



Shaping Tomorrow

**Unaudited Financial Statements
First Quarter ended September 30, 2016**

In the name of Allah, most Gracious, most Merciful.
This is by the Grace of Allah.

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Company Information

Chairman

Mr. Kemal Shoaib
Independent Chairman

Directors

Mr. Tawfiq H. Chinoy
Non-Executive Director

Mr. Tariq Iqbal Khan
Independent Director

Mr. Kamran Y. Mirza
Independent Director

Syed Salim Raza
Independent Director

Syed Hyder Ali
Non-Executive Director

Mr. Kamal A. Chinoy
Non-Executive Director

Mr. Riyaz T. Chinoy
Non-Executive Director

Mr. Kazuteru Mihara
Non-Executive Director

Mr. Samir M. Chinoy
Executive Director

Chief Executive Officer

Mr. Yousuf H. Mirza
Executive Director

Chief Financial Officer

Mr. Rashid Umer Siddiqui

Company Secretary

Mr. Yasir Ali Quraishi

Internal Auditor

Mr. Usman Ahmed

External Auditors

KPMG Taseer Hadi & Co.

Bankers

Allied Bank Ltd.
Bank Al Habib Ltd.
Bank Alfalah Ltd.
Dubai Islamic Bank (Pakistan) Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd.
Meezan Bank Ltd.
NIB Bank Ltd.
Samba Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.

Legal Advisor

Mrs. Sana Shaikh Fikree

Registered Office

101, Beaumont Plaza, 10 Beaumont
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I-8 Markaz, Islamabad.
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Factory

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Telephone Nos: +9221-35013104 - 5
Fax: +9221 35013108
Email: info@isl.com.pk

Website

www.isl.com.pk

Investor Relations Contact

Shares Registrar

THK Associates (Pvt.) Ltd
Ground Floor, State Life Building 3,
Dr. Ziauddin Ahmed Road, Karachi-75530
Phone: +9221-111-000-322
Fax: +9221-35655595
Email: info@thk.com.pk

Corporate Affairs Department

Mr. Mohammad Irfan Bhatti
Assistant Company Secretary
101 Beaumont Plaza, 10 Beaumont Road,
Karachi-75530.
Telephone Nos: +9221-35680045-54
UAN: +9221-111-019-019
Fax: +9221-35680373
Email: irfan.bhatti@isl.com.pk

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfer should be directed to the Shares Registrar.



Directors' Report

The directors of your company are pleased to present the condensed unaudited financial statements for the first quarter ended 30 September 2016.

Your company's sales and production grew by over 130% realizing the impact of capacity expansion last year of additional stand on the rolling mill as well as the addition of a new Galvanizing line. **The current Galvanized capacity is more than sufficient to meet the entire national demand** enabling the country to save on foreign exchange, job creation as well as a significant contribution to national exchequer. During the quarter your company extended its export footprint by exporting to Indonesia, besides South Africa and the Middle East. Your company's expansion plan will be completed in October, expanding capacity to 600,000 tons from existing 500,000 tons.

The volatility in steel prices market has continued due to the economic slowdown in China and world markets resulting in a significant surplus of steel products. During the quarter some stability has been observed in steel market as a result of increasing prices of raw materials. The imports from China under the free trade agreement continued to adversely impact the local industry.

Government has reconstituted the National Tariff Commission in September and the Commission is expected to consider both Cold rolled and Galvanized sheets and coil cases in the coming weeks. We expect the outcome will confirm final duties on cold rolled and provide preliminary relief on Galvanized sheets and coils given the injury already caused to the local industry.

In spite of these challenges your company registered net sales of Rs.6.59 billion compared with Rs.2.86 billion reflecting an increase of 130% and a profit after tax of Rs. 566 million compared to a loss after tax of Rs. 203 million in the first quarter of last year. Similarly EPS was Rs.1.30 compared with loss of Rs.0.47 in the same period last year.

In light of the improved economic climate in the country & the expected regulatory support and stability in company's operations, we expect the performance of the company will further improve.

