From the Chairman's Desk

The Company achieved sales volume of 223,000 tons in the fiscal year under review which is a new record. The Profit after Tax (PAT) achieved is a healthy Rs 731 million which is 45% higher than the figure reported the previous year. The PAT figure received a boost due to the receipt of dividend income of Rs. 245 million from its subsidiary International Steel Limited (ISL). The profitability of the base business was Rs. 501 million compared to Rs. 496 million reported last year.

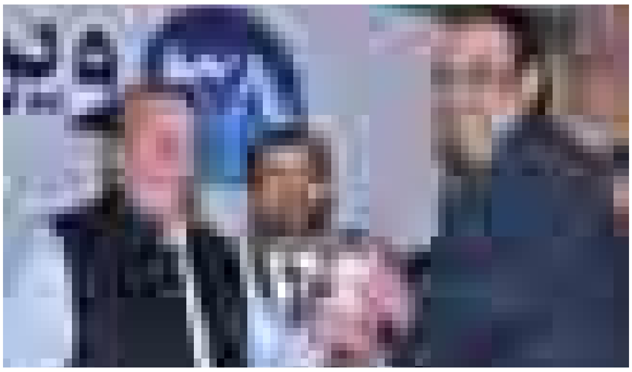
On the whole, it was a challenging year for the base business. The sharp declining trend in the global prices of commodities including the price of our primary raw material namely steel resulted in a drawdown of inventory by our customers in anticipation of cheaper purchases. This dampened ordering by our domestic dealers. The Company made special efforts to boost exports and succeeded in offsetting the shortfall in domestic sales. Further, protectionism in our traditional export markets caused overall export margins to decline.

There were other factors impacting our business which were linked with government policy. These were (i) the unwillingness of Customs authorities to recognise us as a Cold Roller thereby making our raw material import duty 17.5% otherwise importable @ 5% (ii) inability to process timely refunds which presently stand at Rs. 1.8 billion for the group (iii) the anomaly in tax structure which allows scrap importers to adjust input sales tax but does not allow local producers to do the same on the scrap generated.

The Board of Directors met 7 times during the year. Aside from dealing with the normal routine functions the Board focused on the future strategy to grow IIL's earnings. During the course of the year the Company's wholly-owned subsidiary IIL Australia Pty. Ltd became operational as did the new company IIL Stainless Steel (Pvt.) Ltd. Good progress has also been made in setting up the large diameter pipe project and the new warehouse in Sheikhupura. All these initiatives are expected to contribute appreciably to the longer term profitability of the Company. A sharper focus on the existing plastics pipes business of the Company has resulted in a turnaround with improved prospects going forward.

IIL's major subsidiary International Steel Limited (ISL) in which it has 56.33% shareholding has now been reporting its business results separately for 4 years. ISL reported PAT of Rs. 202 million for the outgoing year down from Rs. 690 million reported in the same period last year. The enhanced import duty tariff on raw material and product dumping by importers were the principal factors eroding the profitability. Efforts are in hand to address these issues with the authorities.

In keeping with tradition the Company received FPCCI's Best Export Performance Award for the 15th time. The Company also received the Top 25 Companies Award for 2013-14 and The Prime Minister's Export & Innovation Award.



The composition of the IIL Board is a good mix of experience, skill sets and sponsor and independent Directors thereby enabling healthy debates on business strategy and good corporate governance practices. All senior management positions are held by experienced and capable individuals. During the year Ms. Nargis Ghaloo, a nominee of State Life Insurance Co. was appointed as a Non-Executive Director on the Board replacing Mr. Muhammad Raeesuddin Paracha. The two Committees of the Board, namely, the Audit Committee and the Human Resources & Remuneration Committee met regularly and fully supported the functioning of the full Board.

Looking ahead, the immediate first quarter is expected to be lean primarily due to seasonality, however, the management is confident that it is well positioned to take advantage of the improved macro-economic environment in the country and benefit as the new strategic initiatives begin to bear fruit.

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our employees to the success of the Company. I also wish to thank our shareholders, customers, suppliers, bankers and other business partners for their confidence and support.

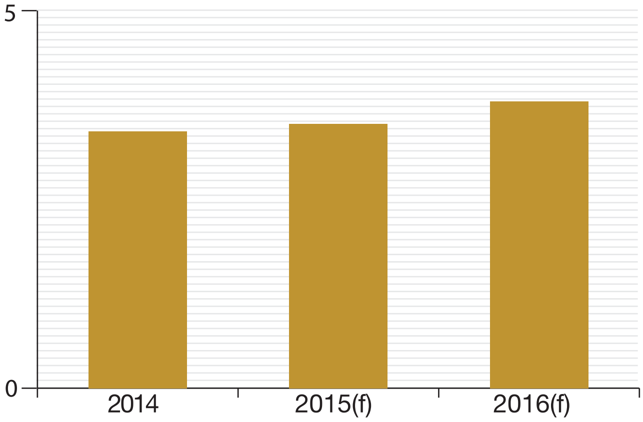
Zaffar A. Khan
Chairman
August 17, 2015

We are pleased to present the CEO's Performance Review as part of our 67th Annual Report, along with the audited financial statements for the year ended June 30, 2015.

