

Striving Today for a  
Sustainable Tomorrow



**INTERNATIONAL  
INDUSTRIES LTD.**

Promising Reliability, For Now and Tomorrow

**Unaudited Financial Statements**  
for the three months ended 30<sup>th</sup> September 2020

فرد تـم ربطِ ملت سے ہے تنہا کچھ نہیں  
موج ہے دریا میں اور بیرون دریا کچھ نہیں  
(اقبال)

Without the nation's coherence, an individual firm is nothing  
like a wave is nothing without the ocean.  
(Iqbal)



TRIBUTE TO THE PEOPLE OF  
**PAKISTAN**

Paying tribute to the people of this resilient nation, Pakistan.  
Who stay united with their steely strength and determination  
to face enemies across all the battlefields, whether it be  
defending the territories, navigating through economic  
turbulence or fighting a pandemic.

Unity | Strength | Resilience

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# Coronavirus COVID-19

The global pandemic caused by the COVID 19 coronavirus is a highly contagious and virulent infection. It has engulfed Pakistan too. IIL values the health and well being of all its stakeholders and hopes that all families and communities remain safe and healthy. In this vein, we have closed business at all our locations, national and international, in the hope that we neither cause transmission of the disease nor expose our stakeholders to it.

The infection generally affects the respiratory system and amongst its symptoms, the common ones are cough, fever, bodyache, tiredness, and difficulty in breathing.

The disease has no cure as yet, and the best course of action is prevention. Hence

- Stringently practice social distancing.
- Remain home and do not socialize.
- Maintain strict personal hygiene including washing hands well and often, cover your mouth and nose with a tissue or sleeve when coughing or sneezing and discard used tissue
- Avoid touching eyes, nose, or mouth with unwashed hands
- Clean and disinfect frequently touched objects and surfaces

## PREVENTION



### Wash

your hands well and often to avoid contamination



### Cover

your mouth and nose with a tissue or sleeve when coughing or sneezing and discard used tissue



### Avoid

touching eyes, nose, or mouth with unwashed hands



### Clean

and disinfect frequently touched objects and surfaces

## SYMPTOMS

**Cough | Fever | Tiredness | Difficulty Breathing (severe cases)**



A lifetime of leaks...

is in your control!



**PPRC**  
**PIPES & FITTINGS**

With over 50 years of pipe-manufacturing experience, IIL introduces IIL PPRC Pipes & Fittings. Created in our state-of-the-art facility, IIL PPRC Pipes & Fittings guarantee the perfect fit for strong, leak-free plumbing solutions for up to 50 years.

**No Leaks, No Problem!**



Residential, Commercial  
& Industrial Applications



Suitable for Hot & Cold  
Water Transmission



Food-grade  
Pipes & Fittings



# COMPANY INFORMATION

**Chairman (Non-Executive)**

Mr. Mustapha A. Chinoy

**Independent Directors**

Mr. Adnan Afridi  
Mr. Ehsan A. Malik  
Mr. Mansur Khan  
Mr. Jehangir Shah

**Non-Executive Directors**

Mr. Kamal A. Chinoy  
Mr. Azam Faruque  
Mrs. Saadia S. Rashid

**Chief Executive Officer**

Mr. Riyaz T. Chinoy

**Advisor**

Mr. Towfiq H. Chinoy

**Chief Financial Officer**

Mr. Muhammad Akhtar

**Company Secretary**

Mr. Sunaib Barkat

**Group Chief Internal Auditor**

Ms. Asema Tapal

**External Auditors**

M/s. A. F. Ferguson & Co.

**Bankers**

Allied Bank Limited  
Askari Bank Limited  
Bank Al Habib Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
Industrial and Commercial Bank of China Limited  
MCB Bank Limited  
Meezan Bank Limited  
Samba Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
United Bank Limited

**Legal Advisor**

Mr. Haider Waheed

**Registered Office**

101, Beaumont Plaza,  
10 Beaumont Road,  
Karachi – 75530, Pakistan  
Telephone: +9221-35680045-54  
UAN: +9221-111-019-019  
Fax: +9221-35680373  
E-mail: sunaib.barkat@iil.com.pk

**National Tax Number**

0710735-8

**Sales Tax Registration Number**

02-04-7306-001-82

**Lahore Office**

Chinoy House, 6 Bank Square,  
Lahore - 54000, Pakistan  
Telephone: +9242-37229752-55  
UAN: +9242-111-019-019, Fax: +9242-37220384  
E-Mail: lahore@iil.com.pk

**Islamabad Office**

3rd Floor, Evacuee Trust, Plot No. 4,  
Agha Khan Road F-5/1, Islamabad, Pakistan  
Telephone: +9251-2524650, +9251-4864601-2

**Multan Office**

1592, 2nd Floor, Quaid-e-Azam  
Shopping Centre No.1 Multan Cantt., Multan, Pakistan  
Telephone: +9261-4583332

**Faisalabad Office**

Office No.1/1, Wahab Centre,  
Electrocity Plaza Susan Road, Faisalabad, Pakistan  
Telephone: +9241-8720037

**Peshawar Office**

Office No.1 & 2, First Floor, Hurmaz Plaza, Opp. Airport Main  
University Road, Peshawar, Pakistan  
Telephone: +9291-5845068

**IIL Australia Pty Limited**

Registered Office: 103, Abbot Road, Hallam,  
Victoria 3803, Australia  
Website: www.iilaustralia.com

**IIL Americas Inc.**

Registered Office: 36, Gerigs Street, Scarborough,  
Toronto, ON M1L 0B9, Canada  
Website: www.iilamericas.com

**Factories****Factory 1**

LX 15-16, Landhi Industrial Area,  
Karachi – 75120, Pakistan  
Telephone: +9221-35080451-55  
Fax: +9221-35082403, E-mail: factory@iil.com.pk

**Factory 2**

Survey # 405 & 406, Rehri Road,  
Landhi, Karachi – 75160, Pakistan  
Telephone: +9221-35017026-28, 35017030  
Fax: +9221-35013108

**Factory 3**

22 KM, Sheikhupura Road, Lahore, Pakistan  
Telephone: +9242-37190491-3

**Investor Relations Contact****Shares Registrar**

CDC Share Registrar Services Limited  
CDC House, 99-B, Block “B”, S.M.C.H.S  
Shahrah-e-Faisal, Karachi, Pakistan  
Telephone: +92-0800-23275  
Fax: +92-21-34326053  
E-mail: info@cdcsrsl.com  
Website: www.cdcsrsl.com

**Corporate Website**

www.iil.com.pk

# Directors' Report

For the period ended 30<sup>th</sup> September, 2020

The Directors are pleased to present the financial results for the quarter ended September 30<sup>th</sup>, 2020 (Q1 FY21).

The economy has improved faster than expected. Large Scale Manufacturing (LSM) activity expanding by 1.2% in August 2020 compared to August 2019. Although the increase is marginal, given the severity of the downturn over the last year, this growth is encouraging.

Recovery in the automotive sector helped our CR Tube sales which were 17% higher compared to Q1 FY20. GI Pipe, Black Pipe and Hollow Structural Section (HSS) sales increased by 22% as local dealers replenished depleted stocks. Recovery in domestic construction and water distribution segment and higher exports also helped. Export sales also recovered and were up 69% in terms of volumes over Q1 FY21. Our export order book is full till January 2021 with orders for GI Pipe and HSS. We expect this trend to continue well into Q3 on the back of recovering global demand.

Our Polymer segment sales continued to outperform. We expect healthy orders for the Polymer segment in the coming quarters in part due to the construction package announced by the Government.

Net sales turnover for the period was Rs. 5.39 billion compared to Rs. 5.43 billion during the same period last year. The Unconsolidated Profit after Tax (PAT) for the period under review was Rs. 71 million (EPS Rs. 0.54), compared to a loss of Rs. 119 million in the corresponding period last year.

Our subsidiary, International Steel Limited (ISL) reported Net Sales Revenue of Rs. 15.7 billion which was up 36% from Rs. 11.5 billion over the corresponding period last year. Profit after Tax (PAT) of Rs. 559 Mn (EPS 1.29) was up 61% from Rs. 348 Mn (EPS 0.80) during Q1 FY20.

The Group P&L for the period was Rs. 612 million (EPS Rs. 2.80) as compared to a loss of Rs. 53 million (EPS Rs. -1.87) for Q1 FY20.

Regulatory issues around supply of CRC by local manufacturers remain unresolved. This will force local CRC buyers to import the material which means that foreign exchange, economic activity and jobs which could have been available within Pakistan, will move abroad. As a result, while the local cold rolling mills have spare capacity, all efforts towards import-substitution have been rendered redundant.

Steel prices increased sharply during the quarter, and were up 13-15%. Recovery in demand in China, a weakening USD and tight allocations; all contributed towards the increase in prices.

Heavy rains in August and September restricted sale volumes (local as well as exports). Economic activity is expected to improve in the coming periods subject to risks around Pakistan politics as well as a second wave of COVID-19.

We extend our gratitude to all our stakeholders for their continued support and look forward to a productive final quarter.

For and on behalf of  
International Industries Limited



Mustapha A. Chinoy  
Chairman



Riyaz T. Chinoy  
Chief Executive Officer

Karachi.  
October 22, 2020



ڈائریکٹر مالیاتی نتائج برائے سہ ماہی ختمہ 30 ستمبر 2020 (Q1 FY21) پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

معیشت میں توقع سے زیادہ جلد بہتری آئی ہے۔ اگست 2020 میں بڑے پیمانے کی مینوفیکچرنگ (LSM) کی سرگرمیوں میں اگست 2019 کے مقابلے میں 1.2% اضافہ ہوا ہے۔ اگرچہ یہ اضافہ معمولی سا ہے تاہم گزشتہ سال کی مندی کی شدت کے مقابلے میں یہ اضافہ کافی حوصلہ افزا ہے۔

آٹوموٹیو شعبہ کی بحالی سے CR ٹیوب کی سیلز کی بحالی میں مدد ملی ہے جو مالی سال 20 کی پہلی سہ ماہی کے مقابلے میں 17% زیادہ ہے۔ GI پائپ، MS پائپ اور Hollow اسٹرکچرل سیکشن (HSS) کی سیلز میں 22% اضافہ ریکارڈ کیا گیا کیونکہ مقامی ڈیلرز نے اپنے خالی اسٹاک کو بھرنا شروع کر دیا۔ ملکی تعمیرات اور پانی کی تقسیم کے شعبہ جات میں بحالی اور برآمدات میں اضافہ سے بھی معیشت کو فائدہ ہوا۔ برآمدات کی سیلز میں بھی بحالی آئی اور مقدار کے لحاظ سے Q1 FY21 میں 69% اضافہ ہوا۔ ہماری برآمدات کی آرڈر بک GI پائپ اور HSS کے آرڈر سے جنوری 2021 تک بھر چکی ہے۔ ہمیں توقع ہے کہ عالمی طلب کی بحالی کے پس منظر میں یہ رجحان تیسری سہ ماہی میں بھی جاری رہے گا۔

ہمارے پولیمر کے شعبہ کی سیلز میں عمدہ کارکردگی جاری ہے۔ ہمیں توقع ہے کہ حکومت کی جانب سے اعلان کردہ تعمیرات کیلئے پیکیج کے سبب آئندہ سہ ماہیوں میں پولیمر پائپ کے شعبہ جات میں بڑی مقدار میں آرڈر ملیں گے۔

مذکورہ مدت میں خالص سیلز کی آمدنی 5.39 ملین روپے ہوئی جب کہ گزشتہ سال اسی مدت میں 5.43 ملین روپے تھی۔ زیر جائزہ مدت کیلئے بعد از ٹیکس غیر مجتمع منافع (PAT) 71 ملین روپے (فی شیئر 0.54 روپے) حاصل ہوا جب کہ گزشتہ سال کی اسی مدت میں 119 ملین روپے کا نقصان ہوا تھا۔

ہمارے ذیلی ادارے انٹرنیشنل اسٹیل لمیٹڈ (ISL) نے 15.7 ملین روپے کی خالص سیلز کی آمدنی رپورٹ کی ہے جو گزشتہ سال کی اسی مدت کی آمدنی 11.5 ملین روپے سے 36% زیادہ ہے۔ بعد از ٹیکس منافع 559 (PAT) ملین روپے (فی شیئر 1.29 روپے) رہا جو مالیاتی سال 20 کی پہلی سہ ماہی کے منافع 348 ملین روپے (فی شیئر 0.80 روپے) سے 61% زیادہ ہے۔

مذکورہ مدت میں گروپ P&L 612 ملین روپے (فی شیئر 2.80 روپے) رہا جو مالیاتی سال 20 کی پہلی سہ ماہی میں 53 ملین روپے (فی شیئر 1.87 روپے) تھا۔

مقامی مینوفیکچررز کی تیار کردہ CRC کی فراہمی کے ضابطے کے مسائل کا کوئی حل نہیں ہوا۔ اس سے مقامی CRC کے خریداروں کو میٹرل ڈراما کرنا پڑے گا جس کا مطلب زر مبادلہ، معاشی سرگرمیاں اور اسمایاں، جو پاکستان میں دستیاب ہو سکتی تھیں، باہر منتقل ہو جائیں گی۔ اس کے نتیجے میں جب کہ مقامی کولڈ رولنگ ملز کے پاس اضافی گنجائش موجود ہے، درآمد شدہ متبادل کی تمام کوششیں بے سود ہوں گی۔

مذکورہ سہ ماہی کے دوران میں اسٹیل کی قیمتوں میں تیزی سے اضافہ ہوا جو 13-15% تک زیادہ تھا۔ چین میں طلب کی بحالی، یو ایس ڈالر کی کمزوری اور سخت ایلوکیشن، سب کے سب قیمتوں میں اضافہ ہوا۔

اگست اور ستمبر میں شدید بارشوں کے باعث سیلز کی مقدار (مقامی بھی اور برآمد کیلئے بھی) محدود رہی۔ آنے والے عرصے میں معاشی سرگرمیوں میں بہتری کا امکان ہے جو پاکستان کی بہتر سیاسی صورتحال اور COVID-19 کی دوسری لہر کے نہ آنے سے مشروط ہے۔

ہم اپنے تمام اسٹیک ہولڈرز کے مستقل تعاون پران کے شکر گزار ہیں اور ایک نتیجہ خیز فائل سہ ماہی کے منتظر ہیں۔

برائے اور منجانب

انٹرنیشنل اسٹیل لمیٹڈ



ریاض ٹی چنائے

چیف ایگزیکٹو آفیسر



مصطفیٰ اے چنائے

چیرمین

کراچی

22 اکتوبر 2020





Promising Reliability, For Now and Tomorrow

## PAKISTAN'S NO. 1 PIPE COMPANY



**IIL GALVANIZED  
IRON PIPES**



**IIL HOLLOW  
STRUCTURAL SECTIONS**



**IIL SCAFFOLDING  
PIPES**



**IIL FIREFIGHTING  
PIPES**



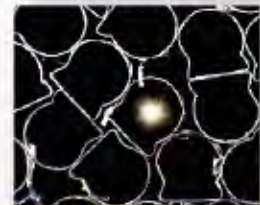
**IIL PRE-GALVANIZED  
TUBES**



**IIL API LINE  
PIPES**



**IIL COLD ROLLED  
STEEL TUBES**



**IIL LT20  
PROFILES**



**IIL PPRC PIPES &  
FITTINGS**



**IIL HDPE WATER  
PIPES**



**IIL HDPE DUCT  
PIPES**



**IIL MDPE GAS PIPES  
& FITTINGS**



**IIL COSMO  
SS GRADE 304**



**IIL FORZA  
SS GRADE 409**

### STEEL PIPES & TUBES | STAINLESS STEEL TUBES | POLYMER PIPES & FITTINGS

As Pakistan's premium producer of pipes & tubes, we at International Industries Limited (IIL) cater to thousands of customers from a variety of sectors. From Oil & Gas, Residential and Commercial Construction, to the Government sector and Automotive Industry, our products are trusted for their trademarked quality and outstanding reliability.

