

CHAIRMAN'S REVIEW



Dear Shareholders,
On behalf of The Board of Directors, I am pleased to present the annual financial results of our organization for the year ending June 30, 2020.

I wish to begin firstly by extending my deepest courtesies to those state and private sector institutions which have led the fight in combating the threat that the Coronavirus outbreak continues to pose towards the nation at large. The Coronavirus pandemic has spared almost no industry and its effects will be noticeable for months and perhaps years to come. Economic activity, and in particular Large-Scale Manufacturing (LSM), had been in decline following the painful post-election adjustment period, and the outbreak of the pandemic has unfortunately only added to the set of challenges. However, I am confident that our resolve and ability to adapt to change will ultimately restore normalcy to a great extent in the coming year. I also commend the perseverance and dedication of our management team and employees who continue to perform despite two consecutive years of economic hardship.

Your company posted a Loss after Tax (LAT) of Rs. 694.21 million (EPS -5.26). Sales volumes remained lower compared to last year as demand from the automotive, building & construction and export segments continued to disappoint. This was further impacted by COVID-19 in the last quarter.

Our subsidiary, International Steels Limited (ISL), reported PAT of Rs. 494.85 million (EPS 1.14). Its gross turnover was Rs. 48.08 billion, compared to Rs. 57.48 billion in the preceding year.

IIL and ISL sold over 530,772 Metric Tons (MT) of steel products, including exports of over 109,574 MT, and posted sales turnover in excess of Rs. 65.65 billion for the year under review. Group contributions

to the National Exchequer during the year amounted to Rs. 14.8 billion.

Large Scale Manufacturing (LSM) declined 10.17% year on year during the outgoing year, with the Iron & Steel industry contracting by 17.36%. High interest rates, inability to fully pass on the cumulative increase in energy and imported raw material costs due to PKR depreciating in the preceding year and lack of government funding towards new infrastructure projects were the primary limiting factors for the large-scale manufacturing industry during the first half of the year. The second half the year was dominated by lockdowns, first in China and South-East Asia, and later in the rest of the world, which resulted in a historic decline in sales across the board.

Here, I would like to credit the Government and SBP for their quick and proactive fiscal and monetary policy response to the Coronavirus outbreak, which provided much needed relief to the private sector during the lockdown. I am also proud to inform you that IIL was designated as an essential industry and continued servicing key institutional, government and export orders in line with government directives, while following all standard operating procedures to combat local transmission of the Coronavirus.

However, despite a tough year we continued to engage our customers and partners to further promote our brand name and seek new opportunities for future growth. A testament to this philosophy was the incorporation of IIL Americas Inc. in October 2019, which is registered as a private limited company in Canada. North America is the largest steel tube & pipe importing market in the

world, and we are confident that a strong footprint in the region shall enable us to regain export market share. A second such example is IIL Construction Solutions (Private) Limited, which is currently under the final stages of signing an agreement with an internationally renowned construction solutions provider for investment and technical support. This comes as a natural extension to our investments in Hollow Structural Sections and High Strength Scaffolding projects in the preceding years.

Alongside the business, we continue to serve and invest in communities where we operate. Furthermore, we continue to strive to support our workers and their families during difficult economic times, and the company and its management staff have generously donated to supplement factory staff income during the lockdown.

Board Performance

Mr. Fuad Azim Hashimi retired from the Board of Directors on September 29th, 2019, at the conclusion of his term. Mr. Hashimi joined the BOD in 2005 and served on the Board audit committee for 15 years with 8 years as its Chairman. Mr. Tariq Ikram also retired at the conclusion of his term as an Independent Director after having served on the IIL Board since 2011 including having served as the Chairman of the Human Resource Committee. The Board wishes to place on record its deepest appreciation for the contribution and wise counsel of Mr. Hashimi and Mr. Ikram.

On September 30th, 2019, a new Board consisting of nine (9) Directors was elected for a term of three (3) years and its terms is expiring on September 30th, 2022. The remaining other seven retiring Directors along with Mr. Mansur Nur Khan and Mrs. Saadia Shireen Rashid were elected to a new three-year term on the Board of IIL. I welcome Mr. Khan and Mrs. Rashid and look forward to their contribution.

Immediately on the election of the new Board, an orientation session was held where the Board was introduced to the management and taken through the workings 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 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 recognises that well-defined Corporate Governance processes are vital to enhancing

corporate accountability and are committed to ensuring high standards of Corporate Governance to preserve and maintain stakeholder value. All Directors, including Independent Directors, fully participated and contributed to the decision-making process of the Board.

As Chairman of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive 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 make decisions that 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 eighth year that the Board as a whole carried out its self-evaluation, and third 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 Board Human Resources & Remuneration Committee also carried out their independent evaluation.

The Board Audit Committee is chaired by Mr. Ehsan A. Malik, an Independent Director, and the Board Human Resources and Remuneration Committee (BHR&RC) is chaired by Mr. Mansur Khan, an Independent Director. Apart from the BAC and the BHR&RC, the Board met eight (8) 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.

I am proud to announce that we were once again featured in the list of PSX Top 25 Companies Awards for 2018 and beat our previous years ranking by securing 7th place. The Company also in keeping with the tradition was the proud recipient of the FPCCI Best Export Performance Award 2019 in the engineering products (mechanical) segment for the 20th consecutive year.

Despite the national lockdown, 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. Tube South East Asia, 2019
2. Pakistan Auto Show 2020
3. IAPEX 2020

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our stakeholders, including, shareholders, employees, customers, suppliers, bankers and others during the year. I would like to emphasize that the challenges for our

Company as a whole shall persist in the year ahead, however the Board and Management are confident and fully prepared to face all eventualities as we have in the past.



Mustapha A. Chinoy
Chairman
August 27th, 2020

