



Directors' Report

The Directors of International Industries Limited are pleased to present their report, along with the audited financial statements of the Company, for the year ended June 30, 2025.

Renewed Brand Identity

During the year, the Company undertook a strategic refresh of its Vision and Mission statements, core corporate values, and brand identity. This initiative was guided by a comprehensive, research-driven, and inclusive process, engaging a broad spectrum of internal and external stakeholders to ensure alignment with the Company's evolving strategic objectives and market positioning.

The company undertook a strategic refresh of its vision, mission, values, and brand identity.

The refreshed brand identity reflects an evolution, retaining key elements of the Company's established brand equity, including its name, while introducing modern visual assets to enhance relevance and support future growth. Collectively, the renewed Vision, Mission, and values build on the Company's 77-year legacy of excellence and reaffirm its leadership in the industry. Anchored in the corporate promise Built on Trust, these enhancements foster deeper cultural alignment, reinforce organizational accountability, and strengthen stakeholder confidence. Above all, they underscore the Company's continued commitment to lead with clarity, purpose, and resilience in an increasingly dynamic and competitive landscape.

Board Composition & Remuneration

The composition of the Board of Directors and its sub-committees is presented on pages 170 & 189 (Corporate Governance) of the Annual Report. The Company has well-documented policies and procedures for directors' remuneration (note 37 of the unconsolidated financial statements) in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Global Economy

In 2025, the global economy is projected to expand at a moderate pace of approximately 3.0%, influenced by escalating geopolitical tensions, shifting trade policies, and cautious monetary policy adjustments. Growth in advanced economies, notably the United States and the Eurozone, is expected to remain subdued at 1.6% and 1.0%, respectively, due to persistent financial constraints and policy uncertainties. Conversely, emerging markets, including India and Indonesia, continue to underpin global growth, with India projected to grow around 6.3%, while China's economy decelerates to 4.6% amid structural and demographic challenges. Global trade activity has softened as a result of protectionist measures and supply chain realignments, prompting businesses to increasingly emphasize diversification and resilience. Inflationary pressures have eased to approximately 4.6%, facilitating measured monetary easing, while energy demand remains stable alongside accelerated investments in green and digital infrastructure.

Looking forward, the IMF forecasts global growth of approximately 3.0% in both 2025 and 2026, supported by fiscal stimulus, improved financial conditions, and preemptive activity ahead of tariff implementations. Despite expectations of a global moderation in inflation, inflationary pressures in the United States are likely to remain elevated, necessitating continued monetary policy vigilance. The global outlook remains subject to downside risks from escalating trade tensions, geopolitical uncertainty, and macroeconomic volatility. For Pakistan, GDP growth is projected at 2.7% in 2025 and 3.6% in 2026. In this context, the Board emphasizes the critical importance of strategic agility, coordinated policy responses, and supply chain resilience to effectively navigate the complexities of the evolving global economic landscape.

Domestic Economy

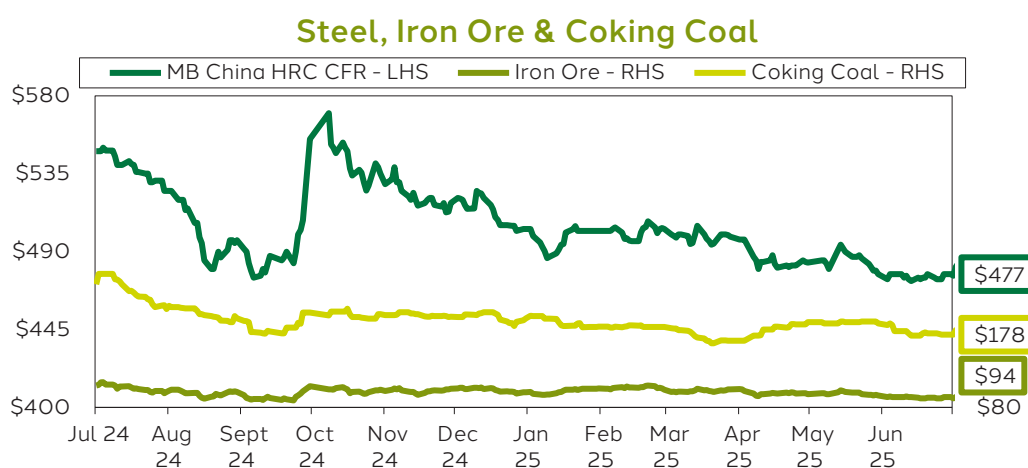
Pakistan's economy has entered a fragile yet notable phase of stabilization, with real GDP growth projected at 2.6% to 2.7%, aligning with forecasts by the IMF and World Bank, albeit below government targets. Key macroeconomic indicators have improved owing to disciplined fiscal management and external support. Inflation has declined substantially from over 25% in 2023 to 4.6% in 2025, enabling the State Bank of Pakistan to ease interest rates by 1100 basis points, which has alleviated household burdens and bolstered business confidence. Fiscal consolidation efforts, including enhanced revenue collection and subsidy rationalization, have narrowed the fiscal deficit to 2.6% of GDP, resulting in a rare primary surplus. The external sector has shown resilience, supported by record remittances of USD 38 Bn and controlled imports, generating a current account surplus of USD 1.9 Bn and stabilizing foreign exchange reserves. Despite these