GLOBAL MACROECONOMIC OUTLOOK

The global economy grew by a modest 3.4% during 2014, roughly in line with the previous years reported growth figures. A number of factors weighed in on growth and recovery during this period, notably, declining commodity prices, geopolitical tensions in Ukraine and The Middle East and the sovereign debt crisis afflicting the Eurozone.

World GDP Growth
2014 - 2016(f)



Source: IMF World Economic Outlook, Apri¬l 2015

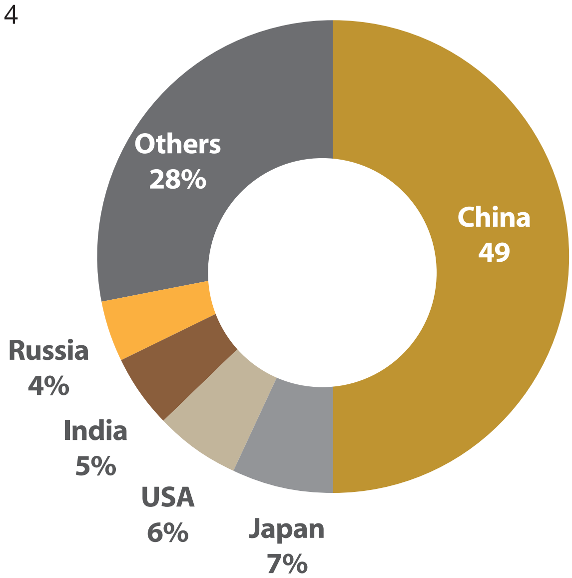
The growth prospects for emerging markets remain weak in light of recent economic developments. The oil price shock witnessed in late 2014 has resulted in downward revisions to growth forecasts for major oil exporters, structural changes in the Chinese economy that reflect a move away from investment to consumption led growth have adversely impacted growth and declining commodity prices are shaping expectations of slower growth in South America. In addition, the expected normalization of US monetary policy poses significant risk of capital flight for emerging markets, which could potentially result in currency crises and funding issues.

Developed market economies have fared relatively better than emerging markets, primarily on the back of stronger than expected growth in the United States, which saw growth averaging approximately 4% annualized in the last three quarters of 2014. The unemployment rate also witnessed a significant decline from the corresponding period last year. However, subpar inflation and the threat of stagnation and deflation in the Eurozone is a constant reminder that substantial risks still remain.

GLOBAL STEEL SCENARIO

World crude steel production touched 1.67 billion metric tons (MT) in 2014. Out of this the Chinese steel industry accounted for roughly 823 million MT, which is more than 50% of global crude steel output. Other major players include Japan 111 million MT, USA 88 million MT, India 83 million MT and Russia 71 million MT.

Share of Global Crude Steel Production
2014



Source: World Steel Association

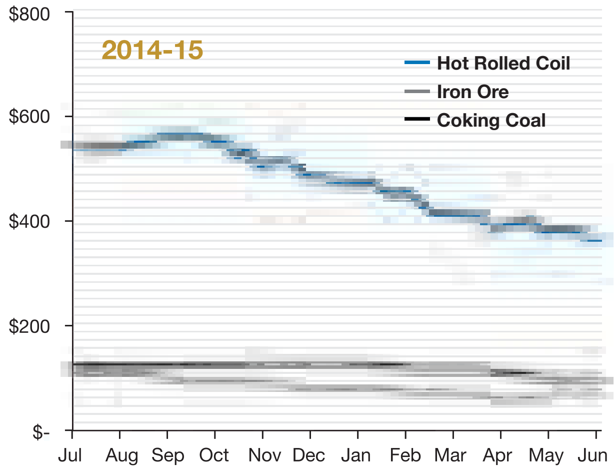
The global steelmaking industry faces a chronic problem of overcapacity, in part due to the diminishing demand for investment in infrastructure as the Chinese economy rebalances itself towards a more sustainable growth path. It is, however, encouraging to see that the Chinese government is actively planning to consolidate the fragmented Chinese steel industry through optimization of organizational structures and mergers and acquisitions (M&A) in the medium to long term. Furthermore, phasing out of obsolete technology is being carried out through tightened environmental laws and regulations. These measures are expected to reduce overcapacity and provide the industry with a greater degree of pricing power.

The price of steel witnessed a sharp decline during the year, driven by plummeting iron ore prices. Gross overcapacity in the iron ore mining industry has resulted in prices more than halving since January 2014. The impact on the steel industry has been significant and many steelmakers, downstream processors and traders have had to close down or reduce their exposure as a result.

