

# DIRECTORS' REPORT

The Directors of the Company are pleased to present their report along with the Audited Financial Statements of the Company for the year ended June 30<sup>th</sup>, 2020.

## BOARD COMPOSITION AND REMUNERATION

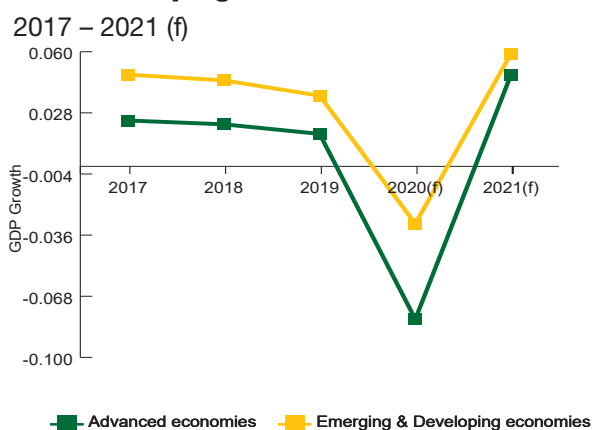
Composition of the Board and the names of Members of Board sub-committees are disclosed on Page No. 20 and 92 (Corporate Governance section). The Company has a formal policy and transparent procedures for the remuneration of its Directors in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The remuneration, including the director fee for attending the Board Meeting paid to the Directors and Chief Executive Officer is disclosed on Page No. 173 (Note 33 to the unconsolidated financial statements.)

## GLOBAL MACROECONOMIC OUTLOOK

As per IMF World Economic Outlook (WEO) estimates, the world economy grew 2.9% in 2019, compared to 3.6% in 2018. However, this growth turned negative in Q1 and Q2 of CY 2020 due to the onset of the Coronavirus pandemic. The synchronized nature of the downturn has hit consumption, tourism, services and international trade the hardest and resulted in historic unemployment and GDP contraction across the globe. Projections for world GDP contraction in CY 2020 are 4.9%, with Advanced Economies and Emerging and Developing Economies contracting by 8% and 3% respectively.

## GDP Growth (%) - Advanced vs. Emerging and Developing



Source: IMF World Economic Outlook, June 2020

Already reeling from escalating trade tensions between the US and China, anemic growth in Europe and rising geopolitical tensions, the Coronavirus pandemic has dealt a lasting blow to global economic trade and growth. Growth in the global trade of goods and services was down significantly from 3.8% in 2018 to 0.9% in 2019, and projections for 2020 predict a contraction of 11.9%. To counteract the negative demand shock due to the Coronavirus pandemic, central banks and governments around the world have aggressively cut interest rates and expanded fiscal policy space in order to stimulate aggregate demand. Although partial recoveries are expected in 2021, we expect the year ahead to remain challenging for both Advanced and Emerging and Developing economies.

## DOMESTIC ECONOMY

The provisional GDP growth rate for FY 2019-20 is estimated at -0.38% against 1.9% during the preceding year. The manufacturing sector was particularly affected, with growth in Large Scale Manufacturing (LSM) contracting by 10.17%. Iron and steel and associated industries such as engineering products and automotive which form a large portion of the LSM sector all experienced a contraction in offtake. Before the onset of the Coronavirus pandemic, a large-scale industry had been struggling to pass on the cumulative gas price increase and PKR depreciation that it had been subject to during the preceding years. Furthermore, the high cost of capital, reduction in PSDP and condition of CNIC disclosure on purchases of Rs. 50,000 and above resulted in a severe contraction in demand from end users at the same time.

The stringent post-IMF policy measures implemented by the government had started to reflect in better macroeconomic indicators at the beginning of Q3, including falling current account and fiscal deficits, however, the added burden of the lockdown in late Q3 will bring a new set of economic challenges in the months ahead. Nonetheless the government and SBP's initiatives to protect the livelihoods of people are welcomed. The Rs. 1.24 trillion fiscal stimulus package, construction package and refinance scheme for payment of wages and salaries at subsidized rates, were timely decisions and the need of the hour.