positive developments, external financing requirements remain substantial, with approximately USD 23 Bn in debt repayments due, necessitating ongoing reliance on rollovers and multilateral assistance. In recognition of these improvements, S&P Global upgraded Pakistan's long-term sovereign credit rating to 'B' (Stable) in July 2025.

Notwithstanding these advances, structural challenges persist and pose risks to sustained growth. Both the IMF and World Bank emphasize the critical need for comprehensive reforms in taxation, energy pricing, governance, and state-owned enterprises. Furthermore, contraction in the agricultural sector and elevated youth unemployment levels remain areas of concern. While the macroeconomic stabilization achieved in 2025 lays the groundwork for renewed growth, the Board underscores that long-term economic resilience will depend on continued policy consistency and the implementation of deep structural reforms. The improving economic environment, characterized by reduced financing costs, stable exchange rates, and increased investor confidence, positions the Company favorably to pursue strategic growth opportunities domestically and internationally.

Global Steel Scenario

Steel prices are expected to remain under pressure in the medium term due to sluggish global demand growth and persistent overcapacity, particularly driven by a sharp contraction in China's construction sector and broader economic shifts. Despite the Chinese government's repeated stimulus efforts, demand has continued to weaken, resulting in excess supply and a surge in low-priced Chinese steel exports. This has triggered a wave of global trade measures, with 81 antidumping investigations initiated in 2024, mostly targeting China. In response, the U.S. reinstated and escalated Section 232 tariffs on steel and aluminum, reaching 50% by May 2025. While prices trended downward through FY 2024–25, the pace of decline has recently moderated, partly due to China's environmental regulations mandating the closure of sub-standard steel capacities, which may offer short-term price support.



Steel Tube & Pipe Industry

According to the International Tube Association, global steel tube and pipe production reached approximately 154 Mn tons last year, marking an 8% year-on-year decline and representing around 8% of total crude steel output. Welded pipes accounted for 73% of production, with seamless pipes comprising 27%. China remained the leading producer with 87 Mn tons. In Pakistan, the steel tube and pipe market is estimated at 825,000 MT within a broader steel market of 9–10 Mn tons. The domestic industry remains fragmented, with growing demand for lower-cost, non-standard pipes and a gradual shift toward polymer alternatives, reflecting evolving market dynamics.

Polymers

Pakistan's polymer pipe market is expanding, driven by infrastructure development, urbanization, and agricultural demand. PVC and PE pipes dominate due to their cost-effectiveness, while CPVC, PP, and PB pipes cater to specialized applications. The Company's polymer division produces pipes and fittings for water, gas, telecom, and ducting, with a strategic focus on capacity expansion and market growth. The outlook remains positive, supported by improving political stability and favorable macroeconomic conditions.

Strategies, Objectives and Critical Performance Indicators

The Company remains committed to creating long-term stakeholder value by adhering to global best practices and continuously improving its products and processes. As a leading player in Pakistan's tubes and pipes industry, the Company focuses on customer satisfaction and sustainable shareholder returns. Strategic goals and performance indicators are detailed on page 92.

Company Operations

Our Products

Your Company remains the leading manufacturer of tubes and pipes in the domestic market, offering the widest product range across key segments, including Galvanized Iron (GI) pipes, Cold Rolled (CR) tubes, Stainless Steel tubes and pipes, Hollow Structural Sections (HSS), Black and Scaffolding pipes, and polymer pipes. Through its Engineering Solutions division, the Company also provides customized, value-added solutions tailored to industry needs. The Company's brand name continues to serve as a benchmark for quality and reliability, having earned enduring trust and loyalty from customers, dealers, and business partners over several decades.

