



From The Chairman's Desk

This year marked the 70th anniversary of our organization. Having started from humble beginnings, it has taken decades of perseverance & hard work to reach this milestone. With the continued dedication of all our employees, customers, suppliers and stakeholders, today we are proud to be Pakistan's first million ton steel Group. By the Grace of Allah, IIL and ISL sold over 815,000 metric tons (MT) of steel including exports of almost 95,000 MT and sales turnover of over Rs. 85 billion for the year under review. Group contributions to the National Exchequer during the year was Rs. 16.7 billion.

Despite the political, economic and security challenges the country has had to face in the recent past, we should be encouraged to see the economy growing by 5.8%, Large Scale Manufacturing (LSM) posting growth in excess of 6% and the iron and steel sector in particular, growing at a phenomenal rate. The incoming government shoulders great responsibility in preventing the economy from derailing and losing its momentum at this very critical juncture. We are hopeful that the new government recognizes that industrial growth and development must be prioritized as it shall act as one of the primary catalysts for the rest of the economy.

By the Grace of Allah I am once again pleased to report that your company has performed well in a changing economic environment. Profit after Tax (PAT) was Rs. 1,582 million. PAT excluding divided income from our subsidiary International Steels Limited (ISL) was Rs. 1,079 million, which is marginally higher than last year. There was 30% volumetric growth and gross turnover was up approximately 50%.

We have successfully delivered our single largest institutional tender of 1,550 Km of API line pipes to Sui Northern Gas Pipe Line Company (SNGPL) during the outgoing year. This was the single largest order of pipes in our company's history, and although tender based business is relatively low margin compared to commercial business, we strongly believe that it is in the national interest to support our state institutions in such endeavors. Such initiatives will allow your company to play a vital role in helping the nation meet its energy requirements for years to come.

The new business undertakings we initiated during the last 2-3 years are finally starting to come to fruition. In line with our re-imagined vision, "To be a globally respected, innovative and entrepreneurial company, influencing lives while remaining focused on providing high-quality engineering products & services". We are proud to have been associated with the following key projects this year:

1. Orange Line, Lahore: IIL's Hollow Structural Sections (HSS) were used for the construction of 26 stations, covering 27 km of the Orange Line route.
2. Green Line, Karachi: IIL's HSS were used for the construction of 21 stations, covering 22 km of the Green Line route.
3. IIL entered into an agreement with the Institute of Architects (IAP) Pakistan to provide its HSS for the construction of a 12,000 square feet covered area IAP House in Karachi.

4. IIL's Stainless Steel "Cosmo" brand of tubes were used in the renovation of National Stadium Karachi in the preparation of the historic PSL final on 25th March 2018.
5. IIL has signed off on a project to supply its HDPE Duct Pipes for use in the fiber optic cable route from Lahore to Hyderabad, which is part of one of the CPEC project undertakings.
6. Pakistan's first residential project using IIL HSS was formally initiated. We are challenging set construction norms by encouraging the use of HSS instead of cement/rebar in construction projects. Other than the aesthetic appeal of HSS, construction can be carried out at a faster pace using this product.
7. IIL has also contributed completely free of cost structures to the Indus hospital, Jinnah Medical Center, Hunar Foundation, The Society for Rehabilitation of Special Children and a mental illness rehab center for the Caravan of Life Trust.

Our PPRC pipe and fittings facility in Sheikhpura is fully operational and we have launched an aggressive print and electronic media campaign to support our marketing efforts. The initial response from the market is very positive and sales and technical teams are continuously engaging plumbers and dealers nationwide.

The Company's wholly owned subsidiary, IIL Australia (Pty.) Ltd. performed well during the outgoing year. Net turnover increased 20% year on year and there was an exceptional increase in profitability.

I am also very proud of the efforts of our stainless steel team. Having received a very encouraging response from our commercial and institutional clients we have initiated another phase of expansion which should be completely operational by Q3 of this year. The expansion will increase our output and broaden our product range.