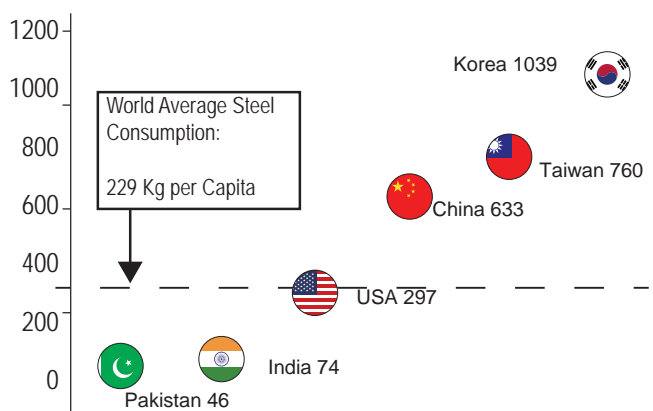
With Coronavirus infection rates in decline at the time of writing this report, we are hopeful that despite the tough conditions the government will continue to pursue sustainable policies. Documentation of the economy and enhancing the tax base continue to be painful undertakings, however, the country as a whole and the organized sector in particular stand to benefit from such measures in the long run. Furthermore, the reduction in duties on imported raw materials announced in Budget 2020-21 is positive for the industry and will allow for the conservation of cash flow and capital formation in the year ahead.

The Government's revised GDP growth target of 2.1% for FY 2020-21 will be a formidable challenge for all stakeholders, however, we remain hopeful that falling Coronavirus case rates and vigilance with regards to SOP's will set us on the right trajectory. Initiatives such as the construction package and other water and energy distribution projects announced by the government shall also provide avenues for growth ahead.

The World Steel Association's assessment of steel consumption for 2019 indicates a world average of approximately 229 kg/capita. Although Pakistan remains well below the world average at 46 kg/capita, this indicates the immense potential for growth in the domestic steel manufacturing and processing industry.

**Per Capita Steel Consumption**

Kg per Capita, 2019

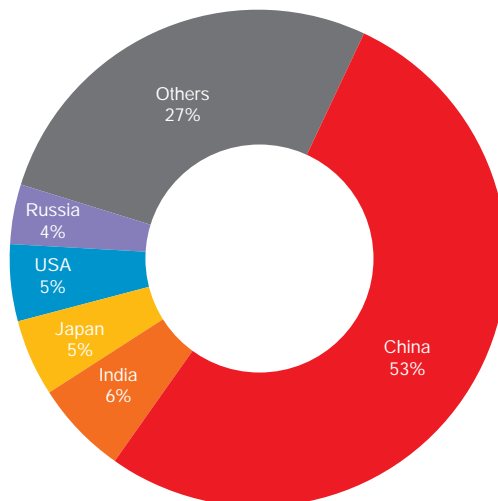


Source: World Steel Association, 2019

**GLOBAL STEEL SCENARIO**

World crude steel production was estimated at 1.87 billion metric tons (MT) in 2019, was up 3% compared to the previous year. China accounted for 996 million MT ( 8.3% YoY), which is a significant increase from the preceding years and represents roughly 53% of global crude steel. Other major players include India (111 million MT), Japan (99 million MT), United States (88 million MT) and Russia (72 million MT).

**Share of Global Crude Steel Production (%)**  
2019



Source: World Steel Association, 2019

FY 2019-20 began with global steel prices firm on the back of high iron ore prices, which had been trending up since January 2019 due to the Brumadinho dam disaster in Brazil; the event severely affected production at a nearby iron ore mine operated by Vale S. A. Although iron ore prices plateaued in August 2019, the spillover impact on downstream steel processing industries, including cold-rolling and pipe manufacturing, which typically have a three-month lead time for raw material delivery, lasted well into Q2 of FY 2019-20.