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

For & on behalf of
International Steels Limited

Kemal Shoaib
Chairman

18 October 2016
Karachi

Condensed Interim Balance Sheet

As at 30 September 2016

	Note	30 September 2016 (Un-audited)	30 June 2016 (Audited)
----- (Rupees in '000) -----			
ASSETS			
Non-current assets			
Property, plant and equipment	5	12,598,784	12,620,022
Long-term deposit with Central Depository Company of Pakistan Limited		100	100
Total non-current assets		12,598,884	12,620,122
Current assets			
Stores and spares		698,567	442,597
Stock-in-trade		7,875,298	5,314,131
Receivable from K-Electric Limited (KE) - unsecured, considered good	6	39,671	40,513
Trade debts - considered good	7	529,573	520,801
Advances - considered good	8	66,681	35,069
Trade deposits, short-term prepayments and other receivables	9	30,678	12,324
Sales tax receivable		368,181	410,259
Taxation - net		1,651,146	1,550,697
Cash and bank balances		47,124	37,615
Total current assets		11,306,919	8,364,006
Total assets		23,905,803	20,984,128
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised Capital		5,000,000	5,000,000
500,000,000 (2015: 500,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid - up capital		4,350,000	4,350,000
Unappropriated profit		1,845,404	1,818,328
Total shareholders' equity		6,195,404	6,168,328
Surplus on revaluation of property, plant and equipment - net of tax		969,190	974,298
LIABILITIES			
Non-current liabilities			
Long-term finances - secured	10	4,609,960	4,044,973
Staff retirement benefits		24,496	24,496
Deferred taxation - net		1,012,633	810,748
Total non-current liabilities		5,647,089	4,880,217
Current liabilities			
Trade and other payables	11	8,140,474	4,694,800
Short-term borrowings - secured	12	1,823,195	3,523,755
Current portion of long-term finances	10	1,051,177	699,016
Accrued mark-up		79,274	43,714
Total current liabilities		11,094,120	8,961,285
Contingencies and Commitments	13		
Total Equity and Liabilities		23,905,803	20,984,128

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Rashid Umer Siddiqui
Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer
1st Quarter Ended
September 30, 2016



Condensed Interim Profit and Loss Account (Un-audited)

For the quarter ended 30 September 2016

	Note	Quarter ended	
		30 September 2016	30 September 2015
		----- (Rupees in '000) -----	
Net sales	14	6,586,219	2,862,392
Cost of sales	15	(5,522,188)	(2,733,136)
Gross profit		1,064,031	129,256
Administrative expenses	16	(44,448)	(36,490)
Selling and distribution expenses	17	(65,640)	(34,475)
		(110,088)	(70,965)
Financial charges	18	(122,761)	(225,177)
Other operating charges	19	(86,712)	(70,347)
		(209,473)	(295,524)
Other income	20	31,430	31,388
Profit / (loss) before taxation		775,900	(205,845)
Taxation - net	21	(210,182)	3,260
Profit / (loss) for the quarter		565,718	(202,585)
		----- (Rupees) -----	
Earnings / (loss) per share - basic and diluted		1.30	(0.47)

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Rashid Umer Siddiqui
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

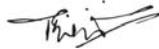
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the quarter ended 30 September 2016

	Quarter ended	
	30 September 2016	30 September 2015
	----- (Rupees in '000) -----	
Profit / (loss) for the quarter	565,718	(202,585)
Other comprehensive income	-	-
Total comprehensive income for the quarter	565,718	(202,585)

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Rashid Umer Siddiqui
Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer



Condensed Interim Cash Flow Statement (Un-audited)

