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ITTEFAQ IRON INDUSTRIES LTD.

Half Yearly Report 2018
for the year ended December 31, 2018



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40 B-II, Gulberg III, Lahore.
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ITTEFAQ IRON INDUSTRIES LIMITED

CORPORATE INFORMATION

Board of Directors

Mian Muhammad Pervaiz Shafi	Chairman
Shahzad Javed	Chief Executive
Javed Sadiq	Director
Khalid Mustafa	Director
Khalida Pervaiz	Director
Sumleen Usman	Director
Ayesha Fahid	Director

Audit Committee

Mian Muhammad Pervaiz Shafi	Chairman
Shahzad Javed	Member
Javed Sadiq	Member

Company Secretary

Muhammad Shahzad Bazmi(AFPA)

Auditors

Kaleem & Co. Chartered Accountants
H.No.134, C Link 4, St # 2 Cavalary Ground Lahore

Mills

8-KM Manga Raiwind Road, Near Rousa Stop

Bankers

National Bank of Pakistan
Bank of Punjab
Soneri Bank

Hr & R Committee

Khalida Pervaiz	Chairman
Sumleen Usman	Member
Ayesha Fahad	Member

Chief Financial Officer

Abdul Khaliq

Share Registrar

M/s. Corplink (Pvt.) Ltd
Share Registrar & Corporate Consultants
Wing Arcade, 1-K, Commercial, Model Town, Lahore
Tel: 042-35916714 Fax: 042-35869037
Email: corplink786@gmail.com

Registered Office

40 B-II, Gulberg III, Lahore
Tel: 042- 35765021-26 Fax: 042-35759546

Company Website

www.ittefaqsteel.com

Legal Advisor

Muhammad Shahzad Bazmi
Advocate High Court
40 B-II, Gulberg III, Lahore
Tel: 042-35765021-26 Fax: 042-35759546
Email: mshehzadbazmi@yahoo.com



ITTEFAQ IRON INDUSTRIES LIMITED

Director's Report

On behalf of board of directors, I take pleasure to present condensed interim financial statement for period of the half year ended December 31, 2018.

The financial results are summarized as under:

Half Year Ended

	Dec 31, 2018	Dec 31, 2017
Sale	3,133,745,222	3,130,818,925
Gross Profit	299,570,721	274,974,523
Profit/ (Loss) after tax	136,556,314	133,708,959
Earnings per share	0.95	1.02

The sales turnover for six months shown growth from Rs. 3,130 million to Rs. 3,133 million. The Gross Profit for the current three months period is increase by 8.9% from Rs.274 million to Rs.299 million.

The company is working in to improve results by reducing cost and better sales. The company is focusing on products mix which increases our profitability.

The director of your Company wish to thankful to the banks for the financial support and cooperative they have extended to the company. The Directors would like to express their appreciation for the dedication and hard work of the workers, staff and members of management team.

For and on behalf of Board of Directors.

ITTEFAQ IRON INDUSTRIES LTD.

SHAHZAD JAVED
Chief Executive



134-C, Street # 2, Link # 4,
Cavalry Ground, Lahore
Cantt, Pakistan.

Phone : (92-42) 36672322
E-mail: info@kaleemco.com.pk
Web : kaleemco.com.pk

AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF INTEREM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Ittefaq Iron Industries Limited ("the Company") as at 31 December, 2018 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The figures for the quarter ended 31st december 2018 and 31st December 2017 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed by us and we do not express a conclusion on them.

