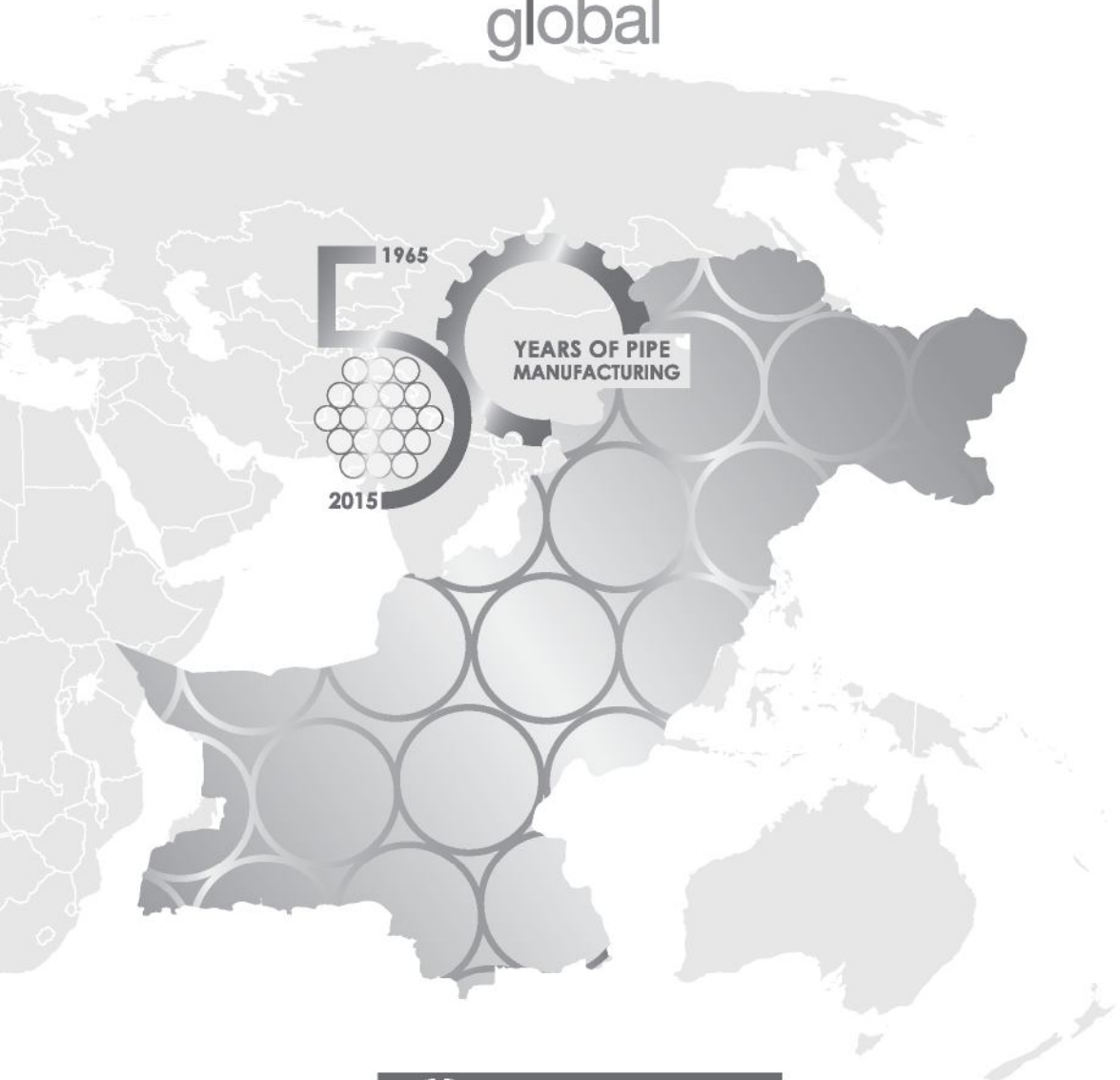


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**Promising Reliability, For Now and Tomorrow**

**Unaudited Financial Statements  
First Quarter ended September 30, 2015**

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## Chairman

Mr. Zaffar A. Khan  
Independent Chairman

---

## Chief Executive Officer

Mr. Riyaz T. Chinoy  
Executive Director

---

## Directors

Mr. Mustapha A. Chinoy  
Non-Executive Director  
Mr. Kamal A. Chinoy  
Non-Executive Director  
Mr. Fuad Azim Hashimi  
Non-Executive Director  
Mr. Azam Faruque  
Independent Director  
Mr. Tariq Ikram  
Independent Director  
Mr. Aly Noormahomed Rattansey  
Independent Director  
Ms. Nargis Ghaloo  
Non-Executive Director

---

## Chief Financial Officer

Mr. Nadir Akbarali Jamal

---

## Company Secretary

Mr. Yasir Ali Quraishi

---

## Chief Internal Auditor

Mr. Haseeb Hafeezuddeen

---

## External Auditors

M/s KPMG Taseer Hadi & Co.

---

## Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co.

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## Bankers

Bank Al Habib Ltd.  
Faysal Bank Ltd.  
Habib Bank Ltd.  
MCB Bank Ltd.  
Meezan Bank Ltd.  
NIB Bank Ltd.  
Samba Bank Ltd.  
Soneri Bank Ltd.  
Standard Chartered Bank (Pakistan) Ltd.  
United Bank Ltd.

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## Legal Advisors

Mrs. Sana Shaikh Fikree

## Registered Office

101, Beaumont Plaza,  
10, Beaumont Road, Karachi – 75530  
Telephone Nos: +9221-35680045-54  
UAN: 021-111-019-019  
Fax: +9221-35680373  
E-mail: yasir.quraishi@iil.com.pk

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## Branch Office

Chinoy House, 6 Bank Square,  
Lahore - 54000  
Telephone Nos: +9242-37229752-55  
UAN: 042-111-019-019  
Fax: +9242-37220384  
E-Mail: lahore@iil.com.pk

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## Factories

### Factory 1

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

### Factory 2

Survey # 405 & 406, Rehri Road,  
Landhi, Karachi – 75160  
Telephone Nos: +9221-35017027-28, 35017030  
Fax: +9221-35013108

### Factory 3

22 KM, Sheikhpura Road, Lahore  
Telephone Nos: +9242-37190492-3

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## Website

[www.iil.com.pk](http://www.iil.com.pk)

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## Investors Contact

### Shares Registrar

Central Depository Company of Pakistan Ltd.  
CDC House, 99-B, Block "B", S.M.C.H.S.,  
Shahrah-e-Faisal, Karachi.  
Telephone Nos: +9221-111-111-500  
FAX: +9221-34326053  
E-mail : [info@cdcpak.com](mailto:info@cdcpak.com)

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## Assistant Company Secretary

Mr. M. Irfan Bhatti  
101 Beaumont Plaza,  
10 Beaumont Road, Karachi.  
Tel: +9221-111-019-019  
Fax: +9221-35680373  
E-mail : [irfan.bhatti@iil.com.pk](mailto:irfan.bhatti@iil.com.pk)

# Directors' Report

The Directors of your Company are pleased to present the 1st quarter financial statements for the period ended September 30, 2015.

In terms of value, the Company's gross sales turnover of Rs. 3.3bn was 16.9% lower than the same period last year. In terms of volume, the turnover was 10.8% lower than the same period last year. The main reason for this decline was sluggish export sales in the first quarter which are now beginning to pick up. Domestic Sales of Steel were 4.4% higher than same period last year.

The Plastics Division showed a remarkable turnaround. The sale of Plastics was 128% higher than same period last year in terms of value and 153% higher in terms of tonnage. As a result, the Plastics Division posted a gross profit of Rs.43m as compared to Rs.4m during the same period last year.

International steel prices have been continuously declining since July 2014. At the current price level most steel mills around the world are losing money. Despite this, your Company achieved a gross margin of 12.7% as compared to 6.9% for the same period last year.

Profit after Tax is Rs.95mn as compared to Rs.145mn last year; although we made an operational loss of Rs. 100mn last year, dividend Income of Rs.245mn from ISL helped us post a profit of Rs.145mn. This year the Company was able to post a profit in spite of loss of Rs.61mn suffered on account of devaluation of the Pakistani Rupee. This profit translates into earnings per share of Rs.0.79 per share.

International Steels Limited (ISL) successfully commissioned its second Galvanizing Plant and completed the upgrade of its Rolling mill during the quarter, doubling ISL's capacity to 500,000 tons per annum. Despite this upgrade, ISL registered sales volume of 47,700 metric tons with corresponding gross sales turnover of Rs.2.86bn compared to Rs. 3.997bn same period last year. ISL's Loss after Tax for the quarter was Rs. 203mn compared to a Profit after Tax of Rs. 2.349mn same period last year.

The Company's other subsidiaries, IIL Australia (Pty) Ltd. and IIL Stainless Steel (Private) Limited posted sales turnover of Rs.64mn and Rs.60mn respectively. Both entities posted losses of about Rs.3mn each during the period under review as the required volumes to break even were not achieved.

The Group P&L shows a loss of Rs.111mn during the quarter.

Outlook for the 2nd quarter is positive and is expected to be driven by growing export sales.

We extend our gratitude to all our stakeholders for their continued support and thank the management and staff for their dedication and hard work.