Gross Sales

Sales revenue declined by 14% to Rs. 25.1 Bn (FY24: Rs. 29.20 Bn), primarily driven by the challenging macroeconomic environment and the imposition of trade protection measures by key global economies. These factors contributed to significant volatility in raw material prices, adversely impacting overall sales

Domestic Sales

Domestic sales decreased by 10% to Rs. 22.0 Bn (FY24: Rs. 24.4 Bn), with volumes contracting by 6% to 70,297 MT. The Company strengthened its market leadership in polymers, particularly across PPRC, HDPE, and MDPE segments, and anticipates growth supported by increased public sector infrastructure spending. However, the continued misuse of sales tax exemptions on imports in the FATA and PATA regions negatively affected the organized sector. This exemption is scheduled for phased removal over the next four years, as outlined in the Federal Budget FY 2026.

The Company remains focused on expanding its distribution network and enhancing engagement with commercial and institutional customers through nationwide events, sponsorships, and direct outreach programs. This customer-centric strategy reinforces its ability to anticipate and respond to evolving market demands.

Engineering Solutions

The Company successfully introduced value-added coated steel structural solutions tailored for the solar power industry, securing projects worth Rs. 353 Mn with leading industry players. This segment is poised for steady growth in the coming years. Additional solutions targeting the construction, engineering, and agriculture sectors are currently under development to address specific industry needs

Export Steel Sales

The US government's 50% tariff on steel imports triggered similar protectionist measures in other major markets, leading to global oversupply and significant price volatility. As a result, the Company's exports contracted by 36%, totaling USD 10.8 Mn (Rs. 3.1 Bn), compared to USD 16.97 Mn (Rs. 4.8 Bn) in the prior year. Despite ongoing uncertainties surrounding protectionist policies, the Company remains committed to expanding its international footprint.

IIL Australia Pty Limited, Melbourne, Australia

IIL Australia, a wholly owned subsidiary of International Industries Limited, was established to secure a stable export presence in a mature and highly developed market. However, sales volumes remained subdued due to the broader economic slowdown in Australia and a market preference for lower-priced imports benefiting from free trade agreements with India, Vietnam, and the UAE. Consequently, net sales declined to USD 5.2 Mn (FY24: USD 8.9 Mn). The subsidiary is actively exploring diversification opportunities to achieve sustainable growth

IIL Americas Inc., Toronto, Canada

The ongoing tariff disputes between the US and Canada have significantly impacted the Canadian steel market, closely linked to the US economy. This has led to a substantial contraction in demand, which is expected to continue unless a trade agreement is reached. As a result, sales declined by 62% to USD 3.1 Mn (FY24: USD 8.2 Mn).

INIL Europe Limited, Ireland

Established in 2025, INIL Europe Limited extends the Company's reach into the European Union, one of the world's most strategic markets. Based in Ireland, it strengthens regional access, regulatory compliance, and customer engagement. The expansion underscores the Company's commitment to global growth and operational excellence.

IIL Trading (Pvt) Ltd., Pakistan

IIL Trading (Pvt) Ltd., a wholly owned subsidiary, commenced operations in January 2025. During the year, it successfully established display centers in Karachi, Lahore, and Islamabad, targeting industrial customers, including the construction chemicals sector. The subsidiary recorded net sales of Rs. 70.9 Mn in its inaugural year.

Manufacturing

The Company continued to enhance manufacturing efficiency through a series of productivity initiatives focusing on energy management, waste reduction, and ongoing training and development of the manufacturing workforce. Despite significant inflationary pressures, manufacturing costs declined by 8.4%. Demonstrating commitment to environmental sustainability, the Company installed solar power plants at all three manufacturing facilities, with a combined capacity of 4 MW.

Company Results

During the year, the Company reported net sales of Rs. 25.1 Bn, reflecting a 14% decline compared to the previous year. Gross profit stood at Rs. 3,147 Mn, with Profit Before Tax of Rs. 1,565 Mn and Profit After Tax of Rs. 1,104 Mn, resulting in Earnings Per Share (EPS) of Rs. 8.37. Despite lower sales volumes, the Company maintained strong margins driven by cost optimization and dividend income from major subsidiaries and investments.

The cost of sales was Rs. 21,949 Mn, accounting for 87% of net sales and reflecting a 13% decrease aligned with reduced sales volume. Selling and distribution expenses decreased marginally by 2% to Rs. 1,332 Mn, while administrative expenses increased slightly to Rs. 432 Mn, mainly due to inflationary impacts on operating costs.

Other income declined by 36% to Rs. 864 Mn, primarily due to lower dividend income and foreign exchange losses on export proceeds. Finance costs were significantly reduced by 59% to Rs. 609 Mn, benefiting from lower interest rates and efficient working capital management.