As we grow, we stay committed to our promise of reliability, for now & tomorrow.

# UNCONSOLIDATED **FINANCIAL STATEMENTS**

# Condensed Unconsolidated Statement of Financial Position

As at 30<sup>th</sup> September 2020

	Note	30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	6,953,562	7,081,385
Intangible assets		1,654	1,710
Investments	6	3,295,242	3,295,242
Long term deposits		3,519	3,519
		<b>10,253,977</b>	<b>10,381,856</b>
<b>Current assets</b>			
Stores and spares		211,744	213,371
Stock-in-trade	7	9,468,636	8,405,807
Trade debts - considered good	8	4,112,672	3,558,719
Advances, trade deposits and short-term prepayments	9	39,308	28,526
Receivable from K-Electric Limited (KE) - unsecured, considered good		19,748	19,006
Other receivables	10	837	15,000
Sales tax receivable		103,973	217,762
Cash and bank balances		306,632	299,469
		<b>14,263,550</b>	<b>12,757,660</b>
<b>Total assets</b>		<b>24,517,527</b>	<b>23,139,516</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorised capital</b>			
200,000,000 (2020: 200,000,000) ordinary shares of Rs. 10 each		<b>2,000,000</b>	<b>2,000,000</b>
<b>Share capital</b>			
Issued, subscribed and paid-up capital		<b>1,318,819</b>	<b>1,318,819</b>
<b>Revenue reserves</b>			
General reserves		<b>2,700,036</b>	<b>2,700,036</b>
Un-appropriated profit		<b>2,646,227</b>	<b>2,554,370</b>
<b>Capital reserve</b>			
Revaluation surplus on property, plant and equipment		<b>2,351,292</b>	<b>2,372,304</b>
<b>Total Shareholders' equity</b>		<b>9,016,374</b>	<b>8,945,529</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term financing - secured	11	1,661,579	1,577,275
Staff retirement benefits		65,149	89,552
Deferred taxation		301,129	304,615
		<b>2,027,857</b>	<b>1,971,442</b>
<b>Current liabilities</b>			
Trade and other payables	12	4,594,847	1,846,134
Contract Liabilities		229,278	184,462
Short term borrowings - secured	13	7,584,848	9,394,457
Unpaid dividend		-	2,438
Unclaimed dividend		30,838	39,044
Current portion of long-term financing - secured	11	528,411	410,863
Taxation - net		410,493	269,317
Accrued mark-up		94,581	75,830
		<b>13,473,296</b>	<b>12,222,545</b>
<b>Total liabilities</b>		<b>15,501,153</b>	<b>14,193,987</b>
<b>Contingencies and commitments</b>			
	14		
<b>Total equity and liabilities</b>		<b>24,517,527</b>	<b>23,139,516</b>

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.



**Ehsan A. Malik**  
Director & Chairman  
Board Audit Committee



**Muhammad Akhtar**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Chief Executive Officer

# Condensed Unconsolidated Statement of Profit or Loss (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

		Three months period ended	
	Note	30 September 2020	30 September 2019
		----- (Rupees in '000) -----	
Net sales	15	5,393,890	5,427,642
Cost of sales	16	(4,920,739)	(5,116,558)
<b>Gross profit</b>		<b>473,151</b>	<b>311,084</b>
Selling and distribution expenses	17	(210,206)	(231,998)
Administrative expenses	18	(61,168)	(78,049)
		(271,374)	(310,047)
Finance cost	19	(163,634)	(329,304)
Other operating expenses	20	(13,479)	(5,232)
		(177,113)	(334,536)
Other income	21	122,643	334,571
<b>Profit before taxation</b>		<b>147,307</b>	<b>1,072</b>
Taxation	22	(76,462)	(120,500)
<b>Profit / (loss) after taxation</b>		<b>70,845</b>	<b>(119,428)</b>
		----- (Rupees) -----	
<b>Earnings / (Loss) per share - basic and diluted</b>		<b>0.54</b>	<b>(0.91)</b>

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.



**Ehsan A. Malik**  
Director & Chairman  
Board Audit Committee



**Muhammad Akhtar**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Chief Executive Officer



# Condensed Unconsolidated Statement of Comprehensive Income (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

	Three months period ended	
	30 September 2020	30 September 2019
	----- (Rupees in '000) -----	
Profit / (loss) for the period	70,845	(119,428)
Other comprehensive income		
Total comprehensive income for the period	<u>70,845</u>	<u>(119,428)</u>

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.



**Ehsan A. Malik**  
Director & Chairman  
Board Audit Committee



**Muhammad Akhtar**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Chief Executive Officer


# Condensed Unconsolidated Statement of Cash Flows (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

		Three months period ended	
	Note	30 September 2020	30 September 2019
		(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		147,307	1,072
<b>Adjustments for :</b>			
Depreciation of property, plant and equipment		132,304	132,972
Amortisation of intangible assets		56	1,321
Provision for staff gratuity		9,597	12,402
Provision for compensated absences		-	6,600
Income on bank deposits	21	(244)	(345)
Loss / (gain) on disposal of property, plant and equipment	21	1,292	(8,967)
Dividend income	21	-	(373,675)
Government grant income		(5,123)	-
Finance cost	19	163,634	329,304
		301,516	99,612
Changes in:			
Working capital	23	1,294,802	663,709
<b>Net cash generated from operations</b>		<b>1,743,625</b>	<b>764,393</b>
Finance cost paid		(139,760)	(264,762)
Income on bank deposits received		244	345
Employee defined benefits paid		(34,000)	(12,402)
Payment for compensated absences		-	(4,801)
Income tax paid		61,228	(37,492)
<b>Net cash generated from operating activities</b>		<b>1,631,337</b>	<b>445,281</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquisition of property, plant and equipment		(12,617)	(77,698)
Proceeds from disposal of property, plant and equipment		6,844	9,289
<b>Net cash used in investing activities</b>		<b>(5,773)</b>	<b>(68,409)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		257,760	77,115
Repayment of long term financing		(55,908)	(19,092)
Repayments of / (proceeds from) short term borrowing - net		(1,013,662)	(422,000)
Dividends paid		(10,644)	(741)
<b>Net cash used in financing activities</b>		<b>(822,454)</b>	<b>(364,718)</b>
<b>Net increase in cash and cash equivalents</b>		<b>803,110</b>	<b>12,154</b>
Cash and cash equivalents at beginning of the period		(6,479,988)	(5,190,430)
Cash and cash equivalents at end of the period		<b>(5,676,878)</b>	<b>(5,178,276)</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE OF :</b>			
Cash and bank balances		306,632	266,340
Short term borrowings - running finance (secured)		(5,983,510)	(5,444,616)
	23.1	<b>(5,676,878)</b>	<b>(5,178,276)</b>

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

  
**Ehsan A. Malik**  
 Director & Chairman  
 Board Audit Committee

  
**Muhammad Akhtar**  
 Chief Financial Officer

  
**Riyaz T. Chinoy**  
 Chief Executive Officer

# Condensed Unconsolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

	Issued, subscribed and paid-up capital	Revenue Reserves General reserves	Un- appropriated profit / (loss)	Capital Reserve Revaluation surplus on property, plant and equipment	Total
	(Rupees in '000)				
Balance as at 1 July 2019	1,198,926	2,700,036	3,599,089	2,450,893	9,948,944
<b>Total comprehensive income for the period</b>					
Loss for the period	-	-	(119,428)	-	(119,428)
Total Comprehensive income for the period	-	-	(119,428)	-	(119,428)
<b>Transactions with owners of the Company - distributions:</b>					
- Final dividend @ 30% (Rs. 3.00 per share) for the year ended 30 June 2019	-	-	(359,678)	-	(359,678)
- Bonus shares @ 10% for the year ended 30 June 2019	119,893	-	(119,893)	-	-
Total transactions with owners of the Company - distribution	119,893	-	(479,571)	-	(359,678)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation	-	-	22,540	(22,540)	-
Balance as at 30 September 2019	1,318,819	2,700,036	3,022,630	2,428,353	9,469,838
<b>Balance as at 1 July 2020</b>	1,318,819	2,700,036	2,554,370	2,372,304	8,945,529
Profit for the period	-	-	70,845	-	70,845
<b>Total comprehensive income for the period</b>	-	-	70,845	-	70,845
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation	-	-	21,012	(21,012)	-
<b>Balance as at 30 September 2020</b>	<b>1,318,819</b>	<b>2,700,036</b>	<b>2,646,227</b>	<b>2,351,292</b>	<b>9,016,374</b>

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.



**Ehsan A. Malik**  
Director & Chairman  
Board Audit Committee



**Muhammad Akhtar**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Chief Executive Officer

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 1. STATUS AND NATURE OF BUSINESS

International Industries Limited ("the Company") was incorporated in Pakistan in 1948 and is quoted on the Pakistan Stock Exchange. The Company is engaged in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes, polymer pipes & fittings. The registered office of the Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.

The manufacturing facilities of the Company are situated as follows:

- a) LX 15-16, Landhi Industrial Area, Karachi
- b) Survey # 402,405-406, Dehshirabi Landhi Town, Karachi
- c) 22 KM, Sheikhpura Road, Lahore

Sales offices are located at Lahore, Islamabad, Faisalabad, Peshawar and Multan.

Details of the Company's investment in subsidiaries and associated company are stated in note 6 to these financial statements.

### 1.1 IMPACT OF COVID-19

As in the rest of the world, COVID-19 adversely affected lifestyles and business operations in Pakistan. The Company has been complying with the SOPs prescribed by Federal and Provincial Governments. Sales and production activities remain uninterrupted during the period. The Company remained up to date in all its financial commitments and availed SBP's employee refinance facility for payment of salaries and wages.

During the 1st quarter the market has shown signs of recovery and the financial performance has improved.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

**2.1.1** These condensed interim unconsolidated financial statements of the Company have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of:

- International Accounting Standard (IAS) 34 'Interim Financial Reporting issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.



# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

**2.1.2** These condensed interim unconsolidated financial statements does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended 30 June 2020.

**2.1.3** The comparative condensed unconsolidated statement of financial position presented in these condensed interim unconsolidated financial statements have been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2020, whereas the comparative condensed unconsolidated statement of profit or loss, condensed unconsolidated statement of comprehensive income, condensed unconsolidated statement of cash flows and condensed unconsolidated statement of changes in equity are extracted from the unaudited condensed unconsolidated financial statements for the period ended 30 September 2019.

**2.1.4** These condensed interim unconsolidated financial statements are un-audited and are being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

## **2.2 Basis of measurement**

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention except for the Company's liability defined benefit plan (gratuity) which is determined on the present value of defined benefit obligations less fair value of plan assets determined by an independent actuary, land & buildings at revalued amounts assessed by an independent valuer and derivative financial instruments which are stated at fair value.

## **2.3 Functional and presentation currency**

These condensed unconsolidated interim financial statements are presented in Pakistani Rupees which is also the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1.** The accounting policies and methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of audited annual separate financial statements of the Company as at and for the year ended 30 June 2020.

Certain amendment and interpretation to approved accounting standards became effective during the period were not relevant to the Company's operation and do not have any impact on the accounting policies of the Company.

## **4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT**

**4.1** The preparation of consensed interim unconsolidated financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**4.2.** The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2020.

**4.3.** The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2020.

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

5. PROPERTY, PLANT AND EQUIPMENT	Operating assets	Capital work-in-progress (incl., capital spares)	Total
	(Rupees in '000)		
<b>Cost / revalued amount</b>			
Opening balance	10,203,129	28,401	10,231,530
Additions	-	12,617	12,617
Transfers	1,296	(1,296)	-
Disposal	(36,022)	-	(36,022)
	<u>10,168,403</u>	<u>39,722</u>	<u>10,208,125</u>
<b>Accumulated depreciation</b>			
Opening balance	(3,150,145)	-	(3,150,145)
Charge for the period	(132,304)	-	(132,304)
Disposal	27,886	-	27,886
	<u>(3,254,563)</u>	<u>-</u>	<u>(3,254,563)</u>
<b>Written down value as at 30 September 2020 (Un-audited)</b>	<u>6,913,840</u>	<u>39,722</u>	<u>6,953,562</u>
Written down value as at 30 June 2020 (Audited)	7,052,984	28,401	7,081,385

## 6. INVESTMENTS

30 September 2020 (Un-audited) (Number of shares)	30 June 2020 (Audited)		Note	30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
Quoted companies					
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company at cost	6.1	2,450,555	2,450,555
6,092,470	6,092,470	Pakistan Cables Limited (PCL) - associate company at cost	6.2	817,553	817,553
Un-quoted company					
-	-	IIL Americas Inc.,(IIL Americas) - subsidiary company at cost	6.3	17,966	17,966
100,000	100,000	IIL Australia Pty Limited (IIL Australia ) - subsidiary company at cost	6.4	9,168	9,168
				3,295,242	3,295,242

6.1 The Company holds 56.33% ownership interest in ISL. The Chief Executive of ISL is Mr. Yousuf H. Mirza.

6.1.1 The Company has pledged 500,000 shares of International Steels Limited in the Sindh High Court as explained in note 14.1.8.

6.2 The Company holds 17.124% ownership interest in PCL. The Chief Executive Officer of PCL is Mr. Fahd K. Chinoy.

6.3 The Company holds 100% ownership interest in IIL Americas Inc., The Chief Executive Officer of IIL Americas Inc., is Mr. Mohsin Safdar. The Company is incorporated in Ontario, Canada.

6.4 The Company holds 100% ownership interest in IIL Australia. The Chief Executive Officer of IIL Australia is Mr. Sohail Raza Bhojani. The Company is incorporated in Victoria, Australia.

6.5 Market value of the aforementioned quoted investments is as follows:

Quoted	30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
International Steels Limited at Rs.77.04 (2020: Rs. 51.65) per share	18,879,079	12,657,119
Pakistan Cables Limited at Rs.137.76 (2020: Rs. 106.89) per share	839,299	651,224

6.5.1 Market values of the investments disclosed above is categorised as Level 1 fair value measurement. No impairment loss has been recognized because the recoverable amount of the investment in associated company exceeds its carrying amount.