For & behalf of  
International Industries Limited

  
**Zaffar.A.Khan**  
Chairman

Karachi  
Dated: 22 October 2015

# Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 30 September 2015

	Note	(Un-audited) 30 September 2015	(Audited) 30 June 2015
<b>(Rupees in '000)</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	3,731,268	3,622,157
Intangible assets		14,391	13,211
Investments	6	2,742,705	2,742,705
Long-term deposits		12,416	6,867
Long-term prepayments		333	833
		<u>6,501,113</u>	<u>6,385,773</u>
<b>Current assets</b>			
Stores and spares		138,722	138,375
Stock-in-trade	7	4,029,904	3,653,153
Trade debts	8	2,106,978	2,314,178
Advances	9	186,009	153,076
Trade deposits and short-term prepayments	10	12,007	11,951
Other receivables	11	46,241	38,811
Taxation - net		470,702	417,813
Bank balances		7,589	24,673
		<u>6,998,152</u>	<u>6,752,030</u>
<b>Total assets</b>		<u><u>13,499,265</u></u>	<u><u>13,137,803</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital 200,000,000 (2015: 200,000,000) ordinary shares of Rs. 10 each		<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital		1,198,926	1,198,926
Reserves	12	<u>3,386,917</u>	<u>3,583,242</u>
<b>Total equity</b>		<u>4,585,843</u>	<u>4,782,168</u>
<b>Surplus on revaluation of property, plant and equipment</b>		1,552,732	1,561,085
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term financing - secured	13	242,992	242,992
Staff retirement benefits		65,299	70,577
Deferred taxation - net	14	141,665	144,382
		<u>449,956</u>	<u>457,951</u>
<b>Current liabilities</b>			
Trade and other payables	15	1,194,928	1,375,318
Short-term borrowings - secured	16	5,476,410	4,664,407
Current portion of long-term financing	13	150,000	150,000
Sales tax payable		51,092	87,689
Accrued mark-up		38,304	59,185
		<u>6,910,734</u>	<u>6,336,599</u>
<b>Total liabilities</b>		<u>7,360,690</u>	<u>6,794,550</u>
<b>Contingencies and commitments</b>	17	-	-
<b>Total equity and liabilities</b>		<u><u>13,499,265</u></u>	<u><u>13,137,803</u></u>

The annexed notes 1 to 31 form an integral part of this condensed interim unconsolidated financial information.



**Azam Faruque**  
Director & Member  
Board Audit Committee



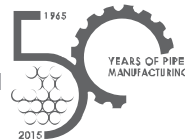
**Nadir Akbarali Jamal**  
Chief Financial  
Officer



**Riyaz T. Chinoy**  
Chief Executive  
Officer

# Condensed Interim Unconsolidated Profit and Loss Account (Un-audited)

For the quarter ended 30 September 2015



	Note	Quarter ended	
		30 September 2015	30 September 2014
(Rupees in '000)			
Net sales	18	3,290,686	3,961,704
Cost of sales	19	(2,872,355)	(3,685,617)
<b>Gross profit</b>		<b>418,331</b>	<b>276,087</b>
Selling and distribution expenses	20	(141,815)	(139,549)
Administrative expenses	21	(56,223)	(40,688)
		(198,038)	(180,237)
Financial charges	22	(117,381)	(243,849)
Other operating charges	23	(12,302)	(34,314)
		(129,683)	(278,163)
Other income	24	49,444	306,913
<b>Profit before taxation</b>		<b>140,054</b>	<b>124,600</b>
Taxation	25	(45,000)	20,655
<b>Profit after taxation for the period</b>		<b>95,054</b>	<b>145,255</b>
----- (Rupees) -----			
<b>Earnings per share - basic and diluted</b>		<b>0.79</b>	<b>1.21</b>

The annexed notes 1 to 31 form an integral part of this condensed interim unconsolidated financial information.

**Azam Faruque**  
Director & Member  
Board Audit Committee

**Nadir Akbarali Jamal**  
Chief Financial  
Officer

**Riyaz T. Chinoy**  
Chief Executive  
Officer

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

For the quarter ended 30 September 2015

	Quarter ended	
	30 September 2015	30 September 2014
	(Rupees in '000)	
Profit after taxation for the period	95,054	145,255
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>95,054</b>	<b>145,255</b>

The annexed notes 1 to 31 form an integral part of this condensed interim unconsolidated financial information.



**Azam Faruque**  
Director & Member  
Board Audit Committee



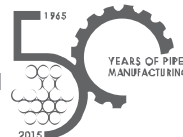
**Nadir Akbarali Jamal**  
Chief Financial  
Officer



**Riyaz T. Chinoy**  
Chief Executive  
Officer

# Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the quarter ended 30 September 2015



	Note	Quarter ended	
		30 September 2015	30 September 2014
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		140,054	124,600
<b>Adjustments for :</b>			
Depreciation and amortisation		61,113	59,979
Provision for doubtful debts		4,070	(2,356)
Interest on bank deposits	24	(193)	(470)
(Gain) on disposal of property, plant and equipment	24	(8,426)	(2,341)
Dividend income		(7,278)	(245,056)
Amortisation of long-term prepayments		500	1,002
Provision for staff gratuity		9,300	6,603
Financial charges	22	117,381	243,849
		<u>316,521</u>	<u>185,810</u>
<b>Movement in:</b>			
Working capital	26	(723,712)	261,322
Long-term deposits		(5,549)	(480)
		<u>(412,740)</u>	<u>446,652</u>
<b>Net cash generated in operations</b>			
Financial charges paid		(138,262)	(280,462)
Payment of staff gratuity		(14,578)	-
Taxes paid		(100,606)	(35,637)
<b>Net cash generated / (used) in operating activities</b>		<u>(666,186)</u>	<u>130,553</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(171,454)	(127,534)
Proceeds from disposal of property, plant and equipment		8,476	2,500
Interest income received		193	470
<b>Net cash used in investing activities</b>		<u>(162,785)</u>	<u>(124,564)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(116)	(819)
<b>Net cash used in financing activities</b>		<u>(116)</u>	<u>(819)</u>
<b>Net increase in cash and cash equivalents</b>		<u>(829,087)</u>	<u>5,170</u>
Cash and cash equivalents at beginning of the period		(4,639,734)	(6,204,973)
Cash and cash equivalents at end of the period		<u>(5,468,821)</u>	<u>(6,199,803)</u>
<b>Cash and cash equivalents comprise:</b>			
Bank balances		7,589	57,980
Short term borrowings	16	(5,476,410)	(6,257,783)
		<u>(5,468,821)</u>	<u>(6,199,803)</u>

The annexed notes 1 to 31 form an integral part of this condensed interim unconsolidated financial information.

**Azam Faruque**  
Director & Member  
Board Audit Committee

**Nadir Akbarali Jamal**  
Chief Financial  
Officer

**Riyaz T. Chinoy**  
Chief Executive  
Officer



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

For the quarter ended 30 September 2015

	— Revenue Reserves—			Total	
	Issued, subscribed and paid-up capital	General reserves	Un-appropriated profit		Total reserves
<b>Balance as at 1 July 2014</b>	1,198,926	1,848,736	1,291,496	3,140,232	4,339,158
Changes in equity for the period ended 30 September 2014:					
Total comprehensive income for the period ended 30 September 2014					
Profit for the period	-	-	145,255	145,255	145,255
Other Comprehensive income for the period	-	-	-	-	-
Total Comprehensive income for the period	-	-	145,255	145,255	145,255
<b>Transactions with owners recorded directly in equity - distributions:</b>					
Dividend					
-Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2014	-	-	(239,785)	(239,785)	(239,785)
Total transactions with owners - distributions	-	-	(239,785)	(239,785)	(239,785)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax					
	-	-	4,014	4,014	4,014
<b>Balance as at 30 September 2014</b>	<b>1,198,926</b>	<b>1,848,736</b>	<b>1,200,980</b>	<b>3,049,716</b>	<b>4,248,642</b>
<b>Balance as at 1 July 2014</b>	1,198,926	2,700,036	883,206	3,583,242	4,782,168
Changes in equity for the period ended 30 September 2015:					
Total comprehensive income for the period ended 30 September 2015					
Profit for the period	-	-	95,054	95,054	95,054
Other Comprehensive income for the period	-	-	-	-	-
Total Comprehensive income for the period	-	-	95,054	95,054	95,054
<b>Transactions with owners recorded directly in equity - distributions:</b>					
Dividend					
-Final dividend @ 25% (Rs. 2.50 per share) for the year ended 30 June 2015	-	-	(299,732)	(299,732)	(299,732)
Total transactions with owners - distributions	-	-	(299,732)	(299,732)	(299,732)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax					
	-	-	8,353	8,353	8,353
<b>Balance as at 30 September 2015</b>	<b>1,198,926</b>	<b>2,700,036</b>	<b>686,881</b>	<b>3,386,917</b>	<b>4,585,843</b>

The annexed notes 1 to 31 form an integral part of this condensed interim unconsolidated financial information.



**Azam Faruque**  
Director & Member  
Board Audit Committee



**Nadir Akbarali Jamal**  
Chief Financial  
Officer



**Riyaz T. Chinoy**  
Chief Executive  
Officer

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

For the quarter ended 30 September 2015



## 1. STATUS AND NATURE OF BUSINESS

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim unconsolidated financial information for the quarter ended 30 September 2015 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In instances where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

This condensed interim unconsolidated financial information 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 2015.

The comparative Balance Sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2015, 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 unconsolidated financial information for the period ended 30 September 2014.

This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Karachi Stock Exchange vide section 245 of the Companies Ordinance, 1984.

### 2.2 Basis of measurement

This condensed interim unconsolidated financial information has been prepared under the historical cost convention except that land and buildings are stated at fair values determined by an independent valuer and the Company's liability under its defined benefit plan (gratuity) which is determined on the present value of defined benefit obligations determined by an independent actuary.

### 2.3 Functional and presentation currency

This condensed interim unconsolidated financial information is presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest thousand Rupee except where stated otherwise.

## 3. ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information 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 2015.

3.2 Amendments and interpretation to approved accounting standards effective during the period. Certain amendments 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.

