



**AISHA STEEL
MILLS LIMITED**

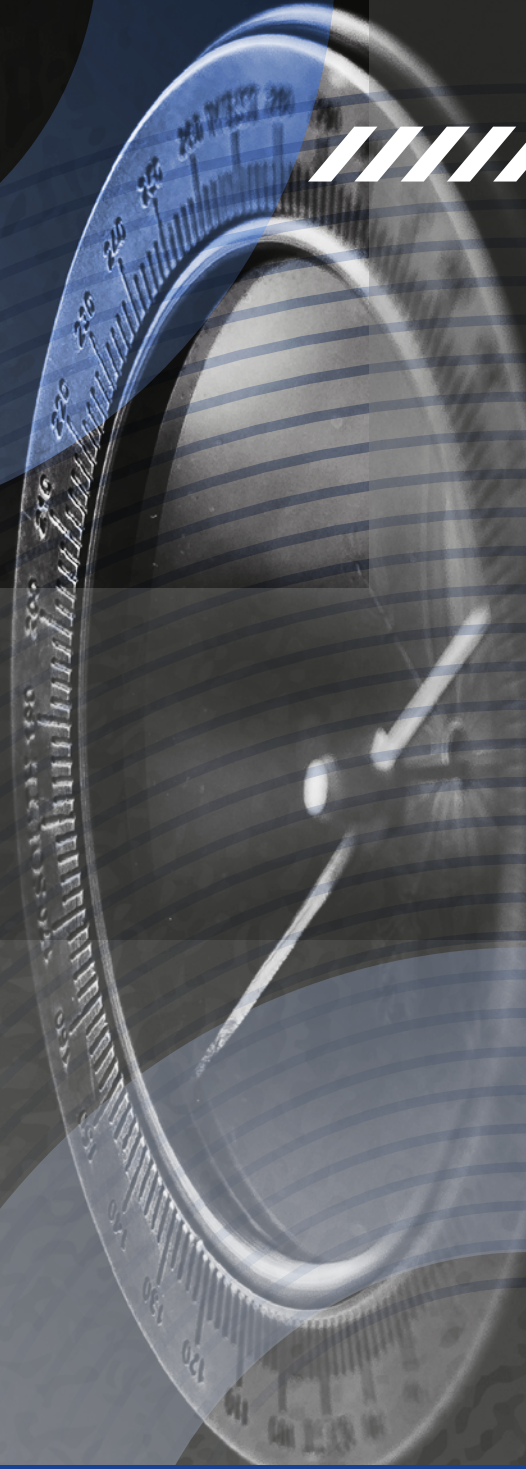
Overcoming Adversity Building for Future

Half Yearly Report December 2023



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COMPANY OVERVIEW

Vision

To be a global leader in the flat steel industry with the largest share of the local market while fostering the culture of responsible production and consumption to be eventually acknowledged by its customers for quality and service excellence.

Mission

To supply the highest quality products to our clients utilizing sustainable and environmentally responsible procedures. We believe in the power of human capital in accomplishing our goal of responsible production with sustained return to our shareholders and strive to be the supplier and employer of choice in the flat steel industry.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Arif Habib, Chairman
Mr. Samad A. Habib
Mr. Kashif A. Habib
Mr. Nasim Beg
Dr. Munir Ahmed, Chief Executive
Ms. Tayyaba Rasheed
Mr. Arslan Iqbal
Mr. Rashid Ali Khan
Mr. Salman Ahmed Khan

AUDIT COMMITTEE

Ms. Tayyaba Rasheed - Chairperson
Mr. Nasim Beg
Mr. Samad A. Habib
Mr. Kashif A. Habib

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Rashid Ali Khan – Chairman
Mr. Arif Habib
Mr. Kashif A. Habib

CHIEF FINANCIAL OFFICER

Ali Hassan

Company Secretary

Mr. Manzoor Raza

Head of Internal Audit

Mr. Muhammad Shahid

Registered Office

1/F Arif Habib Centre, 23 – M. T. Khan Road,
Karachi – Pakistan – 74000
Tel: (+92 21) 32468317

Plant Address

DSU – 45, Pakistan Steel
Down Stream Industrial Estate, Bin Qasim
Karachi – Pakistan
Tel: (+92 21) 34740160

Auditors

A. F. Ferguson & Co.,
Chartered Accountants,
State Life Building No. 1-C,
I.I. Chundrigar Road, Karachi.

SHARE REGISTRAR DEPARTMENT

CDC Share Registrar Services Limited
CDC House, 99-B, Block B, SMCHS,
Main Shahrah-e-Faisal, Karachi – 74400
Phone: 0800 – 23275
Fax: (+92 21) 34326053
Email: info@cdcsrsl.com
Website: www.cdcsrsl.com

LEGAL ADVISOR

Ahmed & Qazi
Khalid Anwer & Co.
Akhund Forbes
Mohsin Tayeb Aly & Co.
Lex Firma
Khalid Jawed & Co.

BANKERS / LENDERS

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan (Aitemad)
National Bank of Pakistan
Pak China Investment Company Limited
Saudi Pak Industrial and Agricultural Investment
Company Limited
Silk Bank Limited
Sindh Bank Limited
Standard Chartered Bank (Pakistan) Limited
Bank Makramah Limited (formerly known as
Summit Bank Limited)
The Bank of Khyber
The Bank of Punjab
United Bank Limited

Website

www.aishasteel.com



Directors' Review Report

The Directors of Aisha Steel Mills Limited (ASML) present herewith Directors' Review Report together with condensed interim financial statements of the Company for the half year ended December 31, 2023.