Cash Flow Management and Borrowing Strategy

Effective financial management continues to be a fundamental pillar of the Company's overall strategy, particularly amid challenging external conditions such as elevated interest rates and persistent inflationary pressures. The Company successfully mitigated financial risks by strategically reducing borrowings and consistently deleveraging its balance sheet. This was achieved through disciplined inventory control and empowering subsidiaries to meet their working capital requirements via well-structured and negotiated bank financing arrangements within their respective jurisdictions.

As a result of these concerted efforts, the Company improved its debt-to-equity ratio to 66%, representing a 14% enhancement year-over-year. This significant achievement underscores the effectiveness of our focused approach to working capital management, rigorous cash conservation measures, and stringent control over fixed costs and capital expenditures, collectively enabling a substantial reduction in bank borrowings.

Dividend

Your Board of Directors has recommended a final cash dividend of Rs. 4.00 (40%) per share for the financial year ended 30 June 2025 (FY24: Rs.5.5) per ordinary share of Rs. 10 each.

Appropriations 2024

	2025	2024
	Rupees in '000	
Profit after tax for the year	1,104,324	1,473,131
Interim Dividend 2025: Nil (2024: Rs. 2.00 per share)	-	(263,764)
Final Dividend 2025: Rs. 4.00 per share (2024: Rs. 3.50 per share)	(527,528)	(461,587)

Auditors

The reappointment of A.F. Ferguson & Co., Chartered Accountants, as the Company's auditors for FY 2026 has been approved, based on the recommendation of the Board Audit Committee (refer to page 195 for the Committee's report on compliance with the Code of Corporate Governance).

Information Systems

Your Company remains committed to continuously upgrading and enhancing its IT infrastructure, advancing toward greater process automation and digitalization. During the year under review, significant efforts were made to improve and integrate the ERP system to better support business operations. Key initiatives included the implementation of barcode systems for inventory management, a transport management system providing real-time shipment tracking, and the adoption of digital platforms for e-invoicing and customer feedback management, all aimed at increasing operational efficiency.

Social Impact

International Industries Limited takes pride in its role as a responsible corporate citizen, actively contributing to the communities it serves and society at large. A detailed overview of our social, philanthropic, and environmental initiatives is available in the Sustainability Report published on the Company's website.

Human Resource Management

At International Industries, we recognize our employees as our most valuable asset. Our human resource philosophy is centered on empowering the workforce through meaningful roles, challenging assignments, comprehensive learning and development programs, and inclusive growth opportunities that drive organizational success.

• Learning and Development

We maintain a strong commitment to continuous employee development, leveraging robust learning platforms that deliver practical, hands-on experience and equip our workforce with the skills needed to meet evolving business demands.

• Employee Engagement

The Company cultivates a dynamic organizational culture that prioritizes teamwork, agility, and employee engagement. Regular recreational activities, recognition programs, and celebrations of achievements throughout the year strengthen interpersonal relationships, boost morale, and foster a strong sense of belonging across all levels of the organization.

• Diversity, Equity, and Inclusion (DEI)

Your Company is deeply committed to fostering a diverse and inclusive workplace where talent thrives regardless of gender. The WISE (Women in Science and Engineering) program is a cornerstone initiative aimed at increasing female representation in technical fields through targeted mentorship, leadership training, and career advancement pathways. The successful induction of the first batch of high-performing female engineers reflects meaningful progress toward building an inclusive, future-ready talent pipeline.

Furthermore, our active inclusion of differently-abled employees underscores our commitment to accessibility and equal opportunity, ensuring a workplace that embraces and values all talents.

• Employee Well-being and Safety

At International Industries, the health, safety, and well-being of our employees are at the heart of everything we do. Our comprehensive Occupational Health, Safety, and Environment (OHSE) Management System ensures we consistently meet the highest standards and regulatory requirements.

We are also deeply committed to fostering a workplace free from harassment, where every individual feels safe, respected, and valued.

• Talent Acquisition and Succession Planning

We actively recruit high-potential candidates by participating in recruitment fairs at top educational institutions, supporting our goal to build a strong talent pipeline. Our succession planning process, overseen by the Board's Human Resource & Remuneration Committee, systematically identifies and develops future leaders through focused training programs and ongoing performance management.

• Performance Management and Employee Recognition

Your Company has implemented a cloud-based digital Performance Management System that facilitates transparent and efficient monitoring of employee performance and development. Complementing this, our comprehensive recognition programs such as performance bonuses, incentive schemes, education support, Employee of the Year, and Long Service Awards cultivate a culture of excellence by rewarding sustained dedication and outstanding contributions.