International Steels Limited (ISL), reported PAT of Rs. 4.3 billion, which is 43% greater than the previous year. Gross turnover was also up from Rs. 40 billion last year to Rs. 56 billion in FY 2017-18. The Company successfully completed its expansion in June 2018 to enhance its capacity to more than 1 million MT. The results of this expansion will appear in the FY 2018-19. After this expansion the Company now has sufficient capacity to meet domestic demand for cold rolled (CRC) and hot dipped galvanized (HDGC) sheets and coils.

Board Performance

The previous board completed its term on 30th September 2016 and a new Board was elected for a term of three (3) years and its terms expire on 30th September 2019. The BoD consists of nine (9) Directors.

Immediately on the election of the new Board an orientation session is held where the Board is introduced to the management and is taken through the working of the Company.

The Board has performed its duties and responsibilities diligently, and has contributed effectively in guiding the Company in its strategic affairs. The Board also played a key role in monitoring of management performance and focusing on major risk areas. The Board was fully involved in the strategic planning process and enhancing the vision of the Company.

The Board recognizes that well defined Corporate Governance processes are vital to enhancing corporate accountability and is committed to ensure high standards of Corporate Governance to preserve and maintain stakeholder value. All Directors, including Independent Directors, fully participated and contributed in the decision making process of the Board.

As Chairman of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard and ensure that the Board hears from an appropriate range of senior management. I will remain firmly committed to ensuring that your Company complies with all relevant codes and regulations, and that the management continues to take decisions which create value for you in the short, medium and long term.

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

This was the sixth year that the Board as a whole carried out its self-evaluation, and for the first time individual Directors were also self-evaluated. The evaluations identified areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the management. Along with the Boards' self-evaluation, the Board Audit Committee and Human Resources Remuneration Committee also carried out their independent evaluation. The casual vacancy arising out of the resignation of a nominee director, Mr. Naveed Kamran Baloch was duly filled by election of Mr. Shoaib Mir.

The BAC is chaired by Mr. Ehsan A. Malik and the Board Human Resources Remuneration Committee (HRRC) is chaired by Mr. Tariq Ikram.

Apart from the BAC and the HRRC, the Board met six (6) times this year. The Board normally meets at least once in every quarter to consider operational results, once a year

to consider the budget for the following year whereas one meeting is focused on strategy.

The Company, in keeping with tradition, was the proud recipient of the FPCCI Best Export Performance Award 2017 for the 18th consecutive time.

We continued our efforts to showcase our products at local and international forums in order to further strengthen our brand. Notable exhibitions in which we participated during the year included:

1. ABAD International Expo 2017: The premier building and construction exhibition in Pakistan.
2. The Big 5 Exhibition held in November 2017 in Dubai. IIL and ISL jointly participated at this annual event.
3. Single Country Exhibition in January 2018 in Colombo, Sri Lanka.
4. Pakistan Auto Show 2018: The largest gathering of auto parts vendors in Pakistan. IIL and ISL showcased their range of auto industry related products at the event.
5. IAPEX (Karachi, Lahore & Islamabad): The leading architectural exhibition in Pakistan.
6. Project Qatar, Doha, May 2018.
7. Tube South East Asia in Bangkok in September 2017.
8. Tube Dusseldorf April 2018, Germany, the world's leading tube and pipe fair, where IIL was the only manufacturer representing Pakistan.
9. IIL was the "Construction Partner" for Pakistan's first ever Pavilion at the world renowned Venice Biennale 2018 held in Venice, Italy.

In addition to the above, your Company has made significant efforts to increase nationwide brand visibility through enhanced branding at the retail, print and electronic media level.

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our employees in the success of the Company. I also wish to thank our shareholders, customers, suppliers, bankers and other stakeholders for their confidence and support.

The Board looks forward with confidence to the year ahead.



Mustapha A. Chinoy
Chairman

Dated: 16th August 2018