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

For the quarter ended 30 September 2015

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

- 4.1 The preparation of condensed interim unconsolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. 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 2015.
- 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 2015.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - in - progress	Total
	(Rupees in '000)		
<b>Cost / revalued amount</b>			
Opening balance	5,488,658	198,224	5,686,882
Additions	9,509	178,337	187,846
Deletions / transfers	(15,599)	(9,509)	(25,108)
	<u>5,482,568</u>	<u>367,052</u>	<u>5,849,620</u>
<b>Accumulated depreciation</b>			
Opening balance	(2,064,725)	-	(2,064,725)
Disposal	6,426	-	6,426
Charge for the period	(60,053)	-	(60,053)
	<u>(2,118,352)</u>	<u>-</u>	<u>(2,118,352)</u>
<b>Written down value as at</b>			
<b>30 September 2015 (Un-audited)</b>	<u>3,364,216</u>	<u>367,052</u>	<u>3,731,268</u>
Written down value as at 30 June 2015 (Audited)	<u>3,423,933</u>	<u>198,224</u>	<u>3,622,157</u>

## 6. INVESTMENTS

30 September 2015 (Un-audited)	30 June 2015 (Audited)		30 September 2015 (Un-audited)	30 June 2015 (Audited)
Number of shares			Rupees in '000)	
Quoted Companies			Note	
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company at cost	6.1	2,450,555
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associate company at cost	6.2	132,982
Un-quoted company				
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company at cost	6.3	9,168
15,000,000	15,000,000	IIL Stainless Steel (Pvt.) Limited (IIL SS) - subsidiary company at cost	6.4	150,000
				<u>2,742,705</u>
				<u>2,742,705</u>

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



For the quarter ended 30 September 2015

- 6.1 The Company holds 56.33% ownership interest in ISL. The Chief Executive of ISL is Mr. Yousuf H. Mirza.
- 6.2 The Company holds 8.52% ownership interest in PCL. The Chief Executive of PCL is Mr. Kamal A. Chinoy.
- 6.3 The Company holds 100% ownership interest in IIL Australia Pty Limited. The Chief Executive Officer of IIL Australia Pty Ltd is Mr. Sohail Raza Bhojani. The Company is incorporated in Victoria, Australia.
- 6.4 The Company holds 100% ownership interest in IIL Stainless Steel (Pvt.) Limited. The Chief Executive of IIL SS is Mr. Khawar Bari.
- 6.5 Market value of the aforementioned quoted investments is as follows:

	<b>30 September 2015 (Un-audited)</b>	30 June 2015 (Audited)
	(Rupees in '000)	
<b>Quoted</b>		
International Steels Limited	6,425,356	6,886,061
Pakistan Cables Limited	387,734	403,915

- 6.6 The book value of IIL Australia based on un-audited financial statements as at 30 September 2015 was Australia Dollars 60,237 (Rs. 4.4 million). [30 June 2015: AUD 103,069 (Rs. 8.03 million)].
- 6.7 The book value of IIL SS based on un-audited financial statements as at 30 September 2015 was Rs.140.36 million (30 June 2015: 143.68 million). The Company is incorporated in Pakistan.

## 7. STOCK-IN-TRADE

Raw materials - in hand	1,588,839	1,098,760
- in transit	366,459	474,753
	<u>1,955,298</u>	<u>1,573,513</u>
Work-in-process	589,680	590,344
Finished goods	1,437,812	1,426,328
By-product	45,082	62,406
Scrap material	2,032	562
	<u>4,029,904</u>	<u>3,653,153</u>

- 7.1 Raw materials amounting to Rs. 6.7 million (30 June 2015: Rs. 6.4 million) as at 30 September 2015 was held at vendor premises for the production of pipe caps.

## 8. TRADE DEBTS

Considered good :		
- Secured	552,340	928,557
- Unsecured	1,554,638	1,385,621
Considered doubtful	41,599	37,529
	<u>2,148,577</u>	<u>2,351,707</u>
Provision for doubtful debts	(41,599)	(37,529)
	<u>2,106,978</u>	<u>2,314,178</u>

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

For the quarter ended 30 September 2015

	<b>30 September 2015 (Un-audited)</b>	<b>30 June 2015 (Audited)</b>
	(Rupees in '000)	
<b>8.1</b>	Related parties from whom debts are due are as under:	
	179,992	126
Sui Southern Gas Company Limited	115,271	84,947
ILL Australia Pty Limited	16	830
Pakistan Cables Limited	145	-
Fauji Fertilizer Company Limited	<u>295,424</u>	<u>85,903</u>
<b>9. ADVANCES</b>		
Considered good:		
- Suppliers	149,406	126,320
- Employees for business related expenses	1,176	2,845
- Workers	24,005	23,911
- Contribution to Employees' Provident Fund	11,422	-
	<u>186,009</u>	<u>153,076</u>
<b>10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		
Trade deposits	7,038	6,928
Short-term prepayments	4,969	5,023
	<u>12,007</u>	<u>11,951</u>
<b>11. OTHER RECEIVABLES</b>		
Considered good:		
- Receivable for transmission of electricity to K-Electric	12,516	8,372
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940	25,940
- Receivable from IIL Stainless Steel (Pvt) Ltd - a related concern	-	3,729
- Dividend receivable from an associate	7,278	-
- Others	507	770
	<u>46,241</u>	<u>38,811</u>
<b>12. Reserves</b>		
General reserves	2,700,036	2,700,036
Unappropriated profit	686,881	883,206
	<u>3,386,917</u>	<u>3,583,242</u>
<b>13. LONG-TERM FINANCING - secured</b>		
Opening balance	13.1 392,992	300,000
Financing obtained during the period	13.2 -	92,992
Long term finance utilised under mark-up arrangements	392,992	392,992
Current portion of long-term finances shown under current liabilities	(150,000)	(150,000)
	<u>242,992</u>	<u>242,992</u>
<b>13.1</b>	All long-term financing utilized under mark-up arrangements is secured by way of a mortgage on all present and future lands and buildings 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.	
<b>13.2</b>	The Company has an approved financing facility under long term finance facility of an amount aggregating Rs.550 million. As at 30 June 2015 the Company has withdrawn Rs.92.9 million from a commercial bank. The facility is secured by way of a mortgage on all present and future land and buildings, 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.	

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

For the quarter ended 30 September 2015



**30 September**  
**2015**  
**(Un-audited)**  
 Note (Rupees in '000)

**30 June**  
**2015**  
**(Audited)**

## 14. Deferred taxation - net

Deferred tax liability comprises of taxable/ (deductible) temporary differences in respect of the following:

### Taxable temporary difference:

Accelerated tax depreciation	106,750	100,727
Surplus on revaluation of buildings	106,227	111,501
	212,977	212,228

### Deductible temporary difference:

Provision for doubtful debts	(11,097)	(9,876)
Provision for compensated absences	(490)	(1,170)
Provision for Infrastructure Cess	(45,962)	(43,037)
Staff retirement benefits	(13,763)	(13,763)
	141,665	144,382

## 15. TRADE AND OTHER PAYABLES

Trade creditors	15.1	54,048		39,049
Bills payable		-		474,753
Accrued expenses		465,287		462,741
Provision for Infrastructure Cess		235,202		220,702
Short-term compensated absences		2,250		6,000
Advance from customers		78,088		108,073
Payable against purchase of land		16,111		16,111
Workers' Profit Participation Fund		7,150		13,900
Workers' Welfare Fund		17,400		14,550
Unclaimed dividends		14,270		14,386
Dividend payable		299,732		-
Others		5,390		5,053
		1,194,928		1,375,318

### 15.1 Related parties to whom payments are due are as under:

Jubilee General Insurance Company Limited	955	1,213
IIL Stainless Steel (Pvt) Limited	29,261	-
	30,216	1,213

## 16. SHORT-TERM BORROWINGS - secured

Running finance under mark-up arrangement	16.1	227,565		189,315
Short-term borrowing under Money Market scheme	16.2	1,137,928		-
Short-term borrowing under Export Refinance Scheme	16.3	2,884,800		2,884,800
Running finance under FE-25 Export and Import Scheme	16.4	1,226,117		1,590,292
		5,476,410		4,664,407

**16.1** The facilities for running finance available from various commercial banks amounted to Rs.2,540 million (30 June 2015: Rs.2,335 million). The rates of mark-up on these finances range from 7.21% to 8.49% per annum (30 June 2015: 9.33% to 9.45%). The facilities for short-term finance mature within twelve months. Unavailed facility as at 30 September 2015 is Rs 2,312 million (30 June 2015: 2,146 million).

**16.2** The facilities for short-term borrowing through Money Market Scheme available from various commercial banks under mark-up arrangements amounted to Rs. 3,672 million (30 June 2015: Rs.2,197 million). Unavailed facility as at 30 September 2015 is 2,534 million (30 June 2015: nil). The rate of markup on these finances range from 6.59% to 6.93% (30 June 2015: 6.75% to 10.62%).

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

For the quarter ended 30 September 2015

- 16.3** The Company has borrowed short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 2,885 million (30 June 2015: Rs.2,885 million). The rates of mark-up on this facility are 3.85% - 4.0% per annum (30 June 2015: 5.50% per annum).
- 16.4** The Company has borrowed short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from certain banks for the purpose of meeting import requirements. The facilities availed are for an amount USD 11.7 million equivalent to Rs. 1,226 million (30 June 2015: USD 15.6 million equivalent to Rs. 1,590 million ). The rate of mark-up on these facilities is 1.5% per annum (30 June 2015: 2.0 % to 2.5%).
- 16.5** All running finance and short-term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.

## **17. CONTINGENCIES AND COMMITMENTS**

### **17.1 Contingencies**

- 17.1.1** Bank guarantees have been issued under certain supply contracts and to the Collector of Customs aggregating Rs.218.4 million (30 June 2015: Rs.125.6 million).
- 17.1.2** Custom duties amounting to Rs.69 million (30 June 2015: 156 million) on import of raw material shall be payable by the Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of th Collector of Customs which are, in normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the condition for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.
- 17.1.3** 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 Sindh High Court in 2010 for an injunction and is awaiting the final judgement.
- 17.1.4** The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.
- 17.1.5** The Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court against the order.  
In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e the Fifth Version, came into existence which was not the subject matter of the appeal; hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 338 million have been provided to the Department in this regard.

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

For the quarter ended 30 September 2015



- 17.1.6** During the year 2014-15, Government passed a new law "Gas Infrastructure Development Cess Act 2015" by virtue of which all prior enactments have been declared infructuous. The said Act levies GID Cess at Rs.200/MMBTU on captive power consumption effective 1 July 2011 and at Rs.100/MMBTU on industrial connection from the date of passing of that Act. The Company has obtained a stay order on the retrospective application of the Act from the Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded provision of Rs. 103 million in these financial statements. However, the Company has recognised the cess after the passage of the Act. The Company has recognised charge against GID Cess from the date (i.e.April 2015) of the passage of the Act.
- 17.1.7** The Company has received a demand from Deputy Collector (Manufacturing Bond) aggregating Rs 82.9 million on account of sales tax, custom duty and withholding income tax in respect of wastage generated on raw material imported under manufacturing bond license and covers the period July 2007 to December 2010.

The Company on the basis of an audit being duly completed till 31 March 2009 believes no further dues were liable to be paid. The Company has filed a Constitutional Petition in the Sindh High Court (SHC) which has granted interim stay on 9 December 2013. During the period ended 30 September 2015, the SHC heard the petition in length and remanded the case back to the Collector Adjudication II, for fresh examination strictly in accordance with the law. There has been hearings in this matter and the Company has submitted its written legal arguments and based on advice of legal counsel and merits of the case, is confident that the subject demand is unjustified and the matter will be decided in its favour.