Muhammad Kaleem Rathor
Lahore
Date: February 21, 2019



KALEEM AND COMPANY
CHARTERED ACCOUNTANTS



ITTEFAQ IRON INDUSTRIES LIMITED

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2018

Note	Unaudited 31-Dec-18 Rupees	Audited 30-Jun-17 Rupees	
SHARE CAPITAL & RESERVES			
Share capital	5	1,443,433,640	1,312,212,400
Capital reserves		774,507,925	774,507,925
Equity portion of sponsors loan		23,625,683	35,606,842
Unappropriated profit		1,084,965,428	1,117,729,263
		3,326,532,676	3,240,056,430
Surplus on revaluation of fixed assets		694,664,883	705,455,113
NON-CURRENT LIABILITIES			
Sponsors loans-subordinated	6	278,229,130	266,247,971
Deferred liabilities	7	148,552,713	168,274,311
		426,781,843	434,522,282
CURRENT LIABILITIES			
Trade and other payables	8	487,500,116	400,814,539
Finance cost payable		27,240,277	18,286,947
Short term borrowings	9	1,183,757,668	1,225,234,093
		1,698,498,061	1,644,335,579
CONTINGENCIES & COMMITMENTS			
TOTAL EQUITY AND LIABILITIES			
		6,146,477,463	6,024,369,405
NON-CURRENT ASSETS			
Property, plant & equipments	11	1,753,008,602	1,783,130,860
Long-term security deposits		18,972,226	18,808,026
		1,771,980,828	1,801,938,886
CURRENT ASSETS			
Stores, spares & loose tools		296,176,676	248,995,725
Stock-in-trade	12	2,395,752,306	2,488,103,617
Trade debts		962,629,739	826,766,553
Advances, deposits, prepayments & other receivables	13	399,477,628	364,927,330
Taxes refundable	14	146,721,692	141,303,942
Cash & bank balances	15	173,738,594	152,333,352
		4,374,496,635	4,222,430,519
TOTAL ASSETS			
		6,146,477,463	6,024,369,405

The annexed notes form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

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CHIEF FINANCIAL OFFICER



ITTEFAQ IRON INDUSTRIES LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018

Note	Half Year Ended		Quarter Ended		
	31-Dec-18 Rupees	31-Dec-17 Rupees	31-Dec-18 Rupees	31-Dec-17 Rupees	
Revenue - net	16	3,133,745,222	3,130,818,925	1,673,242,475	1,530,074,707
Cost of sales		(2,834,174,501)	(2,855,844,402)	(1,517,536,781)	(1,392,378,467)
Gross profit		299,570,721	274,974,523	155,705,694	137,696,240
Distribution cost		12,516,629	8,869,768	7,608,505	4,600,545
Administrative expenses		39,359,141	34,231,917	25,941,823	21,921,849
		(51,875,770)	(43,101,685)	(33,550,328)	(26,522,394)
Operating profit		247,694,951	231,872,838	122,155,366	111,173,846
Other income		1,390,302	6,620,644	1,323,873	4,644,236
		249,085,253	238,493,482	123,479,239	115,818,082
Finance cost		65,656,215	56,854,300	33,032,045	30,703,831
Workers profit participation fund		9,171,452	9,081,959	4,522,360	4,255,712
Workers welfare fund		4,509,742	3,451,144	2,743,087	1,617,170
		(79,337,409)	(69,387,403)	(40,297,492)	(36,576,713)
Profit before taxation		169,747,844	169,106,079	83,181,747	79,241,369
Taxation		(33,191,530)	(35,397,120)	(12,150,735)	(13,829,590)
(Loss) after taxation for the period		136,556,314	133,708,959	71,031,012	65,411,779
Earning per share		0.95	1.02	0.49	0.50

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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CHIEF FINANCIAL OFFICER



ITTEFAQ IRON INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018

	Half Year Ended		Quarter Ended	
	31-Dec-18 Rupees	31-Dec-17 Rupees	31-Dec-18 Rupees	31-Dec-17 Rupees
Profit after taxation for the period	136,556,314	133,708,959	71,031,012	65,411,779
Other comprehensive income				
Remeasurement of defined benefit plan	-	-	-	-
Deferred tax on remeasurement of defined benefit plan	-	-	-	-
Total comprehensive income for the period	136,556,314	133,708,959	71,031,012	65,411,779

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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CHIEF FINANCIAL OFFICER