Steel prices are by and large dictated by the price of iron ore, coking coal and various ferrous metals. **Prices of hot rolled steel coil fell continuously during the year 2014-15 from US$ 540 to US$ 365 per MT.**

Iron Ore, Coking Coal and Hot Rolled Steel Coil Price

USD Per Ton



Source: Metal Bulletin

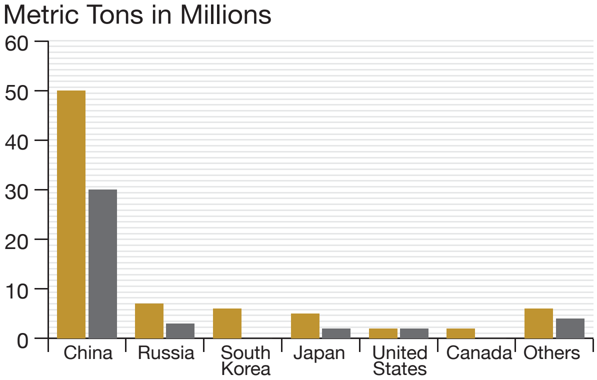
Steel Tube & Pipe Industry

The global steel tube and pipe industry manufactures a broad mix of welded and seamless pipes & tubes. The end use for steel pipes lies primarily in the oil & gas, water and sewage transmission and construction industries, whereas cold rolled steel tubing is used in automotive, home appliance manufacturing and various furniture and fabrication related applications.

World production of tubes and pipes was almost 123 million MT in 2014, approximately 7.5% of global crude steel production. Production of welded tubes and pipes was almost twice that of seamless tubes and pipes due to the limited end uses for seamless pipes, namely, drilling, exploration and other high end uses. Chinese production of steel tubes and pipes almost quadrupled between 2004 and 2014 and is currently 67% of world steel tube and pipe production.

World Steel Tube & Pipe Production

Metric Tons in Millions



Source: World Steel Association

Stainless Steel

Global production of stainless steel was approximately 42 million MT in 2014. The relative size of the industry is much smaller than that of carbon steel due to a narrower range of end uses for stainless steel products and a price that is roughly 6-7 times greater than that of carbon steel equivalents. The higher price is a direct result of greater nickel and chrome content.

Stainless steel pipes are typically suited for end uses that require high corrosion and temperature resistance, and aesthetic appeal. Major end uses of stainless steel pipes and tubes include:

- Chemical and petrochemical processing
- Liquid natural gas piping
- Automotive exhaust systems
- Construction - offshore and humid environments
- Food and pharmaceutical processing
- Desalination and wastewater projects

IIL STAINLESS STEEL PVT. LTD.

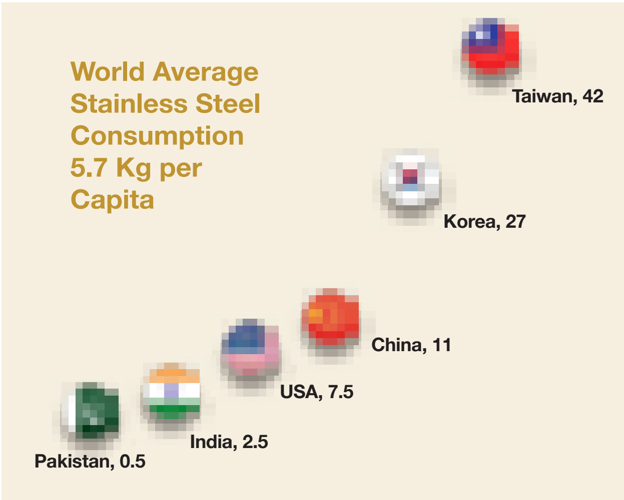
Stainless Reliability

IIL Stainless Steel (Pvt.) Limited was incorporated as a fully owned subsidiary of International Industries Limited (IIL) with capital of Rs. 150 million during the outgoing financial year. The company has commenced commercial production and is engaged in manufacturing and marketing high quality stainless steel pipes and tubes for automotive, industrial and ornamental applications.

The size of the domestic market for stainless steel products is approximately 95,000 MT per annum, out of which roughly 14% is comprised of stainless steel pipes & tubes. This lucrative domestic market for stainless steel pipes & tubes and the absence of large scale import substituting manufacturing has provided us with the opportunity to invest in this particular segment of the steel tube and pipe market.

Pakistan's average stainless steel consumption per capita is approximately 0.5 kg/capita relative to the world average of 5.7 kg/capita, which indicates massive potential for growth that this particular segment of the steel industry possesses.

Per Capita Stainless Steel Consumption
Kg per Capita



DOMESTIC ECONOMY
Pakistan achieved 4.24% GDP growth in fiscal year 2014-15 compared to 4.03% during the previous year.

Other broad macroeconomic indicators also point towards improving economic and financial health of the economy. Inflation rate at 4.8% during July-April 2014-15 remained well below the reported figure of 8.7% during the corresponding period last year. The State Bank of Pakistan also made the timely decision to reduce its policy rate, in line with lower than anticipated inflation. The move is expected to provide much needed relief to the corporate sector. The fiscal deficit for July-March 2014-15 was restricted to 3.8% of GDP, which is marginally lower than the figure of 3.9% reported for the corresponding period last year. The current account deficit for July-April 2014-15 recorded an improvement of 53.5% over the same period last year. It should however be noted that the external account situation is relatively better on account of exogenous factors, i.e. lower oil prices and higher remittances.