6.6 The book value of IIL Australia based on un-audited financial statements as at 30 September 2020 is AUD 182,689 (Rs. 21.51 million). [2020: AUD 160,232 (Rs. 18.47 million)].

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 7. STOCK-IN-TRADE

	30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
Raw materials- in hand	3,353,966	4,433,572
- in transit	2,816,999	120,327
	<u>6,170,965</u>	<u>4,553,899</u>
Work-in-process	1,490,737	1,648,287
Finished goods	1,719,053	2,123,945
By-product	24,053	32,295
Scrap material	63,828	47,381
	<u>9,468,636</u>	<u>8,405,807</u>

- 7.1 Raw materials amounting to Rs. 1.7 million as at 30 September 2020 (2020: Rs. 2.3 million) was held at vendor premises for the production of pipe caps.

## 8. TRADE DEBTS

Considered good - secured	397,497	183,471
- unsecured	3,715,175	3,375,248
Considered doubtful	146,431	146,431
	<u>4,259,103</u>	<u>3,705,150</u>
Provision for impairment on trade debts	(146,431)	(146,431)
	<u>4,112,672</u>	<u>3,558,719</u>

- 8.1 Related parties from whom debts are due are as under:

IIL Australia Pty Limited	1,128,222	814,507
IIL Americas Inc.,	123,054	70,042
Gul Ahmed Textile Mills Limited	1,891	-
Pakistan Cables Limited	12,459	702
	<u>1,265,626</u>	<u>885,251</u>

## 9. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Considered good - unsecured		
- Suppliers	17,421	14,378
- Employees for business related expenses	1,814	703
Trade deposits	7,151	7,906
Short term prepayments	12,922	5,539
	<u>39,308</u>	<u>28,526</u>

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

		30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
<b>10. OTHER RECEIVABLES</b>			
Considered good - unsecured			
- Insurance claim		-	15,000
- Others		837	-
		<u>837</u>	<u>15,000</u>
Considered doubtful			
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		25,940	25,940
		<u>26,777</u>	<u>40,940</u>
- Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior periods		(25,940)	(25,940)
		<u>837</u>	<u>15,000</u>
<b>11. LONG-TERM FINANCING - secured</b>			
	Note	30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
CONVENTIONAL			
Long Term Finance Facility	11.1	1,572,873	1,396,118
Deferred Income - Government Grant		43,705	18,608
ISLAMIC			
Diminishing Musharakah	11.2	573,412	573,412
		<u>2,189,990</u>	<u>1,988,138</u>
<b>Current portion of long term finances shown under current liabilities</b>			
CONVENTIONAL			
Long Term Finance Facility		(360,329)	(262,764)
Deferred Income - Government Grant		(31,718)	(11,735)
ISLAMIC			
Diminishing Musharakah		(136,364)	(136,364)
		<u>(528,411)</u>	<u>(410,863)</u>
		<u>1,661,579</u>	<u>1,577,275</u>



# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

- 11.1** The Company has approved financing facilities of amounts aggregating to Rs.1,550 million. As at 30 September 2020 the Company has withdrawn Rs. 1,191.7 million (2020: Rs. 1,247.6 million) against these facilities. These facilities are secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402, 405-406, Dehsharabi Landhi Town Karachi.
- 11.2** These long term financing utilized under diminishing musharakah arrangement are secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi, and Survey No. 402, 405-406, Dehsharabi, Landhi Town, Karachi.
- 11.3** In addition to the above, the Company has also obtained long term loans of Rs. 424.858 million for financing its salaries and wages under SBP Refinance Scheme for payment of wages and salaries, earmarked from running finance limit, which is secured against first Joint Pari Passu Hypothecation charge over stock and book debts. The rate of markup on these loans are at 0.75% per annum. These loans are for two and half years and are repayable in eight quarterly instalments of around Rs.54 million each commencing from 31 March 2021. The facility available under the above arrangement amounted to Rs. 550 million (2020: Rs. 225 million) of which the amount remained unutilized as at 30 September 2020 was Rs. 125.14 million (2020: Rs. 57.903 million).

Due to the effects of pandemic, State Bank of Pakistan took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing.

The company has obtained the said borrowing from Habib Metropolitan Bank Limited ("HMB") at subsidized rate in six tranches at 0.75% concessional interest rate which is repayable by Dec 2022 in 8 quarterly installments to HMB under the SBP scheme.

Government grant amounting to Rs. 43.705 million has been recorded during the period ended 30 September 2020 and Rs. 5.123 million has been amortised during the year. In accordance with the terms of the grant, the company is prohibited to lay-off the employees from the period April to September 2020 of the grant.

- 11.4** In relation to above borrowings the Company needs to observe certain financial covenants (such as debt servicing ratio, current ratio, debt equity ratio etc.) and other non financial covenants as specified in the agreement with respective lenders which are complied with as of the reporting date.

<b>12. TRADE AND OTHER PAYABLES</b>	<i>Note</i>	<b>30 September 2020 (Un-audited) (Rupees in '000)</b>	<b>30 June 2020 (Audited)</b>
Trade creditors		<b>203,970</b>	152,325
Bills payable		<b>2,789,030</b>	1,278
Accrued expenses		<b>920,587</b>	998,138
Provision for Infrastructure Cess	12.1	<b>552,771</b>	540,653
Workers' Profit Participation Fund		<b>7,608</b>	855
Workers' Welfare Fund		<b>89,683</b>	123,457
Others		<b>31,198</b>	29,428
		<b>4,594,847</b>	1,846,134

## **12.1 Provision for Infrastructure Cess**

This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note.14.1.4)

Balance as at 01 July	<b>540,653</b>	477,586
Charge for the period	<b>12,118</b>	63,067
Balance as at 30 September	<b>552,771</b>	540,653

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

13. SHORT TERM BORROWINGS - secured	Note	30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
<b>CONVENTIONAL</b>			
Running finance under mark-up arrangement from banks	13.1	452,966	2,019,425
Short-term borrowing under Money Market scheme			
Maturing after three months		-	800,000
Maturing within three months		4,617,339	3,900,000
	13.2	4,617,339	4,700,000
Short-term borrowing under Export Refinance scheme	13.3	955,000	1,315,000
Running finance under FE-25 Export Scheme	13.4	146,338	-
<b>ISLAMIC</b>			
Short term borrowing under running Musharakah	13.5	913,205	860,032
Short-term borrowing under Export Refinance scheme	13.6	500,000	500,000
		<u>7,584,848</u>	<u>9,394,457</u>
<p><b>13.1</b> The facilities for running finance available from various commercial banks amounted to Rs. 2,110 million (2020: Rs.2,625 million). The rates of mark-up on these finances range from 7.26% to 8.15% per annum (2020: 8.73% to 11.76% per annum). Unavailed facility as at the period end amounted to Rs. 1,657 million (2020: Rs. 605.6 million).</p> <p><b>13.2</b> The facilities for short term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangement amounted to Rs. 9,050 million (2020: Rs. 7,875 million). Unavailed facility as at the period end amounted to Rs. 4,432.7 million (2020: Rs. 3,175 million). The rates of mark-up on these finances range from 6.73% to 7.65% (2020: 7.51% to 8.76%) per annum.</p> <p><b>13.3</b> The Company has borrowed short term finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 955 million (2020: Rs. 1,315 million). The rate of mark-up on this facility was 3.00% per annum (2020: 3.00% per annum).</p> <p><b>13.4</b> The Company has borrowed short term finance under Foreign Exchange Circular No. 25 dated 20 June 1998 of the SBP for the purpose of meeting export requirements. The facilities availed is for an amounts aggregating of USD 0.884 million equivalent to Rs.146,3 million (30 June 2020: Nil). The rate of mark-up on these finance was 2.50% per annum (2020: per annum).</p> <p><b>13.5</b> The facilities for running musharakah available from various banks amounted to Rs. 2,850 million (2020: Rs. 2,850 million). The rates of mark-up on these finances range from 7.43% to 8.43% per annum (2020: 8.90 to 9.33% per annum). Unavailed facility as at the period end amounted to Rs. 1,936.8 million (2020: Rs. 1,989.9 million).</p> <p><b>13.6</b> The Company has borrowed short term finance under Islamic Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility was 3.00% per annum (2020: 3.00% per annum).</p> <p><b>13.7</b> All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.</p>			

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 14. CONTINGENCIES AND COMMITMENTS

### 14.1 Contingencies

Description of the factual basis of the proceeding and relief sought	Name of the court /	Principal parties	Date Instituted
<p><b>14.1.1</b> Customs duties amounting to Rs. 40.5 million as at 30 September 2020 (2020: Rs. 40.5 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.</p>	Customs	Collector of Customs / Federation of Pakistan	2005
<p><b>14.1.2</b> An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Honourable Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.</p>	Sindh High Court	Collector of Customs / Federation of Pakistan	15 January 2010
<p><b>14.1.3</b> The customs authorities have charged a redemption fine of Rs. 83 million on clearance of raw material consignments in 2006. The Company has filed an appeal before the Honourable Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.</p>	Sindh High Court	Collector of Customs / Federation of Pakistan	30 August 2007
<p><b>14.1.4</b> The Company filed a Suit before Honourable Sindh High Court (SHC) for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The SHC decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department filed an appeal before the Honourable Supreme Court of Pakistan (SCP) against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice.</p> <p>Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Bank guarantees amounting to Rs. 685 million (2020: Rs. 655 million) which includes afore-mentioned bank guarantees of Rs. 115 million are outstanding as at 30 September, 2020. As a matter of prudence, company is making provision for the balance amount, which as at 30 September, 2020 amounts to Rs. 552.8 million (2020: Rs.540.7 million) as disclosed in note 12.1.</p> <p>Subsequently, in 2017 the Department vide Sindh Finance Act 2015 &amp; 2016 enhanced the levy by 100%. On 24 October 2017 the Company has obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.</p>	Sindh High Court	Secretary Excise and Taxation / Federation of Pakistan	28 October 2002

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

Description of the factual basis of the proceeding and relief sought	Name of the court / institution	Principal parties	Date Instituted
<p><b>14.1.5</b> The Sindh High Court has granted stay orders against the collection of GIDC by SSGC from the Company.</p> <p>Earlier on 13 August 2020, the Supreme Court of Pakistan issued its verdict and held that "the levy imposed under Gas Infrastructure Development Cess Act, 2015 is in accordance with the provisions of the Constitution. The Supreme Court has also held that "the provisions of Section 8 of the Act, which give retrospective effect to the charge and recovery of 'Cess' levied from the year 2011 are also declared to be valid being within the legislative competence of the Parliament."</p> <p>However, a review petition has been filed in the Supreme Court against the above order on the grounds of limitation, retrospective effect of the Cess collection, discrimination amongst the consumers and on the fact that IIL did not pass on the burden to its Customers.</p> <p>The Management has reviewed adequacy of the provisions made in financial statements and recorded the entire liability under the GIDC Act 2015 upto 31 July 2020.</p> <p>Further the Company has not recognized GIDC amounting to Rs. 143.60 million (2020: Rs. 142.36 million) pertaining to period from 01 July 2011 to 31 July 2020 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).</p>	Sindh High Court	OGRA / SSGC / Federation of Pakistan	08 January 2012
<p><b>14.1.6</b> Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provincial establishment in its judgement with a conflicting view.</p>	Sindh High Court	SRB / Government of Sindh	06 Septemebr 2017
<p><b>14.1.7</b> Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs.600/- MMBTU by increasing the gas tariff by Rs.112/- per MMBTU vide its notification dated 30 December 2016 disregarding the protocol laid down in OGRA Ordinance, 2002. The Company filed a suit before the Sindh High Court (the Court) challenging the increase in gas tariff. The Court granted a stay order subject to submission of security for the differential amount with the Nazir of the Court. The Company has issued cheques amounting to Rs 99.5 million (2020: Rs.99.5 million) in favour of Nazir of the court upto September 2018. The Company, on a proident basis, has also accrued this amount in these unconsolidated financial statements.</p> <p>OGRA has further revised the gas tariff to Rs.780/- per MMBTU by increasing the gas tariff by Rs.180/- vide its notification dated 4 October, 2018. The Company has filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter Company is settling the bills at the revised rate.</p>	Sindh High Court	OGRA / SSGC / Federation of Pakistan	19 January 2017
<p><b>14.1.8</b> The Company filed the suit before the Sindh High Court (Court) challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016 Court granted stay against which 500,000 shares of subsidiary company were pledged as a security with Nazir of the Court. In one of the litigation to which Company is not a party, Supreme Court of Pakistan issued an order on 21 February 2018 whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the Supreme Court in which Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing. Application for release of pledged shares is in process.</p> <p>On a separate application challenging the chargeability of tax on inter corporate dividend, stay is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court.</p>	Sindh High Court	FBR / Commissioner Inland Revenue / Federation of Pakistan	1 November 2016



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- 14.1.9** Guarantees issued in favour of Sui Northern Gas Pipe Lines Limited by banks on behalf of the Company amounted to Rs. 275.9 million (2020: Rs. 287.2 million) as performance security for goods to be supplied by the Company.
- 14.1.10** Guarantees issued in favour of Sui Southern Gas Company Limited by banks on behalf of the Company to Rs. 46.51 million (2020: Rs. 51.75 Million) as performance security for goods to be supplied by the Company.
- 14.1.11** Guarantee issued in favour of Sui Southern Gas Company Limited by bank on behalf of the Company amounted to Rs. 107.19 million (2020: Rs.107.19 million) as a security for supply of gas.
- 14.1.12** Standby letter of credit issued in favour of Sui Northern Gas Pipe Lines Limited by bank on behalf of the Company amounted to Rs. 59.57 million (2020: Rs.59.57 million) as a security for supply of Regasified Liquefied Natural Gas (RLNG).
- 14.1.13** Guarantee issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2020: Rs. 5.83 million) as a security for supply of electricity.
- 14.1.14** Guarantee issued in favour of Pakistan State Oil Company Limited by bank on behalf of the Company amounted to Rs. 59.00 million (2020: Rs. 59.00 million) for supply of fuel and lubricants.
- 14.1.15** Guarantee issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 0.83 million (2020: Rs.0.83 million) as performance security for goods to be supplied by the Company.
- 14.1.16** Guarantees issued in favour of Small Industrial Development Board Peshawar by the bank on behalf of the Company amounted to Rs. 5.0 million (2020: 5 million) as performance security for goods to be supplied by the Company.
- 14.1.17** Guarantees issued in favour of Sui Northern Gas Pipe Lines Limited by the bank on behalf of the Company amounted to Rs. 91.7 million (2020: Rs.18.4 million) as security for holding the bids (bid bond) submitted in tenders.
- 14.1.18** Guarantees issued in favour of Sui Southern Gas Company Limited by the bank on behalf of the Company amounted to Rs. 3.7 million (2020: Nil) as security for holding the bids (bid bond) submitted in tenders
- 14.2 Commitments**
- 14.2.1** Capital expenditure commitments outstanding as at 30 September 2020 amounted to Rs. nil million (2020: Rs. 8.8 million).
- 14.2.2** Commitments under letters of credit for raw materials and stores and spares as at 30 September 2020 amounted to Rs. 2,143.9 million (2020: Rs. 873.8 million).
- 14.2.3** Commitments under purchase contracts as at 30 September 2020 amounted to Rs. 173.9 million (2020: Rs. 875.4 million).
- 14.2.4** Unavailed facilities for opening letters of credit and guarantees from banks as at 30 September 2020 amounted to Rs. 7,556 million (2020: Rs. 7,817 million) and Rs. 1,187 million (2020: Rs. 832 million) respectively.
- 14.2.5** Postdated cheques issued in favour of Collector of Customs for imported items cleared under manufacturing bond amounted to Rs. 1,896.4 million (2020: 2,423.10 million).
- 14.2.6** Postdated cheques issued in favour of Collector of Customs for differential of sales tax on imports of machinery amounted to Rs.0.8 million (2020: Rs.3.6 million).
- 14.2.7** Postdated cheques issued in favour of Collector of Customs for various disputed claims amounted to Rs.166.83 million (2020: Rs. 166.83 million).