ITTEFAQ IRON INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up capital	Capital Reserve Share premium	Revenue Reserve Unappropriated profit	Equity Portion of Sponsors Loan	Total Equity
	Rupees				
Balance as at July 01, 2017 Audited	1,312,212,400	774,507,925	797,968,074	49,724,864	2,934,413,263
Total comprehensive income for the period	-	-	270,406,381	-	270,406,381
Decrease in deferred tax due to rate change	-	-	-	1,270,622	1,270,622
Less: Unwinding of discount	-	-	15,388,644	(15,388,644)	-
Incremental depreciation transferred from Surplus on Rev. of fixed assets	-	-	33,966,164	-	33,966,164
Balance as at June 30, 2018 Audited	1,312,212,400	774,507,925	1,117,729,263	35,606,842	3,240,056,430
Balance as at July 01, 2018 Audited	1,312,212,400	774,507,925	1,117,729,263	35,606,842	3,240,056,430
Total comprehensive income for the period	-	-	136,556,314	-	136,556,314
Issuance of bonus shares	131,221,240	-	(131,221,240)	-	-
Cash dividend paid on shares	-	-	(65,610,620)	-	(65,610,620)
Decrease in deferred tax due to rate change	-	-	-	-	-
Less: Unwinding of discount	-	-	11,981,159	(11,981,159)	-
Incremental depreciation transferred from Surplus on Rev. of fixed assets	-	-	15,530,552	-	15,530,552
Balance as at December 31, 2018 Un-Audited	1,443,433,640	774,507,925	1,084,965,428	23,625,683	3,326,532,676

The annexed notes form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

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CHIEF FINANCIAL OFFICER



ITTEFAQ IRON INDUSTRIES LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	31-Dec-2018 Rupees	31-Dec-2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	169,747,844	169,106,079
Adjustments for:		
Depreciation	61,427,775	56,078,476
Provision for gratuity	5,801,362	2,790,460
Gain on sale of fixed asset	(884,974)	(884,974)
Finance cost	65,656,215	56,854,300
	132,000,378	114,838,262
Profit before working capital changes	301,748,222	283,944,341
Working capital changes (Increase)/decrease in		
Stores, spares & loose tools	(47,180,951)	(122,017,077)
Stock-in- trade	92,351,311	(487,516,996)
Trade debts	(135,863,186)	(288,877,487)
Advances, deposits, prepayments & other receivables	(34,550,298)	(91,662,815)
	(125,243,124)	(990,074,375)
Increase/(decrease) in		
Trade and other payables	86,685,577	(21,086,277)
Cash generated from operations	263,190,676	(727,216,311)
Taxes paid	(61,081,230)	(84,499,769)
Finance cost paid	(56,702,885)	(45,196,579)
Gratuity paid	(3,438,555)	-
	(121,222,670)	(129,696,348)
Net cash flow from operating activities	141,968,005	(856,912,659)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets acquired	(24,773,566)	(39,691,654)
Capital work in progress	(27,360,097)	(3,003,026)
Proceeds from disposal of fixed assets	2,373,000	2,519,900
Short term investments	-	(216,000,000)
Security deposits	(164,200)	295,500
Net cash used in investing activities	(49,924,863)	(255,879,280)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(29,161,475)	(83,342,994)
Long term loans	-	(83,342,994)
Short term borrowings	(41,476,425)	175,942,687
Net cash from/(used in) financing activities	(70,637,900)	92,599,693
Net increase/(decrease) in cash and cash equivalents	21,405,242	(1,020,192,246)
Cash & cash equivalents at the beginning of the year	152,333,352	1,110,810,033
Cash & cash equivalents at the end of the year	173,738,594	90,617,786

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

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ITTEFAQ IRON INDUSTRIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

Ittefaq Iron Industries Limited ("The Company") (Formerly Ittefaq Sons (Private) Limited) was incorporated on February 20, 2004 and converted into public unquoted company on 05 January 2017. The company also changed its name from (Ittefaq Sons (Private) Limited) to (Ittefaq Iron Industries Limited) on 09 February 2017. The principal activity of the company is manufacturing of Iron Bars, Billets and Girders. The registered office of the company is situated at 40, B-II Gulberg III M. M. Alam Road, Lahore.

