

CHAIRMAN'S REVIEW

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the audited financial results of your Company for the year ended June 30, 2024.



The global economy continues to be challenged by macroeconomic uncertainties caused by growing geopolitical fragmentation. Central banks across the globe continue to take measures to rein in inflation and the policymakers put their efforts into stabilizing their economies; however, the conflicts in Ukraine and the Middle East are causing supply chain disruptions, volatile oil prices, and added uncertainty which has stymied growth.

On the domestic front, political instability and high inflation, including but not limited to unprecedented energy price hikes, continued to dampen business sentiment in Pakistan. While inflation increases the working capital financing requirements, high interest rates punish such increases, and the competitive advantages of businesses quickly wane out, especially in a high-interest territory such as Pakistan. Moreover, the consequences of climate change (floods, droughts, and rise in temperature) are resulting in crises of different kinds, such as food shortages, high import bills for food items, and foreign exchange shortages.

Your Company continued to display its customary resilience in the face of myriad economic and business challenges, posting net sales of PKR 29.2 billion, gross profit of PKR 3,839 million, Profit Before Tax of PKR 1,758 million, and Profit After Tax of PKR 1,473 million. Earnings per Share (EPS) stood at Rs. 11.17. Your Board of Directors has recommended a final cash dividend of Rs. 3.50 (35%) per share. With the interim dividend of Rs. 2.00 (20%) per share already paid during the year, the total dividend for the financial year 2024 will amount to Rs. 5.50 (55%) (FY23: Rs. 7.50) per ordinary share of Rs. 10 each.

ILL and its subsidiary, International Steels Limited (ISL) posted a turnover of around PKR 99.0 billion for the year under review and contributions to the national exchequer during the year amounted to PKR 19.77 billion. ISL reported a PAT of PKR 3.7 billion. Its gross turnover was PKR 69.3 billion, compared to PKR 76.8 billion in the preceding year.

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

Changes to the Board

No casual vacancy arises at the Board of Directors of the Company during the FY 2023-24. The three years term of the existing Board is effective till September 30, 2025. The next election of directors will be held in September 2025.

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 make 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.

Future Outlook

While high interest rates and controlled outflow of forex has slowed down Pakistan's largely import-dependent economy, it is encouraging that fiscal and monetary measures helped discipline our economy and reduce inflation. The successful completion of IMF's stand-by program gives hope for further improvement in the economy, and a strong harvest of key crops during the year under review should also give impetus to the economy. Projects of strategic national importance like CPEC, mining licenses, and commitment to adopt clean energy options will prove catalysts for growth. Revival of the economy is slow however, the resilience and the commitment of the country give hope for achieving a growth target of 3.5% in FY 2025, and your Company is cautiously optimistic for the next financial year.

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, I am confident that your Board and management are capable and fully prepared to face these challenges with resilience and optimism, delivering shareholder value, as we have in the past.



Kamal A. Chinoy
Chairman

Karachi
August 22, 2024