors on 17 April 2018.



Tariq Iqbal Khan  
Director & Chairman  
Board Audit Committee



Mujtaba Hussain  
Chief Financial Officer



Yousuf H. Mirza  
Chief Executive Officer