2 BASIS OF PREPARATION:

This condensed interim financial information of the company for the Six months period ended December 31, 2018 is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard -34 "Interim Financial Reporting" and provisions of and directives issued under the companies Act 2017. In case requirements differ, the provisions or directives of the companies Act 2017 shall prevail. This condensed interim financial information is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange (PSX) vide relevant provisions of Companies Act 2017.

This condensed interim financial information is presented in PKR which is also the company's functional currency.

The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2018 are also included in this condensed interim financial information.

The comparative condensed interim financial information of the company does not include all the information and disclosures required for full financial statements, and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30 2017.

The figures included in the condensed interim profit and loss account for the quarters ended December 31, 2018 and 2017 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended December 31, 2018 and 2017.

3 ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding audited annual financial statements of the company for the year ended June 30, 2018, except for the changes resulting from the initial recognition of standards, amendments or interpretations to existing standards. However, amendments /improvements and new interpretations of approved accounting standards effective during the period, if any, were not relevant to the company's operations and do not have any material impact on the accounting policies of the company.

4 ESTIMATES

The preparation of this condensed interim financial information in conformity with approved accounting standard requires 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 the management in applying the company's accounting policies and key sources of estimation of uncertainty are the same as those were applied to the annual audited financial statements for the year ended June 30, 2018.

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ITTEFAQ IRON INDUSTRIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-Audited) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Un-Audited 31-Dec-2018 Rupees	Audited 30-June-2017 Rupees		Un-Audited 31-Dec-2018 Rupees	Audited 30-June-2017 Rupees
5 SHARE CAPITAL					
5.1 Authorised share capital					
	300,000,000	300,000,000	Ordinary Shares of Rs. 10 each.	3,000,000,000	3,000,000,000
5.2 Issued, subscribed & paid-up capital					
	121,750,000	121,750,000	Ordinary Shares of Rs. 10 each.	1,217,500,000	1,217,500,000
	9,471,240	9,471,240	Ordinary Shares of Rs. 10 each.	94,712,400	94,712,400
	13,122,124	-	Bonus Shares of Rs. 10 each.	131,221,240	-
	144,343,364	131,221,240		1,443,433,640	1,312,212,400
5.2(a)			The company issued 10% bonus share (2017: Nil) which was recommended by Directors at their meeting held on September 26, 2018 to its members which was subsequently approved by members at AGM held Dated: 25 October 2018.		
6 DIRECTORS / SPONSORS LOAN					
Interest free Loan	316,329,215	316,329,215			
Present value adjustment	(50,081,244)	(72,065,021)			
Unwinding of discount	11,981,159	21,983,777			
Present value of loan from sponsor shareholders	278,229,130	266,247,971			
7 DEFERRED LIABILITIES					
Staff Retirement Gratuity	28,377,835	26,015,028			
Deferred Tax	120,174,878	142,259,283			
	148,552,713	168,274,311			
8 TRADE AND OTHER PAYABLES					
Sundry Creditors	241,075,121	206,432,040			
Advances from Customers	89,193,299	58,535,831			
Accrued Expenses	83,589,407	73,114,362			
Security Deposit Payable	2,197,751	1,896,292			
Others Payables	21,314,199	28,571,512			
Unclaimed dividend	36,449,145	-			
Workers' Profit Participation Fund	9,171,452	22,370,306			
Workers' Welfare Fund	4,509,742	9,894,195			
	487,500,116	400,814,539			
9 SHORT TERM BORROWINGS					
Bank of Punjab Ltd.	349,921,536	348,581,786			
National Bank of Pakistan Ltd.	675,203,826	702,779,212			
Soneri Bank	158,632,306	173,873,095			
	1,183,757,668	1,225,234,093			



ITTEFAQ IRON INDUSTRIES LIMITED

10 CONTINGENCIES & COMMITMENTS

10.1 Contingencies

10.1 (a) For the tax period of September 2016 to June 2017, a Show Cause Notice dated 09.11.2017 was issued by Deputy Commissioner Inland Revenue, E & C Unit 20, Zone-III, LTU, Lahore alleging that the Company has not further tax under section 3(1A) of the Sales Tax Act, 1990 at the rate of 2% on the supplies made to unregistered persons. Against the aforesaid order, Company filed WP No. 105986/2017 before the Honorable Lahore High Court, Lahore, which was decided in favour of the Company vide judgment dated 19.12.2017. This judgment was challenged by the department vide appeal No. 135102/2018 before the Division Bench of Lahore High Court, which is pending adjudication. The administration of the Company is pursuing the above-said case diligently, and there is likelihood of its success in the said case.