Thereafter, iron ore and steel prices fell significantly due to negative sentiment emanating from the US-China trade frictions, and weakening currencies in China, CIS and India, which allowed mills to drop prices up to 15-20%. Prices eventually bottomed out in November 2019, subsequently rising, and fully recovered on the successful conclusion of US-China Phase 1 trade negotiations in January 2020. The outbreak of the Coronavirus, first in China and

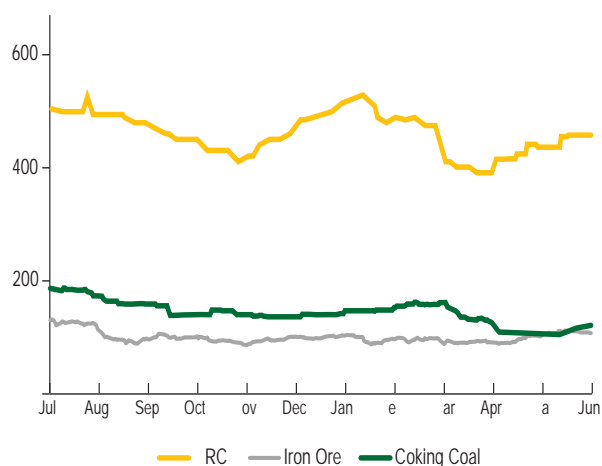
South East Asia, and later on in the rest of the world however, resulted in a steep decline in steel prices from January to April 2020, with prices touching a 5-year record low of \$390/MT.

Fortunately, the pandemic did not result in any significant closures in mining or steelmaking plants, and production continued with crude steel production down only 5.5% during January – June 2020, compared to the corresponding period last year. This, however, along with the synchronized global monetary stimulus injection by global central banks are the primary reason for recovery in global steel and metals prices at the time of writing this report. Prices have now reached pre-pandemic levels and are expected to further strengthen barring any unexpected rise in global infection rates and/or increased US-China trade related frictions.

With new capacities having come online, steel production in Pakistan was rising steadily up until January 2019. However, the Coronavirus pandemic and political and financial frictions have resulted in a major slowdown in growth during the last one and a half years. Nonetheless, Pakistan’s demographic profile, an announcement of construction package and progress on dams, motorways and CPEC projects indicate that energy, infrastructure, automotive, white good and raw material demand will support growth in steel consumption in the medium to long term.

### Iron Ore, Coking Coal and Hot Rolled Steel Coil Price

July 2019 – June 2020, USD per Ton



Source: Kallanish Commodities

### Steel Tube and Pipe Industry

The global steel tube and pipe industry manufactures a broad range of welded and seamless pipes and tubes. Steel pipes are used primarily in oil, gas, water and fluid transmission and distribution, and various fencing and fabrication related applications. Structural steel pipes and hollow structural sections (HSS) are used in high strength applications in the construction industry, whereas cold rolled steel tubing is used in automotive parts, bicycles, home appliance manufacturing and various furniture and fabrication related applications.

World production of steel tubes and pipes on average is roughly 160 million MT, which represents roughly 9% of total world crude steel output. Out of the total production of steel tubes and pipes, the welded tube and pipe segment represent 70% of the total tube and pipe produced, whereas a seamless pipe represents 30% of the production share. Global trade in steel tubes and pipes represents approximately 25% of annual production. Pakistan’s steel tube and pipe market size are estimated at approximately 780,000 MT out of a total domestic steel market size of 9 million MT. The domestic steel tube and pipe market are highly fragmented and consists of a large number of small-to-medium-sized manufacturers spread all over the country.

### Stainless Steel

Global production of stainless steel was approximately 52.2 million MT in 2019 compared to 51 million MT in 2018. Output continues to grow aggressively at a CAGR of close to 6% over the last 5 years. As with carbon steel, China dominates the stainless-steel market, producing approximately 56% of world output.

Stainless steel pipes and tubes are typically suited for end uses that require high corrosion and temperature resistance, and aesthetic appeal. Major end uses of stainless-steel pipes and tubes include:

- Chemical and petrochemical processing
- Liquid natural gas piping
- White goods and household utensils
- Automotive exhaust systems
- Construction - offshore and humid environments
- Food and pharmaceutical processing
- Desalination and wastewater projects

300 Series stainless steel and its constituent grades comprise almost 50% of global stainless-steel production and are widely used in a range of applications due to high Nickel content, which reduces the corrosion rate. 300 Series pipes and tubes are the flagship products in your Company's stainless-steel product line. In addition, this year we launched 200 Series stainless-steel pipes and tubes in which are more economical and have a larger market.

