Directors' Report

For the year ended June 30, 2026

The Directors of International Industries Limited (the "Company" or "IIL") are pleased to present their report, together with the audited financial statements of the Company, for the year ended June 30, 2026.

Board Composition & Remuneration

The composition of the Board of Directors and its committees is presented on pages 141 and 158 under the Corporate Governance section of the Annual Report. The Company has well-documented policies and procedures governing directors' remuneration, as disclosed in Note 36 to the unconsolidated financial statements, in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Global Economy

The global economy remains resilient but fragile amid persistent geopolitical and trade uncertainty. In its July 2026 World Economic Outlook Update, the International Monetary Fund projected global growth of 3.0% in 2026, followed by 3.4% in 2027. The outlook reflects the competing effects of technology-led investment and the continuing energy shock arising from conflicts in the Middle East, while inflationary pressures remain elevated in several economies.

Middle East conflicts and disruptions to key energy and shipping routes, particularly the Strait of Hormuz and the Red Sea, have increased volatility in oil, freight and insurance costs and continue to pose downside risks to global trade and supply chains. Although energy prices have moderated from earlier peaks, uncertainty remains high and could constrain investment, delay monetary easing and weigh disproportionately on energy-importing and developing economies.

Accordingly, the global outlook remains subject to significant downside risks from a prolonged or broader regional conflict, renewed trade fragmentation and financial-market volatility. Against this backdrop, businesses continue to prioritize supply-chain resilience, cost discipline and market diversification.

Domestic Economy

Pakistan's economy continued to consolidate the macroeconomic stabilization achieved in the preceding year. The Pakistan Economic Survey 2025–26 reported contained inflation during the first ten months of FY2026, supported by exchange rate stability, improved domestic supply conditions and easing commodity prices before renewed external energy pressures emerged. The IMF's July 2026 outlook projects Pakistan's real GDP growth at 3.6% for 2026, indicating a gradual strengthening in economic activity.

The operating environment nevertheless remains exposed to external risks, particularly higher energy and freight costs arising from Middle East conflicts, as well as global financial and trade volatility. Continued fiscal discipline, structural reforms, export competitiveness, stronger foreign exchange reserves and sustained investment will remain important to preserve macroeconomic stability and support durable growth.

Over the medium term, improving macroeconomic conditions, infrastructure investment, digitalization and a gradual recovery in industrial activity should create opportunities for the Company. IIL remains focused on maintaining financial discipline, strengthening its market position and responding selectively to opportunities in domestic and international markets.

Global Steel Scenario

Global steel demand remains subdued, with only a modest recovery expected in 2026. The World Steel Association's April 2026 Short Range Outlook forecasts global steel demand to increase by 0.3% to approximately 1,724 million tonnes in 2026, followed by stronger growth of 2.2% in 2027. China's steel demand is expected to decline by 1.5% in 2026 as the property-sector correction continues, while demand in India and selected developing markets remains comparatively resilient.

Global overcapacity, elevated exports from major producing countries and increasing trade-protection measures continue to exert pressure on prices and margins. Middle East conflicts have further increased uncertainty through higher energy, freight and insurance costs and disruption to key shipping routes, reinforcing the need for diversified sourcing and disciplined inventory management.

Steel Tube & Pipe Industry

The global tube and pipe industry grew by approximately 10% year-on-year to 177.9 million MT, with China maintaining a dominant share of approximately 52%. In Pakistan, the market expanded by approximately 20% year-on-year to around one million MT. Despite volume growth, the domestic industry continues to face margin pressure from market fragmentation, low-cost non-standard alternatives, substitution by polymer products and volatility in imported raw-material costs.

Polymers

The structural shift toward polymer alternatives continues to support the Company's polymer business, which manufactures pipes and fittings for water, gas, sewerage, telecom and ducting applications. The Company remains focused on broadening its product offering, strengthening distribution and increasing market penetration.

During the year, raw-material costs and supply chains were affected by volatility in crude oil and resin markets and disruptions associated with Middle East conflicts. The outlook remains cautiously optimistic, supported by infrastructure demand and improving domestic macroeconomic conditions.