For the quarter ended 30 September 2016

	Note	Quarter ended	
		30 September 2016	30 September 2015
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		775,900	(205,845)
Adjustments for:			
Depreciation		204,347	155,984
Amortisation		-	138
Gain on disposal of property, plant and equipment		(713)	(491)
Provision for staff gratuity		4,140	2,724
Provision for compensated absences		2,336	750
Financial charges		122,761	225,177
		332,871	384,282
Movement in working capital	22	71,091	(281,369)
Net cash generated from / (used in) operations		1,179,862	(102,932)
Financial charges paid		(87,201)	(310,337)
Gratuity paid		(4,140)	(2,724)
Compensated absences paid		(4,458)	(13,489)
Tax (paid) / adjusted - net		(108,746)	177,603
		(204,545)	(148,947)
Net cash generated from / (used in) operating activities		975,317	(251,879)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(184,983)	(230,175)
Proceeds from sale of property, plant and equipment		2,587	513
Net cash used in investing activities		(182,396)	(229,662)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / (repayment) of long-term financing - net		917,148	(203,192)
Dividend paid		-	(1)
Net cash generated from / (used in) financing activities		917,148	(203,193)
Net increase / (decrease) in cash and cash equivalents		1,710,069	(684,734)
Cash and cash equivalents at beginning of the quarter		(3,486,140)	(4,031,731)
Cash and cash equivalents at end of the quarter		(1,776,071)	(4,716,465)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		47,124	41,419
Short-term borrowings		(1,823,195)	(4,757,884)
		(1,776,071)	(4,716,465)

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Rashid Umer Siddiqui
Chief Financial Officer

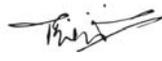
Yousuf H. Mirza
Chief Executive Officer

Condensed Interim Statement of Changes in Equity (Un-audited)
For the quarter ended 30 September 2016

	Issued, subscribed & paid up capital	Unappropriated profit	Total
	----- (Rupees in '000) -----		
Balance as at 01 July 2015	4,350,000	628,114	4,978,114
Loss for the quarter	-	(202,585)	(202,585)
Total other comprehensive income for the quarter	-	-	-
Total comprehensive income for the quarter	-	(202,585)	(202,585)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	2,896	2,896
Balance as at 30 September 2015	<u>4,350,000</u>	<u>428,425</u>	<u>4,778,425</u>
Balance as at 01 July 2016	4,350,000	1,818,328	6,168,328
Profit for the quarter	-	565,718	565,718
Total other comprehensive income for the quarter	-	-	-
Total comprehensive income for the quarter	-	565,718	565,718
Transactions with the owners of the Company - distribution			
Dividend:			
- Final dividend @ 12.50% (Re. 1.25 per share) for the year ended 30 June 2016	-	(543,750)	(543,750)
Total transactions with owners of the Company	-	(543,750)	(543,750)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	5,108	5,108
Balance as at 30 September 2016	<u>4,350,000</u>	<u>1,845,404</u>	<u>6,195,404</u>

The annexed notes from 1 to 25 form an integral part of this condensed interim financial information.


Tariq Iqbal Khan
Director & Chairman
Board Audit Committee


Rashid Umer Siddiqui
Chief Financial Officer


Yousuf H. Mirza
Chief Executive Officer



Notes to the Condensed Interim Financial Information (Un-audited) For the quarter ended 30 September 2016

1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on 03 September 2007 as a public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. The Company was listed on the Pakistan Stock Exchange on 01 June 2011 as a result of divestment of shares by International Industries Limited ('the Holding Company') ('IIL'). The Company is in the business of manufacturing of Cold Rolled, Galvanized and Color Coated Steel Coils and Sheets. The Company commenced commercial operations on 01 January 2011. The Company is a subsidiary of IIL. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information of the Company for the quarter ended 30 September 2016 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.1.2 This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements as at and for the year ended 30 June 2016.

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

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except that the 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 the defined benefit obligations determined by an independent actuary.

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2016. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimating the uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2016.

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2016.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating Assets	Capital work in progress	Total
	----- (Rupees in '000) -----		
Cost / revalued amount			
Opening balance	14,936,346	173,641	15,109,987
Additions	3,233	180,220	183,453
Disposal / transfers / adjustment	1,578	(3,233)	(1,655)
	<u>14,941,157</u>	<u>350,628</u>	<u>15,291,785</u>
Accumulated depreciation			
Opening balance	(2,489,965)	-	(2,489,965)
Charge for the period	(204,347)	-	(204,347)
Disposal	1,311	-	1,311
	<u>(2,693,001)</u>	<u>-</u>	<u>(2,693,001)</u>
Written down value as at 30 September 2016 (Un-audited)	<u><u>12,248,156</u></u>	<u><u>350,628</u></u>	<u><u>12,598,784</u></u>
Written down value as at 30 June 2016 (Audited)	<u><u>12,446,381</u></u>	<u><u>173,641</u></u>	<u><u>12,620,022</u></u>