Pakistan's average stainless-steel consumption per capita is approximately 0.5 kg/capita relative to the world average of 5.7 kg/capita, indicating massive potential for growth in this particular segment.

**OBJECTIVES, STRATEGIES AND CRITICAL PERFORMANCE INDICATORS**

ILL's core motive is to attain overall corporate and strategic objectives and to adopt preminent global practices while playing a crucial role in the steel industry. The Company strives to grow and to improve its processes to ensure maximum return for its shareholders. A detailed discussion on ILL's objectives, strategies and critical performance indicators can be found on Page No. 46.

**COMPANY OPERATIONS**

**Market Share**

Your Company is the leading tube and pipe manufacturer in the domestic market for GI Pipes, CR Tubes, Stainless-Steel Tubes and Pipes, and Black and Scaffolding Pipe and has the largest product range in its relevant segments. The Company enjoys continuing loyalty from its customers, dealers and business partners. Our Polymers segment caters to water and gas transmission and distribution, and telecommunication applications, and the Company is continuously evolving to meet the demands of its customers.

**Gross Sales**

Your Company achieved a gross sales volume of approximately 143,000 MT during the outgoing financial year, with a gross turnover of Rs. 22.9 billion.

**Domestic Steel Sales**

Your Company's gross domestic sales for the year were Rs. 20 billion (2019: Rs. 26.5 billion). Domestic sales volume was down 25% over the previous year on account of the economic slowdown, and this was further compounded by Coronavirus induced lockdowns. Water and gas distribution, real estate and construction, automotive and general fabrication segments all steel segments

underperformed compared to the previous year in both commercial and institutional segments of the market. In addition to deteriorating demand over the last two years, government policy dis-allowing procurement of Cold Rolled Coils (CRC) raw material from local sources have contributed towards material availability issues for pipe manufacturers and resulted in the loss of sales; we have raised our concerns at multiple forums to alleviate this issue.



Despite the above, we actively continue to enhance commercial and institutional customer engagement via nationwide events, participation in trade exhibitions, sponsorships and direct engagement mechanisms to positive effect.

**Export Steel Sales**

Your Company's gross export sales turnover for year was Rs. 2.9 billion (2019: Rs. 4.4 billion). Export sales volumes were down 34% year-on-year as slowing global trade and growth, volatility in international steel prices throughout the year, protectionist measures were taken against IIL in late 2018, and the Coronavirus pandemic kept international buyers on the sidelines. Furthermore, opportunities to capitalize on the PKR depreciation that has materialized over the last two years were limited due to the aforementioned factors. We were however successful in making inroads into the Middle East, which was the only market where volumes were up over the previous year. The impact of anti-dumping duty (ADD) imposed on IIL by Canada deterred buyers, however, the incorporation of IIL Americas Inc. is expected to lead to better access to buyers and more opportunities to develop alternative products.





Despite tough international business conditions, we remain one of the largest exporters of engineering products in Pakistan, and in keeping with tradition IIL received the FPCCI Best Export Performance Award 2019 for the 20th consecutive year in the engineering products (mechanical) segment during the year.

### **IIL Australia Pty Limited**

Net turnover of IIL Australia Pty Ltd. was AUD 11.9 million, (FY 2018-19: AUD 15.5 million). The decline in turnover was primarily due to volatile steel prices, bushfires and the Coronavirus pandemic induced lockdowns. The Company continues to expand its network and build a sustainable customer base.

### **IIL Americas Inc.**

During the year, IIL Americas Inc. was incorporated in Ontario, Canada as a wholly-owned subsidiary of the Company.

The market remained depressed due to COVID-19 due to which net turnover of IIL Americas Inc. was CAD 0.35 million in the 8 months in which they operated.