10.1 (b) Through WP No. 180139/2018, the Company has challenged the legality and validity of the demand of regulatory duty imposed by the Federal Government through notification No. S.R.O. 568(I)/2014 dated 26th June, 2014 on the import of billets through a demand notice dated 29/04/15 for the tax period of 2014-15. The said petition is pending before the Lahore High Court, Lahore and interim relief against recovery has also been granted to the Company. The administration of the Company is pursuing the above-said case diligently, and there is likelihood of its success in the said case.

10.2 Commitments

10.2 (a) Letter of credit of Rs 67 Million as on December 31, 2018.

10.2 (b) Commitment include bank guarantee of 18.2 Million to SNGPL and FWO.

11 PROPERTY, PLANT AND EQUIPMENT

	11.1	1,734,662,913	1,772,805,148
Operating assets		18,345,689	10,325,712
Capital work in progress		1,753,008,602	1,783,130,860
11.1 Net book value at beginning of the period		1,772,805,148	1,332,684,239
Addition during the period		24,773,566	65,294,979
Adjustments during the period		(1,488,026)	506,218,061
Depreciation charged during the period		(61,427,775)	(131,392,131)
		1,734,662,913	1,772,805,148
12 STOCK IN TRADE		2,013,820,230	1,960,509,636
Stock of Raw Material		381,932,076	527,593,981
Finished Goods		2,395,752,306	2,488,103,617
13 ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES			
Advances to:			
Suppliers		81,386,315	45,832,677
Office Staff		89,082	127,945
Clearing Staff		4,035,203	4,590,871
Staff for Expenses		16,015,497	12,837,799
Advances Against L/C		170,640,280	173,960,975
Security Deposits		40,988,205	38,254,017
Letter of Guarantee		86,323,046	89,323,046
		399,477,628	364,927,330



ITTEFAQ IRON INDUSTRIES LIMITED

14 TAXES REFUNDABLE

Sales Tax Receivable	129,689,512	136,792,519
Advances Income Tax	17,032,180	4,511,423
	146,721,692	141,303,942
14.1 Advances Income Tax		
Tax receivable as at 01 July	4,511,423	(9,186,797)
Tax payments / adjustments made during the year	63,787,509	130,053,955
	68,298,932	120,867,158
Less: Provision for tax - current year	(51,266,752)	(116,355,735)
Tax receivables at Dec, 31	17,032,180	4,511,423

15 CASH AND BANK BALANCES

Cash at Banks		
- Current	146,261,612	144,438,794
- Saving	23,882,546	4,936,556
	170,144,158	149,375,350
Cash in Hand	3,594,436	2,958,002
	173,738,594	152,333,352

Half Year Ended		Quarter Ended	
31-Dec 2018	31-Dec 2017	31-Dec 2018	31-Dec 2017
Rupees	Rupees	Rupees	Rupees

16 REVENUE

	31-Dec 2018	31-Dec 2017	31-Dec 2018	31-Dec 2017
Export Revenue	-	-	-	-
Local Revenue	3,364,225,183	3,432,109,062	1,776,419,834	1,665,002,003
Total Sales	3,364,225,183	3,432,109,062	1,776,419,834	1,665,002,003
Less: Sales tax	230,479,961	301,290,137	103,177,359	134,927,296
	3,133,745,222	3,130,818,925	1,673,242,475	1,530,074,707

17 DATE OF AUTHORIZATION

This interim financial information has been approved by the Board of Directors of the Company and authorized for issue on February 21, 2019.

CHIEF EXECUTIVE

DIRECTOR
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CHIEF FINANCIAL OFFICER