	Note	30 September 2016 (Un-audited)	30 June 2016 (Audited)
------(Rupees in '000)-----			
6. STOCK-IN-TRADE			
Raw material - in hand		3,067,626	2,192,576
- in transit		2,215,074	932,278
Work-in-process		739,859	546,887
Finished goods		1,810,349	1,602,250
Scrap material		42,390	40,140
		7,875,298	5,314,131
7. TRADE DEBTS - considered good			
- Secured	7.1 & 7.2	511,420	517,972
- Unsecured		18,153	2,829
		529,573	520,801
7.1	This represents trade debts arising on account of export sales of Rs. 467.11 million (30 June 2016: Rs. 467.95 million) which are secured by way of Export Letters of Credit and Documents of Acceptance and Rs. 44.31 million (30 June 2016: Rs. 50.02 million) arising on account of domestic sales which are secured by way of Inland Letters of Credit.		
7.2	Trade debts include an amount of Rs. 29.85 million (30 June 2016: Rs. 91.40 million) receivable from a related party.		
	Note	30 September 2016 (Un-audited)	30 June 2016 (Audited)
------(Rupees in '000)-----			
8. ADVANCES - Considered good			
Advances:			
- to suppliers		66,651	35,059
- to employees		30	10
		66,681	35,069
9. TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES			
Trade deposits		6,747	3,948
Short-term prepayments		23,598	6,280
Other receivables	9.1	333	2,096
		30,678	12,324

- 9.1 Other receivables include rent receivable from a related party amounting to Rs. 0.20 million (30 June 2016: Rs. 0.47 million).

	Note	30 September 2016 (Un-audited)	30 June 2016 (Audited)
------(Rupees in '000)-----			
10. LONG-TERM FINANCES - secured			
<i>Conventional</i>			
Long-term finance facility (LTFF)	10.1	2,000,000	1,988,433
Long-term finance	10.2 & 10.3	1,661,137	1,755,556
<i>Islamic</i>			
Long-term finance	10.4 & 10.5	2,000,000	1,000,000
		5,661,137	4,743,989
Current portion of long-term finances shown under current liabilities		(1,051,177)	(699,016)
		4,609,960	4,044,973

Conventional

- 10.1** This finance has been obtained from United Bank Limited and Bank Al Habib Limited and is secured by way of pari passu charge over fixed assets of the Company.

- 10.2** Long-term finance amounting to Rs. 711.1 million (30 June 2016: Rs.755.6 million) has been obtained from MCB Bank Limited and is secured by way of pari passu charge over fixed assets of the Company.

- 10.3** Long-term finance amounting to Rs. 950 million (30 June 2016: Rs.1,000 million) has been obtained from Bank Al Habib Limited and is secured by way of ranking charge over fixed assets of the Company.

Islamic

- 10.4** Long-term finance amounting to Rs. 1,000 million (30 June 2016: Rs.1,000 million) has been obtained from Meezan Bank Limited and is secured by way of pari passu charge over fixed assets of the Company.

- 10.5** Long-term finance amounting to Rs.1,000 million (30 June 2016: Nil) has been obtained from Standard Chartered Bank (Pakistan) Limited and is secured by way of ranking charge over fixed assets of the Company.