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 15. NET SALES

	Three months period ended	
	30 September 2020	30 September 2019
	(Un-audited)	
	(Rupees in '000)	
Local	5,442,026	5,990,028
Export	995,269	627,691
	<b>6,437,295</b>	<b>6,617,719</b>
Sales Tax	(792,995)	(892,241)
Domestic trade discounts	(241,389)	(292,020)
Export commission and discounts	(9,021)	(5,816)
	<b>(1,043,405)</b>	<b>(1,190,077)</b>
	<b>5,393,890</b>	<b>5,427,642</b>

## 15.1 DISAGGREGATION OF REVENUE

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

### Primary geographical markets:

Local	4,407,642	4,805,767
Asia	458,780	214,995
Europe	44,924	121,751
Australia	417,519	269,577
Americas	65,025	15,552
	<b>5,393,890</b>	<b>5,427,642</b>

### Major Product Lines:

Steel segment	4,849,102	4,980,846
Polymer segment	544,788	446,796
	<b>5,393,890</b>	<b>5,427,642</b>

## 16. COST OF SALES

### Raw material consumed

Opening stock of raw material	4,433,572	5,186,733
Purchases	2,811,284	4,368,971
	<b>7,244,856</b>	<b>9,555,704</b>

Closing stock of raw material

(3,353,966)	(4,823,857)
<b>3,890,890</b>	<b>4,731,847</b>

### Manufacturing overheads

Salaries, wages and benefits	202,169	225,948
Rent, rates and taxes	60	150
Electricity, gas and water	85,740	111,986
Insurance	2,657	2,442
Security and janitorial	8,529	7,866
Depreciation and amortisation	123,183	123,046
Operational supplies & consumables	17,592	22,230
Repairs and maintenance	22,464	28,834
Postage, telephone and stationery	2,668	2,780
Vehicle, travel and conveyance	3,498	4,805
Internal material handling	6,208	10,761
Environment controlling expenses	81	121
Sundries	763	1,133
	<b>475,612</b>	<b>542,102</b>
	<b>4,366,502</b>	<b>5,273,949</b>

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

	<b>Three months period ended</b>	
	<b>30 September 2020</b>	<b>30 September 2019</b>
	<b>(Un-audited)</b>	
	<b>(Rupees in '000)</b>	
<b>Work-in-process</b>		
Opening stock	1,648,287	1,516,682
Closing stock	(1,490,737)	(1,687,338)
	<b>157,550</b>	<b>(170,656)</b>
<b>Cost of goods manufactured</b>	<b>4,524,052</b>	<b>5,103,293</b>
<b>Finished goods, by-products and scrap:</b>		
Opening stock	2,203,621	2,432,766
Closing stock	(1,806,934)	(2,419,501)
	<b>396,687</b>	<b>13,265</b>
	<b>4,920,739</b>	<b>5,116,558</b>
<b>17. SELLING AND DISTRIBUTION EXPENSES</b>		
Freight and forwarding	158,719	161,174
Salaries, wages and benefits	32,871	43,041
Rent, rates and taxes	679	650
Electricity, gas and water	1,421	2,868
Insurance	237	271
Depreciation and amortisation	3,335	3,905
Repairs and maintenance	135	183
Advertising and sales promotion	6,650	10,505
Postage, telephone and stationery	1,421	1,624
Office supplies	9	6
Vehicle, travel and conveyance	2,994	5,741
Certification and registration charges	888	476
Others	847	1,554
	<b>210,206</b>	<b>231,998</b>
<b>18. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and benefits	43,608	47,966
Rent, rates and taxes	86	116
Electricity, gas and water	587	776
Insurance	89	558
Depreciation and amortisation	3,248	4,447
Repairs and maintenance	461	361
Postage, telephone and stationery	2,300	2,370
Office supplies	79	101
Vehicle, travel and conveyance	1,130	3,371
Legal and professional charges	3,278	5,024
Certification and registration charges	3,197	5,209
Directors' fees	900	2,400
Others	2,205	5,350
	<b>61,168</b>	<b>78,049</b>
<b>19. FINANCE COST</b>		
<b>Conventional:</b>		
- Interest on long term financing	23,890	33,539
- Interest on short term borrowings	118,530	224,055
	<b>142,420</b>	<b>257,594</b>
<b>Islamic:</b>		
- Mark-up on running musharakah	10,294	4,230
- Mark-up on term murabaha	-	43,255
- Mark-up on diminishing musharakah	9,467	19,675
	<b>19,761</b>	<b>67,160</b>
Exchange loss and others	(568)	-
Interest on Workers' Profit Participation Fund	45	600
Bank charges	1,976	3,950
	<b>163,634</b>	<b>329,304</b>

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 20. OTHER OPERATING EXPENSES

Note	Three months period ended	
	30 September 2020	30 September 2019
	(Un-audited)	(Un-audited)
	(Rupees in '000)	(Rupees in '000)

Auditors' remuneration	886	1,015
Donations	-	2,350
Workers' Profit Participation Fund	7,920	-
Workers' Welfare Fund	3,168	-
Business development expense	1,505	1,867
	<b>13,479</b>	<b>5,232</b>

## 21. OTHER INCOME

### Income / return from financial assets

Income on bank deposits - conventional	244	345
Exchange gain / (loss)	10,000	(57,997)
Government grant	5,123	-

### Income from non-financial assets

Income from power generation	21.1	(1,282)	206
Rental income from subsidiary company		105,961	9,375
Dividend income from associated company		-	6,092
Dividend income from subsidiary company		-	367,583
(Loss) / gain on disposal of property, plant and equipment		(1,292)	8,967
Others		3,889	-
		<b>122,643</b>	<b>334,571</b>

### 21.1. Income from power generation

Net sales	26,294	30,300
Cost of electricity produced	(27,576)	(30,094)
	<b>(1,282)</b>	<b>206</b>

## 22. TAXATION

Current		
- for the year	79,948	136,500
- for prior years	-	(16,000)
	<b>79,948</b>	<b>120,500</b>
- Deferred	(3,486)	-
	<b>76,462</b>	<b>120,500</b>

## 23. CHANGES IN WORKING CAPITAL

(Increase) / decrease in current assets:

Store and spares	1,627	(13,925)
Stock-in-trade	(1,062,829)	1,551,838
Trade debts	(553,953)	(388,117)
Advances, trade deposits and short term-prepayments	(10,782)	16,952
Receivable from K-Electric Limited (KE)	(742)	10,794
Other receivables	14,163	2,143
Sales tax receivables	113,789	103,182
	<b>(1,498,727)</b>	<b>1,282,867</b>

Increase / (decrease) in current liabilities:

Trade and other payables	2,748,713	(507,037)
Contract liabilities	44,816	(112,121)
	<b>1,294,802</b>	<b>663,709</b>

### 23.1 CASH AND CASH EQUIVALENTS

Cash and bank balances		306,632	266,340
Running finance under mark-up arrangement from banks	13	(452,966)	(1,228,608)
Short-term borrowing under Money Market scheme maturing within three months	13	(4,617,339)	(4,125,000)
Short term borrowing under running Musharakah	13	(913,205)	(91,008)
		<b>(5,676,878)</b>	<b>(5,178,276)</b>

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 24. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise the subsidiary companies, associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. The contributions to defined contribution plan (provident fund) are made as per the terms of employment and contributions to the defined benefit plan (gratuity fund) are made on the basis of latest actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagements.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

### 24.1. Transactions with related parties

	Three months period ended	
	30 September 2020	30 September 2019
	(Rupees in '000)	
	Un-audited	
<b><i>Subsidiaries</i></b>		
Sales	418,708	364,979
Purchases	458	933,116
Cost of shared resources	14,515	14,785
Reimbursement of expenses incurred on behalf of the Company	942	6,006
Rental income	105,960	9,375
Dividend received	-	367,583
<b><i>Associated companies</i></b>		
Sales	67,365	1,034
Purchases	303	2,901
Purchase of vehicle	-	2,530
Reimbursement of expenses	152	159
Insurance premium	13,534	857
Insurance claim	25,010	-
Dividend received	-	6,092
Dividend paid	-	1,728
Bonus shares issued 57,600 shares	-	576
Subscription	2,158	2,100
<b><i>Key management personnel</i></b>		
Remuneration	66,820	66,741
<b><i>Staff retirement funds</i></b>		
Contribution paid	44,391	36,939
<b><i>Non-executive directors</i></b>		
Directors' fee	900	2,400
Reimbursement of Chairman's expenses	-	1,946

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 25. SEGMENT REPORTING

The Company has identified Steel, Polymer and Investments as reportable segments. Performance is measured based on respective segments results. Information regarding the Company's reportable.

### 25.1 Segment Revenue and Results

Segment Revenue and Results	Steel segment	Polymer segment	Investments segment	Total
	(Rupees in '000)			
<b>For the three months period ended 30 September 2020</b>				
Sales	4,849,102	544,788	-	5,393,890
Cost of sales	(4,454,172)	(466,567)	-	(4,920,739)
<b>Gross Profit</b>	<b>394,930</b>	<b>78,221</b>	<b>-</b>	<b>473,151</b>
Selling and distribution expenses	(200,170)	(10,036)	-	(210,206)
Administrative expenses	(57,791)	(3,377)	-	(61,168)
	(257,961)	(13,413)	-	(271,374)
Finance cost	(153,108)	(10,526)	-	(163,634)
Other operating charges	(9,679)	(3,800)	-	(13,479)
	(162,787)	(14,326)	-	(177,113)
Other income	122,643	-	-	122,643
<b>Profit before taxation</b>	<b>96,825</b>	<b>50,482</b>	<b>-</b>	<b>147,307</b>
<b>Taxation</b>				<b>(76,462)</b>
<b>Profit after taxation</b>				<b>70,845</b>
<b>For the three months period ended 30 September 2019</b>				
Sales	4,980,846	446,796	-	5,427,642
Cost of sales	(4,704,391)	(412,167)	-	(5,116,558)
Gross Profit	276,455	34,629	-	311,084
Selling and distribution expenses	(215,845)	(16,153)	-	(231,998)
Administrative expenses	(72,424)	(5,625)	-	(78,049)
	(288,269)	(21,778)	-	(310,047)
Finance cost	(299,785)	(29,519)	-	(329,304)
Other operating charges	(6,217)	985	-	(5,232)
	(306,002)	(28,534)	-	(334,536)
Other income	(39,104)	-	373,675	334,571
(Loss) / profit before taxation	(356,920)	(15,683)	373,675	1,072
Taxation				(120,500)
Loss after taxation				(119,428)

### 25.2 SEGMENT ASSETS & LIABILITIES

SEGMENT ASSETS & LIABILITIES	Steel segment	Polymer segment	Investments segment	Total
	(Rupees in '000)			
As at 30 September 2020 - Un-audited				
Segment assets	18,747,496	1,405,334	3,295,242	23,448,072
Segment liabilities	12,425,862	665,835	-	13,091,697
As at 30 June 2020 - Audited				
Segment assets	16,753,164	1,904,264	3,295,242	21,952,670
Segment liabilities	10,396,496	1,114,031	-	11,510,527

Reconciliation of segment assets and liabilities with total assets and liabilities in the Statement of financial position is as follows :

	30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
Total reportable segments assets	23,448,072	21,952,670
Unallocated assets	1,069,455	1,186,846
<b>Total assets as per Statement of financial position</b>	<b>24,517,527</b>	<b>23,139,516</b>
Total reportable segments liabilities	13,091,697	11,510,527
Unallocated liabilities	2,409,456	2,683,460
<b>Total liabilities as per Statement of financial position</b>	<b>15,501,153</b>	<b>14,193,987</b>

25.3 The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its own manufacturing facilities and any excess electricity is sold to KE.



# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 26. MEASUREMENT OF FAIR VALUES

Management engages an independent external expert / valuer to carry out valuation of its non-financial assets (i.e. Land and Building) and obtains rate from financial institution to value derivative financial instruments. Involvement of external valuers is decided by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

30 September 2020 (Un-audited)						
	Carrying amount			Fair value		
	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
<b>----- (Rupees in '000) -----</b>						
<b>Financial assets not measured at fair value</b>						
Long term deposits	3,519	-	3,519	-	-	-
Trade debts - net of provision	4,112,672	-	4,112,672	-	-	-
Trade deposits	7,151	-	7,151	-	-	-
Receivable from K-Electric Limited	19,748	-	19,748	-	-	-
Other receivables	837	-	837	-	-	-
Cash and bank balances	306,632	-	306,632	-	-	-
	<b>4,450,559</b>	<b>-</b>	<b>4,450,559</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>						
Long term financing	-	2,189,990	2,189,990	-	-	-
Trade and other payables	-	3,913,587	3,913,587	-	-	-
Accrued mark-up	-	94,581	94,581	-	-	-
Short term borrowings	-	7,584,848	7,584,848	-	-	-
Contract liabilities	-	229,278	229,278	-	-	-
Unclaimed dividend	-	30,838	30,838	-	-	-
	<b>-</b>	<b>14,043,122</b>	<b>14,043,122</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

	30 June 2020 (Audited)			Fair value		
	Carrying amount					
	Amortized Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- (Rupees in '000) -----						
<b>Financial assets not measured at fair value</b>						
Long term deposits	3,519	-	3,519	-	-	-
Trade debts - net of provision	3,558,719	-	3,558,719	-	-	-
Trade deposits	7,906	-	7,906	-	-	-
Receivable from K-Electric Limited	19,006	-	19,006	-	-	-
Other receivables	15,000	-	15,000	-	-	-
Cash and bank balances	299,469	-	299,469	-	-	-
	<u>3,903,619</u>	<u>-</u>	<u>3,903,619</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>						
Long term financing	-	1,988,138	1,988,138	-	-	-
Trade and other payables	-	1,151,741	1,151,741	-	-	-
Accrued mark-up	-	75,830	75,830	-	-	-
Short term borrowings	-	9,394,457	9,394,457	-	-	-
Contract liabilities	-	184,462	184,462	-	-	-
Unpaid dividend	-	2,438	2,438	-	-	-
Unclaimed dividend	-	39,044	39,044	-	-	-
	<u>-</u>	<u>12,836,110</u>	<u>12,836,110</u>	<u>-</u>	<u>-</u>	<u>-</u>

The fair value of land and building on freehold land are determined by an independent valuer based on price per square meter and current replacement cost method adjusted for depreciation factor for existing assets in use. The resulting fair value is a level 3 fair value measurement.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities measured at fair value:

Assets measured at fair value:	Date of valuation	Valuation approach and inputs used	Inter-relationship between significant unobservable inputs and fair value measurement
Revalued property, plant and equipment - Land and Building	30 June 2019	The valuation model is based on price per square meter and current replacement cost method adjusted for depreciation factor for the existing assets in use. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, current replacement cost, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.