Large Scale Manufacturing (LSM) for July-March 2014-15 registered below par growth of 2.5% compared to 4.6% during the corresponding period last year. Growth remained anemic due to a wide range of factors including gas shortages and other industry specific issues. Growth in the iron & steel sector was substantially higher as a result of the bailout package given to Pakistan Steel Mills (PSM), however, the engineering goods sector registered -10.68% growth during the July-March 2014-15 period.

The Pak-China FTA remains an impediment to steel industry growth in the country as major steel products can be imported from China at concessionary duty rates under the current FTA regime, whereas goods from all other countries are importable at the higher rate of tariff. Given that China accounts for roughly 50% world crude steel production and the fact that there is massive overcapacity in the Chinese steel industry, the domestic industry will undoubtedly have to face cheap imports and unfair trade practices under the current tariff regime. It is also unlikely that Pakistan Steel Mills (PSM) can thrive in such an environment despite having received a sizeable bailout package from the government. Furthermore, the absence of a genuine cascading tariff structure inhibits the organic growth of the domestic steel industry.

The World Steel Association's assessment of per capita finished steel consumption for 2014 indicates a world average of approximately 217 kg/capita. Reported estimates of per capita steel consumption in Pakistan are in the range of 40-45 kg/capita, which is well below the world average and indicates immense potential for growth in the domestic steel manufacturing and processing industry.

COMPANY OPERATIONS

Market Share
Your company is the leading tube and pipe manufacturer in the domestic market for GI Pipes, CR Tubes and black & scaffolding pipe and has the largest product range in its relevant segments. It enjoys continuing loyalty from its customers, dealers and business partners.

The Company's Plastics segment caters to water & gas transmission and duct applications, and is continuously evolving to meet the demands of its customers.

Gross Sales

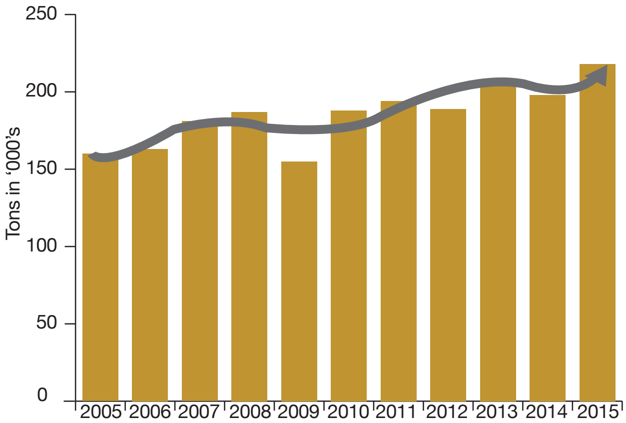
Your Company achieved record gross sales volume of 223,315 MT during the outgoing financial year, with gross turnover crossing Rs. 20 billion, which is 8.4 % higher than last year.

Steel Sales

Record steel sales of roughly 218,421 MT were realized during the outgoing financial year, which is 10% higher than last year. Domestic steel sales remained flat at roughly the same level as last year primarily due to sluggish demand for API Line Pipes from gas utility companies. The absence of growth from the domestic market was however offset by record breaking international sales.

Total Sales Volume, 2004-2015

Metric Tons in 000's



Domestic Steel Sales

Overall domestic sales volume increased by 2% from last year. Sales of GI pipe went up by 8% over previous year, however black and scaffolding pipe volume was up more than 130% over last year on strong demand from the building and construction industry. Sales of CR tubes were 1% less than the previous year.

International Steel Sales

The outgoing year saw **export sales volume** touch a historic high after achieving **growth of roughly 25%** year on year. Pickup in building and construction activity in key export markets propelled sales of GI and Scaffolding/Black pipes to 32% over last year's sales.

Our marketing strategy has allowed us to regain lost market share of CR tubes in our export markets. Sales volume increased by a healthy 10% over the same period last year.

The development of new export markets has finally begun to payoff and we expect the growth momentum to sustain itself in the medium term. The Company continues to explore and develop new markets for export. We currently export to more than 42 destinations worldwide covering 5 continents.

Polyethylene Sales

The Company's **Polyethylene segment registered sales growth of a healthy 42% over last year.** Sales of our MEGAFLO/TERRAFLO brand of water pipe achieved the highest year on year growth of 131%. Sales of our plastics r gas pipe fell by 30%, due to the chronic gas shortage and lack of new investment by gas utility companies in this sector. Sales of our FLEXFLO brand of duct pipe were slow during the year and ended at 44% behind last year.