- 17.1.8** Alloy steel being imported from China under FTA with HS Code 7225 was under dispute whereby that the Customs Authorities did not recognize the said alloy steel and cleared all such consignments under HS Code 7208 as being prime hot rolled steel coils which attracted 5% customs duty and 12.5% regulatory duty. A petition was filed in Sindh High Court for clarification of such anomaly and the Company had to submit bank guarantees worth Rs. 150.6 million for 5% customs duty and 12.5% regulatory duty as per the interim order of the Sindh High Court. Since then the Sindh High Court has decided this case in favour of the Petitioners on the basis that if any consignment contains more than 0.0008% boron as inherent part of steel that the same would qualify as alloy steel which would not attract payment of any duties. The return of our bank guarantees is awaited.
- 17.1.9** The Company has issued a corporate guarantee to a commercial bank for securing funded and unfunded facilities of Rs. 125 million each by its wholly owned Subsidiary Company. The facilities are secured by way of hypothecation of all present and future fixed assets (excluding land and building) and present and future current and moveable assets.

## **17.2 Commitments**

- 17.2.1** Capital expenditure commitments outstanding as at 30 September 2015 amounted to Rs.314.4 million (30 June 2015: Rs.437.5 million).
- 17.2.2** Commitments under letters of credit for raw materials and stores and spares as at 30 September 2015 amounted to Rs. 705.3 million (30 June 2015: Rs.1,656.5 million).
- 17.2.3** Commitments under purchase contracts as at 30 September 2015 amounted to Rs. 251.4 million (30 June 2015: Rs.116.5 million).
- 17.2.4** Unavailed facilities for opening letters of credit and guarantees from banks as at 30 September 2015 amounted to Rs. 9,724 million (30 June 2015: 7,734 million) and Rs. 73 million (30 June 2015: 107.5 million) respectively.



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

For the quarter ended 30 September 2015

	30 September 2015	30 September 2014
	(Rupees in '000)	
<b>18. NET SALES</b>		
Local	2,950,573	2,831,218
Export	<u>938,794</u>	<u>1,667,745</u>
	3,889,367	4,498,963
Sales Tax	(434,718)	(442,643)
Trade discounts	(84,744)	(13,952)
Sales discount and commission	<u>(79,219)</u>	<u>(80,664)</u>
	<u>(598,681)</u>	<u>(537,259)</u>
	<u>3,290,686</u>	<u>3,961,704</u>
<b>19. COST OF SALES</b>		
Opening stock of raw material and work-in-process	1,689,104	4,621,796
Purchases	3,081,352	2,120,443
Salaries, wages and benefits	176,154	152,551
Rent, rates and taxes	461	200
Electricity, gas and water	81,547	83,856
Insurance	2,074	1,316
Security and janitorial	5,539	5,497
Depreciation and amortisation	54,233	54,792
Stores and spares consumed	11,991	19,553
Repairs and maintenance	24,338	24,266
Postage, telephone and stationery	2,049	2,034
Vehicle, travel and conveyance	3,572	3,234
Internal material handling	4,652	6,974
Environment controlling expenses	56	50
Sundries	282	531
Toll manufacturing charges	5,295	63,061
Sale of scrap generated during production	(97,665)	(156,656)
Closing stock of raw materials and work-in-process	<u>(2,178,519)</u>	<u>(3,018,092)</u>
Cost of goods manufactured	2,866,515	3,985,407
Finished goods and by-products:		
- Opening stock	1,488,734	1,441,069
- Closing stock	<u>(1,482,894)</u>	<u>(1,740,859)</u>
	5,840	(299,790)
	<u>2,872,355</u>	<u>3,685,617</u>
<b>20 Selling and distribution expenses</b>		
Freight and forwarding	91,564	107,149
Salaries, wages and benefits	29,695	22,360
Rent, rates and taxes	127	124
Electricity, gas and water	1,559	1,484
Insurance	216	715
Depreciation and amortisation	2,648	1,966
Repairs and maintenance	103	551
Advertising and sales promotion	2,337	1,719
Postage, telephone and stationery	1,447	1,292
Office supplies	13	1
Vehicle, travel and conveyance	4,319	3,583
Provision for doubtful debts / write off	4,070	(2,356)
Certification and registration charges	3,098	2
Others	619	959
	<u>141,815</u>	<u>139,549</u>

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

For the quarter ended 30 September 2015



	30 September 2015	30 September 2014
	(Rupees in '000)	
<b>21 Administratvie expenses</b>		
Salaries, wages and benefits	39,369	26,313
Rent, rates and taxes	123	142
Electricity, gas and water	753	601
Insurance	207	70
Depreciation and amortisation	4,216	3,220
Repairs and maintenance	218	183
Postage, telephone and stationery	2,264	1,884
Office supplies	15	8
Vehicle, travel and conveyance	906	873
Legal and professional charges	3,784	3,891
Certification and registration charges	1,087	411
Others	3,281	3,092
	<u>56,223</u>	<u>40,688</u>
<b>22. FINANCIAL CHARGES</b>		
Mark-up on:		
- Long-term financing	6,693	12,273
- Short-term borrowings	46,769	92,098
Exchange loss on FE borrowing	60,875	136,322
Interest on Workers' Profit Participation Fund	560	317
Bank charges	2,484	2,839
	<u>117,381</u>	<u>243,849</u>
<b>23. OTHER OPERATING CHARGES</b>		
Auditors' remuneration	699	574
Loss on derivative financial instruments	-	29,908
Donations	1,300	3,500
Workers' Profit Participation Fund	7,150	-
Workers' Welfare Fund	2,850	-
Project development expenses	303	332
	<u>12,302</u>	<u>34,314</u>
<b>24. OTHER INCOME</b>		
<b>Income / return on financial assets</b>		
Interest on bank deposits	193	470
<b>Income from non-financial assets</b>		
Income from power generation	17,437	13,517
Gain on disposal of property, plant and equipment	8,426	2,341
Rental income	3,329	2,399
Dividend income from associate / subsidiary	7,278	245,056
Exchange gain	9,051	36,781
Others	3,730	6,349
	<u>49,444</u>	<u>306,913</u>
<b>25 TAXATION</b>		
Current	47,717	20,123
Deferred	(2,717)	(40,778)
	<u>45,000</u>	<u>20,655</u>

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

For the quarter ended 30 September 2015

Relationship between income tax expenses and accounting profit

	Effective tax rate %		Quarter ended	
			30 September 2015	30 September 2014
			(Rupees in '000)	
Profit before taxation			140,054	124,600
Tax at the enacted tax rate	<b>32.00</b>	33.00	44,817	41,118
Tax effect of exempt income	-	(59.33)	-	(73,920)
Tax effect of income subject to lower tax	<b>(1.22)</b>	(0.32)	(1,715)	(395)
Tax effect of rebate / credits	<b>0.68</b>	(4.02)	948	(5,004)
Tax effect on export under final tax regime	<b>1.18</b>	15.91	1,650	19,826
Others	<b>(0.50)</b>	(1.83)	(700)	(2,280)
	<b>32.13</b>	<b>(16.58)</b>	<b>45,000</b>	<b>(20,655)</b>

## 26. MOVEMENT IN WORKING CAPITAL

(Increase) / decrease in current assets:

Store and spares	(347)	2,498
Stock-in-trade	(376,751)	1,843,629
Trade debts	203,130	105,950
Advances	(32,933)	(87,363)
Trade deposit and short-term prepayments	(56)	(6,946)
Other receivables	(152)	322,635
	<b>(207,109)</b>	<b>2,180,403</b>

(Decrease) in current liabilities:

Trade and other payables	(516,603)	(1,919,081)
	<b>(723,712)</b>	<b>261,322</b>

## 27. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, directors of the Company and its subsidiary 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 and conditions. Contributions to its defined contribution plan (Provident Fund) are made as per the terms of employment and contributions to its defined benefit plan (Gratuity Fund) are in accordance with actuarial advice. Remuneration of key management personnel is in accordance with their terms of employment and Company's policy.

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.

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

For the quarter ended 30 September 2015



Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim unconsolidated financial information, are as follows:

	<b>30 September 2015</b>	30 September 2014
	(Rupees in '000)	
<b>Subsidiary companies</b>		
Sales	71,631	21,127
Purchases	309,670	84,945
Sales of store items	2,255	-
Cost of shared resources	8,078	4,830
Toll manufacturing (inclusive of sales tax)	6,050	72,782
Reimbursement of corporate affairs management expenses	3,484	1,121
Reimbursement of payments made on behalf of a subsidiary	341	-
Rental income	3,329	2,399
<b>Associate companies</b>		
Sales	137,929	76,207
Purchases	63,427	67,885
Insurance premium expense	638	5,792
Insurance claims / adjustments	-	13,267
Donations	-	1,000
Participation fee	20	-
<b>Key management personnel</b>		
Remuneration	52,557	46,546
<b>Staff retirement benefits</b>		
Contribution paid	29,070	10,855
<b>Non-executive directors</b>		
Directors' fee	1,170	680

## 28. SEGMENT REPORTING

The Company has identified Steel and Plastic as two reportable segments. Performance is measured based on respective segment results. Information regarding the Company's reportable segments is presented below.