		30 September 2016 (Un-audited)	30 June 2016 (Audited)
----- (Rupees in '000) -----			
11. TRADE AND OTHER PAYABLES			
Trade creditors		5,940,652	3,622,348
Derivative financial liabilities		7,993	8,286
Sales commission payable		44,736	34,653
Accrued expenses		575,685	426,750
Advances from customers		517,141	177,170
Provision for infrastructure cess	11.1	400,224	362,076
Provision for government levies		409	409
Dividend payable		543,750	-
Unclaimed dividend		384	384
Short-term compensated absences		1,878	4,000
Workers' Profit Participation Fund		41,720	13,817
Workers' Welfare Fund		58,025	41,337
Others		7,877	3,570
		<u>8,140,474</u>	<u>4,694,800</u>
11.1 Movement of infrastructure cess			
Opening balance		362,076	287,508
Provided during the period		38,148	74,568
Closing balance		<u>400,224</u>	<u>362,076</u>
This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (Refer note 13.1.1).			
11.2	Trade creditors include Rs. 4,569.10 million (30 June 2016: Rs. 3,299.72 million) payable to a related party.		
11.3	Dividend payable includes amount payable to holding company Rs. 306.3 million (30 June 2016: Rs. Nil) and Rs. 49.3 million (30 June 2016: Rs. Nil) payable to associated companies.		
		30 September 2016 (Un-audited)	30 June 2016 (Audited)
----- (Rupees in '000) -----			
12. SHORT TERM BORROWINGS - secured			
<i>Conventional</i>			
Running finance under mark-up arrangements	12.1	7,206	2,663,844
Running finance under Export Refinance Scheme	12.2	1,105,000	-
<i>Islamic</i>			
Short-term finance under Term Musharakah	12.3	535,218	39,102
Short-term finance under Running Musharakah	12.4	175,771	820,809
		<u>1,823,195</u>	<u>3,523,755</u>

- 12.1** The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rates of mark-up on these finances range from 6.06% to 7.97% (30 June 2016: 6.04% to 9.68%) per annum. These facilities mature within twelve months and are renewable.
- 12.2** The Company has borrowed short-term running finance under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. This facility is available as a sub limit of short-term finance facility. The rate of mark-up on this facility is 2.23% (30 June 2016: 3.96%) per annum. This facility matures within six months and is renewable.
- 12.3** The Company has obtained facilities for short term finance under Term Musharakah arrangement. The rate of profit is 5.90% to 6.07% (30 June 2016: 6.07% to 6.58%) per annum. This facility matures within twelve months and is renewable.
- 12.4** The Company has obtained facilities for short term finance under Running Musharakah arrangement. The rate of profit is 6.09% (30 June 2016: 6.55% to 7.18%) per annum. This facility matures within twelve months and is renewable.
- 12.5** As at 30 September 2016, the unavailed facilities from the above borrowings amounted to Rs. 9,576.8 million (30 June 2016: Rs. 7,876.24 million).
- 12.6** The above facilities are secured by way of joint and pari passu charges over current assets of the Company.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** The Sindh Finance Act, 1994 prescribed an infrastructure fee at the rate of 1% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court of Sindh on petition filed by the petitioner, passed an interim order directing that every Company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount as directed. Bank guarantees issued as per the above mentioned interim order amounting to Rs. 416.5 million (2016: Rs. 376.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been made by the Company on prudent basis (Note 11.1).
- 13.1.2** As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including 'Sui Southern Gas Company' (SSGC)) shall collect and pay Gas Infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was applicable on the Company. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on the Company was increased to Rs. 100 per MMBTU. On 01 August 2012, the Company filed a suit bearing number 859/2012 wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Honourable High Court of Sindh at Karachi vide its ad-interim order dated 06 September 2012 has restrained (SSGC) from charging GID Cess above Rs. 13 per MMBTU. As a result, SSGC invoices to the Company at Rs. 13 per MMBTU which has been recorded.



Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned Cess, as absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction therefore under the Constitution, hence, are declared as such and set at naught. However, the Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court. On 22 August 2014, the Supreme Court of Pakistan upheld the decision of the Peshawar High Court stating the GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

During the year 2014-15, the Government passed a new law 'Gas Infrastructure Development Cess Act 2015' - 'The Act', by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 100 per MMBTU on industrial and Rs. 200 per MMBTU on captive power consumption, effective July 01, 2011. 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 a favourable outcome and therefore has not recorded to the extent of self consumption a provision of Rs. 380.8 million (from July 01, 2011 till May 22, 2015) in this condensed financial information.

Further the Company has not recognized GIDC amounting to Rs. 658 million pertaining to the period from 01 July 2011 to 30 September 2016 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

13.1.3 Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the High Court of Sindh in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 07 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 Company based on legal counsels' advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the High Court of Sindh or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable. Accumulated minimum tax liability of Rs. 219.2 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 projections and tax credits available to the Company under section 65 B of the Income Tax Ordinance, 2001, accumulated minimum tax liability amounting to Rs. 917 million has not been recorded on the same basis in this condensed interim financial information for the period ended 30 September 2016.