# Notes to the Condensed Interim Unconsolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

Management assessed that the fair values of cash & cash equivalents, other receivable, receivables from K-Electric, trade deposits, trade receivables, short term borrowings, trade and other payables, accrued mark-up, contract liabilities and unpaid / unclaimed dividends approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit and long term financing, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rates. Fair values of investment in quoted subsidiary and associate are disclosed in note 6.4 to these financial statements.

## 27. GENERAL

### DATE OF AUTHORIZATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue on 22 October 2020 by the Board of Directors of the Company.



Ehsan A. Malik  
Director & Chairman  
Board Audit Committee



Muhammad Akhtar  
Chief Financial Officer



Riyaz T. Chinoy  
Chief Executive Officer



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# CONSOLIDATED **FINANCIAL STATEMENTS**



# Condensed Consolidated Statement of Financial Position

As at 30<sup>th</sup> September 2020

	Note	30 September 2020 (Un-audited) ------(Rupees in '000)-----	30 June 2020 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	27,247,533	27,719,526
Right-of-use assets		4,952	14,093
Intangible assets		2,774	2,907
Investment	7	1,096,911	1,113,256
Long-term deposits		3,619	3,619
		<b>28,355,789</b>	<b>28,853,401</b>
<b>Current assets</b>			
Stores and spares		994,201	882,331
Stock-in-trade	8	17,179,494	23,999,119
Trade debts - considered good	9	4,034,724	4,085,937
Advances, trade deposits and short-term prepayments	10	115,614	164,411
Receivable from K-Electric Limited (KE) - unsecured, considered good		65,377	58,399
Other receivables	11	9,285	23,271
Sales tax receivable		2,787,062	4,246,047
Taxation - net		840,473	1,073,966
Cash and bank balances		819,751	581,074
		<b>26,845,981</b>	<b>35,114,555</b>
<b>Total assets</b>		<b>55,201,770</b>	<b>63,967,956</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized capital 200,000,000 (2020: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
<b>Share capital</b>			
Issued, subscribed and paid-up capital		1,318,819	1,318,819
<b>Revenue reserve</b>			
General reserve		2,991,258	2,991,258
Unappropriated profit		6,810,201	6,411,432
Exchange translation reserve		4,909	4,565
<b>Capital reserve</b>			
Revaluation surplus on property, plant and equipment		3,588,898	3,616,039
<b>Total shareholders' equity</b>		<b>14,714,085</b>	<b>14,342,113</b>
Non-controlling interest		5,710,387	5,466,668
		<b>20,424,472</b>	<b>19,808,781</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term financing - secured	12	6,691,714	6,619,457
Staff retirement benefits		62,168	82,314
Deferred taxation		1,900,281	1,829,413
Lease liabilities		6,534	11,949
		<b>8,660,697</b>	<b>8,543,133</b>
<b>Current liabilities</b>			
Trade and other payables	13	9,115,236	10,887,408
Contract liabilities		2,469,599	1,561,899
Short-term borrowings - secured	14	12,339,103	20,914,861
Unpaid dividend		-	3,246
Unclaimed dividend		30,838	39,044
Unclaimed dividend attributable to non-controlling interest		8,042	7,625
Current portion of long term finances - secured	12	1,867,013	1,898,497
Current portion of lease liabilities		2,745	3,854
Accrued markup		284,025	299,608
		<b>26,116,601</b>	<b>35,616,042</b>
<b>Total liabilities</b>		<b>34,777,298</b>	<b>44,159,175</b>
<b>Contingencies and commitments</b>			
	15	-	-
<b>Total equity and liabilities</b>		<b>55,201,770</b>	<b>63,967,956</b>

The annexed notes 1 to 28 form an integral part of these condensed interim consolidated financial statements.

**Ehsan A. Malik**  
Director & Chairman  
Board Audit Committee

**Muhammad Akhtar**  
Chief Financial Officer

**Riyaz T. Chinoy**  
Chief Executive Officer

# Condensed Consolidated Statement of Profit or Loss (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

		Three months period ended	
	Note	30 September 2020	30 September 2019
		------(Rupees in '000)-----	
Net sales	16	21,159,160	16,143,080
Cost of sales	17	(19,268,530)	(14,473,315)
Gross profit		1,890,630	1,669,765
Selling and distribution expenses	18	(320,101)	(485,627)
Administrative expenses	19	(126,621)	(147,423)
		(446,721)	(633,050)
Finance cost	20	(424,207)	(995,181)
Other operating expenses	21	(82,297)	(29,601)
		(506,504)	(1,024,782)
Other income	22	73,752	16,390
Share of (loss) in equity-accounted investee		(15,780)	(6,113)
Profit before taxation		995,377	22,210
Taxation	23	(382,881)	(74,836)
Profit / (loss) after taxation		612,496	(52,626)
Profit / (loss) profit attributable to:			
- Owners of Holding Company		368,777	(247,268)
- Non-controlling interest		243,719	194,642
		612,496	(52,626)
Earnings / (loss) per share - basic and diluted		(Rupees ) 2.80	(1.87)

The annexed notes 1 to 28 form an integral part of these condensed interim consolidated financial statements.



**Ehsan A. Malik**  
Director & Chairman  
Board Audit Committee



**Muhammad Akhtar**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Chief Executive Officer

# Condensed Consolidated Statement of Comprehensive Income (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

	Three months period ended	
	30 September 2020	30 September 2019
	----- (Rupees in '000) -----	
<b>Profit / (loss) for the period</b>	<b>612,496</b>	<b>(52,626)</b>
<b>Other comprehensive income</b>		
<i>Items that will be classified to profit or loss</i>		
Foreign operations - foreign currency translation difference	344	(1,706)
Proportionate share of other comprehensive income of equity accounted investee	3,442	1,483
<b>Other comprehensive income</b>	<b>3,786</b>	<b>(223)</b>
<b>Total comprehensive income for the period</b>	<b>616,282</b>	<b>(52,849)</b>
Total comprehensive income attributable to:		
- Owners of the Holding Company	372,563	(247,491)
- Non-controlling interest	243,719	194,642
	<b>616,282</b>	<b>(52,849)</b>

The annexed notes 1 to 28 form an integral part of these condensed interim consolidated financial statements.



**Ehsan A. Malik**  
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Board Audit Committee



**Muhammad Akhtar**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Chief Executive Officer


# Condensed Consolidated Statement of Cash Flows (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

		Three months period ended	
		30 September 2020	30 September 2019
Note		(Un-audited) (Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		995,377	22,210
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment		519,872	577,842
Amortization of intangible assets		133	1,733
Provision for store and spares		19,374	8,512
Provision for staff gratuity		15,822	18,307
Provision for compensated absences		2,836	8,011
Income on bank deposits		(940)	(1,344)
Gain on disposal of property, plant and equipment		(621)	(5,539)
Share of loss from associated company		15,780	6,113
Government grant income		(6,007)	-
Finance cost		424,207	995,181
		990,456	1,608,816
Changes in working capital		7,396,739	(8,332,586)
<b>Net cash generated / (used in) operations</b>		<b>9,382,572</b>	<b>(6,701,560)</b>
Translation reserve		230	(1,591)
Finance cost paid		(433,775)	(857,716)
Income on bank deposits received		940	1,344
Employee defined benefits paid		(35,968)	(18,307)
Compensated absences paid		(5,905)	(11,464)
Income tax paid		(75,048)	(104,532)
<b>Net cash generated / ( used in) operating activities</b>		<b>8,833,046</b>	<b>(7,693,826)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquisition of property, plant and equipment		(61,218)	(1,102,655)
Right-of-use assets		10,339	-
Proceeds from disposal of property, plant and equipment		12,821	12,491
<b>Net cash used in investing activities</b>		<b>(38,058)</b>	<b>(1,090,164)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term financing		257,760	109,950
Repayment of long-term financing		(216,987)	(19,092)
Proceed from / (repayments of) short term borrowing - net		360,668	(464,256)
Lease liabilities		(10,291)	40,350
Dividends paid to shareholders of the Holding Company		(11,035)	(742)
<b>Net cash generated / (used in) financing activities</b>		<b>380,115</b>	<b>(333,790)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>9,175,103</b>	<b>(9,117,780)</b>
Cash and cash equivalents at beginning of the period		(14,873,303)	(11,316,541)
Cash and cash equivalents at end of the period		(5,698,200)	(20,434,321)
<b>CASH AND CASH EQUIVALENTS COMPRISE OF:</b>			
Cash and bank balances		819,751	377,942
Short-term borrowings - running finance (secured)		(6,517,951)	(20,812,263)
24.1		(5,698,200)	(20,434,321)

The annexed notes 1 to 28 form an integral part of these condensed interim consolidated financial statements.

  
**Ehsan A. Malik**  
 Director & Chairman  
 Board Audit Committee

  
**Muhammad Akhtar**  
 Chief Financial Officer

  
**Riyaz T. Chinoy**  
 Chief Executive Officer

# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

	Attributable to owners of the Holding Company						Total	Non-controlling interest	Total
	Issued, subscribed and paid-up capital	Revenue Reserves		Capital Reserve					
		General reserves	Un-appropriated profit / (loss)	Exchange translation reserve	Total reserves	Revaluation surplus on property, plant & machinery			
	(Rupees in '000)								
Balance as at 1 July 2019	1,198,926	2,991,258	7,343,772	4,658	10,339,688	3,624,344	15,162,958	5,462,651	20,625,609
Total comprehensive income for the period ended 30 September 2019									
Loss for the period	-	-	(247,268)	-	(247,268)		(247,268)	194,642	(52,626)
Other comprehensive income	-	-	1,483	(1,706)	(223)		(223)	-	(223)
	-	-	(245,785)	(1,706)	(247,491)	-	(247,491)	194,642	(52,849)
Transactions with owners recorded directly in equity									
Distribution to owners of the Holding Company:									
-Final dividend @ 30% (Rs. 3.00 per share) for the year ended 30 June 2019	-	-	(359,678)	-	(359,678)		(359,678)	-	(359,678)
-Bonus share @ 10% (i.e 1 share for every 10 shares) for the year ended 30 June 2019	119,893		(119,893)		(119,893)				
Total transactions with owners of the Holding Company - distribution	119,893	-	(479,571)	-	(479,571)		(359,678)	-	(359,678)
Dividend to non-controlling interest	-	-		-	-		-	(284,917)	(284,917)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	28,076		28,076	(32,368)	(4,292)	4,292	-
Proportionate share of surplus on revaluation of property, plant and equipment - PCL	-	-	-		-	90,565	90,565	-	90,565
Proportionate share / reclassification of surplus on revaluation of property, plant and equipment - NCI						4,292	4,292	(4,292)	(0)
Balance as at 30 September 2019	1,318,819	2,991,258	6,646,492	2,952	9,640,702	3,686,832	14,646,353	5,372,377	20,018,729
Balance as at 1 July 2020	1,318,819	2,991,258	6,411,432	4,565	9,407,255	3,616,039	14,342,113	5,466,668	19,808,781
Total comprehensive income for the period ended 30 September 2020									
Profit for the period	-	-	368,777	-	368,777		368,777	243,719	612,496
Other comprehensive income			3,442	344	3,786		3,786	-	3,786
	-	-	372,219	344	372,563	-	372,563	243,719	616,282
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	26,549	-	26,549	(30,841)	(4,292)	4,292	-
Proportionate share of surplus on revaluation of property, plant and equipment - PCL						(591)	(591)	-	(591)
Proportionate share / reclassification of surplus on revaluation of property, plant and equipment - NCI						4,292	4,292	(4,292)	-
Balance as at 30 September 2020	1,318,819	2,991,258	6,810,200	4,909	9,806,367	3,588,898	14,714,085	5,710,387	20,424,472

The annexed notes 1 to 28 form an integral part of these condensed interim consolidated financial statements.

**Ehsan A. Malik**  
Director & Chairman  
Board Audit Committee

**Muhammad Akhtar**  
Chief Financial Officer

**Riyaz T. Chinoy**  
Chief Executive Officer

# Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 1. THE GROUP AND ITS OPERATIONS

**1.1** The Group consists of International Industries Limited, (the Holding Company) and its 56.33% owned subsidiary International Steels Limited and its wholly owned foreign subsidiary IIL Australia PTY Limited [together referred to as "the Group" and individually as "Group entities"] and the Holding Company's 17.124% interest in equity accounted investee namely Pakistan Cables Limited (PCL).

**1.2** International Industries Limited ("the Holding Company") was incorporated in Pakistan in 1948 and is quoted on the Pakistan Stock Exchange. The Holding Company is engaged in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes, polymer pipes and fittings. The registered office of the Holding Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.

The manufacturing facilities of the Holding Company are situated as follows:

- a) LX 15-16, Landhi Industrial Area, Karachi
- b) Survey # 402,405-406, Dehshrahi Landhi Town, Karachi
- c) 22 KM, Sheikhpura Road, Lahore

Sales office are located at Lahore, Islamabad, Faisalabad, Peshawar and Multan.

**1.3** International Steels Limited ("the Subsidiary Company") was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to general public under Initial Public Offer, the Subsidiary Company was listed on the Pakistan Stock Exchange on 1 June 2011. The primary activities of the Subsidiary Company are business of manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operations on 1 January 2011. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. The Holding Company has 56.33% ownership in International Steels Limited.

The manufacturing facilities of the Subsidiary Company is situated at 399-405, Rehri Road, Landhi Industrial Area, Karachi and having sales offices located at Lahore, Islamabad and Multan.

**1.4** IIL Australia PTY Limited ("the foreign Subsidiary") was incorporated in Australia on 02 May 2014. It is engaged in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office and sales office of the foreign Subsidiary Company is situated at 101-103, Abbot Road, Hallam, Victoria 3803, Australia. IIL Australia PTY Limited is a wholly owned foreign subsidiary of the Holding Company.