The next year has started with the order book of over CAD 1 million and we hope as and when COVID-19 recedes and US elections are over, business should restart with rigor.

### **Stainless Steel Sales**

Stainless Steel Tube sales of the Company were up 16% year-on-year. The introduction this year of our SS 201 'Eco' brand of stainless-steel pipes and a broader range of diameters and shapes have improved our product portfolio. This is an encouraging sign and our stainless-steel product line will be a major engine for growth in the coming year.



### **Polymer Sales**

The Company's polymer sales volume was marginally down by approximately 4% over the previous year. The net turnover for the year was Rs. 2.5 billion (2019: 2.4 billion) with a gross profit of Rs. 346 million (2019: 220 million). Gas company tender based business was down significantly compared to last year due to lack of government funding,

however, the shortfall was adequately fulfilled by duct and large diameter water pipe orders from other institutional clients. We continue to try and persuade SSGC and SNGPL to implement the same supplier evaluation and safety protocols on polymer pipe as they do with API Steel Pipes.



Our line of PPRC Pipes and fittings performed well and volumes were up 13% year-on-year but well below are internal targets due to the lockdown and ensuing two months of lost sales. We continue working towards developing the same customer centric approach in this segment that is associated with our brand name in the steel segment.



The proliferation of inferior quality polymer products in Pakistan makes sales and marketing of premium quality products to customers with little or no product knowledge a formidable challenge. The management continues to create awareness about quality standards and the long-term health implications of using sub-standard polymer pipe systems. This is made possible through regular nationwide dealer events, seminars with institutional clients and site visits. We also continue to educate institutional clients about quality standards for water and duct pipes; however, the commercial market remains a challenge where cheap, substandard product is available in abundance.



## PRODUCTION

Apart from the deliberate shutdown at the initial stages of the lockdown from March 24<sup>th</sup> to May 11<sup>th</sup>, 2020, when only export related production of the galvanized pipes were allowed, no other significant production related issues were experienced for galvanized pipe, polymers and stainless steel during the year. However, due to the unavailability of local CR raw material, CR Tube operations were affected.



## FINANCIAL REVIEW

### Company Results

The Company posted net sales of Rs. 18,964 million, which was 27% lower than last year, earning a Gross Profit of Rs. 1,371 million. Your Company had posted a Loss before Tax of Rs. 430 million for the first time in the last 30 years due to a substantial decline in sales volumes as discussed above. Further, due to unfair tax laws, the Company is liable to pay a minimum tax on turnover and consequently, the Company had posted a Loss after Tax of Rs. 694 million. Loss per Share for the year was Rs. 5.26. The operating profit was visibly lower than last year on account of a substantial decline in sales volumes.

Cost of Goods Sold for the year at Rs. 17,593 million was 24% lower than last year.

Selling and Distribution Expenses of Rs. 813 million were 29% lower than last year primarily on account of lower volumetric sales.

Administrative Expenses of Rs. 298 million were almost at the same level as last year despite legal charges paid for our antidumping case in Canada.

Other Operating Charges of Rs. 31 million were 69% lower than last year. Other Income of Rs. 580 million showed a decrease of Rs. 66% mainly due to lower dividend income and exchange gain during the year.

Financial Charges for the year increased by Rs. 314 million which is 34% higher than last year, primarily due to consecutive hikes in the policy rate.

### Segment Review

Revenue from the Steel segment stood at Rs. 16,478 million, yielding a loss before tax of Rs. 939 million due to 37% decline in the sales volume. Revenue from Polymer Segment was Rs. 2,485 million, yielding a profit before tax of Rs. 133 million despite of the same sales volume as compared to the last period.

### Cash Flow Management and Borrowing Strategy

The Company's cash flow management system projects cash inflows and outflows on a regular basis and monitors the cash position on a daily basis. During the year 2019-20, we generated Rs. 268 million cash from operations. Our average borrowing reduced by Rs. 1.1 billion from last year but our weighted average cost of borrowing, including exchange losses, was 48% higher than last year.

