

CHAIRMAN'S REVIEW



Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the annual financial results of your Company for the year ended June 30, 2022.

Mustapha A. Chinoy
Chairman

The strength of the post-Covid recovery generated healthy results for most businesses for FY 2021, including your Company. The growth, however, proved short-lived as new economic developments unfolded and brought fresh challenges for FY 2022 that your Company has coped well with. Rising raw material prices, depreciating PKR, increasing interest rates and shipping congestion were just some of the challenges that the Company had to navigate.

Rising cost inflation and depreciating per capita income reduced consumer purchasing power as a result of which the Large-scale Manufacturing (LSM) sector was unable to build upon growth achieved in FY 2021. The Government's efforts to avoid a default constricted the industry; such as imposition of 100% cash LC margin which had a severe impact on businesses' ability to procure raw materials. The war in Ukraine, coupled with economic challenges of the developed world, are likely to keep business conditions tough in the short to medium term.

Against this backdrop of multi-faceted challenges and constraints, your Company maintained its market share and grew its exports into key markets in Europe, North America and Australia. We achieved a sales revenue of PKR 37.9 billion, generating Profit After Tax (PAT) of PKR 2.156 billion (EPS Rs. 16.35). The Company continued to distribute a fair return to our valued shareholders by way of interim and final dividends.

ILL and its subsidiary, International Steels Limited (ISL), sold over 595KMT of steel products, including exports of 134KMT, and posted turnover in excess of PKR 129 billion for the year under review. Group contributions to the national exchequer during the year amounted to PKR 26 billion. ISL reported PAT of PKR 5.4 billion. Its gross turnover was PKR 91 billion, compared to PKR70 billion in the preceding year.

Despite the global economic headwinds, we continued to promote our brand and seek new opportunities for growth. The Company has gained a strong foothold in the export markets of Australia and North America by operating effectively through its overseas subsidiaries. IIL Construction Solutions (Pvt) Ltd, another newly-formed wholly-owned subsidiary, is developing strong customer awareness and has achieved some early successes. However, the Company's Polymers segment faced a challenging year as the two national gas companies were forced to cancel or delay most tenders. During the year under review, we have embarked on an expansion to complement our PPRC product range by adding uPVC pipes and fittings to our portfolio; commercial production has started and a wide range of products has been launched.

I would like to acknowledge the dedication displayed by our employees in steering the Company during these troubled times.

I am delighted to report that our CSR efforts proudly supported a diverse spectrum of reputable not-for-profit entities during the year under review.

Changes to the Board

During the year 2021-22, a casual vacancy arose due to the resignation of Mr. Riyaz T. Chinoy as a non-executive director that was filled by the appointment of Mr. Haider Rashid as director for the remaining term of the existing Board of Directors. Further, the term of the existing Board is going to be completed at the conclusion of the forthcoming 74th AGM where a fresh election will be held to elect directors for a term of the next 3 years.

Performance of the Board

The Board has performed its duties and responsibilities diligently and contributed effectively in guiding the Company in strategic and governance matters. It also played a key role in the monitoring of management performance and assessing major risk areas. The Board was fully engaged in the strategic planning process and supporting the vision of the Company.

The Board recognizes that well-defined corporate governance processes are vital to enhancing corporate accountability and is committed to ensuring high standards of corporate governance to preserve and maintain stakeholder value. All board members, including independent directors, fully participated in and contributed to the decision making process of the Board.

As Chairman of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive, wide-ranging debate on key matters and ensuring that the Board receives information and opinions from management. I remain firmly committed to ensuring that your Company complies with all relevant codes and regulations and that the management continues to take decisions which create value for you in the short, medium and long term.

The Company has an independent Internal Audit department, which stewards a risk-based audit methodology and leads the internal audit function. Internal audit reports are presented to the Board Audit Committee (BAC) on a quarterly basis and areas for improvement are highlighted.

This was the tenth year that the Board as a whole carried out its self-evaluation and was also the fifth time that individual directors were self-evaluated. The evaluations identified areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, board composition and providing oversight to the management. Along with the Board's self-evaluation, the Board Audit Committee (BAC) and the Board Human Resource & Remuneration Committee (HRRC) also carried out their self-evaluations.

The BAC and the HRRC are chaired by Mr. Jehangir Shah and Mr. Mansur Khan respectively, both independent directors. The Board normally meets at least once every quarter to review operational results, once a year to consider the budget for the following financial year while another meeting is focused on strategy.

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our stakeholders, including shareholders, directors, customers, employees, bankers and suppliers. While I accentuate that the economic conditions are likely to remain difficult for FY 2023, I am confident that your Board and management are capable and fully prepared to face these challenges with resilience and optimism, as we have in the past.



Mustapha A. Chinoy
Chairman
August 22, 2022