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

For the quarter ended 30 September 2015

## 28.1 SEGMENT REVENUE AND RESULTS

	Steel Segment	Plastic Segment	Total
	(Rupees in '000)		
<b>For the period ended 30 September 2015</b>			
Sales	2,989,514	301,172	3,290,686
Cost of sales	<u>2,614,606</u>	<u>257,749</u>	<u>2,872,355</u>
Gross Profit	<u>374,908</u>	<u>43,423</u>	<u>418,331</u>
<b>For the period ended 30 September 2014</b>			
Sales	3,829,614	132,090	3,961,704
Cost of sales	<u>3,557,935</u>	<u>127,682</u>	<u>3,685,617</u>
Gross Profit	<u>271,679</u>	<u>4,408</u>	<u>276,087</u>

**30 September**      30 September  
**2015**                      2014  
(Rupees in '000)

**Reconciliation of segment results with profit after tax is as follows:**

Total results for reportable segments	418,331	276,087
Selling, distribution and administrative expenses	(198,038)	(180,237)
Financial charges	(117,381)	(243,849)
Other operating expenses	(12,302)	(34,314)
Other operating income	49,444	306,913
Taxation	<u>(45,000)</u>	<u>20,655</u>
Profit after tax	<u>95,054</u>	<u>145,255</u>

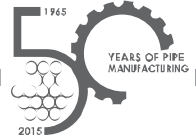
## 28.2 SEGMENT ASSETS & LIABILITIES

	Steel Segment	Plastic Segment	Total
	(Rupees in '000)		
<b>As at 30 September 2015 - Un-audited</b>			
Segment assets	<u>9,131,893</u>	<u>736,257</u>	<u>9,868,150</u>
Segment liabilities	<u>5,855,463</u>	<u>558,702</u>	<u>6,414,165</u>
<b>As at 30 June 2015 - Audited</b>			
Segment assets	<u>8,934,099</u>	<u>655,389</u>	<u>9,589,488</u>
Segment liabilities	<u>5,402,757</u>	<u>399,702</u>	<u>5,802,459</u>

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

	30 September 2015 (Un-audited)	30 June 2015 (Audited)
	(Rupees in '000)	
Total reportable segments assets	9,868,150	9,589,488
Unallocated assets	<u>3,631,115</u>	<u>3,548,315</u>
<b>Total assets as per Balance Sheet</b>	<u>13,499,265</u>	<u>13,137,803</u>
Total reportable segments liabilities	6,414,165	5,802,459
Unallocated liabilities	<u>946,525</u>	<u>992,091</u>
<b>Total liabilities as per Balance Sheet</b>	<u>7,360,690</u>	<u>6,794,550</u>

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



For the quarter ended 30 September 2015

## 29. CORRESPONDING FIGURES

Corresponding figures have been rearranged for the purposes of comparison and better presentation. The effect of rearrangement is not material.

## 30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on 22 October 2015.

## 31. GENERAL

31.1 All financial information has been rounded off to the nearest thousand Rupee.

Handwritten signature of Azam Faruque in black ink.

**Azam Faruque**  
Director & Member  
Board Audit Committee

Handwritten signature of Nadir Akbarali Jamal in black ink.

**Nadir Akbarali Jamal**  
Chief Financial  
Officer

Handwritten signature of Riyaz T. Chinoy in black ink.

**Riyaz T. Chinoy**  
Chief Executive  
Officer



Promising Reliability, For Now and Tomorrow

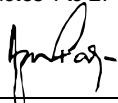
**Condensed Interim Consolidated  
Financial Information (Un-audited)  
30 September 2015**

# Condensed Interim Consolidated Balance Sheet

As at 30 September 2015

	Note	(Un-audited) 30 September 2015	(Audited) 30 June 2015
(Rupees in '000)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	16,231,930	16,049,995
Intangible assets		14,804	13,762
Long-term deposits		12,516	6,967
Investment in equity-accounted investee	5	257,132	260,069
Long-term prepayments		333	833
		<u>16,516,715</u>	<u>16,331,626</u>
<b>Current assets</b>			
Stores and spares		490,465	487,952
Stock-in-trade	6	10,156,097	8,187,329
Trade debts	7	2,810,884	2,662,620
Advances	8	264,810	200,994
Trade deposits and short-term prepayments	9	35,645	27,701
Sales Tax refundable		527,275	59,031
Other receivables	10	83,730	91,977
Taxation - net		1,634,911	1,763,196
Bank balances		60,950	64,853
		<u>16,064,766</u>	<u>13,545,653</u>
<b>Total assets</b>		<u><b>32,581,481</b></u>	<u><b>29,877,279</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital			
200,000,000 (2015: 200,000,000) ordinary shares of Rs. 10 each		<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital		1,198,926	1,198,926
Reserves	11	3,243,175	3,559,007
Translation reserve		(1,660)	(1,216)
<b>Total equity</b>		<u>4,440,441</u>	<u>4,756,717</u>
Non-controlling interest		2,086,518	2,170,330
		<u>6,526,959</u>	<u>6,927,047</u>
<b>Surplus on revaluation of property, plant and equipment</b>		2,525,312	2,536,561
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term financing - secured	12	5,788,067	5,983,759
Staff retirement benefits		85,985	91,263
Deferred taxation - net	13	511,054	523,224
		<u>6,385,106</u>	<u>6,598,246</u>
<b>Current liabilities</b>			
Trade and other payables	14	5,645,788	3,675,367
Short-term borrowings - secured	15	10,287,873	8,780,348
Current portion of long-term financing	12	992,378	999,878
Accrued markup		166,626	271,954
Tax payable		43	-
Sales tax payable		51,396	87,878
		<u>17,144,104</u>	<u>13,815,425</u>
<b>Total liabilities</b>		<u><b>23,529,210</b></u>	<u><b>20,413,671</b></u>
<b>Contingencies and commitments</b>	16	-	-
<b>Total equity and liabilities</b>		<u><b>32,581,481</b></u>	<u><b>29,877,279</b></u>

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.



**Azam Faruque**  
Director & Member  
Board Audit Committee



**Nadir Akbarali Jamal**  
Chief Financial  
Officer



**Riyaz T. Chinoy**  
Chief Executive  
Officer



# Condensed Interim Consolidated Profit and Loss Account (Un-audited)

For the period ended 30 September 2015



	Note	Quarter ended	
		30 September 2015	30 September 2014
(Rupees in '000)			
Net sales	17	5,937,408	7,790,548
Cost of sales	18	(5,371,562)	(7,152,259)
<b>Gross profit</b>		<u>565,847</u>	<u>638,289</u>
Selling and distribution expenses	19	(176,131)	(183,827)
Administrative expenses	20	(96,296) (272,427)	(75,204) (259,031)
Financial charges	21	(343,897)	(603,454)
Other operating charges	22	(82,669) (426,566)	(35,141) (638,595)
Other income	23	59,386	128,139
Share of profit in equity-accounted investee - net of tax		4,341	8,097
<b>Loss before taxation</b>		<u>(69,419)</u>	<u>(123,101)</u>
Taxation	24	(41,740)	40,736
<b>Loss after taxation</b>		<u>(111,159)</u>	<u>(82,365)</u>
Profit after taxation attributable to:			
Owners of Holding Company		(26,083)	(85,996)
Non-controlling interest		(85,076)	3,631
		<u>(111,159)</u>	<u>(82,365)</u>
		----- (Rupees) -----	
<b>Loss per share - basic and diluted</b>		<u>(0.22)</u>	<u>(0.72)</u>

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.

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

For the period ended 30 September 2014

	Quarter ended	
	30 September 2015	30 September 2014
	———— (Rupees in '000) ————	
<b>Loss after taxation</b>	(111,159)	(82,365)
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income</b>	<u>(111,159)</u>	<u>(82,365)</u>
Total comprehensive income attributable to:		
Owners of Holding Company	(26,083)	(85,996)
Non-controlling interest	(85,076)	3,631
<b>Total comprehensive income</b>	<u>(111,159)</u>	<u>(82,365)</u>

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.



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# Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the quarter ended 30 September 2015



	Note	Quarter ended	
		30 September 2015	30 September 2014
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(69,419)	(123,101)
Adjustments for:			
Depreciation and amortisation		218,950	190,570
Provision for doubtful debts		4,070	(2,356)
Interest on bank deposits	23	(193)	(470)
(Gain) / loss on disposal of property, plant and equipment	23	(8,917)	(4,542)
Provision for staff gratuity		12,024	-
Share of profit from associated company		(4,341)	(8,097)
Translation reserve		(432)	-
Amortisation of long term prepayments		500	1,002
Financial charges	21	343,897	603,454
		<u>496,139</u>	<u>656,460</u>
Movement in:			
Working capital		(1,013,765)	(2,269,103)
Long-term deposits		(5,549)	(480)
<b>Net cash generated from operations</b>		<u>(523,175)</u>	<u>(1,613,124)</u>
Financial charges paid		(449,229)	(649,733)
Gratuity paid		(17,302)	-
Taxes paid		74,416	(206,529)
<b>Net cash used in from operating activities</b>		<u>(915,290)</u>	<u>(2,469,386)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(402,011)	(779,654)
Proceeds from disposal of property, plant and equipment		8,989	6,107
Interest income received		193	470
<b>Net cash used in investing activities</b>		<u>(392,829)</u>	<u>(773,077)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net repayment of long-term financing - secured		(203,192)	454,519
Dividends paid to non controlling interest		(1)	-
Dividends paid		(116)	(819)
<b>Net cash generated / (used in) financing activities</b>		<u>(203,309)</u>	<u>453,700</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(1,511,428)</u>	<u>(2,788,763)</u>
Cash and cash equivalents at beginning of the period		<u>(8,715,495)</u>	<u>(11,035,393)</u>
Cash and cash equivalents at end of the period		<u><u>(10,226,923)</u></u>	<u><u>(13,824,156)</u></u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances		60,950	153,661
Short-term borrowings - secured	15	(10,287,873)	(13,977,817)
		<u><u>(10,226,923)</u></u>	<u><u>(13,824,156)</u></u>

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.