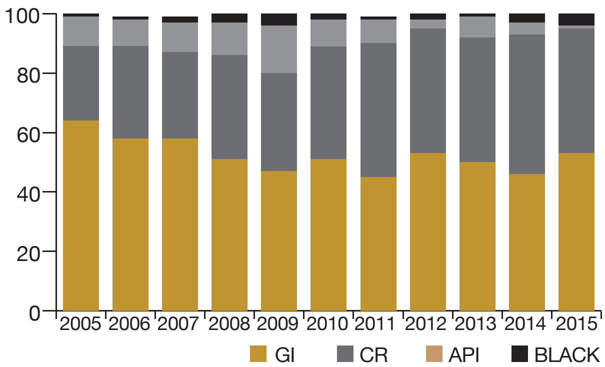
Proliferation of inferior quality products in Pakistan makes it very hard to market premium quality products to customers with little or no product knowledge. The management is making concerted efforts to create awareness about quality standards and the long-term implications of using sub-standard plastic pipe systems. We continue to supply key institutional clients with premium quality water and duct pipes; however the commercial market remains a challenge where cheap, substandard product is available in abundance.

PRODUCTION

Production-related challenges were faced primarily on account of gas shortages, especially at weekends, which resulted in production planning constraints and disruptions.

The IIL Stainless Steel (Pvt.) Limited facility was successfully commissioned during the year. The plant comprises of two state of the art tube mills and polishing machines. An in house team has been developed and is responsible for technical matters. The staff has been purpose trained at HOTO Malaysia.

Steel Product Mix- 2005-2015



FINANCIAL REVIEW

Company Results

The Company posted **Net Sales of Rs. 17,674 million,** which was 8.2% higher than last year, earning **Gross Profit of Rs. 1,879 million,** Profit Before Tax of Rs. 933 million and **Profit After Tax of Rs. 731 million.** The Board approved a 15% interim cash dividend and 25% final cash dividend for the year ended 30 June 2015, bringing the **total cash dividend** to **40% for the financial year.**

Profit Before Tax for the year increased by 43% over last year primarily due to dividend income from International Steels Limited.

Cost of Goods Sold for the year at Rs. 15,795 million was 10.9% higher than last year and in line with the turnover. Despite declining steel prices the Company was able to increase its volumes by reducing its inventory and financing cost.

Selling and Distribution Expenses of Rs. 590 million were 2.5% lower than last year as a result of better freight management and cost saving initiatives.

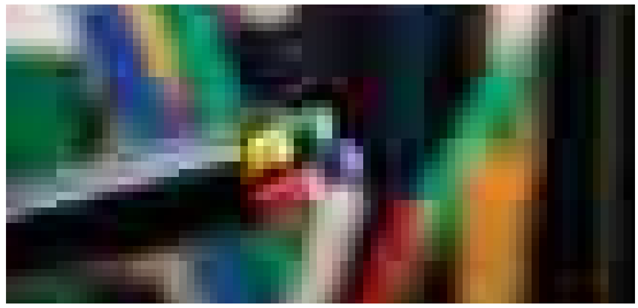
Administrative Expenses of Rs. 189 million were 18.6% higher than last year.

Other Operating Charges of Rs. 82 million were 12% higher than last year primarily on account of business development expenses. Other Income showed an increase of Rs. 236 million mainly due to dividend income from International Steels Limited.

Financial Charges during the year decreased by Rs. 292 million or 37% primarily due to lower stock holding and reduced borrowing rates.

Segment Results

Revenue from the Steel segment stood at Rs. 16,718 million, yielding Gross Profit of Rs. 1,779 million. Gross profit margin from the Steel segment decreased as compared to last year's level.



Revenue from the Plastic segment was Rs 956 million with a Gross Profit of Rs. 100 million.

Cash Flow Management & Borrowing Strategy

The Company's cash flows management system projects cash inflows and outflows on a regular basis as well as monitors the cash position on a daily basis. Keeping in view the saving in financial costs owing to a gap between KIBOR and LIBOR based borrowing and its aforementioned natural hedge on account of exports, the Company manages a portion of its working capital requirements through LIBOR based USD borrowings and the balance is arranged through an optimal mix of Export Refinance entitlements and running finance facilities.

During the year 2014-15, the weighted average cost of borrowings, including exchange losses, was 28% below last year's rate.

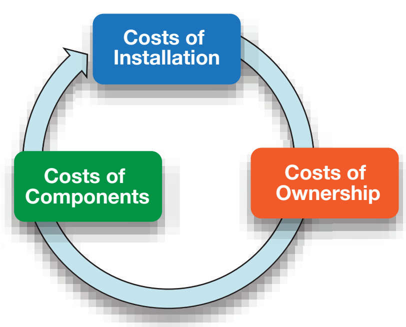
Capital Structure

Debt equity ratio on 30 June 2015 was **46:54** compared to 63:37 as on 30 June 2014. Interest cover and debt servicing ratios improved as compared to last year.

CORPORATE SUSTAINABILITY

Energy Conservation and Recycling

Steel is 100% recyclable, meaning it can be reprocessed into the same material multiple times. Recycling accounts for significant energy and raw materials savings. More than 1,400 kg of iron ore, 740 kg of coal and 120 kg of limestone are saved for every ton of steel scrap made into new steel.