Strategies, Objectives and Critical Performance Indicators

The Company remains committed to creating long-term stakeholder value through customer focus, operational excellence, innovation, responsible growth and continuous improvement in products and processes. Strategic objectives and critical performance indicators are detailed on page 96 of the Annual Report.

Sustainability & Compliance with ESG Guidelines

During FY2026, IIL continued to strengthen its environmental, social and governance (ESG) framework and engaged M/s Crowe Hussain Chaudhury & Co. as ESG consultants to support the development and implementation of a comprehensive ESG roadmap. The engagement includes an assessment of existing sustainability practices, identification of material ESG risks and opportunities, alignment with applicable regulatory requirements and recognized reporting frameworks, and enhancement of governance and oversight mechanisms.

Through this initiative, the Company aims to improve the quality of ESG disclosures, strengthen environmental stewardship and social responsibility, and further embed sustainability considerations into strategy, risk management and decision-making.

Company Operations

Our Products

IIL remains a leading manufacturer of tubes and pipes in Pakistan, offering a broad product portfolio that includes Galvanized Iron (GI) pipes, Cold Rolled (CR) tubes, Stainless Steel tubes and pipes, Hollow Structural Sections (HSS), Black and Scaffolding pipes, and polymer pipes and fittings. Through its Engineering Solutions division, the Company also provides customized, value-added solutions for specific industry applications. The IIL brand continues to be recognized for quality, reliability and long-standing customer trust.

Renewed Brand Identity

During FY2026, the Company advanced its strategic brand transformation through a comprehensive refresh of its Vision and Mission statements, corporate values and brand identity. The initiative followed a structured, research-driven and inclusive process, incorporating insights from employees, customers, business partners, shareholders and other key stakeholders to align the Company's identity with its long-term strategic direction, purpose and aspirations.

The renewed brand identity reinforces IIL's commitment to innovation, sustainability, customer-centricity, operational excellence and responsible business practices, while providing a unified platform to strengthen organizational culture, stakeholder engagement and long-term value creation.

Gross Sales

Sales revenue increased by 16% to Rs. 29.1 billion (FY2025: Rs. 25.1 billion), primarily driven by higher volumes in new product segments, including HRS, expansion of distribution channels and a more focused approach to institutional and tender business in the domestic market. Despite a challenging operating environment, the Company recovered market share through a customer-first strategy. Export markets, however, remained highly competitive as major economies continued to strengthen trade-protection measures.

Domestic Sales

Domestic sales increased by 18% to Rs. 26.0 billion (FY2025: Rs. 22.0 billion), while volumes increased by 40% to approximately 98,000 MT. The Company strengthened its position in polymers, particularly in the PPRC, HDPE and MDPE segments, and expects further opportunities from public-sector and infrastructure-related demand.

The Company continues to expand its distribution footprint and deepen engagement with commercial and institutional customers through targeted nationwide outreach, industry events, sponsorships and direct customer engagement.

Engineering Solutions

The Company successfully expanded its value-added coated steel structural solutions for the solar-power industry, generating sales of Rs. 494 million, representing growth of approximately 40%. The segment is expected to provide further growth opportunities. Additional solutions for the construction, engineering and agriculture sectors are under development to address specific customer and industry requirements.

Export Steel Sales

The United States' 50% Section 232 tariff on steel imports, together with protectionist measures in other major markets, contributed to global oversupply, trade diversion and price volatility. Despite these challenging conditions, the Company maintained export sales at approximately Rs. 3.0 billion (USD 11.1 million).

IIL Australia Pty Limited, Melbourne, Australia

IIL Australia Pty Limited, a wholly owned subsidiary, was established to provide the Company with a stable presence in the mature Australian market. Steel sales remained subdued amid intensified competition, including from suppliers benefiting from free trade arrangements. Net sales declined to USD 4.2 million (FY2025: USD 5.2 million). As part of its diversification strategy, the subsidiary also entered the food-distribution business during the year.

IIL Americas Inc., Toronto, Canada

The Canadian steel market remained challenging amid trade tensions and tighter import controls. Canada's tariff-rate quota regime for steel imports from non-CUSMA partners, including substantially reduced quota volumes for countries without a free trade agreement and a 50% surtax on above-quota imports, constrained market access and growth opportunities. Consequently, the subsidiary's sales declined to USD 1.8 million (FY2025: USD 3.1 million).