**1.5** IIL Americas Inc., ("the foreign Subsidiary") was incorporated in Canada on 08 October 2019. It is engaged in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office and sales office of the foreign Subsidiary Company is situated at 36 Gerigs St. Scarborough Ontario, Canada M1L 0B9. IIL Americas Inc., is a wholly owned foreign subsidiary of the Holding Company.

## 1.6 IMPACT OF COVID 19

As in the rest of the world, COVID-19 adversely affected lifestyles and business operation in Pakistan. The Group has been complying with the SOPs prescribed by Federal and Provincial Government. Sales and production activities remained uninterrupted during the period. The Group remained up to date in all its financial commitments and availed SBP's employee refinance facility for payment of salaries and wages.



# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

During the 1st quarter the market has shown signs of recovery and the financial performance has improved.

- 1.7 Details of equity accounted investee is given in note 7 to these condensed interim consolidated financial statements.

## 2. BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared from the information available in the condensed un-audited separate financial statements of the Holding Company, the Subsidiary Company and foreign Subsidiary Company for the period ended 30 September 2020. Detail regarding the financial information of equity accounted investee used in the preparation of these condensed interim consolidated financial statements are given in note 7 to these condensed interim consolidated financial statements.

### 2.1 Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan for these interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act 2017.

Where the provisions of and directives issued under the Companies Act 2017 differ with the requirements of IFRS, the provisions of and directives issued under the Companies Act 2017 have been followed.

- 2.1.1 These condensed interim consolidated financial statement does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements as at and for the year ended 30 June 2020.
- 2.1.2 The comparative Balance Sheet presented in this condensed interim consolidated financial statements have been extracted from the audited annual consolidated financial statements for the year ended 30 June 2020, whereas the comparative condensed interim Profit and Loss Account, condensed interim Statement of Comprehensive Income, condensed interim Cash Flow Statement and condensed interim Statement of Changes in Equity are extracted from the unaudited condensed interim consolidated financial statements for the period ended 30 September 2020.
- 2.1.3 These condensed interim consolidated financial statements are un-audited and are being submitted to the shareholders as required by listing regulations of the Pakistan Stock Exchange and Section 237 of the Companies Act 2017.

### 2.2 Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention except for the liabilities under defined benefit plan (gratuity) that is determined based on the present value of defined benefit obligations less fair value of plan assets, land & buildings thereon that are stated at fair value determined by an independent valuer and derivative financial instruments which are stated at fair value.

### 2.3 Functional and presentation currency

These condensed interim consolidated financial statements are presented in Pakistani Rupees which is the Holding Company's functional and presentation currency and have been rounded to the nearest thousand rupee, unless otherwise indicated.

## 3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1. The accounting policies and methods of computation adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of audited annual financial statements as at and for the year ended 30 June 2020.

Certain amendment and interpretation to approved accounting standards became effective during the period were not relevant to the Group's operation and do not have any impact on the accounting policies of the Group.

# Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1 The preparation of condensed interim consolidated financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
- 4.2 The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2020.
- 4.3 The Group's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2020.

## 5 Basis of consolidation

### 5.1 Investment in subsidiaries

Subsidiaries are entities controlled by the Group. Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than fifty percent of the voting rights. The financial statements of subsidiaries are included in the consolidated financial information from the date that control commences until the date that controls ceases.

The financial information of subsidiaries is prepared for the same reporting period as the Holding Company, using consistent accounting policies and changes are made where necessary to align them with the policies adopted by Holding Company.

The assets and liabilities of subsidiaries are consolidated on a line by line basis. The carrying value of the investments held by the Holding Company is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements. All material intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Holding Company. Non-controlling interests are presented as a separate item in the condensed interim consolidated financial information.

### 5.2 Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for by using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of an associate's post-acquisition profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Where there has been a change recognized directly in the equity of an associate, the Group recognizes its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity.

The financial statements of associates used for equity-accounting are prepared with a difference of three months.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2020.

# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

6. PROPERTY, PLANT AND EQUIPMENT	Operating assets	Capital work-in-progress (Incl., capital spares) (Rupees in '000)	Total
<b>Cost / revalued amount</b>			
Opening balance	36,941,328	135,739	37,077,067
Additions	-	104,971	104,971
Translate reserve	57	-	57
Transfers	(35,099)	(8,654)	(43,753)
Disposal	(42,870)	-	(42,870)
	<u>36,863,416</u>	<u>232,056</u>	<u>37,095,472</u>
<b>Accumulated depreciation</b>			
Opening balance	(9,357,541)	-	(9,357,541)
Charge for the period	(521,068)	-	(521,068)
Disposal	30,670	-	30,670
	<u>(9,847,939)</u>	<u>-</u>	<u>(9,847,939)</u>
<b>Written down value as at 30 September 2020 (Un-audited)</b>	<u>27,015,477</u>	<u>232,056</u>	<u>27,247,533</u>
Written down value as at 30 June 2020 (Audited)	<u>27,583,787</u>	<u>135,739</u>	<u>27,719,526</u>

7. INVESTMENT		30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
Pakistan Cables Limited (PCL) - associated company	7.1	1,078,945	1,095,290
IIL Americas Inc., Foreign subsidiary	7.2	17,966	17,966
		<u>1,096,911</u>	<u>1,113,256</u>

**7.1** This represents investment in PCL, an Associated Company, on account of cross directorship. The Holding Company holds 17.124% of effective share of interest in PCL due to crossholding.

The Chief Executive Officer of PCL is Mr. Fahd K. Chinoy. The market value as at 30 September 2020 was Rs. 839.299 million (30 June 2020: Rs. 651.224 million) and is categorized as level 1 under the fair value hierarchy. The share of profit after acquisition is recognised based on audited financial statements as at 30 June 2020 as the latest financial statements as at 30 September 2020 are not presently available.

**7.2** This represents advance against shares paid by International Industries limited for issuance of 100 % ownership interest (150,000 shares) in IIL Americas Inc. The Chief Executive Officer of IIL Americas Inc, is Mr. Mohsin Safdar.

8. STOCK-IN-TRADE	30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
Raw material - in hand	5,700,870	11,089,377
- in transit	3,130,366	552,374
	<u>8,831,236</u>	<u>11,641,751</u>
Work-in-process	3,764,907	4,180,318
Finished goods	4,360,374	7,875,199
By-products	36,510	42,961
Scrap material	186,467	258,890
	<u>17,179,494</u>	<u>23,999,119</u>

**8.1** Raw material of Holding Company amounting to Rs.1.7 million as at 30 September 2020 (2020: Rs.2.3 million) was held at vendor's premises for the production of pipe caps.

# Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

		30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
<b>9. TRADE DEBTS</b>			
Considered good - secured		645,591	564,528
- unsecured		3,389,133	3,521,409
		<b>4,034,724</b>	<b>4,085,937</b>
Considered doubtful		144,836	144,482
		<b>4,179,560</b>	<b>4,230,419</b>
Impairment of doubtful debts		(144,836)	(144,482)
		<b>4,034,724</b>	<b>4,085,937</b>
<b>10. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Considered good			
- Suppliers		51,942	93,624
- Employees for business related expenses		1,814	703
- Trade deposits		18,426	22,942
- Margin against shipping guarantees		8,986	6,807
- Short term prepayments		34,446	40,335
		<b>115,614</b>	<b>164,411</b>
<b>11. OTHER RECEIVABLES</b>			
Considered good			
Insurance claim		-	15,000
Others		9,285	8,271
		<b>9,285</b>	<b>23,271</b>
Considered doubtful			
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		25,940	25,940
		<b>35,225</b>	<b>49,211</b>
Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior periods		(25,940)	(25,940)
		<b>9,285</b>	<b>23,271</b>
<b>12. LONG-TERM FINANCING - secured</b>			
CONVENTIONAL			
Long Term Finance Facility	12.1	2,734,439	3,147,966
Deferred income - Government Grant		73,550	36,978
ISLAMIC			
Diminishing Musharakah	12.2	5,750,738	5,333,010
		<b>8,558,727</b>	<b>8,517,954</b>
<b>Current portion of long term finances shown under current liabilities</b>			
CONVENTIONAL			
Long Term Finance Facility		(610,348)	(512,788)
Deferred income - Government Grant		(50,223)	(22,810)
ISLAMIC			
Diminishing Musharakah		(1,206,442)	(1,362,899)
		<b>(1,867,013)</b>	<b>(1,898,497)</b>
		<b>6,691,714</b>	<b>6,619,457</b>

# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## **Conventional**

- 12.1** Approved financing facilities amounted in aggregate to Rs.2,778.8 million. As at 30 September 2020 amounts withdrawn against approved financing facilities amounted to Rs.2,095.3 million (2020 Rs. 3,147.9 million). These facilities are secured by way of a mortgage on all present and future land and buildings of Holding Company located at plot number LX-15 &16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No.402, 405-406, Dehsharabi, Landhi Town, Karachi and pari passu charge over fixed assets of the Subsidiary Company.

## **Islamic**

- 12.2** Approved financing facilities amounted to Rs.5,750.7 million (2020: Rs. 5,333.0 million which are fully utilized. These facilities are secured by way of mortgage on all present and future land and buildings of Holding Company located at plot no. LX-15&16 and H/X-7/4, Landhi Industrial Estate, Karachi and Survey no.402, 405-406, Dehsharabi, Landhi Town, Karachi and pari passu charge over fixed assets of the Subsidiary Company.

In addition to above, the Holding Company and Subsidiary Company have also obtained long term loans of Rs.712.735 million for financing its salaries and wages under SBP Refinance Scheme for payment of wages and salaries, earmarked from running finance limit, which is secured against first joint Pari Passu Hypothecation charge over stock and book debts. The rate of markup for Holding Company on these loans are at 0.75% per annum and for Subsidiary Company are 0.75% to 1% per annum. These loans are for two and half years and are repayables in eight equally quarterly instalments of Rs.96.0 million each commencing from 31 March 2021. The facility available under the above arrangement amounted to Rs.950 million of which the amount remained unutilized as at 30 September 2020 was Rs.237.265 million (2020: Rs.89.933 million).

Due to the effects of pandemic, State Bank of Pakistan took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing.

The Holding Company has obtained the said borrowing from Habib Metropolitan Bank Limited ("HMB") at subsidized rate in six tranches at 0.75% while Subsidiary Company has obtained the said borrowing from Faysal Bank Limited ("FBL") at subsidized rate in three tranches at 1% concessional rate which is repayable by Dec 2022 in 8 quarterly instalment to HMB and FBL under the SBP scheme.

Government grant amounting to Rs. 73.550 million has been recorded during the year ended 30 June 2020 and Rs. 6.007 million has been amortised during the year. In accordance with the terms of the grant, the Holding Company and Subsidiary Company are prohibited to lay-off the employees atleast for three months from the period April 2020 to September 2020 of the grant.

In relation to above borrowings, the Group need to observe certain financial covenants (such as debt servicing ratio, current ratio, debt equity ratio etc.) and other non financial covenants as specified in the agreement with respective lenders which are complied with as of the reporting date.

# Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

	Note	30 September 2020 (Un-audited) (Rupees in '000)	30 June 2020 (Audited)
<b>13. TRADE AND OTHER PAYABLES</b>			
Trade creditors		839,808	5,449,018
Bills payable		2,789,030	1,278
Provision for Government Levies		2,420	2,047
Accrued expenses		3,201,758	3,237,184
Provision for Infrastructure Cess	13.1	1,903,989	1,860,728
Short-term compensated absences		8,416	11,485
Workers' Profit Participation Fund		53,705	2,145
Workers' Welfare Fund		257,399	272,735
Others		58,711	50,788
		<b>9,115,236</b>	<b>10,887,408</b>
<b>13.1 Provision for Infrastructure Cess</b>			
Balance as at 01 July		1,860,728	1,535,752
Charge for the period		43,261	324,976
Balance as at 30 September		<b>1,903,989</b>	<b>1,860,728</b>
<b>14. SHORT-TERM BORROWINGS - secured</b>			
<b>CONVENTIONAL</b>			
Running finance under mark-up arrangement from banks	14.1	987,407	2,183,647
Short-term borrowing under Money Market Scheme			
- maturing after 3 months		-	1,550,000
- maturing within 3 months		4,617,339	10,000,000
	14.2	4,617,339	11,550,000
Short-term borrowing under Export Refinance Scheme	14.3	3,754,957	2,490,628
Running finance under FE-25 Export Scheme	14.4	146,338	-
<b>ISLAMIC</b>			
Short term borrowing under running Musharakah	14.5	913,205	3,270,730
Short-term borrowing under Export Refinance Scheme	14.6	1,919,857	1,419,856
		<b>12,339,103</b>	<b>20,914,861</b>
<b>14.1</b>	The facilities for running finance available from various commercial banks amounted to Rs. 17,915 million (2020: Rs.9,149 million). The rates of mark-up on these finances obtained by the Holding Company ranges from 7.26% to 8.15% per annum.(2020: 8.73% to 11.76% per annum). The rate of mark-up on these finance obtained by the Subsidiary Company ranges7.46% to 8.53% (2020: 7.87% to 11.72%) Unavailed facilites as at 30 September 2020 amounted to Rs.16,928 million (2020: Rs.6,965 million).		



# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

- 14.2** The facilities for short-term borrowing under Money Market Scheme financing available to the Holding Company from various commercial banks under mark-up arrangements amounted to Rs. 9,050 million (2020: Rs. 14,725 million). Unavailed facilities as at 30 September 2020 amounted to Rs.4,432.7 million (2020: 3,175 million). The rate of markup on these finances range from 6.73% to 7.65% per annum (2020: 7.51% to 8.76%) per annum.
- 14.3** The Holding Company and the Subsidiary Company have obtained short term finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 3,755 million (2020: Rs.2,490.6 million). The rates of mark-up on these facilities range from 2.75% to 3.00 % per annum (2020: 3.0% per annum).
- 14.4** The facilities for short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 of the SBP for the purpose of meeting export requirements. The facilities availed are for an amount aggregating to USD 0.884 million equivalent to Rs.146.3 million (2020: nil ). The rate of markup on these finance was 2.50 % .
- 14.5** The facilities for Running Musharikhah available from various banks amounted to Rs 2,850 million (2020: 6,030 million). The rate of profit on these finances availed by the Holding Company range from 7.43% to 8.43% per annum (2020: 8.9 to 9.33%) per annum. Unavailed facilities as at 30 September 2020 amounted to Rs.1,936.8 million (2020: Rs.2,759 million).
- 14.6** The Holding Company and the Subsidiary Company have obtained short term running finance under Islamic Export Refinance Scheme of the State Bank of Pakistan from commercial bank. The facility availed is for an amount of Rs. 1919.9 million. (2020: Rs,1,419.8 million). The rate of mark-up on these facilities were 3% per annum.
- 14.7** All running finances and short-term borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.