When selecting piping systems, we encourage our customers to evaluate the 'Whole Life Cost' of alternative systems in order to arrive at the true cost to the user. The Whole Life Cost of a system includes cost of components, installation and ownership. Our HDPE water pipes, with low installation costs and leak-free life provide greater durability and true peace of mind to the system operator and end user.

Pursuing its commitment to the efficient use of resources, the Company utilizes all waste heat to generate chilled water, which in turn, fulfills the factory's water-cooling and air-conditioning requirements. Furthermore, IIL's recently commissioned Reverse Osmosis Plant helps meet additional water requirements at the factory premises.

IIL generates electricity though co-generation. Its own needs are met through this generation and excess electricity is transferred to the K Electric grid. Hence, there is full utilization of installed generation capacity and generation of additional revenues, whilst contributing to alleviate the chronic power shortage faced by the country.

Environmental Protection Measures

IIL has implemented the ISO 14001 Environment Management System and environmental protection remains one of the major priorities of the Company. IIL's environmental performance is managed through the implementation of its business planning process, compliance systems, risk management practices, governance programs and management review.

The Company neutralizes its emissions prior to discharge by using 100 feet high fume scrubbers. All effluent waste is treated at its Effluent Treatment Plant (ETP) prior to discharge, whereas sludge generated from the ETP is transferred responsibly to designated landfill sites for environment-friendly disposal.

During the year, two surveillance audits were conducted by M/S Lloyds (a UK-based certification body) to provide assurance that the Q&HSE Management System complies with ISO 9001, ISO-14001 & OHSAS 18001 global standards. No major non-conformities were observed.

Periodical testing of IIL's effluents and factory and vehicular emissions was carried out through third parties and recognized laboratories for compliance with the National Environmental Quality Standards (NEQS).

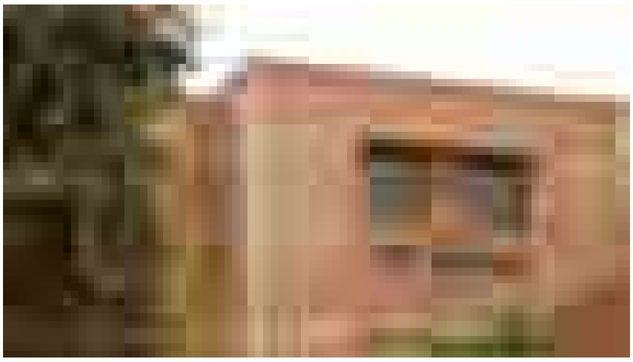
Controls were imposed on possible excess use of paper and a reduction of 38% was achieved in use of printing paper in computers and 12% in use of printing paper in photocopying through increased use of scanners, using both sides of a paper sheet, and shredding used paper and selling it for use in packing material.

Contribution to the National Exchequer

Your Company is registered with the Large Taxpayers Unit (LTU) and **contributed over Rs. 2.53 billion** towards the national exchequer in the form of Income Tax, Sales Tax, other taxes, duties and levies during the financial year

Corporate Social Responsibility (CSR) and Community Welfare Schemes

IIL contributes approximately 2.5% of its Profit after Tax towards CSR activities. The primary focus of IIL's CSR activities center around the arena of education and health for the underprivileged. To this end, IIL has linked up with The Citizens Foundation and continues to support all operating expenses for a TCF primary school in the vicinity of the IIL factory. The TCF-IIL Campus provides free/affordable education to almost 400 students. IIL has also funded the construction and operating expenses of a mosque in the Landhi area.



Additionally, IIL has taken the first step towards establishing a health clinic in Landhi in association with SINA Health, Education & Welfare Foundation. The IIL-SINA Clinic is expected to be operational by February 2016 and will provide free medical facilities to the community living in the vicinity of the factory. IIL will fund the land purchase, construction of the building, and part maintenance of the clinic.

IIL has also sponsored the Amir S Chinoy Amphitheatre at the IBA Main campus.

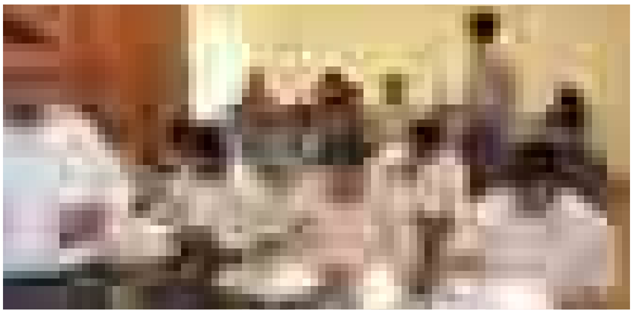
Health Safety & Environment

In an environment of increasing regulatory interest and awareness of safety hazards, IIL seeks to prevent injury and illness through the implementation and ongoing development of proactive work health and safety management systems, based on OHSAS-18001 & ISO-14001 International Standards.

IIL strives to fully integrate work health and safety into all aspects of its activities by:

- providing professional and technical safety advice
- continuous improvement and testing of emergency response procedures
- effective communication on development and implementation of OHS systems through an effective network of OHS committees, established specifically to assist in inculcating good OHS practices at all levels
- managing OHS risk by systematically identifying hazards and assessing and eliminating or controlling the associated risks
- providing training and awareness on an extensive array of OHSE issues

Basic safety training is imparted to all service contract and company workers upon induction.