INIL Europe Limited, Ireland

Established in 2025, INIL Europe Limited provides the Company with a platform to develop business in the European Union and strengthen regional customer engagement and regulatory capability. The EU Carbon Border Adjustment Mechanism (CBAM) entered its definitive regime on January 1, 2026, introducing carbon-related compliance and financial obligations for covered imports, including iron and steel products. Together with country-specific trade measures, these requirements are expected to make market access more demanding. The subsidiary recorded net sales of USD 1.0 million in its first year of operations.

IIL Trading (Pvt) Ltd., Pakistan

IIL Trading (Pvt) Ltd., a wholly owned subsidiary, commenced operations in January 2025. During FY2026, it expanded its market presence through display centres in Karachi, Lahore and Islamabad and continued to develop industrial and construction-related product categories. The subsidiary recorded net sales of Rs. 520 million (FY2025: Rs. 70.9 million), in addition to commission income.

Safety, Health and Environment

The Company continues to place strong emphasis on the safety, health and well-being of its people and on minimizing the environmental impact of its operations. Year-round safety programs addressing both operational and behavioural aspects were implemented across manufacturing locations. The Company's 4 MW solar-power capacity supplied clean energy across its three manufacturing sites, while a rainwater-harvesting pilot project was initiated to support groundwater recharge.

Manufacturing

The Company continued to improve manufacturing efficiency through initiatives focused on energy management, waste reduction, process productivity and workforce capability. Despite inflationary pressures, manufacturing cost per tonne declined by 14%. The installation of solar-power plants across all three manufacturing facilities, with a combined capacity of 4 MW, further supports cost efficiency and the Company's sustainability objectives.

Financial Results

During the year, the Company reported net sales of Rs. 29.1 billion, representing growth of 16% over the previous year. Gross profit amounted to Rs. 4,029 million, profit before tax to Rs. 2,414 million and profit after tax to Rs. 1,603 million, resulting in earnings per share of Rs. 12.16. Improved sales, cost optimization and higher dividend income from subsidiaries and investments supported profitability.

Cost of sales amounted to Rs. 25.1 billion, representing approximately 86% of net sales. Selling and distribution expenses increased by 31% to Rs. 1,744 million, mainly due to higher volumes, increased fuel costs in the latter part of the year and additional marketing expenditure associated with the renewed brand identity. Administrative expenses increased by 16% to Rs. 508 million, primarily reflecting inflationary pressures on operating costs.

Other income increased by 52% to Rs. 1,314 million, mainly due to higher dividend income and a relatively stable exchange rate. Finance costs declined by 4% to Rs. 583 million, supported by disciplined working-capital management and a more stable interest-rate environment.

Cash Flow Management and Borrowing Strategy

Prudent liquidity and working-capital management remained a key financial priority during the year. The Company focused on disciplined inventory management, cash conservation and controlled capital expenditure, while subsidiaries increasingly managed their working-capital requirements through appropriately structured financing arrangements in their respective jurisdictions.

The Company maintained a debt-to-equity ratio of approximately 69%. Management continues to focus on optimizing the funding mix, reducing financing costs and maintaining adequate liquidity while supporting business requirements and strategic investments.

Dividend

The Board of Directors has recommended a final cash dividend of Rs.5.00 (50%) per ordinary share of Rs. 10 each for the financial year ended June 30, 2026 (FY2025: Rs. 4.00 per share), subject to approval by shareholders at the Annual General Meeting.

Appropriations

Rupees in '000	2026	2025
Profit after tax for the year	1,603,226	1,104,324
Interim dividend – Rs. 2.00 per share (2025: Nil)	(263,764)	–
Final dividend – Rs.5.0 per share (2025: Rs. 4.00 per share)	(659,409)	(527,528)

Auditors

On the recommendation of the Board Audit Committee, the Board has approved the reappointment of A.F. Ferguson & Co., Chartered Accountants, as the Company's external auditors for FY2027, subject to the applicable shareholder approval requirements. Reference may be made to page 163 for the Board Audit Committee's report on compliance with the Code of Corporate Governance.