### Capital Structure

Debt to equity ratio 61:39 on 30 June 2020 was at the same level as 30 June 2019.

### DIVIDEND AND/OR BONUS

The Board of Directors has not recommended dividend and/or bonus for the year ended June 30, 2020 in compliance to Section 240 of the Companies Act, 2017.

### AUDITORS

The present external auditors, M/S. KPMG Taseer Hadi and Co., Chartered Accountants were appointed in 2003-04, The Management and The Board of Directors are grateful for their services which will end on the conclusion of the 72nd Annual General Meeting which will be held on September 30<sup>th</sup>, 2020. The Board on the recommendation of the Board Audit Committee has recommended the appointment of M/s A. F. Ferguson and Co.,

Chartered Accountants as statutory auditors for the year 2020-21 at the same fees as paid to the retiring auditors.

The recommendations of the audit committee for appointment of an auditor may be referred to on Page No. 97 (Report of the Board Audit Committee on adherence to the Code of Corporate Governance).

### **SOCIAL IMPACT**

IIL prides itself in being a responsible corporate citizen and positive contributor to the communities in which it operates and the society at large. A detailed insight into IIL's social, philanthropic and environmental protection initiatives can be found in the 'Group Sustainability Report' which has been circulated with Annual Report 2020 and is also available on the Company's website.



### **HUMAN RESOURCE MANAGEMENT**

IIL believes that employees are its biggest asset. Empowering employees with meaningful roles, challenging assignments and world class learning platforms have paved the way for a more purpose-driven organization. The Company has taken several initiatives during the year for well-being of the employees, a few of the initiatives are as follows:

#### **Industrial Relations**

The bilateral negotiation settlement 2019-21 was reached in July 2020 in a peaceful manner. WPPF dues for 2018-19 were distributed in March 2020.

The Company is pleased to report that in compliance with provincial and federal regulations, no daily wage employees were laid off during the lock down period.

#### **The Apprenticeship Training Program**

The Apprenticeship Training Program is running at all factories in the areas of Production, Maintenance and Quality Control areas.

#### **Gratuity Scheme and Provident Funds**

The Company provides retirement benefits to its employees. These include a non-contributory defined benefit Gratuity Scheme for all employees and a contributory Provident Fund for all employees except unionized staff. Both plans are funded schemes recognised by tax authorities. The un-audited net asset values of the Provident and the Gratuity Funds at the year ended June 30, 2020 were Rs. 448 million and Rs. 470 million respectively.

#### **Employment of Differently Abled People**

Complying with the legal requirement to hire differently abled people, IIL's workforce has 18 (i.e. 1.9%) such people.

#### **Diversity and Inclusion Reporting**

1. IIL has one female (11%) director on the Board.
2. IIL has one female (11%) employee as Head of Internal Audit who directly reports to the CEO.
3. IIL has three female (0.32%) employees directly reporting to Head of Department who directly reports to the CEO.

#### **Trainings**

During FY 2019-20, 41 in-house trainings were conducted on various Technical and OHSE topics including API 5L 45th Edition, Special Process Training on Galvanizing, HF Welding and Seam Annealing, Extrusion Process, API Standards Poly Ethylene Pipes, Hands safety, Safe Crane Operations, PTW, Bearings and Gears Proper Usage and Maintenance, etc. In all more than 790 staff members attended these trainings.

In addition, 47 employees attended external training programs, workshops and conferences on diverse topics from reputable institutes.

#### **Succession Planning**

The Company has formulated a succession plan, which includes performance evaluation and appropriate training requirements for the development of future leaders. This means recruiting employees, developing their knowledge and skill sets and preparing them for advancement or promotion into more challenging roles.