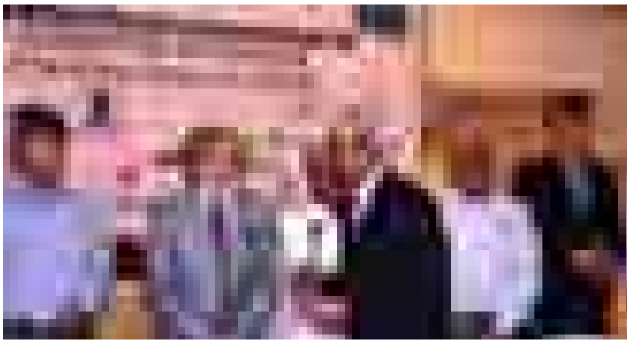
Relevant management staff is incentivized to achieve compliance through the inclusion of OHSE-related criteria in their performance appraisals. Accident prevention amongst contractual employees is made a priority by incentivizing employees through a system of quarterly safety performance-related awards and penalties.

Regular safety walkthroughs are used to keep a check on housekeeping, detailed risk assessment of cranes is carried out to ensure safe crane operations and monthly Joint Crane Inspections by OHSE, Engineering & Production staff are carried out to trace and rectify faults. All IIL locations are examined. These walkthroughs are conducted by senior managers and all observations are shared with respective department heads for corrective and preventive actions. A final report is presented in the monthly Q&HSE Trend Analysis meeting to the top management.

A Monthly Safety Trophy is awarded based on set criteria. Evaluation is done the monthly safety walkthroughs. The CEO presents trophies to winning departments and visuals of the event are displayed prominently.

During the year over 3,900 employees were imparted a total of 340 trainings. OHSE trainings included Safe Crane Operations, Hands Safety, Fire Fighting Operations, Permit to Work System, Industrial Hazards, First Aid & Rescue, Defensive Driving, Electric Safety and Working at Heights.

Through effective implementation of ISO-14001 & OHSAS-18001 OHSE management systems, the Company achieved a Lost Time Injury Frequency Rate (LTIFR) per million hours worked of 2.0 against the global industry average of 1.61 (2013).



As a result of its efforts, IIL was awarded the 2015 Environment Excellence Award by the National Forum for Environment & Health and the third position in a nationwide OHSE Best Practices 2014 competition organized by the Employers' Federation of Pakistan.

HUMAN RESOURCE MANAGEMENT

During the year 2014 – 2015, IIL focused on internal inspection with an emphasis on improvement in its HR management processes. One such measure was initiating a comprehensive review of the existing HR policies and procedures. This review is underway and is targeted for completion in the coming year.

Another was a substantial introspection on improving workforce efficiencies, and as a result, two areas of the Company were restructured to be operated on a multitasking basis so that the same workforce could be utilized for different functions that require similar skill sets. The results of this initiative will be apparent in the coming year.

Another measure was to create a specific grade for the special security manpower responsible for controlling entrances and exits of the factories. In addition to improved control on thefts and petty pilferages, this has resulted in significant reduction in the number of customer complaints.

The Company currently has a workforce of more than 1010 employees, 34% of which are in management grades.

Industrial Relations

The year 2014 – 2015 was relatively quiet in terms of the industrial relations aspect. Throughout the year routine operational matters related to workers were handled effectively. Overall industrial relations remained peaceful.

Gratuity Scheme and Provident Funds

The Company invests in plans that provide retirement benefits to its employees. These include a non-contributory defined benefit Gratuity Scheme for all employees and a contributory Provident Fund for all employees except unionized staff. Both plans are funded schemes recognized by tax authorities. The values of the Provident Fund and the Gratuity Scheme at the year-end were Rs. 254 million and Rs. 295 million respectively. The imposition of WHT on these funds has now become an issue.

Employment of Special Persons

Complying with the legal requirement to hire physically handicapped persons, IIL's workforce has 25 such special people.

Business Ethics and Anti-corruption Measures

IIL remains an active member of and signatory to the United Nations Global Compact and is thereby committed to adhering to the principles of human rights, labor standards and environmental protection. The Company's corporate success has been derived from strong and universal ethical and moral standards, professionalism and the fulfillment of fundamental duties towards current and prospective stakeholders in order to gain durable trust and respect.

The Company has an independent Internal Audit department and well-established controls. Parts of the internal audit function are outsourced to Ernst & Young Fords Rhodes Sidat Hyder, a prominent firm of Chartered Accountants. Internal Audit assesses the internal control systems on a regular basis and presents their view to the Board Audit Committee.

Trainings

During the year more than 3,900 employees were imparted a total of 340 internal trainings on various technical topics including manufacturing processes and OHSE. 48 employees attended external (local & foreign) programs arranged by various well-reputed institutes including PICG, LUMS, IBA, NED, ICAP, MAP, PSTD, PIMS and HIDA-Japan etc.