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Officer

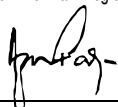
**Riyaz T. Chinoy**  
Chief Executive  
Officer

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

For the quarter ended 30 September 2015

	Attributable to owners of the Holding Company								
	Issued, subscribed and paid-up capital	Revenue Reserves				Total reserves	Total	Non-controlling interest	Total
		General reserves	Un-appropriated profit / (loss)	Exchange translation reserve					
	(Rupees in '000)								
<b>Balance as at 1 July 2014</b>	1,198,926	2,991,258	337,882	159	3,329,299	4,528,225	2,270,756	6,798,981	
Total comprehensive income for the period ended 30 September 2014									
Loss for the period	-	-	(85,996)	-	(85,996)	(85,996)	3,631	(82,365)	
Transactions with owners recorded directly in equity									
<b>Distribution to owners of the Holding Company:</b>									
-Final dividend @ 20.00% (Rs. 2.00 per share) for the year ended 30 June 2014	-	-	(239,785)		(239,785)	(239,785)	-	(239,785)	
Total transactions with owners of the Holding Company	-	-	(239,785)		(239,785)	(239,785)	-	(239,785)	
Re-translate to reserves	-	-		(355)	(355)	(355)	-	(355)	
Final dividend @ 10% (Re. 1.00 per share) attributable to non controlling interest							(189,943)	(189,943)	
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	5,645		5,645	5,645	1,265	6,910	
<b>Balance as at 30 September 2014</b>	<b>1,198,926</b>	<b>2,991,258</b>	<b>17,746</b>	<b>(196)</b>	<b>3,008,808</b>	<b>4,207,734</b>	<b>2,085,709</b>	<b>6,293,443</b>	
<b>Balance as at 1 July 2015</b>	<b>1,198,926</b>	<b>2,991,258</b>	<b>567,749</b>	<b>(1,216)</b>	<b>3,557,791</b>	<b>4,756,717</b>	<b>2,170,330</b>	<b>6,927,047</b>	
Total comprehensive income for the period ended 30 September 2015									
Profit for the period	-	-	(26,083)	-	(26,083)	(26,083)	(85,076)	(111,159)	
Other comprehensive income									
	-	-	(26,083)	-	(26,083)	(26,083)	(85,076)	(111,159)	
<b>Distribution to owners of the Holding Company:</b>									
-Final dividend @ 25% (Rs. 2.50 per share) for the year ended 30 June 2015	-	-	(299,732)	-	(299,732)	(299,732)	-	(299,732)	
Total transactions with owners of the Holding Company	-	-	(299,732)	-	(299,732)	(299,732)	-	(299,732)	
Re-translate to reserve	-	-	-	(444)	(444)	(444)	-	(444)	
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	9,983	-	9,983	9,983	1,264	11,247	
<b>Balance as at 30 September 2015</b>	<b>1,198,926</b>	<b>2,991,258</b>	<b>251,917</b>	<b>(1,660)</b>	<b>3,241,515</b>	<b>4,440,441</b>	<b>2,086,518</b>	<b>6,526,959</b>	

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.



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Board Audit Committee



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Chief Financial  
Officer



**Riyaz T. Chinoy**  
Chief Executive  
Officer

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



For the quarter ended 30 September 2015

## 1. THE GROUP AND ITS OPERATIONS

- 1.1 The Group consists of International Industries Limited, the Holding Company, and International Steels Limited, IIL Australia PTY Limited and IIL Stainless Steel (Private) Limited (the Subsidiary Companies) (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in its equity-accounted investee namely Pakistan Cables Limited.
- 1.2 International Industries Limited was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. It is in the business of manufacturing and marketing galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.3 International Steels Limited was incorporated in Pakistan in 2007 as an unlisted company under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, it was listed on the Karachi Stock Exchange on 1 June 2011. Its primary activity is the manufacturing of cold rolled steel coils and galvanized sheets. It commenced commercial operations on 1 January 2011. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.4 IIL Australia PTY Limited (IIL Australia) was incorporated in Victoria, Australia on 2 May 2014 and is in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office is situated at 101 - 103, Abbot Road, Hallam, Victoria 3803 Australia.
- 1.5 IIL Stainless Steel (Private) Limited (IIL-SS) was incorporated in Pakistan on 28 November 2014 and is in the business of manufacturing and marketing stainless steel pipe. The registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.6 Details of the Group's equity-accounted investee are given in note 5 to this condensed interim consolidated financial information.

## 2. BASIS OF PREPARATION

- 2.1 This condensed interim consolidated financial information has been prepared from the information available in the condensed un-audited separate financial information of the Holding Company for the quarter period ended 30 September 2015 and the condensed un-audited financial information of the Subsidiary Companies for the quarter ended 30 September 2015.

Detail regarding the financial information of the equity-accounted investee used in the preparation of this condensed interim consolidated financial information is given in note 5.

### 2.2 Statement of Compliance

This interim consolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 and the provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of or directive issued under the Ordinance shall prevail.

- 2.3 This condensed interim consolidated financial information is presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented has been rounded off to the nearest thousand Rupee.

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

For the quarter ended 30 September 2015

**2.4** This condensed interim consolidated financial information is being submitted to the shareholders as required by listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges and Section 245 of the Companies Ordinance, 1984.

**2.5** Estimates and judgements made by the Group in the preparation of this condensed interim consolidated financial information are the same as those that were applied to the audited annual separate financial statements of the Group Entities as at and for the year ended 30 June 2015.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Basis of consolidation**

#### **3.1.1 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 the 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 unrealised 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.

#### **3.1.2 Investment in associate**

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 recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial information 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 recognised directly in the equity of an associate, the Group recognises 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 from the reporting period of the Group.

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

For the quarter ended 30 September 2015



## 4. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - - in - progress (Rupees in '000)	Total
<b>Cost / revalued amount</b>			
Opening balance	18,295,706	1,808,256	20,103,962
Additions	112,692	305,976	418,668
Translate reserve	(12)	-	(12)
Disposal / transfers	(16,502)	(9,774)	(26,276)
	<u>18,391,884</u>	<u>2,104,458</u>	<u>20,496,342</u>
<b>Accumulated depreciation</b>			
Opening balance	(4,053,967)	-	(4,053,967)
Disposal	7,307	-	7,307
Charge for the period	(217,752)	-	(217,752)
	<u>(4,264,412)</u>	<u>-</u>	<u>(4,264,412)</u>
<b>Written down value as at 30 September 2015 (Un-audited)</b>	<u>14,127,472</u>	<u>2,104,458</u>	<u>16,231,930</u>
Written down value as at 30 June 2015 (Audited)	<u>14,241,739</u>	<u>1,808,256</u>	<u>16,049,995</u>
	Note	<b>30 September 2015 (Un-audited)</b> (Rupees in '000)	30 June 2015 (Audited)

## 5. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE

Pakistan Cables Limited - associate company	5.1	257,132	260,069
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5.1 This represents the Holding Company's investment in Pakistan Cables Limited (PCL), a company incorporated in Pakistan. The Holding Company has invested in 2,425,913 shares (30 June 2015: 2,425,913 shares) of the Associate Company and holds 8.52% (30 June 2015: 8.52%) ownership interest in PCL.

The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 30 September was Rs. 387.734 million (30 June 2015: Rs. 403.915 million). The share of profit after acquisition is recognised based on PCL's unaudited financial statements as at 30 June 2015. The latest financial statements of the Associated Company as at 30 September 2015 are not presently available.

	<b>30 September 2015 (Un-audited)</b> (Rupees in '000)	30 June 2015 (Audited)
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## 6. STOCK-IN-TRADE

Raw material - in hand	5,482,781	3,353,839
- in transit	717,186	773,716
	<u>6,199,967</u>	<u>4,127,555</u>
Work-in-process	1,184,015	962,394
Finished goods	2,688,602	3,019,255
By-products	45,082	62,406
Scrap material	38,431	15,719
	<u>10,156,097</u>	<u>8,187,329</u>

6.1 Raw material amounting to Rs.6.7 million (30 June 2015: Rs.6.4 million) was held at vendor premises for the production of pipe caps.

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

For the quarter ended 30 September 2015

	30 September 2015 (Un-audited) Note	30 June 2015 (Audited)
	(Rupees in '000)	
<b>7. TRADE DEBTS</b>		
Considered good:		
- secured	1,227,380	1,233,009
- unsecured	<u>1,583,504</u>	<u>1,429,611</u>
	2,810,884	2,662,620
Considered doubtful	41,599	37,529
	<u>2,852,483</u>	<u>2,700,149</u>
Provision for doubtful debts	(41,599)	(37,529)
	<u><u>2,810,884</u></u>	<u><u>2,662,620</u></u>
<b>8. ADVANCES</b>		
Considered good:		
- Suppliers and service providers	227,035	174,238
- Employees for business related expenses	2,348	-
- Employees	24,005	26,756
- Contribution to Employees' Provident Fund	11,422	-
	<u>264,810</u>	<u>200,994</u>
<b>9. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		
Trade deposits	20,636	18,610
Short-term prepayments	<u>15,009</u>	<u>9,091</u>
	<u><u>35,645</u></u>	<u><u>27,701</u></u>
<b>10. OTHER RECEIVABLES</b>		
Considered good:		
- Receivable for transmission of electricity to K- Electric Limited	50,005	65,267
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940	25,940
- Dividend receivable - associate	7,278	-
- Others	507	770
	<u>83,730</u>	<u>91,977</u>
<b>11. RESERVES</b>		
General Reserves	2,991,258	2,991,258
Unappropriated profit	<u>251,917</u>	<u>567,749</u>
	<u><u>3,243,175</u></u>	<u><u>3,559,007</u></u>
<b>12. LONG-TERM FINANCING - secured</b>		
Long-term finances utilised under mark-up arrangements	12.1 392,992	300,000
Syndicated Term Financing under LTFF Scheme	12.2 4,031,528	2,341,715
Long-term finance	12.3 2,355,925	4,341,922
	<u>6,780,445</u>	<u>6,983,637</u>
Current portion of long-term financing shown under current liabilities	(992,378)	(999,878)
	<u><u>5,788,067</u></u>	<u><u>5,983,759</u></u>



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



For the quarter ended 30 September 2015

- 12.1** The above long term financing utilised under mark-up arrangement is secured by way of a mortgage on all present and future land and buildings, 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.
- 12.2** The Syndicated term financing is obtained for plant and machinery of Cold Rolling Mill and Galvanising Plant by Subsidiary Company (ISL) and is secured by way of mortgage of land located at Survey No. 399-401 and 403-404 Landhi Town, Karachi, and joint hypothecation of all present and future fixed assets (excluding land and building) as per the terms of syndicated term financing agreement.
- 12.3** This finance is obtained by Subsidiary Company (ISL) from various banks for plant and machinery and is secured by way of first pari passu charged over fixed assets of the Subsidiary Company.