## Occupational Health, Safety and Environment Systems (OHSE)

The health and safety of our employees is crucial to IIL. We are responsible for providing a healthy and injury free environment to our employees and contractors, and we strive to achieve this through our OHSE Management System (Occupational Health Safety and Environment System) that is implemented by the HSE Department. In order to improve the safety standards and to prevent any unforeseen incident at work the HSE Department distributed safety helmets, harness, gloves, shoes and other safety gadgets amid its workforce and provided them various trainings as part of their recurring function. A well-equipped gym is situated at the IIL factory premises in order to encourage employees to focus on health and wellbeing. Further information on OHSE is available on the 'Group Sustainability Report' provided in Compact Disk (CD) format or available on the Company's website. A brief outline of OHSE practices is as follows:

1. We have achieved a significant improvement in lost time injury frequency rate (LTIFR) of 0.62, compared to previous years 1.65; This compares favorably to World Steel Association (WSA) Lost Time Injury Frequency Rate of 0.86
2. During the year, 496 OHSE trainings were organized by OHSE Department for 7,482 employees at all locations. Trainings hours per employee increased from 2.60 to 3.3
3. The Company has started calculating carbon emission
4. A new initiative of guest speaker session was started and four guest speaker sessions conducted on various OHSE related matters
5. Revamped employees' suggestion scheme under Meri Awaz and significantly improved reaction time and written acknowledgement of suggestion.
6. The Company took various preventives to tackle COVID-19 related challenges, including:
  - Installation of sanitization tunnels
  - Installation of vehicle sanitization systems at main gates
  - Development and installation of COVID-19 awareness boards and posters for employees and dealers
  - Thermal temperature checking and monitoring at entrance
  - Hand washing and sanitization facilities at entrance and work stations
  - Provision of face masks and hand gloves to all employees and visitors
  - Floor marking at entrance, canteen, plants and prayer areas to ensure social distancing
  - Encouragement of online meetings and work from home
  - Shift wise sanitation of work places
  - COVID-19 tests for suspected cases



## Contribution to the National Exchequer

Your Company is registered with the Large Taxpayers Unit (LTU) and contributed over Rs. 4.9 billion towards the national exchequer in the form of Income Tax, Sales Tax, other taxes, duties and levies during the financial year.

## INTERNAL CONTROL FRAMEWORK

The Board has in place an effective Internal Control framework which may be referred on Page No. 88 (Internal Control Framework).

## RISK, OPPORTUNITY AND MITIGATION REPORT

The Management, in consultation with the Board of Directors and Strategic Planning Committee continues to develop capacities to anticipate risks and create new strategies to mitigate these risks while developing our strategic roadmap. A detailed Risk and Opportunity Report is presented on Page No. 50 for further reference.

The government's policy restricting the sale of locally produced Cold Rolled Coils (CRC) to domestic pipe manufacturers created material availability issues during the 3-month lead time that it takes for imported raw material to arrive. Furthermore, to account for the import lead time companies also need to maintain 2-3 months of raw material, which escalates inventory holding costs. A related issue with imported CRC raw material is the existing anti-dumping duty (ADD) on Chinese, Russian and Ukrainian origin CRC. This limits local buyers' access to the largest steel producers in the world, given sourcing from other countries is not always viable in terms of availability, price or quality. Together these two factors create significant risk for local CR Tube manufacturers, which the government must recognise and address.

## IIL Construction Solutions (Pvt) Limited

The Company has recently incorporated a wholly-owned subsidiary i.e. M/s. IIL Construction Solutions (Private) Limited, Karachi, Pakistan for the purpose of manufacturing Scaffolding, Shoring



and Formwork products and systems used in the construction industry.

The Company is looking to have a partnership with one of the largest construction solutions providers in the world. This is a timely move given the announcement of the construction package and Naya Pakistan Housing scheme.

### **RELATIONSHIP WITH STAKEHOLDERS**

IIL greatly values all of its stakeholders and tries to sustain an amicable relationship with stakeholders via effective and timely communication and interaction. Please refer to Page No. 48 for a detailed Stakeholder Engagement analysis.

### **QUARTERLY AND ANNUAL FINANCIAL STATEMENTS**

The quarterly unaudited financial statements of the Company along with the Director's Report, are approved, published and circulated to the shareholders on a timely basis. The half-yearly financial statements were subjected to a limited scope review by the statutory auditors. These annual financial statements are audited by the external auditors and approved by the Board and will be presented to the shareholders at Annual General Meeting for approval. Periodic financial statements of the Company were circulated to Directors duly endorsed by the CEO and the CFO. Half-yearly and annual accounts were initialed by the external auditors before presenting it to the Audit Committee and the Board of Directors for approval.