INFORMATION SYSTEMS AND RE-ENGINEERING

Continuing from last year's initiative to upgrade and enhance our Oracle ERP E-Business Suite, we are happy to report that the platform has now been upgraded to provide better performance and efficiencies to our business users. Users will also be able to take advantage of new automated processes and features built into the ERP system. We remain committed to the process of continuous improvements by reviewing new technology, its cost and the applicability of it to our business environment.

The company has also recently re-launched its website which has been rejuvenated taking the ease of site visitors into consideration.

FUTURE OUTLOOK

The company is focused on achieving more efficient and profitable utilization of installed manufacturing capacity through selection of an optimal product mix. We regularly engage our institutional customers for feedback in order to seek product improvement.

Continuing its drive to explore new avenues for growth opportunities, The Company was proud to see its wholly owned subsidiary, IIL Stainless Steel Ltd, start production in April 2015. The first reliable, large scale manufacturer of high quality stainless steel products in Pakistan, IIL Stainless Steel will cater to the fast growing architecture & interior design industries as well as to the auto industry.

IIL announced the incorporation of a wholly-owned subsidiary, IIL Australia Pty Limited (IILA), during the outgoing financial year. The company is set to make substantial inroads and develop this vast market in the years ahead.

The Company is set to manufacture pipes up to 12” diameter and ½” in wall thickness to cover up to X70 API grade for oil, gas and water distribution in the year ahead. This will open up a new segment of the market and qualify us as a manufacturer with a complete range of ERW pipes including API Gas pipe.

The Company is also in the process of constructing a warehouse/factory near the outskirts of Lahore to better serve its near home and international clients' requirements and be closer to its key domestic markets. The facility is already operational.

We have planned extensively to enhance its reach and expand its range of products in the coming years so as to cater to a wider customer base and achieve its vision, “To be an international, innovative, entrepreneurial, million ton steel processor by the year 2020”.

BUSINESS RISKS

Steel, Zinc and Polyethylene are the primary raw materials consumed in the Company's manufacturing processes. The absence of a reliable and adequate domestic supply compels the Company to procure raw material from the international market. Importing large quantities of these raw materials exposes it to volatility in the international price of Steel and Zinc as well as exchange rate fluctuation. The key to profitability in such an environment is efficient inventory management and sales forecasting, as well as effective procurement and consistently strong sales.

Cost containment, well-managed operations and continuous modernization and upgrading are key components of your Company's business strategy employed to deliver healthy returns to stakeholders.

INVESTMENTS

The Company has a sizeable investment in its subsidiary, International Steels Limited (ISL), which is in the business of processing flat steel products. ISL ended the financial year with sales volume in excess of 239,000 tons, Gross Sales of over Rs 21 billion and PAT of Rs. 202 million.

The overwhelmingly positive response from the market has prompted ISL to fast-track its expansion plans. The Company has enhanced its cold-rolling capacity to 450,000 MT per annum while its Coil Galvanizing capacity has been doubled to 350,000 MT per annum by adding a second galvanizing line at an approximate cost of Rs. 3 billion.

The company owns 100% of IIL Australia Pty Ltd which ended the year with Sales of AUD 1.6 million and a nominal PAT of Rs. 92,000.

The company also owns 100% of its subsidiary IIL Stainless Steel Pvt. Ltd., which ended the financial year, after having started commercial production only during the last quarter of 2014-15, with sales volume of 40 MT, Gross Sales of Rs. 13.9 million and a minor Loss Before Tax of Rs. 6.3 million, as expected.

The outgoing year has seen the group post sales volume in excess of 463,000 MT, Gross Sales of Rs. 39.9 billion, Net Sales of Rs. 34,459 million, Gross Profit of Rs. 3,389 million, Profit Before Tax of Rs. 925 million, Profit After Tax of Rs. 1,191 million, Group EPS of Rs. 4.99 as profit attributable to shareholders of the Holding Company was Rs. 598.7 million.

The **manufacturing capacity of the group by the end of the year will Insh Allah cross the 1 million MT mark,** signifying that we are well on our way to achieve our vision - “To be an international, innovative, entrepreneurial, million ton steel processor by the year 2020”.

Your Company also holds an 8.5% ownership interest in Pakistan Cables Limited (PCL), an associated company. PCL is in the business of manufacturing copper rods, wires and cables. In addition to being the country's foremost manufacturer of copper cables and wiring, PCL is affiliated with General Cable Limited, the biggest worldwide manufacturer of copper cables and a Fortune-500 company.

ACKNOWLEDGEMENT

I would like to extend my sincere gratitude to the entire IIL team and especially my management team, who have proved themselves capable of delivering strong results in the face of considerable internal and external challenges. The effort, which has helped the Company achieve a reasonably successful year, is deeply appreciated. I also thank all other stakeholders for their support and look forward to sharing more successes with them in the coming years.

For and on behalf of
the Board of Directors

Riyaz T. Chinoy
Chief Executive Officer

Karachi
Dated: August 17, 2015