• Employer of the Year – Gold Recognition Award

Your Company was honored with the prestigious Employer of the Year Gold Recognition Award (National category) by the Employers' Federation of Pakistan. This distinguished accolade reflects the Company's unwavering commitment to excellence in employee benefits, learning and development, diversity, and comprehensive welfare programs.

• Women Empowerment and Gender Equality – Gold Recognition Award

Your Company was awarded the Gold Recognition Award at the 5th Women Empowerment and Gender Equality Awards 2025, organized by the Employers' Federation of Pakistan. This prestigious accolade highlights our unwavering commitment to gender equality, women's empowerment, and cultivating a safe, inclusive workplace across all levels of the organization.

Contribution to the National Exchequer

The Company registered with the Large Taxpayers Unit (LTU), contributed approximately Rs. 5.9 Bn to the national exchequer through Income Tax, Sales Tax, and other levies during the financial year

Internal Control Framework

An effective internal control framework is in place to safeguard assets and ensure accurate financial reporting. Details of this framework can be found on page 184 of this report.

Risk, Opportunity, and Mitigation Report

Management, in consultation with the Board of Directors, continuously strengthens capabilities to anticipate risks and implement mitigation strategies. A comprehensive Risk & Opportunity Report is presented on page 112.

Relationship with Stakeholders

Your Company prioritizes its stakeholders and is committed to fostering robust, positive relationships through transparent, timely, and open communication. This commitment is reflected in regular CEO-led town hall meetings, which facilitate direct engagement and constructive dialogue across all levels of the organization.

Quarterly and Annual Financial Statements

Quarterly unaudited financial statements and Directors' Reviews were promptly approved and shared with shareholders. Half-yearly financials received limited external auditor reviews, while the annual audited statements, Board-approved, will be presented at the AGM. All financials are endorsed by the CEO and CFO and reviewed by external auditors before Board and Audit Committee approval.

Chief Financial Officer, Company Secretary, and Head of Internal Audit

The CFO and Head of Internal Audit meet the qualifications stipulated by the Code of Corporate Governance, while the Company Secretary fulfills requirements set by the Companies Act, 2017. Their appointments, remuneration, and terms are determined by the Board, with removal subject to Board approval.

Compliance

Your Company remains firmly committed to upholding the highest standards of corporate governance and ethical conduct. The Board undertakes regular and thorough reviews of the Company's strategic direction and operational performance to ensure continued alignment with these principles. The Board Audit Committee (BAC) provides robust oversight of compliance with the Code of Corporate Governance and conducts meticulous evaluations of all related party transactions prior to their submission for Board approval.

Credit Rating

VIS Credit Rating Company Limited has reaffirmed the Company's strong entity ratings at 'AA-/A-1' (Double A minus / A-One), reflecting the Company's robust financial position and operational stability, with a stable outlook

Investments

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

Furthermore, the Company wholly owns four subsidiaries: IIL Australia Pty Ltd., IIL Americas Inc., IIL Trading (Pvt) Ltd., and INIL Europe Ltd. The Company also maintains a 17% equity stake in Chinoy Engineering & Construction (Pvt) Ltd. (CECL)

Future Prospects

Your Company remains focused on sustainable growth, diversification, and long-term value creation. During the year, several key strategic initiatives were undertaken to strengthen our market presence and enhance resilience.

A combined 34% stake was acquired in Chinoy Engineering & Construction (Pvt.) Ltd. (including via ISL), enabling participation in the Reko Diq project, one of Pakistan's largest mining developments. Domestically, IIL Trading (Pvt.) Ltd. was launched to expand reach across diverse industrial sectors, while internationally, INIL Europe Ltd. was established to tap into the high-potential EU market. The Company also installed 4 MW of solar power across all three manufacturing sites, reaffirming our commitment to clean energy and operational efficiency

With GDP growth projected at 3.6% in FY26 and a 26% increase in public revenue expected, infrastructure activity is set

to rise, boosting steel demand. Your Board and management are confident in navigating this growth phase with agility, strategic focus, and a commitment to delivering long-term shareholder value.

Your Company is well-positioned to regain historical sales volumes by leveraging its expertise and experience. Expansion into value-added segments will also provide new revenue streams to strengthen profitability

Acknowledgement

We thank our shareholders, customers, employees, bankers, and suppliers for their continued support and commitment. We look forward to achieving greater success together in the years ahead.

We remain hopeful for the Company's continued growth, the well-being of all stakeholders, and the prosperity of our country.

For and on behalf of the Board of Directors



Yousuf H. Mirza
Chief Executive Office



Kamal A. Chinoy
Chairman

Karachi
August 21, 2025