### **CHIEF FINANCIAL OFFICER (CFO), COMPANY SECRETARY AND HEAD OF INTERNAL AUDIT**

The Chief Financial Officer (CFO) and the Head of Internal Audit possesses the requisite qualification and experience as prescribed in the Code of Corporate Governance. The Company Secretary possesses the requisite qualification and experience as prescribed in the Companies Act, 2017. The appointment, remuneration and terms and conditions of employment of CFO, the Company Secretary and the Head of Internal Audit were determined by the Board of Directors. The removal of CFO and Company Secretary whenever applicable is made with the approval of the Board of Directors.

### **COMPLIANCE**

At IIL, we are firmly committed to ensuring the highest level of good governance through adoption of the best business practices and standards. The Board reviews the Company's strategic direction and business plans on a regular basis. The Board Audit committee is empowered for effective compliance

with the Code of Corporate Governance. All related party transactions are placed before the Board Audit Committee and upon recommendation of the Board Audit Committee, the same is placed before the Board for review and approval. The Board is strongly committed to maintaining a high standard of good corporate governance. For further details, kindly refer to the Code of Corporate governance section of this report.

### **INFORMATION SYSTEMS AND RE-ENGINEERING**

We are committed to the process of continuously upgrading and enhancing our IT infrastructure and moving towards greater process automation and a paperless environment. Additionally, we remain focused on working closely with end users in studying their day-to-day activities and finding opportunities to automate and streamline various tasks.

### **JCR RATING**

Our rating exercise conducted in June 2019 achieved a long-term rating of AA- and short-term rating of A-1. We are also amongst a select few companies evaluated by JCR for grading on the basis of investment strength, governance and environmental and social responsibility (IS-ESG).



### **INVESTMENTS**

The Company holds 56.33% ownership interest in its subsidiary, International Steels Limited (ISL), which is in the business of processing flat steel products. ISL ended the financial year with sales volume in excess of 417,000 MT, Gross Sales of roughly Rs. 48 billion and PAT of Rs. 495 million.



Your Company also holds a 17.12% ownership interest in Pakistan Cables Limited (PCL) a company which was set up in 1953. PCL is a listed company and is in the business of manufacturing copper rods, wires and cables, and is the country's first manufacturer of copper cables and wiring.



#### **ACKNOWLEDGEMENT**

We would like to extend our sincere gratitude to healthcare workers, essential service providers, security apparatus and the entire IIL team for managing and controlling the spread of COVID-19 during the year.

With one of the toughest years on record coming to a close, it is important here to look back and reflect. During FY 2019-20, we have witnessed, raw material shortages, lagged impact of rupee devaluation and gas price hike, shrinking domestic GDP and lastly the COVID-19 pandemic. This is the first time in 30 years that IIL has posted a significant loss, with the last such instance being when IIL commissioned its first rolling mill in 1989. Our overall sales volumes were also lower than what was achieved in the

2008-09 recession. In spite of all this, we ensured that our values were not violated, and we dealt with the challenges in a compassionate manner. During the lockdown period, we refrained from laying off a single employee and IIL and its management staff donated generously to the IIL Daily Wage Fund, in order to ensure that almost 500 workers were paid their salaries despite being unable to come to work. Furthermore, salaries for management staff were also not cut during these difficult times.

The IIL Team has worked tirelessly towards our targets despite the difficult financial climate that the country is facing. Finally, we thank all other stakeholders including our esteemed customers, suppliers and bankers for their commitment to the Company and look forward to sharing more successes with them in the coming years.

For and on behalf of the Board of Directors

Mr. Riyaz T. Chinoy  
Chief Executive Officer

Mr. Ehsan A. Malik  
Director/Chairman BAC

Karachi  
Dated: August 27<sup>th</sup>, 2020

