



# DIRECTORS' REPORT

The Directors of International Industries Ltd. are pleased to submit the 57th Annual Report and the audited accounts for the year ended 30 June 2005.

#### **BOARD OF DIRECTORS**

The current directors except for Mr. Fuad Azim Hashimi were elected at the last annual general meeting for a period of three years. Mr. Javaid Anwar has been elected as director in place of Mr. Masood Noorani. Mr. Fuad Azim Hashimi has been appointed as director to fill the casual vacancy due to the resignation of Mr. Tariq Iqbal Khan

The Board appreciates the efforts and contribution made by Mr. Masood Noorani and Mr. Tariq Iqbal Khan during the period they were on the Board. The Board welcomes Mr. Javaid Anwar and Mr. Fuad Azim Hashimi and hope to benefit from their vast experience.

#### **OPERATIONS**

During the year under review the management of your company has added four new tubemills. Two of the tubemills were commissioned earlier in the year and are already on stream whereas the other two mills were added towards the end of the year and will come on stream in July 2005. A new slitter was also added and commissioned in the year under review. With these additions all the major capital jobs now stand completed.

The power plant on which the company had started work in January 2005 is progressing satisfactorily and all the components are expected to have landed by mid-August 2005. We hope to Inshallah commission the plant by October 2005.

All the plants have operated satisfactorily during the year. The production of saleable goods increased by 18% over the previous year and closed at 149,321 M. Tons.

#### **SALES**

In terms of volume, domestic sales grew by 19% , whereas in terms of value the growth was 52% , which is indicative of the quantum of price increase which became necessary to off-set the increase in the price of raw material.

Export sales grew by 20% in terms of volume and 69 % in terms of value. The volume growth would have been much higher but for the unprecedented escalation in steel prices which hampered this.

#### **FINANCIAL**

The fluctuation in the steel prices has had a major impact on the business of your company. The year began with the company holding a healthy inventory at favourable prices which resulted in good margins in the first quarter. Thereafter, steel prices continued to rise sharply, forcing the management to increase selling prices. Passing on the whole of the price increase to the customer would have had an adverse impact on the volumes. The company opted to work with lower margins and maintain the projected volume growth.





The net sale at Rs.7.1 billion is 57% higher than the corresponding previous year's figure. The gross profit of Rs.869 million is however only 10% higher than the previous year because of the lower margins.

Freight expense have increased due to a combined effect of higher fuel costs and therefore higher rates and increased volumes.

The profit before interest and tax at Rs.608 million is 6% higher than the previous year's figure of Rs.576 million. Interest rates have been increasing steadily throughout the year and at the end of the financial year, the rates are almost in the double digit range. The average rates at which your company borrowed money this year were twice what they were last year with the result that the financial costs have also increased proportionately.

The net tax charge of Rs.130 million is in line with that of last year.

Your Company revalued the land and buildings on 30 June 2004 which resulted in a revaluation surplus of Rs.563 million. The additional depreciation on the surplus amounts to Rs.21.8 million. Rs. 15.6 million has been transferred from surplus on revaluation of fixed assets to retained earnings (unappropriated profit) as shown in the Statement of Changes in Equity.

By the grace of Allah, the management of your company has successfully defended the bottom line in a difficult year.

Key operating and financial data for last seven years is summarized on page 28.

#### APPROPRIATIONS

The appropriations approved by the Board of Directors are as follows:

	(Rs. 000)
Profit for the year after taxation	373,005
Un-appropriated profit from prior year	123,067
Transferred from surplus on revaluation of buildings	15,661
Disposable profit for appropriation	511,733
Final dividend for the year ended 30 June 2004	(122,255)
Interim bonus of 110% for the year ended 30 June 2005	(224,133)
Unappropriated profit carried forward	165,345

#### SUBSEQUENT EFFECTS

Proposed final dividend on 42,789,184 shares of Rs. 10 each at Rs. 3.75 per share	160,459
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The changes in Companies Ordinance, 1984 require that events subsequent to the financial year end, including declaration of dividends, should be incorporated in the financial period in which it is declared. Therefore, the final dividend for the year 2004-05, announced on 28 July 2005 by the Board, shall be reflected in the financial statements for the year 2005-06.

#### SOCIAL RESPONSIBILITIES

Your Company is a caring corporate citizen and a trusted partner committed to operating with a consistent set of values that represent high standards of integrity and excellence.



Your Company believes that social and economic well being of people is the collective responsibility of state and society. The Company by spreading good corporate practices is setting high standards for the exercise of a positive influence in their immediate environment and amongst customers, suppliers and business associates.

Importance of safe practices, health of employees and a highly conducive environment cannot be over emphasized. The Company operations are closely monitored to achieve our Quality, Environment and Safety objectives. The Company has retained its ISO 9001:2000, ISO 14001:1996 and API Q1 & 5L (2000) certification. The process of certification to international safety standard, OHSAS 18001 is in an advanced stage.

#### **FUTURE PROSPECTS**

Starting middle of June 2005, the steel prices started to fall rapidly and your company is holding stocks which were bought at higher prices. Thereafter, if the steel prices stabilize at current levels, the remaining year should God willing produce good results.

The enhanced capacities and the ability to produce a wider range of products, particularly the door and window profiles places your company in a very favourable position to grow in newer markets. The management of your company looks at the coming year with enthusiasm and excitement.

#### **STAFF AND ACKNOWLEDGEMENT**

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

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

We pray to Almighty Allah for continued success of your Company.

For and on behalf of  
**International Industries Ltd.**



**J.R. Rahim**  
Chairman

Karachi:  
Dated: 28 July 2005

