



Directors' Report

It is with great pleasure that the Directors of the Company present the 56th Annual Report to the shareholders.

BOARD OF DIRECTORS

There has been no change in the constitution of the Board since the last Annual Report.

Attendance of Directors at Board meetings during the year is reflected on page 43 .

OPERATIONS

The Company's manufacturing plants have operated satisfactorily.

The task of adding capacities, modernizing existing facilities and refurbishing old plants continued. All three galvanizing plants stand now upgraded and the Company has an annual capacity of galvanizing 120,000 M. tons of pipe.

The Cold Rolling Mill has again achieved a record production this year improving upon the previous year's production by 4%.

The Company produced 126,877 tons of saleable product.

SALES

The domestic sales grew by 11% over the previous year. As a result of aggressive marketing, the Company's Cold Rolled tubing sales in the year 2002-2003 increased by 24%. Continuing this strategy, the sale of this product in the year under review has grown by 34%.

The sale of galvanized pipe in the domestic market has grown by 9% and total export sales by 17%.

The consolidated sales have increased in volume terms by 12.7%.

FINANCIAL

The net sales value at Rs.4.293 billion is 33% higher than previous year. The gross margin for the year under review is significantly higher as the Company was carrying a high inventory of stock bought prior to the sharp increase in steel prices, resulting in gains of an exceptional nature. The gross profit of Rs.790 million and the operating profit of Rs.608 million are respectively 55% and 70% higher than the corresponding figures of last year. Other income/(charges) includes interest on deposits of Rs.6.7 million, refund of customs duty of Rs.6.3 million and exchange loss of Rs.11.2 million which came about in the last quarter as a result of the depreciation of the rupee.

The interest charge of Rs.52 million is 35% lower than last year because of the low interest rates.

The profit before tax at Rs.524 million is by the grace of Allah 85% more than last year. The current year tax was computed at Rs.153 million. A reversal of Rs.22 million in the deferred tax liability has reduced the current year's charge to Rs.131 million.

The profit after tax of Rs. 393 million translates into an earning per share of Rs.24.12.

During the year, the management of your Company felt that there was a need to revalue the land and the buildings to bring the values of these assets in line with the current market. Accordingly the task was given to M/s Indus Associated Consultant (Pvt) Limited who had also revalued the land and the buildings of the



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Company earlier. As a result revaluation surplus of Rs.563 million has been created. Out of this Rs.65 million have been transferred for deferred tax leaving Rs.498 million which together with the earlier revaluation of Rs.60 million is stated at Rs.558 million on the balance sheet.

CORPORATE GOVERNANCE

The confirmation of Directors regarding financial statements, books of accounts, accounting policies, application of International Accounting Standards, internal control system, the Company as a going concern, re-appointment of auditors, pattern of shareholding, value of provident and gratuity fund and details of trades in the shares carried out by its Directors, Officers and their spouses and minor children is given on pages 41 to 46.

APPROPRIATIONS

The Directors are pleased to recommend as follows:

	(Rs.000)
The profit for the year amounts to	393,154
Amount of un-appropriated profit brought forward from previous year	417
	<u>393,571</u>
The Directors recommend:	
Interim dividend already paid at the rate of Rs.2.50 per share (25%)	40,752
Final Dividend at the rate of Rs.7.50 per share (75%)	122,255
25% Bonus Shares	40,752
Transfer to General Reserve	189,000
Leaving an un-appropriated profit carried forward to next year	812
	<u>393,571</u>

SOCIAL RESPONSIBILITIES

In the last Directors' Report, we had informed the shareholders that a plot of land had been identified opposite our factory on which the Company was proposing to set up a school in collaboration with The Citizens Foundation. We are pleased to inform you that the school is now fully operational.

In addition to this your Company has extended support to charitable organizations involved in social service.

Our commitment of not polluting the environment and of improving the working conditions remains strong. We have successfully retained our ISO 14001 certification and are on course towards meeting our environmental objectives.

ACHIEVEMENTS

Your Company continues to perform well in the Export Sales and is now a regular recipient of the Export Trophy. We were also nominated as one of the Top 25 Companies by the Karachi Stock Exchange for the year 2002.

During the year under review the Company was rated as CGR-8 which indicates a high level of corporate governance by JCR-VIS a credit rating company which was assigned to assess the Company in this sphere of operations.



FUTURE PROSPECTS

The market demand continues to shift towards thinner gauge pipes; an area where your Company's capacity is not adequate. A strong market also exists for profiles used for fabricating door and window frames. These developments have led your Company into adding more pipe mills to take advantage of emerging opportunities. Capacity in this area of pipe making will be added during the financial year 2004-2005 when at least three new tube mills are expected to be on stream.

The Steel prices remain firm and there is no indication that these will ease in the foreseeable future. The gross margin are, therefore likely to be affected adversely.

The Government is making an effort to improve the lot of the common man so that the benefit of the economic stability attained by the country during the past few years can be translated into betterment of the poor. This is bound to create opportunities for all industries including your Company.

STAFF AND ACKNOWLEDGEMENT


The current Board retires on 30 August, 2004 having completed its three year tenure.

The Directors of your Board would like to take this opportunity of thanking the management and staff, bankers and our valued customers who have made our task so pleasant.

The Board is confident that if the management and employees of the Company continue to work with the devotion and zeal that has been their hallmark, the Company will Inshallah continue to prosper.

We pray to Allah for continued success of your Company.

For and on behalf of
International Industries Limited



J.R. Rahim
Chairman