## 15. CONTINGENCIES AND COMMITMENTS

### 15.1 Contingencies

	Description of factual basis and relief sought	Name of the court / institution	Principal parties	Date instituted
	<b>Holding Company and the Subsidiary Company (collectively referred as "Companies").</b>			
<b>15.1.1</b>	The Sindh High Court has granted stay orders against the collection of GIDC by SSGC from the Company.	Sindh High Court	OGRA / SSGC / Federation of Pakistan	08-Jan-2012
	<p>Earlier on 13 August 2020, the Supreme Court of Pakistan issued its verdict and held that "the levy imposed under Gas Infrastructure Development Cess Act, 2015 is in accordance with the provisions of the Constitution. The Supreme Court has also held that "the provisions of Section 8 of the Act, which give retrospective effect to the charge and recovery of 'Cess' levied from the year 2011 are also declared to be valid being within the legislative competence of the Parliament."</p> <p>However, a review petition has been filed in the Supreme Court against the above order on the grounds of limitation, retrospective effect of the Cess collection, discrimination amongst the consumers and on the fact that the Group did not pass on the burden to its Customers.</p> <p>The Management has reviewed adequacy of the provisions made in financial statements and recorded the entire liability under the GIDC Act 2015 upto 31 July 2020.</p>			

# Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

Further, the Companies have not recognized GIDC amounting to Rs. 888.60 million (2020: Rs.879.36 million) pertaining to period from 01 July 2011 to 31 July 2020 with respect to their captive power plants from which power generation is supplied to K-Electric Limited. Management consider that, in the event such levy is imposed, they shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

- |        |   |                  |  |             |
|--------|---|------------------|--|-------------|
| 15.1.2 | <p>The Holding Company filed a Suit before Honorable Sindh High Court ('SHC') for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Holding Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Holding Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The Court decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department (Department) filed an appeal before the Honorable Supreme Court of Pakistan against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice.</p> <p>Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Bank guarantees amounting to Rs.2,082.5 million (2020: Rs.1,985.5 million) which includes afore-mentioned bank guarantees of Rs. 115 million issued by the Holding Company are outstanding as at 30 September 2020. As a matter of prudence, the Companies are making provisions for the balance amount, which as at 30 September 2020 amounts to Rs. 1,904 million (2020: 1,860.8million) as disclosed in note 13.1.</p> <p>Subsequently vide Sindh Finance Act 2015 &amp; 2016 the levy has been doubled from 2017. On 24 October 2017 the Companies have obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.</p> | Sindh High Court | Secretary Excise & Taxation / Federation of Pakistan | 28-Oct-2002 |
| 15.1.3 | <p>Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs.600/- per MMBTU by increasing the gas tariff by Rs.112/- per MMBTU vide its notification dated 30 December 2016 disregarding the protocol laid down in OGRA Ordinance, 2002. The Companies have filed a suit in the Sindh High Court (The Court) challenging the gas tariff increase. The Court granted a stay order subject to submission of security for the differential amount with the Nazir of the Court. The Companies have issued cheques amounting to Rs.524.3 million (2019: Rs. 524.3 million) in favour of Nazir of the court upto 30 September 2018. The Companies, on a prudent basis, have also accrued this amount in these consolidated financial statements.</p>  | Sindh High Court | OGRA / SSGC / Federation of Pakistan                 | 19-Jan-2017 |

# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

OGRA has further revised the gas tariff to Rs.780/- per MMBTU by increasing the gas tariff by Rs.180/- vide its notification dated 4 October, 2018. The Companies have filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter Companies are settling the bills at the revised rate.

- |               |  |                  |                           |             |
|---------------|--|------------------|---------------------------|-------------|
| <b>15.1.4</b> | Sindh Revenue Board (SRB) issued notices to the Companies for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Companies filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Companies are trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Companies by declaring exemption on the basis that the Companies being a trans-provincial establishment are paying Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provisional establishment in its judgement with a conflicting view. | Sindh High Court | SRB / Government of Sindh | 09-Jun-2017 |
| <b>15.1.5</b> | Guarantees issued in favour of Sui Southern Gas Company Limited by the bank on behalf of the Companies amounted to Rs. 597.3 million (2020: Rs.511.8 million) as a security for supply of gas.   |                  |                           |             |
| <b>15.1.6</b> | Guarantee issued in favour of Pakistan State Oil Company Limited by banks on behalf of the Companies amounted to Rs. 83 million (2020: Rs.83 million ) for supply of fuel and lubricants.  |                  |                           |             |

## Holding Company

- |               |   |                  |   |             |
|---------------|---|------------------|---|-------------|
| <b>15.1.7</b> | Customs duties amounting to Rs. 40.5 million as at 30 September 2020 (2020: Rs. 40.5 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities. | Customs          | Collector of Customs / Federation of Pakistan | 2005        |
| <b>15.1.8</b> | An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Honourable Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.   | Sindh High Court | Collector of Customs / Federation of Pakistan | 15-Jan-2010 |
| <b>15.1.9</b> | The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Honourable Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.   | Sindh High Court | Collector of Customs / Federation of Pakistan | 30-Aug-2007 |

# Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

- |         |  |                  |  |             |
|---------|--|------------------|--|-------------|
| 15.1.10 | <p>The Company filed the suit before the Sindh High Court (Court) challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016 Court granted stay order against which 500,000 shares of subsidiary company were pledged as a security with Nazir of the Court. In one of the litigation to which the Holding Company is not a party, SCP issued an order on 21 February 2018 whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the SCP in which Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing Application for release of pledged shares is in process.</p> <p>On a separate application challenging the chargeability of tax on inter corporate dividend, stay order is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court.</p> | Sindh High Court | FBR / Commissioner Inland Revenue / Federation of Pakistan | 01-Nov-2016 |
| 15.1.11 | The Company's share of contingent liabilities of its associated company is Rs. 108.7 million (2020: Rs. 106.1 million).  |                  |  |             |
| 15.1.12 | Guarantees issued in favour of Sui Northern Gas Pipe Lines Limited by banks on behalf of the Company amounted to Rs. 275.9 million (2020: Rs. 287.2 million) as performance security for goods to be supplied by the Company.  |                  |  |             |
| 15.1.13 | Guarantees issued in favour of Sui Southern Gas Company Limited by banks on behalf of the Company to Rs. 46.51 million (2020: Rs. 51.75 Million) as performance security for goods to be supplied by the Company.  |                  |  |             |
| 15.1.14 | Standby letter of credit issued in favour of Sui Northern Gas Pipe Lines Limited by bank on behalf of the Company amounted to Rs. 59.57 million (2020: Rs.59.57 million) as a security for supply of Regasified Liquefied Natural Gas (RLNG).  |                  |  |             |
| 15.1.15 | Guarantees issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2020: Rs. 5.83 million) as a security for supply of electricity.  |                  |  |             |
| 15.1.16 | Guarantees issued in favour of Sui Northern Gas Pipe Lines limited by bank on behalf of the Company amounted to Rs. 91.70 million (2020: 18.40 million ) as security for holding the bids (bid bond) submitted in tenders.   |                  |  |             |
| 15.1.17 | Guarantees issued in favour of Sui Southern Gas Company Limited by bank on behalf of the Company amounted to Rs. 3.7 million (2020: nil ) as security for goods holding the bids (bid bond) submitted in tenders.  |                  |  |             |
| 15.1.18 | Guarantee issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 0.83 million (2020:Rs.0.83 million) as performance security for goods to be supplied by the Company.   |                  |  |             |
| 15.1.19 | Guarantee issued in favour of Small Industrial Development Board Peshawar by the bank on behalf of the Company amounted to Rs. 5.0 million (2020:Rs.5.0 million ) as performance security for goods to be supplied by the Company.   |                  |  |             |

# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

<i>Subsidiary Company</i>		Name of the court / institution	Principal parties	Date instituted
	Description of factual basis and relief sought			
15.1.20	<p>A petition was filed before the Sindh High Court seeking order for the issuance of quota for concessionary import under SRO 565; release of 85,000 tons of HRC arrived at the Port in November 2019 and for future shipments.</p> <p>SHC granted release of 85,000 tons of HRC against submission of bank guarantee for the differential amount of duty &amp; taxes amounting to Rs. 1,651 million. In a separate order SHC instructed the authorities to allow provisional quota subject to submission of bank guarantee for the difference of duty &amp; taxes. As ordered, the Input-Output Coefficient Organistaion (IOCO) is issuing quota equivalent to ordered/shipped quantity of raw material on case to case basis.</p>	Sindh High Court	Federation of Pakistan / Director IOCO / The Chief Collector (South)	04-Nov-19
15.1.21	Guarantees issued in favour of Wah Industries by bank on behalf of the Subsidiary Company amounted to Rs. 43.8 million (2020: Rs. nil)			
15.1.22	Guarantees issued in favour of Collector of Custom by bank on behalf of the Subsidiary Company amounted to Rs. 3,394 million (2020: Rs. 3,394 million)			
15.1.23	Guarantees issued in favour of K-Electric by bank on behalf of the Subsidiary Company amounted to Rs. 8.67 million (2020:Rs.8.67 million)			
15.2	<b>Commitments</b>			
<i>Holding Company and the Subsidiary Company</i>				
15.2.1	Capital expenditure commitments outstanding as at 30 September 2020 amounted to Rs. 7 million (2020: Rs. 87 million).			
15.2.2	Commitments under letters of credit for raw materials and stores and spares as at 30 September 2020 amounted to Rs. 11,187 million (2020: Rs. 9,293 million).			
15.2.3	Unavailed facilities for opening letters of credit and guarantees from banks as at 30 September 2020 amounted to Rs. 24,255 million (2020: Rs. 24,870 million) and Rs. 1,520 million (2020: Rs. 1,061 million) respectively.			
<i>Holding Company</i>				
15.2.4	Commitments under purchase contracts as at 30 September 2020 amounted to Rs. 173.9 million (2020: Rs.875.4 million).			
15.2.5	Posdated cheques issued in favour of Collector of Customs for imported items cleared under manufacturing bond amounted to Rs. 1,896.4 million (2019:Rs. 2,423.1 million)			
15.2.6	Posdated cheques issued in favour of Collector of Customs for differential of sales tax on imports of machinery amounted to Rs. 0.8 million (2020:Rs. 3.6 million)			
15.2.7	Posdated cheques issued in favour of Collector of Customs for various disputed claims amounted to Rs. 166.83 million (2020: Rs. 166.83 million)			

# Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 16. NET SALES

	Three months period ended	
	30 September 2020	30 September 2019
	(Rupees in '000)	
Local	21,083,713	16,328,253
Export	3,654,115	2,662,729
	<b>24,737,828</b>	<b>18,990,982</b>
Sales Tax	(3,089,098)	(2,332,809)
Trade discounts	(480,549)	(509,277)
Export commission & discounts	(9,021)	(5,816)
	<b>(3,578,668)</b>	<b>(2,847,902)</b>
	<b>21,159,160</b>	<b>16,143,080</b>

## 16.1 DISAGGREGATION OF REVENUE

In the following table revenue is disaggregated by primary geographical markets and major product lines:

### Primary geographical markets:

Local	17,514,066	13,486,167
Asia	2,449,541	1,093,800
Europe	44,924	116,146
Australia	528,582	319,022
Africa	358,692	682,025
Americas	263,355	316,557
	<b>21,159,160</b>	<b>16,013,717</b>

### Major product lines:

Steel segment	20,614,372	15,696,284
Polymer segment	544,788	446,796
	<b>21,159,160</b>	<b>16,143,080</b>

## 17. COST OF SALES

### Raw material consumed

Opening stock of raw material	11,089,377	6,948,424
Purchases	8,444,073	19,203,344
	<b>19,533,450</b>	<b>26,151,768</b>
Closing stock of raw material	(5,700,870)	(11,174,063)
	<b>13,832,580</b>	<b>14,977,705</b>

### Manufacturing overheads

Salaries, wages and benefits	349,156	381,924
Rent, rates and taxes	60	150
Electricity, gas and water	428,937	512,106
Insurance	10,917	9,137
Security and janitorial	17,031	15,533
Depreciation and amortization	479,234	421,637
Operational supplies and consumables	46,779	51,839
Provision for obsolescence against spares	19,374	8,512
Repairs and maintenance	41,342	49,970
Postage, telephone and stationery	8,579	6,723
Vehicle, travel and conveyance	10,717	13,080
Internal material handling	7,683	14,407
Environment controlling expense	1,031	638
Sundries	5,800	3,247
Toll manufacturing expenses	200	-
	<b>1,426,840</b>	<b>1,488,903</b>
	<b>15,259,420</b>	<b>16,466,608</b>



# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

Three months period ended  
30 September 2020 30 September 2019  
(Rupees in '000)

## Work-in-process

Opening stock  
Closing stock

Cost of goods manufactured

## Finished goods, by-products and scrap:

Opening stock  
Closing stock

4,180,318	3,458,783
(3,764,907)	(3,587,051)
415,411	(128,268)
15,674,831	16,338,340
8,177,050	8,645,530
(4,583,351)	(10,510,555)
3,593,699	(1,865,025)
19,268,530	14,473,315

## 18 SELLING & DISTRIBUTION EXPENSES

Freight and forwarding expenses  
Salaries, wages and benefits  
Rent, rates and taxes  
Electricity, gas and water  
Insurance  
Depreciation and amortization  
Depreciation on right-of-use asset  
Repair and maintenance  
Advertising and sales promotion  
Postage, telephone and stationery  
Office supplies  
Vehicle, travel and conveyance  
Certification and registration charges  
Others

213,769	336,426
61,975	76,586
2,653	1,002
2,482	3,757
2,252	1,923
5,869	15,615
909	-
135	183
16,145	26,965
2,195	2,856
9	6
6,541	13,516
888	476
4,279	6,316
320,101	485,627

## 19 ADMINISTRATIVE EXPENSES

Salaries, wages and benefits  
Rent, rates and taxes  
Electricity, gas and water  
Insurance  
Depreciation and amortization  
Depreciation on right-of-use asset  
Repair and maintenance  
Postage, telephone and stationery  
Office supplies  
Vehicle, travel and conveyance  
Legal and professional charges  
Certifications and registration charges  
Directors' fees  
Others

86,181	96,647
2,868	379
1,382	1,481
834	849
5,640	7,910
(2,106)	-
461	361
2,719	3,504
79	101
3,056	5,769
11,038	11,007
3,585	5,302
2,800	4,325
8,084	9,788
126,621	147,423

## 20 FINANCE COST

### Conventional:

- Interest on long term finance  
- Interest on short term borrowings

### Islamic:

- Mark-up on running musharakah  
- Mark-up on diminishing musharakah  
- Mark-up on term murhabaha

Exchange loss and others  
Interest on Workers' Profit Participation Fund  
Bank charges  
Interest on lease liabilities

42,302	61,376
230,190	544,612
24,572	156,637
109,104	172,550
-	47,485
(568)	-
45	600
20,074	8,723
(1,512)	3,198
424,207	995,181

# Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

		Three months period ended	
		30 September 2020	30 September 2019
		(Rupees in '000)	
<b>21. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration		1,747	1,700
Donations		3,422	3,360
Workers' Profit Participation Fund		54,016	16,196
Workers' Welfare Fund		21,607	6,478
Business development expenses		1,505	1,867
		<u>82,297</u>	<u>29,601</u>
<b>22. OTHER INCOME</b>			
<b>Income / return on financial assets</b>			
Income on bank deposits - conventional		940	1,344
Exchange gain		49,722	978
Government grant		6,007	-
<b>Income from non financial assets</b>			
(Loss) / income from power generation	22.1	(1,778)	3,886
Gain on disposal of property, plant and equipment		621	5,539
Rental income		607	487
Others		17,633	4,156
		<u>73,752</u>	<u>16,390</u>
<b>22.1 Income from power generation</b>			
Net sales		192,689	170,801
Cost of electricity produced		(194,467)	(166,915)
		<u>(1,778)</u>	<u>3,886</u>
<b>23. TAXATION</b>			
Current			
- for the year		308,595	253,394
- for prior years		-	(16,000)
Deferred		74,286	(162,558)
		<u>382,881</u>	<u>74,836</u>
<b>24. CHANGES IN WORKING CAPITAL</b>			
Increase / (decrease) in current assets:			
Stores and spares		(131,244)	(158,054)
Stock-in-trade		6,819,625	(7,106,949)
Trade debts		(258,744)	(903,428)
Advances, trade deposit and short term prepayments		54,227	44,110
Receivable from K-Electric Limited (KE)		(6,978)	7,767
Other receivables		8,557	9,319
Sale tax receivables		1,458,984	(1,029,932)
		<u>7,944,427</u>	<u>(9,137,167)</u>
Increase /(decrease) in current liabilities:			
Trade and other payables		(592,504)	916,702
Contract liabilities		44,816	(112,121)
		<u>7,396,739</u>	<u>(8,332,586)</u>
<b>24.1 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		819,751	377,942
Running finance under mark-up arrangement from banks	14	(987,407)	(13,301,846)
Short-term borrowing under Money Market scheme maturing within three months	14	(4,617,339)	(4,125,000)
Short-term borrowing under Running Musharakah	14	(913,205)	(3,385,417)
		<u>(5,698,200)</u>	<u>(20,434,321)</u>

# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 25. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, directors of the group entities, key management employees and staff retirement funds. The group entities continue to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Contributions to Provident Fund of the group entities, wherever applicable, are made as per the terms of employment and contribution to the group entities defined benefit plan (Gratuity Fund), wherever applicable are in accordance with actuarial advice. Remuneration to key management personnel are in accordance with their terms of employment and policy of respective group entities.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group entities. The Group entities consider their Chief Executive Officer, Chief Financial Officer, Company Secretary, Non Executive Director and departmental heads to be their key management personnel. There are no transaction with key management personnel other than their terms of employment / entitlement.

Details of transaction with related parties, other than those which have been specifically disclosed elsewhere in these interim consolidated financial statements, are as follows:

	Three months period ended	
	30 September 2020	30 September 2019
	----- (Rupees in '000) -----	
<b>Associated companies</b>		
Sales	116,957	122,693
Purchases	2,392,449	9,103,351
Purchase of vehicle	-	2,530
Reimbursement of expenses	1,322	458
Insurance premium expenses	27,068	857
Insurance claim	50,020	-
Rent income	607	1,365
Donations	3,100	-
Dividend paid	-	120,161
Bonus shares issued 57,600 shares	-	576
Dividend received	-	6,092
Subscription	2,158	2,100
Services	1,521	15,581
<b>Key management personnel</b>		
Remuneration	123,579	129,444
<b>Staff retirement funds</b>		
Contribution paid	63,279	47,144
<b>Non-executive directors</b>		
Directors' fees	2,800	4,325
Reimbursement of Chairman's expenses	646	2,353

# Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 26 SEGMENT REPORTING

The Group has identified steel coils & sheets, steel pipes, polymer and investments as reportable segments.

### 26.2 SEGMENT REVENUE AND RESULTS

SEGMENTS	Steel Coils & Sheets	Steel Pipes	Polymer	Investment	Total
----- (Rupees in '000) -----					
<b>For the period ended 30 September 2020</b>					
Sales	15,654,207	4,960,165	544,788	-	21,159,160
Cost of sales	(14,263,495)	(4,538,468)	(466,567)	-	(19,268,530)
Gross Profit	1,390,713	421,696	78,221	-	1,890,630
Selling and distribution expenses	(95,851)	(214,214)	(10,036)		(320,101)
Administrative expenses	(55,326)	(67,918)	(3,377)		(126,621)
	(151,177)	(282,131)	(13,413)	-	(446,721)
Finance cost	(260,542)	(153,139)	(10,526)		(424,207)
Other operating charges	(68,818)	(9,679)	(3,800)	-	(82,297)
	(329,360)	(162,818)	(14,326)	-	(506,504)
Other income	51,132	22,620	-	-	73,752
Share of loss in equity accounted investee - net of tax	-	-	-	(15,780)	(15,780)
Profit before taxation	961,308	(633)	50,482	(15,780)	995,377
Taxation					(382,881)
Profit after taxation					612,496
<b>For the period ended 30 September 2019</b>					
Sales	10,747,814	4,948,470	446,796	-	16,143,080
Cost of sales	(9,598,865)	(4,462,283)	(412,167)	-	(14,473,315)
Gross Profit	1,148,949	486,187	34,629	-	1,669,765
Selling and distribution expenses	(139,083)	(330,391)	(16,153)		(485,627)
Administrative expenses	(61,760)	(80,038)	(5,625)		(147,423)
	(200,843)	(410,429)	(21,778)	-	(633,050)
Finance cost	(667,214)	(298,448)	(29,519)	-	(995,181)
Other operating charges	(24,369)	(6,217)	985	-	(29,601)
	(691,583)	(304,665)	(28,534)	-	(1,024,782)
Other income	64,533	(48,143)	-	-	16,390
Share of loss in equity accounted investee - net of tax				(6,113)	(6,113)
Loss before taxation	321,056	(277,050)	(15,683)	(6,113)	22,210
Taxation					(74,836)
Loss after taxation					(52,626)

# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

## 26.3 SEGMENT ASSETS & LIABILITIES

SEGMENTS	Steel Coils & Sheets	Steel Pipes	Polymer	Investments	Total
(Rupees in '000)					
<b>As at 30 September 2020 - Un-audited</b>					
Segment assets	<u>32,877,622</u>	<u>18,747,496</u>	<u>1,405,334</u>	<u>1,096,911</u>	<u>54,127,363</u>
Segment liabilities	<u>19,655,138</u>	<u>12,425,862</u>	<u>665,645</u>	<u>-</u>	<u>32,746,644</u>
<b>As at 30 June 2020 - Audited</b>					
Segment assets	<u>36,758,671</u>	<u>16,753,164</u>	<u>1,904,264</u>	<u>1,113,256</u>	<u>56,529,355</u>
Segment liabilities	<u>29,161,321</u>	<u>10,396,496</u>	<u>1,114,031</u>	<u>-</u>	<u>40,671,848</u>

Reconciliation of segment assets and liabilities with total assets and liabilities in the Balance Sheet is as follows :

	30 September 2020 (Un-audited)	30 June 2020 (Audited)
Total for reportable segments assets	54,127,363	56,529,355
Unallocated assets	<u>1,074,407</u>	<u>7,438,601</u>
<b>Total assets as per Balance Sheet</b>	<u>55,201,770</u>	<u>63,967,956</u>
Total for reportable segments liabilities	32,746,644	40,671,848
Unallocated liabilities	<u>2,030,654</u>	<u>3,487,327</u>
<b>Total liabilities as per Balance Sheet</b>	<u>34,777,298</u>	<u>44,159,175</u>

## 27 MEASUREMENT OF FAIR VALUES

A number of the accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

An independent external expert / valuer is engaged with sufficient regularity to carry out valuation of group entities non-financial assets (i.e Land and Building) and rates are obtained from financial institution to value derivative financial instruments. Involvement of external valuers is decided upon by managements of the group entities. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

When measuring the fair value of an asset or a liability, an entity uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

# Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

30 September 2020 (Un-audited)								
	Carrying amount				Fair value			
	Amortized	Other	Liabilities	Other	Level 1	Level 2	Level 3	
	cost	financial	at fair value	financial				
		assets	through	liabilities				
			Profit or loss					
----- (Rupees in '000) -----								
<b>Financial assets not measured at fair value</b>								
Long term deposits	3,619		-		3,619	-	-	-
Trade debts - net of provision	4,034,724		-		4,034,724	-	-	-
Trade deposits	18,426		-		18,426			
Receivable from K-Electric Limited	65,377		-		65,377			
Other receivables	9,285		-		9,285	-	-	-
Cash and bank balances	819,751		-		819,751	-	-	-
Total	4,951,182	-	-	-	4,951,182	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Long term financing	-			8,558,727	8,558,727	-	-	-
Trade and other payables				6,928,187	6,928,187			
Accrued mark-up	-			284,025	284,025	-	-	-
Short term borrowings	-			12,339,103	12,339,103	-	-	-
Contract liabilities	-			2,469,599	2,469,599	-	-	-
Unclaimed dividend	-			38,880	38,880	-	-	-
Total	-	-	-	30,618,521	30,618,521	-	-	-
30 June 2020 (Audited)								
	Carrying amount				Fair value			
	Amortized	Other	Liabilities	Other	Level 1	Level 2	Level 3	
	cost	financial	at fair value	financial				
		assets	through	liabilities				
			Profit or loss					
----- (Rupees in '000) -----								
<b>Financial assets not measured at fair value</b>								
Long term deposits	3,619		-		3,619			
Trade debts - net of provision	4,085,937		-		4,085,937	-	-	-
Trade deposits	22,942		-		22,942	-	-	-
Receivable from K-Electric Limited	58,399		-		58,399	-	-	-
Other receivables	23,271		-		23,271	-	-	-
Cash and bank balances	580,805	269	-		581,074	-	-	-
Total	4,774,973	269	-	-	4,775,242	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Long term financing	-			8,517,955	8,517,955	-	-	-
Trade and other payables	-			8,788,183	8,788,183	-	-	-
Accrued mark-up				299,608	299,608	-	-	-
Short term borrowings	-			20,914,861	20,914,861	-	-	-
Contract liabilities	-			1,561,899	1,561,899	-	-	-
Unpaid dividend	-			3,246	3,246	-	-	-
Unclaimed dividend	-			46,669	46,669	-	-	-
	-			-	-	-	-	-
Total	-	-	-	40,132,421	40,132,421	-	-	-



# Condensed Consolidated Statement of Changes in Equity (Un-audited)

For the three months ended 30<sup>th</sup> September 2020

The fair value of land and building on freehold land are determined by an independent valuer based on price per square meter and current replacement cost method adjusted for depreciation factor for existing assets in use. The resulting fair value is a level 3 fair value measurement.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value:

Assets measured at fair value:	Date of valuation	Valuation approach and inputs used	Inter-relationship between significant unobservable inputs and fair value measurement
Revalued property, plant and equipment - Land and Building	30 June 2019	The valuation model is based on price per square meter and current replacement cost method adjusted for depreciation factor for the existing assets in use. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, current replacement cost, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.

Management assessed that the fair values of cash & cash equivalents, other receivable, receivables from K-Electric, trade deposits, trade receivables, short term borrowings, trade and other payables, accrued mark-up, contract liabilities and unpaid / unclaimed dividends approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit and long term financing, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rates. Fair values of investment in equity accounted investee is disclosed in note 7.1 to these financial statements.

## 28 GENERAL

### 28.2 Date of authorization for issue

These condensed interim consolidated financial statements were authorised for issue on 22 October 2020 by the Board of Directors.



**Ehsan A. Malik**  
Director & Chairman  
Board Audit Committee

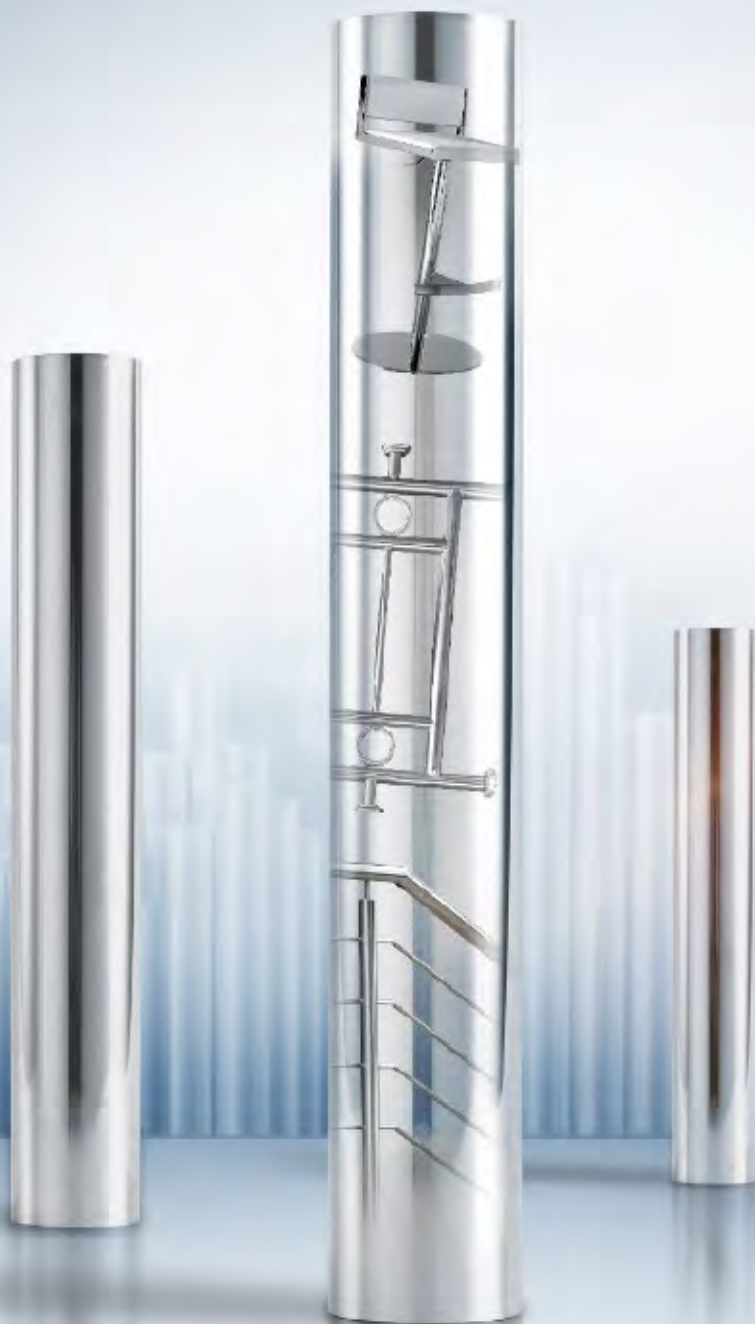


**Muhammad Akhtar**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Chief Executive Officer

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