## 13. Deferred taxation - net

Deferred tax liability comprises of taxable/ (deductible) temporary differences in respect of the following:

		<b>30 September 2015</b> (Un-audited)	30 June 2015 (Audited)
	Note	(Rupees in '000)	
<b>Taxable temporary difference:</b>			
Accelerated tax depreciation		1,766,499	1,738,208
Share of profit from equity accounted investee		7,367	7,367
Surplus on revaluation of buildings		106,227	111,501
		<u>1,880,093</u>	<u>1,857,076</u>
<b>Deductible temporary difference:</b>			
Provision for doubtful debts		(11,097)	(9,876)
Provision for compensated absences		(496)	(2,533)
Unrealised exchange gain/ (losses)		-	(24)
Provision for Infrastructure Cess		(45,962)	(43,037)
Staff retirement benefits		(16,371)	(21,808)
Tax loss		(1,295,113)	(1,256,574)
		<u>511,054</u>	<u>523,224</u>
<b>14. TRADE AND OTHER PAYABLES</b>			
Trade creditors	14.1	3,733,443	1,665,097
Bills payable		-	474,754
Provision for Government Levies		-	568
Accrued expenses	14.1	697,246	652,504
Provision for Infrastructure Cess	16.1.6	543,891	508,210
Short-term compensated absences		2,270	18,759
Advances from customers		292,886	267,183
Payable against purchase of land		16,111	16,111
Workers' Profit Participation Fund		7,150	26,564
Workers' Welfare Fund		17,400	20,302
Unclaimed dividends		14,270	14,386
Dividend payable		299,732	-
Dividend payable by subsidiary company attributable to non controlling interest		390	391
Others		20,999	10,538
		<u>5,645,788</u>	<u>3,675,367</u>
<b>14.1</b> Related parties to whom payments are due are as under:			
Jubilee General Insurance Company Limited		955	-
Doogood Enterprises (Pty) Limited.		3,851	-
		<u>4,806</u>	<u>-</u>

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

For the quarter ended 30 September 2015

	Note	30 September 2015 (Un-audited) (Rupees in '000)	30 June 2015 (Audited)
<b>15. SHORT-TERM BORROWINGS - secured</b>			
Running finance under mark-up arrangement	15.1	2,426,631	239,820
Short-term borrowing under Money Market Scheme	15.2	1,137,928	-
Short-term running finance under Export Refinance Scheme	15.3	4,516,673	4,109,800
Running finance under FE-25 Import Scheme	15.4	1,226,117	3,181,016
Short-term finance under running Musharakah		-	6,021
Short-term finance under Murabaha and Istisna	15.5	450,082	445,589
Short-term finance under Musharaka	15.6	530,442	798,102
		<u>10,287,873</u>	<u>8,780,348</u>

- 15.1** The facilities for running finance under mark-up arrangements, available to the Group Entities from various commercial banks, amounted to Rs. 10,210 million (30 June 2015: Rs.3,589 million) and are for the purpose of meeting working capital requirements. The rates of mark-up on these finances obtained by the Holding company range from 7.21% to 8.49% per annum (2015: 7.33% to 9.45% per annum). The rates of mark-up on these finances obtained by Subsidiary Company (ISL) range from KIBOR +0.10% to KIBOR +1.75% (2015: KIBOR+0.2% to KIBOR+1.75% per annum).
- 15.2** The Holding Company has obtained facilities for short-term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 3,672 million (30 June 2015: Rs. 2,197 million). Unavailed facility as at 30 September 2015 is 2,534 million (30 June 2015: nil). The rate of markup on these finances ranges from 6.59% - 6.93% (30 June 2015: 6.75% - 10.62%).
- 15.3** The Group Entities have borrowed short-term running finance under Export Refinance Scheme offered by the State Bank of Pakistan. The facilities availed are for an amount of Rs. 4,516.7 (30 June 2015: Rs.4,110 million). The rates of mark-up on these facilities range from 3.85% to 4.00% per annum (30 June 2015: 5.30% to 5.50% per annum).
- 15.4** The Group Entities have borrowed short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from various commercial banks for the purpose of meeting import requirements. The facilities availed is for an amount of Rs. Rs.1,226 million (30 June 2015: Rs. 3,181 million). The rates of markup on these facilities is 1.50% per annum. (30 June 2015: 2.0% to 4.0% per annum). The facilities mature within six months and are renewable.
- This represents Islamic Term Musharakah available from commercial bank by Subsidiary Company for the purpose of meeting working capital requirements. The facility is unavailed as at 30 September 2015. (30 June 2015: Rs. 798 million). It carries mark-up at the of 3 months LIBOR + 2.75% (30 June 2015: LIBOR + 2.75%). The facility matures within one year and are renewable.
- 15.5** The Subsidiary Company has obtained facilities for short-term finance under Murahaba and Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.15% (30 June 2015: KIBOR+0.20%). The facilities mature within six months and are renewable.
- 15.6** The Subsidiary Company has obtained Islamic Term Musharakah under FE Import financing for the purpose of meeting working requirements. It carries mark-up at the rate of 2.70% inclusive of 6 month LIBOR (30 June 2015: 2.75%) per annum.
- 15.7** All running finances and short-term borrowing facilities availed by the Holding Company are secured by way of hypothecation of all its present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.

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



For the quarter ended 30 September 2015

**15.8** The Holding Company has issued a corporate guarantee to commercial bank for securing funded and unfunded facilities of Rs.125 million each for its wholly owned Subsidiary Company IIL Stainless Steels (Pvt) Limited. The facilities are secured by way of hypothecation of all present and future current and moveable assets.

**15.9** As at 30 September 2015, the unavailed facilities from the above borrowings amounted to Rs.11,942 million (30 June 2015: Rs 12,763.6 million).

**15.10** The aforementioned facilities of the Subsidiary Company (ISL) are secured by way of joint and first pari passu charges over its current assets.

## **16. CONTINGENCIES AND COMMITMENTS**

### **16.1 Contingencies**

**16.1.1** Bank guarantees have been issued by the Holding Company under certain supply contracts and to the Collector of Customs aggregating Rs. 218.4 million (30 June 2015: Rs.125.6 million).

**16.1.2** Bank guarantees have been issued by the Subsidiary Company (ISL) to Sui Southern Gas Company Limited of Rs. 227.7 million (30 June 2015: Rs. 227.7 million) as a security for supply of gas.

**16.1.3** Bank guarantees have been issued by the Subsidiary Company (ISL) to Pakistan State Oil of Rs.2.5 million (30 June 2015: 2.5 million).

**16.1.4** Custom duties amounting to Rs.69 million (30 June 2015: Rs. 156 million) on import of raw material shall be payable by the Holding Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Holding Company has provided post-dated cheques to Collector of Customs which are, in normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Holding Company has fulfilled the conditions for the aforementioned amounts and is making effort to retrieve the associated post-dated cheques from the custom authorities.

**16.1.5** An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made by the Holding Company during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Holding Company filed a petition with the Sindh High Court in 2010 for an injunction and as is awaiting the final judgement.

**16.1.6** The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of an imported raw material consignment in 2006 by the Holding Company. It has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by the customs authorities, and ordered the authorities to re-examine the matter afresh. However, the customs authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.

**16.1.7** The Holding and Subsidiary Company have reversed a provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e Fifth Version came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court granted interim relief on an application of petitioners on certain terms including discharge and return of bank guarantee / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with the balance kept intact till the disposal of the petition. In case the High Court upholds the applicability of Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 654.5 million have been provided to the Department in this regard by the Holding and Subsidiary Company.

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

For the quarter ended 30 September 2015

- 16.1.8** During the year 2014-15, Government passed a new law "Gas Infrastructure Development Cess Act 2015" by virtue of which all prior enactments have been declared infructuous. The said Act levies GID Cess at Rs.200/MMBTU on captive power consumption effective 1 July 2011 and at Rs.100/MMBTU on industrial connection from the date of passing of that Act. The Company has obtained a stay order on the retrospective application of the Act from the Honourable High Court of Sindh. The Group is confident of favourable outcome and therefore has not recorded provision of Rs. 484 million in these financial statements. However, the applicable cess has recognised after the passage of the Act.
- 16.1.9** The Holding Company has received a demand from Deputy Collector (Manufacturing Bond) aggregating Rs.82.9 million raised on account of Sales Tax, custom duty and withholding income tax in respect of wastage generated on raw material imported under manufacturing bond license and covers the period July 2007 to December 2010. The Holding Company on the basis of an audit being duly completed till 31 March 2009 believes no further dues were liable to be paid. The Holding Company has filed a Constitutional Petition in the Sindh High Court (SHC) which has granted interim stay on 9 December 2013. During the period ended 30 September 2015, the SHC heard the petition in length and remanded the case back to the Collector Adjudication II, for fresh examination strictly in accordance with the law. There has been hearings in this matter so far and the Holding Company has submitted its written legal arguments. Based on the advice of legal counsel and merits of the case, the Holding Company is confident that the subject demand is unjustified and the matter will be decided in its favour.
- 16.1.10** Alloy steel being imported from China under FTA with HS Code 7225 was under dispute whereby that the Customs Authorities did not recognize the said alloy steel and cleared all such consignments under HS Code 7208 as being prime hot rolled steel coils which attracted 5% customs duty and 12.5% regulatory duty. A petition was filed in Sindh High Court for clarification of such anomaly and the Company had to submit bank guarantees worth Rs. 150.6 million for 5% customs duty and 12.5% regulatory duty as per the interim order of the Sindh High Court. Since then the Sindh High Court has decided this case in favour of the Petitioners on the basis that if any consignment contains more than 0.0008% boron as inherent part of steel that the same would qualify as alloy steel which would not attract payment of any duties. The return of our bank guarantees is awaited.
- 16.1.11** Section 113(2)(c) was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Subsidiary Company (ISL), based on legal counsel's advice considers that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the Sindh High Court or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court by other companies which is pending for hearing. In view of above, the Subsidiary Company is confident that the ultimate outcome in this regard would be favourable. Accumulated minimum tax liability of Rs. 219.51 million was determined for the tax years 2012 and 2013. However based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projection and tax credits available to the Subsidiary Company under section 65B of the Income Tax Ordinance 2001. Accordingly, accumulated minimum tax liability amounting to Rs.596.22 million has not been recorded on the same basis in these condensed interim financial information.

## 16.2 Commitments

- 16.2.1** Capital expenditure commitments of the Group Entities outstanding as at 30 September 2015 amounted to Rs.593.3 million (30 June 2015: Rs.845 million).
- 16.2.2** Commitments under letters of credit established by the Group Entities for raw material and spares as at 30 September 2015 to Rs. 4,507.4 million (30 June 2015: Rs.4,209 million).
- 16.2.3** Commitments under purchase contracts entered into by the Holding Company as at 30 September 2015 amounted to Rs. 251.4 million (30 June 2015: Rs.117 million).
- 16.2.4** The unavailed facilities of the Group Entities for opening letters of credit and guarantees from banks as at 30 September 2015 amounted to Rs. 13,930 million (30 June 2015: 16,432 million) and Rs.

