

# CHAIRMAN'S REVIEW



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the audited annual financial results of your Company for the year ended June 30, 2023.

FY 2023 was a difficult year for the world economy and major headwinds of that year will quite likely straddle deep into FY 2024. Significant global challenges were the war in Ukraine, dislocation of international trade, food and energy supply shortages and the rising inflation and interest rates.

On the national front, during FY 2023, the domestic economy faced floods, political polarization, increasing inflation, foreign exchange constraints and supply chain disruptions. Successive increases in the policy rate made businesses cautious of borrowed liquidity as the margins were often not sufficient to recover the cost of borrowing. Large-scale manufacturing shrunk by 10.26%.

The IMF standby arrangement and support of friendly countries helped avert the risk of sovereign default and provided breathing space. Revival of CPEC, anticipated investment by friendly nations and the possibility of a recovery in the agriculture sector (all water reservoirs are full to capacity) provide a glimmer of hope for economic revival in FY 2024.

Over the past few years, your Company has focused on optimizing operations, controlling costs and conserving cash. This helped mitigate the brunt of high interest rates while maintaining the ability to fulfill market demand. In a positive step towards UN Social Development Goal (SDG) #7, the Company commissioned a 1 MW solar energy system at its factory in Karachi and is on course to install another 3 MW of solar energy in Karachi and Sheikhupura. We are firmly committed to reducing our carbon foot print by investing in green energy.

The Company maintained its market share and posted net sales of PKR 26.8 bn, earning a gross profit of PKR 3,422 million, Profit Before Tax of PKR 2,883 million, and Profit After Tax of PKR 2,273 million. This has delivered Earnings per Share (EPS) of Rs. 17.23 to our shareholders. Your Board of Directors has recommended a final cash dividend of Rs. 2.0 (20%) per share. With the interim dividend of Rs. 5.50 (55%) per share already paid during the year, the total dividend for the financial year 2023 will amount to Rs. 7.50 (75%) (FY22: Rs. 8.0) per ordinary share of Rs. 10 each.

IIL and its subsidiary, International Steels Limited (ISL) posted a turnover in excess of PKR 103 billion for the year under review. Group contributions to the national exchequer during the year amounted to PKR 21.8 billion. ISL reported a Profit After Tax of PKR 3.5 billion. Its gross turnover was PKR 77 billion, compared to PKR 91 billion in the preceding year.

A slower economy provided us with the opportunity to focus on brand strengthening activities and to extend our reach to previously untapped markets within Pakistan. Further, our recently established Construction Solutions arm has introduced innovative solutions in this space. During the year under review, the Company also successfully expanded Stainless Steel capacity by commissioning new tube-making and polishing machines creating opportunity for economies of scale.

I would like to acknowledge the dedication displayed by our employees in steering the Company during these challenging times. I am also delighted to report that our CSR efforts continued to proudly support a diverse spectrum of reputable not-for profit entities during the year under review.

### Changes to the Board

During the year 2022-23, no casual vacancy arose. Mr. Azam Faruque retired from the Board of Directors on September 30, 2022 at the conclusion of his term. Mr. Faruque joined the BOD in 2009 and served on the Board audit and Human Resource & Remuneration committees. Mrs. Saadia S. Rashid also retired at the conclusion of her term. The Board wishes to place on record its deepest appreciation for the contribution and wise counsel of Mr. Faruque and Mrs. Rashid.

On September 30, 2022, a new Board consisting of eight (8) Directors was elected for a term of three (3) years, whose term will expire on September 30, 2025. In addition to retiring seven (7) directors, Mrs. Selina R. Khan was elected as a non-executive director. I welcome Mrs. Khan and look forward to her contribution.

### Performance of the Board

The Board has performed its duties and responsibilities diligently and contributed effectively to guiding the Company in strategic and governance matters. It also played a key role in the monitoring of management performance and assessing major risk areas. The Board was fully engaged in the strategic planning process and supporting the vision of the Company.

The Board recognizes that well-defined corporate governance processes are vital to enhancing corporate accountability and is committed to ensuring high standards of corporate governance to preserve and maintain stakeholder value. All Board members, including independent directors, fully participated in, and contributed towards the decision-making process of the Board.

As Chairman of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive, wide-ranging debate on key matters, and ensuring that the Board receives information and opinions from management. I remain firmly committed to ensuring that your Company complies with all relevant codes and regulations and that the management continues to take decisions that create value for you in the short, medium and long term.

The Company has an independent Internal Audit department, which stewards a risk-based audit methodology and leads the internal audit function. Internal audit reports are presented to the Board Audit Committee (BAC) on a quarterly basis and areas for improvement are highlighted.

For over a decade now, the Board has conducted its self-evaluation. The evaluation identified areas for further improvement in line with global best practices. The focus remained on strategic growth, business opportunities, risk management and providing oversight to the management. Along with the Board's self-evaluation, the Board Audit Committee (BAC) and the Board Human Resource & Remuneration Committee (HRRC) also carried out their self-evaluations.

The BAC and the HRRC are chaired by Mr. Jehangir Shah and Mr. Mansur N. Khan respectively, both independent directors. The Board normally meets at least once every quarter to review operational results, and once a year to consider the budget for the ensuing financial year while another meeting is focused on strategy.

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our stakeholders, including shareholders, directors, customers, employees, bankers, and suppliers.

While I anticipate that the economic conditions are likely to remain difficult for FY 2024, I am confident that your Board and management are capable and fully committed to face these challenges with resilience and determination, delivering shareholder value, as we have in the past.



**Kamal A. Chinoy**  
Chairman

August 23, 2023