13.1.4 Guarantee issued in favour of Sui Southern Gas Company Limited by bank amounted to Rs. 262.7 million (2016:Rs. 262.7 million) as a security for supply of gas.

13.1.5 Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 5.5 million (2016: Rs. 5.5 million).

13.1.6 Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (2016: Rs. 8.67 million).

13.1.7 Guarantees issued in favour of Nazir High Court issued by bank on behalf of the Company amounted to Rs. 2.65 million (2016: Rs. 2.65 million).

13.2 Commitments

13.2.1 Capital expenditure commitments outstanding as at 30 September 2016 amounted to Rs. 413.85 million (2016: Rs. 320.07 million).

13.2.2 Commitments under Letters of Credit for raw materials and spares as at 30 September 2016 amounted to Rs. 8,992.39 million (2016: Rs. 6,578.36 million).

13.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 30 September 2016 amounted to Rs. 5,696.75 million (2016: Rs. 7,934.56 million) and Rs. 202 million (2016: Rs. 194 million) respectively.

	Quarter ended	
	30 September 2016	30 September 2015
	----- (Un-audited) -----	
	----- (Rupees in '000) -----	
14. NET SALES		
Local	6,868,609	2,696,676
Export	832,113	619,271
	7,700,722	3,315,947
Toll manufacturing	412	4,396
	7,701,134	3,320,343
Sales tax	(1,038,888)	(418,980)
Trade discounts	(3,873)	(12,367)
Sales commission	(72,154)	(26,604)
	(1,114,915)	(457,951)
	6,586,219	2,862,392



	Quarter ended	
	30 September 2016 ----- (Un-audited) ----- ----- (Rupees in '000) -----	30 September 2015
15. COST OF SALES		
Opening stock of raw material and work-in-process	2,739,463	2,576,275
Purchases	6,415,093	3,893,432
Salaries, wages and benefits	91,519	76,927
Electricity, gas and water	243,563	177,965
Insurance	4,973	1,965
Security and janitorial	4,621	4,715
Depreciation	183,889	136,991
Amortisation	486	138
Stores and spares consumed	16,514	14,483
Repairs and maintenance	18,222	12,408
Postage, telephone and stationery	1,148	1,189
Vehicle, travel and conveyance	3,601	3,492
Internal material handling	4,323	1,261
Environment controlling expense	495	360
Computer stationery and software support fees	1,659	686
Others	3,131	3,072
Recovery from sale of scrap	(194,928)	(66,777)
	<u>9,537,772</u>	<u>6,838,582</u>
Closing stock of raw material and work-in-process	(3,807,485)	(4,475,347)
Cost of goods manufactured	<u>5,730,287</u>	<u>2,363,235</u>
Finished goods:		
Opening stock	<u>1,602,250</u>	<u>1,552,343</u>
Closing stock	<u>(1,810,349)</u>	<u>(1,182,442)</u>
	<u>(208,099)</u>	<u>369,901</u>
	<u>5,522,188</u>	<u>2,733,136</u>
16. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits	27,540	25,296
Rent, rates and taxes	2,093	1,146
Electricity, gas and water	427	310
Insurance	474	132
Security and janitorial services	142	-
Depreciation	1,595	1,300
Printing and stationery	1,172	1,038
Postage and communication	186	314
Vehicle, travel and conveyance	1,831	1,578
Legal and professional charges	6,183	3,434
Certification and registration charges	103	68
Directors' fee	540	840
Others	2,162	1,034
	<u>44,448</u>	<u>36,490</u>

	Note	Quarter ended	
		30 September 2016 ----- (Un-audited) ----- ----- (Rupees in '000) -----	30 September 2015
17. SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and benefits		14,186	10,936
Rent, rates and taxes		2,588	1,721
Electricity, gas and water		451	277
Insurance		116	82
Depreciation		851	789
Postage, telephone and stationery		593	309
Vehicle, travel and conveyance		2,224	3,509
Freight and forwarding charges		36,244	12,412
Sales promotion		4,279	2,752
Others		4,108	1,688
		65,640	34,475

18. FINANCIAL CHARGES

Mark-up on:

- Long-term finances	78,935	101,387
- Short-term borrowings	41,683	50,832

18.1 **120,618** 152,219

Exchange loss on FE financing	-	68,756
Interest on Workers' Profit Participation Fund	85	-
Bank charges	2,058	4,202
	122,761	225,177

18.1 It includes mark-up under shariah compliant arrangements amounting to Rs. 34.2 million (30 Sep 2015: Rs. 21.9 million).