Information Systems

The Company continued to strengthen its technology infrastructure and advance process automation and digitalization. During the year, initiatives included further enhancement and integration of the ERP environment, implementation of barcode-based inventory controls, deployment of a transport management system with real-time shipment tracking, and adoption of digital platforms for e-invoicing and customer feedback. These initiatives are intended to improve operational visibility, control, efficiency and customer responsiveness.

Social Impact

IIL remains committed to its role as a responsible corporate citizen and continues to support communities through social, philanthropic and environmental initiatives. A detailed overview of these activities is presented in the Company's Sustainability Report.

Human Resource Management

Our people remain central to IIL's long-term success. The Company continued to build a high-performing and future-ready workforce by investing in learning, leadership development, employee engagement, diversity, performance management and well-being, while aligning human-capital priorities with the Company's strategic objectives.

- **Learning and Development**

  The Company continued to foster a culture of continuous learning through structured talent and capability-development initiatives. Programs included Next Gen for emerging talent, Strategic Leadership Development and skill-based Functional Capability Programs. Employees also participated in Sales Force Management, Key Account Management and Management Development Program courses at leading institutions, including LUMS, to strengthen commercial, managerial and leadership capabilities and gain exposure to emerging technologies and international best practices.

- **Talent Management**

Developing future leaders from within remains a key element of the Company's talent strategy. A structured succession-planning process identifies high-potential employees and prepares them for critical roles through targeted development, mentoring and cross-functional exposure. Internal mobility and promotions are encouraged to recognize performance and potential while creating meaningful career pathways.

- **Employee Engagement**

The Company continued to promote employee well-being, collaboration and engagement through recreational and team-building activities across its locations. The Spot On recognition initiative was introduced to acknowledge employees who demonstrate behaviours aligned with organizational values, competencies and exceptional contribution.

- **Diversity, Equity and Inclusion**

Creating an inclusive workplace in which diverse talent can develop and succeed remains an important component of the Company's people strategy. IIL continued to advance gender diversity through equal opportunities in recruitment, development and career progression. The WISE (Women in Science and Engineering) initiative supports aspiring female professionals through mentoring, technical development and leadership opportunities, and the onboarding of a second cohort of female engineers marked further progress during the year.

The Company also onboarded female Management Trainees in functions including Human Resources, Finance and Sales, providing structured development opportunities for young female talent.

- **Performance Management and Employee Recognition**

The Company continued to strengthen its

performance-driven culture through a structured performance-management philosophy that aligns individual and functional objectives with business priorities. Clear objectives and key performance indicators are established across functions, supported by regular feedback and a reward framework linked to performance, contribution and organizational values.

- **Skills Development – Gold Recognition Award**

The Company received the Skills Development – Gold Recognition Award from the Employers' Federation of Pakistan in recognition of its commitment to workforce capability development. The recognition reflects IIL's structured approach to apprenticeships and graduate-trainee programs, on-the-job learning, technical and behavioural training, leadership development, industry-academia collaboration and continuous learning.

- **Employer of the Year – Diamond Recognition Award**

IIL also received the Employer of the Year – Diamond Recognition Award in the National Category (Large Manufacturing Sector) at the 11th Employer of the Year Award 2025 organized by the Employers' Federation of Pakistan. The recognition reflects the Company's practices in governance, people management, employee engagement, talent development, occupational health and safety, diversity and inclusion, employee well-being and responsible business conduct.

Contribution to the National Exchequer

The Company, registered with the Large Taxpayers Unit (LTU), contributed approximately Rs. 6.9 billion to the national exchequer through income tax, sales tax and other levies during the financial year.

Internal Control Framework

The Company maintains an internal control framework designed to safeguard assets, support reliable financial reporting and promote compliance with approved policies and procedures. Further details are provided on page 154 of the Annual Report.

Risk, Opportunity and Mitigation Report

Management, in consultation with the Board of Directors, continues to strengthen the Company's ability to identify, assess and respond to strategic, operational, financial and emerging risks and opportunities. A comprehensive Risk & Opportunity Report is presented on page 114.