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

For the quarter ended 30 September 2015



**Quarter ended**  
**30 September 2015**      **30 September 2014**  
(Rupees in '000)

## 17. NET SALES

Local	5,399,523	6,789,762
Export	1,564,634	2,224,372
	<u>6,964,157</u>	<u>9,014,134</u>
 Toll Manufacturing	 (353)	 -
Sales Tax	(823,462)	(1,041,962)
Trade discounts	(97,111)	(55,852)
Sales discount and commission	(105,823)	(125,772)
	(1,026,396)	(1,223,586)
	<u>5,937,408</u>	<u>7,790,548</u>

## 18. COST OF SALES

Opening stock of raw material and work-in-process	4,316,233	7,003,663
Purchases	6,739,031	5,408,301
Salaries, wages and benefits	253,819	214,561
Rates and taxes	461	200
Electricity, gas and water	252,476	207,843
Insurance	4,083	5,857
Security and janitorial	10,254	9,763
Depreciation and amortisation	193,062	166,679
Stores and spares consumed	27,895	31,011
Repairs and maintenance	36,836	42,507
Postage, telephone and stationery	3,924	4,549
Vehicle, travel and conveyance	7,064	6,547
Internal material handling	5,913	7,541
Environment controlling expense	416	222
Sundries	3,354	1,911
Sale of scrap generated during production	(164,442)	(169,994)
	<u>11,690,379</u>	<u>12,941,161</u>
 Closing stock of raw material and work-in-process	 (6,666,796)	 (5,646,945)
Cost of goods manufactured	<u>5,023,583</u>	<u>7,294,216</u>
 Finished goods and by-products :		
Opening stock	3,081,662	2,725,796
Closing stock	(2,733,684)	(2,867,753)
	<u>347,978</u>	<u>(141,957)</u>
	<u>5,371,562</u>	<u>7,152,259</u>

## 19. SELLING & DISTRIBUTION EXPENSES

Freight and forwarding expenses	103,976	134,173
Salaries, wages and benefits	40,631	34,900
Rent, rates and taxes	355	1,494
Electricity, gas and water	1,836	1,664
Insurance	298	886
Depreciation and amortisation	3,452	2,556
Repair and maintenance	103	551
Advertising and sales promotion	5,922	1,843
Postage, telephone and stationery	1,830	1,292
Office supplies	13	1
Vehicle, travel and conveyance	8,220	4,652
Provision for doubtful debts-net	4,070	(2,356)
Certification and registration charges	3,098	2
Others	2,327	2,169
	<u>176,131</u>	<u>183,827</u>

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

For the quarter ended 30 September 2015

	Quarter ended	
	30 September 2015	30 September 2014
(Rupees in '000)		
<b>20. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and benefits	67,686	51,878
Rent, rates and taxes	1,063	1,394
Electricity, gas and water	1,063	1,068
Insurance	339	364
Depreciation and amortisation	5,516	4,423
Repair and maintenance	218	265
Postage, telephone and stationery	3,616	2,887
Office supplies	15	8
Vehicle, travel and conveyance	2,484	1,939
Legal and professional charges	7,561	7,262
Certifications and registration charges	1,155	524
Directors' fees	2,010	1,400
Others	3,570	1,792
	<u>96,296</u>	<u>75,204</u>
<b>21. FINANCIAL CHARGES</b>		
Mark-up on:		
- Long-term financing	109,158	98,771
- Short-term borrowings	97,601	205,026
	<u>206,759</u>	<u>303,797</u>
Exchange loss on FE borrowing	129,631	293,071
Interest on Workers' Profit Participation Fund	560	317
Bank charges	6,947	6,269
	<u>343,897</u>	<u>603,454</u>
<b>22. OTHER OPERATING CHARGES</b>		
Auditors' remuneration	1,383	1,125
Donations	3,300	3,775
Exchange loss	67,683	29,908
Workers' Profit Participation Fund	7,150	-
Workers' Welfare Fund	2,850	-
Project development expenses	303	-
Others	-	332
	<u>82,669</u>	<u>35,141</u>
<b>23. OTHER INCOME</b>		
<b>Income / return on financial assets</b>		
Interest on bank deposits	320	470
<b>Income from non-financial assets</b>		
Income from power generation - 18MW	12,840	12,325
Income from power generation - 4MW	17,437	13,517
Gain on disposal of property, plant and equipment	8,917	4,542
Rental income	429	429
Exchange gain / (loss) - net	9,051	76,419
Others	10,392	20,437
	<u>59,386</u>	<u>128,139</u>

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

For the quarter ended 30 September 2015

	Quarter ended	
	30 September 2015	30 September 2014
	(Rupees in '000)	
<b>24. TAXATION</b>		
Current	53,910	25,933
Deferred	(12,170)	(66,669)
	<u>41,740</u>	<u>(40,736)</u>

## Relationship between income tax expenses and accounting profit

	Effective tax rate %		Quarter ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
			(Rupees in '000)	
Profit before taxation			<u>(69,419)</u>	<u>(123,101)</u>
Tax at the enacted tax rate	32.00	33.00	(22,214)	(40,623)
Tax effect of income subject to lower tax	2.47	0.35	(1,715)	(432)
Tax effect of rebate / credits	(1.37)	4.45	948	(5,474)
Tax effect on export under final tax regime	(51.03)	(16.02)	35,428	19,716
Effect of change in rates and proportionate etc	(23.39)	8.83	16,240	(10,873)
Others	(18.80)	2.48	13,053	(3,050)
	<u>(60.13)</u>	<u>33.09</u>	<u>41,740</u>	<u>(40,736)</u>

## 25. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associate entities, directors of the Holding Company and its Subsidiary companies, key management employees and staff retirement funds. The Group Entities continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Contributions to the defined contribution plan (Provident Fund) are made as per the terms of employment and contributions to the defined benefit plan (Gratuity Scheme) are in accordance with actuarial advice. Remuneration of key management personnel is in accordance with their terms of engagement and company policy. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim consolidated financial information, are as follows:

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

For the quarter ended 30 September 2015

	Note	Quarter ended 30 September 2015	30 September 2014
(Rupees in '000)			
<b>Transactions with related parties</b>			
<b>Associated companies</b>			
Sales		176,644	76,207
Purchases		2,063,360	4,340,141
Insurance premium expense		930	11,366
Insurance claim / adjustments		938	13,267
Rental income		429	429
Rent paid		1,685	-
Donations paid		-	1,000
Dividend income		7,278	-
Participation fee		20	-
Marketing services		43	-
Mark-up expenses		1,219	-
<b>Key management personnel and their spouses</b>			
Remuneration		81,527	79,290
Sales commission expense		446	987
Staff retirement benefits		1,577	1,077
<b>Staff retirement benefit plans</b>			
Contribution paid		37,856	16,090
Non- executive directors' fees		2,010	1,400
		<b>30 September 2015</b>	<b>30 June 2015</b>
----- (Rupees in '000) -----			
<b>Balances with related parties</b>			
<b>Trade debts</b>			
Sui Southern Gas Company Limited.		179,992	40,609
Sui Northern Gas Pipelines Limited.		-	115,271
Pakistan Cables Limited.		16	-
Fauji Fertilizer Company Limited		145	-
Doogood Enterprises (Pty) Limited.		55,096	-
Others		3,243	-

## 26. SEGMENT REPORTING

The Group Entities have identified Steel Coils & Sheets, Steel Pipes and Plastic Pipes as three reportable segments. Performance is measured based on respective segment results. Information regarding the Group Entities' segments is presented below.

### SEGMENT REVENUE AND RESULTS

	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Total
(Rupees in '000)				
<b>For the period ended 30 September 2015</b>				
Sales	2,857,097	2,779,139	301,172	5,937,408
Cost of sales (excluding depreciation)	2,594,911	2,332,723	250,866	5,178,500
Depreciation	137,129	49,050	6,883	193,062
Gross Profit	<u>125,057</u>	<u>397,367</u>	<u>43,423</u>	<u>565,847</u>
<b>For the period ended 30 September 2014</b>				
Sales	3,839,423	3,819,655	131,470	7,790,548
Cost of sales (excluding depreciation)	3,370,673	3,494,493	120,983	6,986,149
Depreciation	111,887	47,524	6,699	166,110
Gross Profit	<u>356,863</u>	<u>277,638</u>	<u>3,788</u>	<u>638,289</u>



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

For the quarter ended 30 September 2015

Quarter ended  
30 September 2015      30 September 2014  
(Rupees in '000)

Reconciliation of segment results with loss after tax is as follows:

Total results for reportable segments	565,847	638,289
Selling, distribution and administrative expenses	(272,427)	(259,031)
Financial charges	(343,897)	(603,454)
Other operating expenses	(82,669)	(35,141)
Other operating income	59,386	128,139
Share of profit in equity-accounted investee - net of tax	4,341	8,097
Taxation	(41,740)	40,736
Loss after tax	<u>(111,159)</u>	<u>(82,365)</u>

## SEGMENT ASSETS & LIABILITIES

	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Total
	(Rupees in '000)			
<b>As at 30 September 2015 - Un-audited</b>				
Segment assets	<u>19,330,761</u>	<u>9,131,893</u>	<u>736,257</u>	<u>29,198,911</u>
Segment liabilities	<u>15,222,770</u>	<u>5,855,463</u>	<u>558,702</u>	<u>21,636,935</u>
<b>As at 30 June 2015 - Audited</b>				
Segment assets	<u>17,310,456</u>	<u>8,934,099</u>	<u>655,389</u>	<u>26,899,944</u>
Segment liabilities	<u>12,728,415</u>	<u>5,402,757</u>	<u>399,702</u>	<u>18,530,874</u>

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

	30 September 2015 (Un-audited)	30 June 2015 (Audited)
Total reportable segments assets	29,198,911	26,899,944
Unallocated assets	3,382,571	2,977,335
<b>Total assets as per Balance Sheet</b>	<u>32,581,481</u>	<u>29,877,279</u>
Total reportable segments liabilities	21,636,935	18,530,874
Unallocated liabilities	1,892,275	1,882,797
<b>Total liabilities as per Balance Sheet</b>	<u>23,529,210</u>	<u>20,413,671</u>

## 27. GENERAL

27.1 This condensed interim consolidated financial information was authorised for issue by the Board of Directors of the Holding Company on 22 October 2015.




**Azam Faruque**  
Director & Member  
Board Audit Committee



**Nadir Akbarali Jamal**  
Chief Financial  
Officer



**Riyaz T. Chinoy**  
Chief Executive  
Officer



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