	Quarter ended	
	30 September 2016 ----- (Un-audited) ----- ----- (Rupees in '000) -----	30 September 2015
19. OTHER OPERATING CHARGES		
Auditors' remuneration	609	664
Donations	350	2,000
Workers' Profit Participation Fund	16,688	-
Workers' Welfare Fund	41,720	-
Loss on derivative financial instruments	27,345	-
Exchange loss - net	-	67,683
	86,712	70,347



	Note	Quarter ended	
		30 September 2016 ----- (Un-audited) ----- ----- (Rupees in '000) -----	30 September 2015
20. OTHER INCOME			
Income from non-financial assets			
Income from power generation	20.1	9,337	12,840
Recovery of shared resources cost		8,213	7,036
Gain on sale of property, plant and equipment		713	491
Rental income		374	429
Exchange gain - net		11,803	-
Others - Scrap		990	10,592
		31,430	31,388
20.1 Income from power generation			
Net sales		99,321	115,463
Cost of electricity produced		(89,984)	(102,623)
Income from power generation		9,337	12,840
21. TAXATION - net			
- Current		(8,297)	(6,193)
- Deferred		(201,885)	9,453
		(210,182)	3,260
22. MOVEMENT IN WORKING CAPITAL			
<i>Increase in current assets:</i>			
Stores and spares		(255,970)	(2,166)
Stock-in-trade		(1,278,371)	(1,550,413)
Receivable from K-Electric Limited		842	19,406
Trade debts		(8,772)	(371,054)
Advances		(31,612)	(30,883)
Trade deposits, short-term prepayments and other receivables		(18,354)	(8,463)
Sales tax receivable		42,078	(476,122)
		(1,550,159)	(2,419,695)
<i>Increase in current liabilities:</i>			
Trade and other payables		1,621,250	2,138,326
		71,091	(281,369)

23. TRANSACTIONS WITH RELATED PARTIES

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

	Quarter ended	
	30 September 2016	30 September 2015
	----- (Un-audited) ----- ----- (Rupees in '000) -----	
TRANSACTIONS		
Holding Company		
Sales	642,626	252,364
Purchases	1,111	1,730
Toll Manufacturing	-	4,528
Office rent	2,639	2,639
Recovery of shared resources cost	8,213	7,036
Corporate, legal and marketing services	2,035	560
Reimbursement of expenses	488	-
Associated Companies / undertakings		
Sales	172,621	3,243
Purchases	4,911,912	1,999,686
Rental Income	374	429
Associated Person		
Sales commission expense	-	446
Key Management Personnel		
Remuneration and benefits	37,484	28,970
Staff retirement benefits	2,469	1,577
Staff Retirement Fund		
Contribution paid - Provident Fund	6,512	6,062
Contribution paid - Gratuity Fund	4,140	2,724



24. OPERATING SEGMENTS

- 24.1** This condensed interim financial information has been prepared on the basis of a single reportable segment.
- 24.2** Revenue from sales of steel products represents 99% (2016: 99%) of total revenue whereas remaining represents revenue from sale of surplus electricity to K-Electric Limited (KE). The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its Galvanizing Plant and Cold Rolling Plant and currently any excess electricity is sold to KE.
- 24.3** All non-current assets of the Company as at 30 September 2016 are located in Pakistan.
- 24.4** 89% (2015: 81%) of sales of steel sheets are domestic sales whereas 11% (2015: 19%) of sales are export / foreign sales.

30 September 30 September
2016 2015
----- (Rupees in '000) -----

24.5 Geographic Information

Domestic Sales	6,869,021	2,701,072
Export Sales	832,113	619,271
	7,701,134	3,320,343

25. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors on 18 October 2016.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Rashid Umer Siddiqui
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer



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