Relationship with Stakeholders

The Company is committed to maintaining constructive relationships with its stakeholders through transparent, timely and open communication. Engagement mechanisms include regular CEO-led town halls and other formal and informal channels that facilitate dialogue across the organization and with key stakeholder groups.

Quarterly and Annual Financial Statements

Quarterly unaudited financial statements and Directors' Reviews were approved and disseminated within the prescribed timelines. The half-yearly financial statements were subject to limited review by the external auditors, while the annual audited financial statements, approved by the Board, will be presented to shareholders at the Annual General Meeting. The financial statements are endorsed by the Chief Executive Officer and Chief Financial Officer and reviewed in accordance with applicable legal and regulatory requirements.

Chief Financial Officer, Company Secretary and Head of Internal Audit

The Chief Financial Officer and Head of Internal Audit meet the qualification requirements prescribed under the Listed Companies (Code of Corporate Governance) Regulations, 2019, while the Company Secretary meets the requirements of the Companies Act, 2017. Their appointments, remuneration and terms and conditions of employment are determined by the Board in accordance with applicable requirements.

Compliance

The Company remains committed to high standards of corporate governance, ethical conduct and regulatory compliance. The Board regularly reviews the Company's strategic direction and operating performance, while the Board Audit Committee provides oversight of financial reporting, internal controls, compliance and related party transactions before their submission to the Board, where applicable.

Credit Rating

VIS Credit Rating Company Limited has reaffirmed the Company's entity ratings at 'AA-/A-1' (Double A Minus / A-One), with a stable outlook, reflecting the Company's financial profile and operating position.

Investments

The Company holds a 56.33% equity stake in International Steels Limited (ISL) and a 17.12% interest in Pakistan Cables Limited (PCL), a leading manufacturer of copper rods, wires and cables.

The Company also wholly owns four subsidiaries: IIL Australia Pty Limited, IIL Americas Inc., IIL Trading (Pvt) Ltd. and INIL Europe Limited. In addition, IIL holds a 17% equity interest in Chinoy Engineering & Construction (Pvt) Ltd. (CECL) and a 33.33% interest in the newly incorporated CFS Minerals (Pvt) Ltd.

Buyback offer by Chinoy Engineering & Construction (Pvt) Ltd.

IIL's original investment of PKR 48.45 million in CECL has generated exceptional returns, including PKR 163.20 million in dividends, in addition to significant direct and indirect business opportunities. With CECL's procurement and supply activities substantially complete, the investment has largely achieved its strategic and commercial objectives. Accordingly, the Company has negotiated a buyback consideration of PKR 350 million, equivalent to approximately PKR 72.24 per share. The proposed transaction is expected to result in an estimated pre-tax gain of PKR 301.55 million and cumulative cash realization of approximately PKR 513.20 million, including dividends already received.

At its 387th meeting held on August 20, 2026, the Board of Directors recommended that the proposed buyback offer by CECL be placed before the shareholders for approval, subject to compliance with all applicable statutory and regulatory requirements and receipt of any requisite approvals.

Future Prospects

The outlook for FY2027 remains cautiously optimistic, although global geopolitical, energy and trade risks are expected to persist. Domestic macroeconomic stabilization and a gradual recovery in industrial and infrastructure activity may support demand, while international markets will remain influenced by protectionist measures, steel overcapacity, freight volatility and increasingly stringent carbon-related requirements.

The Company will continue to pursue sustainable growth through market and product diversification, customer-centricity, operational efficiency, disciplined capital allocation and selective expansion in value-added segments. Investments in innovation, digitalization, renewable energy and ESG capability are expected to strengthen resilience and competitiveness.

With a diversified product portfolio, established domestic market position and re-focused international presence, IIL remains focused on navigating near-term uncertainty while building the capabilities required to deliver sustainable long-term value to shareholders and other stakeholders.

Acknowledgement

The Board extends its appreciation to the Company's shareholders, customers, employees, bankers, suppliers, business partners and other stakeholders for their continued trust, commitment and support. We remain confident in the Company's ability to pursue sustainable growth and contribute positively to the prosperity of Pakistan and the well-being of its stakeholders.

For and on behalf of the Board of Directors

Yousuf H. Mirza
Chief Executive Officer

Kamal A. Chinoy
Chairman

Karachi: August 20, 2026