Steel Market Review

The international HRC prices, during the Jul-Dec 2023 period, remained mostly stable fluctuating in the narrow band between US\$ 570 to 590 FOB, China. The prices are expected to remain at same levels in the near term. The price in Pakistan, during the period also remained stable.

The country continues to face challenges on both political and economic fronts. In recent months, progress has been made on the economic front. After agreement with IMF, the balance of payment crises has eased and the rupee recovered some of its lost value against all major currencies. The inflation is still high delaying prospects of discount rate reduction from the current high levels of around 22%. A slow economic recovery is expected, however, progress is foreseen to be slow.

The relatively higher cost inventory is now out of the system and margins are expected to improve.

Operational Review

The mill operations are gradually improving. The average inventory and HRC cost are also reaching optimal values after the stuck up expensive carry forward inventories have depleted. The total quantity sold during the Jul-Dec 2023 period was 85,404 tons compared to 69,895 sold during the corresponding period last year showing an increase of about 22%. The export quantity was 8,627 tons compared to 1,152 tons exported during the corresponding period last year. The total quantity produced during the period was 91,215 tons compared to 64,106 tons in the corresponding period last year, an increase of about 42 %. The average finished goods inventory was around 10,691 tons compared to 23,497 tons last year, showing a decrease of about 54%. Finance cost remained on higher side due to higher interest rates.

A brief summary of the financial results as on December 31, 2023 is as follows:

	Half year ended	
	December 2023	December 2022
	Rs. In Millions	
Revenue	22,646	15,686
Gross Profit / (Loss)	2,169	(272)
Finance Costs	(1,917)	(1,575)
Exchange Gain / (Loss) - Net	227	(1,082)
Profit / (Loss) before tax	61	(3,115)
Profit / (Loss) after tax	132	(2,098)
Earnings / (Loss) per share (PKR)	0.08	(2.31)

Future Outlook:

The outlook in the near term looks challenging yet stable. Agreement with IMF was achieved after accepting tough conditions that increased the cost of doing business. Consequently, the demand for our products continues to struggle at lower levels, while elevated energy costs and interest rates persist, exerting continued pressure on the Company. The Agreement, however, is expected to bring the stability much needed to avoid further decline.

Acknowledgement

We would like to record our appreciation and gratitude to the Banks for the continuous support in the ongoing operations. We also acknowledge the support of Regulators for their continued support.

For and on behalf of the Board



Dr. Munir Ahmed
Chief Executive



Mr. Kashif Habib
Director

Karachi: February 23, 2024



To the members of Aisha Steel Mills Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Aisha Steel Mills Limited as at December 31, 2023 and the related condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of other comprehensive income for the quarters ended December 31, 2023 and December 31, 2022 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2023.

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 interim financial statements 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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Rehman.

Chartered Accountants
Karachi

Date: February 28, 2024

UDIN: RR202310059gO0TdXNBK

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Condensed Interim Statement of Financial Position

As at December 31, 2023

		(Unaudited) December 31, 2023	(Audited) June 30, 2023
	Note	Rupees '000	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	19,611,650	19,645,720
Intangible assets		46,272	49,276
Long-term advances		310	315
Long-term deposits		68,638	68,427
Deferred tax asset	6	2,658,089	2,501,091
		<u>22,384,959</u>	<u>22,264,829</u>
CURRENT ASSETS			
Inventories	7	9,031,483	9,167,210
Trade and other receivables	8	3,138,598	1,042,983
Loans, advances and prepayments	9	538,665	888,146
Tax refunds due from government - sales tax		63,329	259,766
Taxation - payments less provisions		3,641,018	3,276,077
Cash and bank balances	10	571,461	1,147,153
		<u>16,984,554</u>	<u>15,781,335</u>
TOTAL ASSETS		<u><u>39,369,513</u></u>	<u><u>38,046,164</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital			
Ordinary shares		9,300,159	9,300,159
Cumulative preference shares		444,950	444,950
Difference on conversion of cumulative preference shares and dividends into ordinary shares		(1,762,459)	(1,762,459)
		<u>7,982,650</u>	<u>7,982,650</u>
Surplus on revaluation of property, plant and equipment		2,087,940	2,116,203
Capital reduction reserve		667,686	667,686
Unappropriated profit		1,085,607	925,176
Contribution from sponsor	11	4,000,000	4,000,000
		<u>15,823,883</u>	<u>15,691,715</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term finance - secured	12	2,743,399	3,443,995
Lease liabilities		151,003	140,724
Employee benefit obligations		158,879	153,845
		<u>3,053,281</u>	<u>3,738,564</u>
CURRENT LIABILITIES			
Trade and other payables		4,185,352	3,604,819
Accrued mark-up		1,031,160	906,630
Short-term borrowings - secured	13	13,887,577	12,650,722
Unclaimed dividend		3,223	68,269
Current maturity of long-term finance		1,362,970	1,362,970
Current maturity of lease liabilities		22,067	22,475
		<u>20,492,349</u>	<u>18,615,885</u>
TOTAL LIABILITIES		<u>23,545,630</u>	<u>22,354,449</u>
CONTINGENCIES AND COMMITMENTS			
	14		
TOTAL EQUITY AND LIABILITIES		<u><u>39,369,513</u></u>	<u><u>38,046,164</u></u>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

For The Half Year Ended December 31, 2023 - (Unaudited)

	Note	Quarter Ended		Half Year Ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
		Rupees '000			
Revenue from contracts with customers	15	12,046,328	9,143,200	22,645,808	15,685,716
Cost of sales		(10,910,531)	(9,567,482)	(20,476,445)	(15,957,379)
Gross profit / (loss)		1,135,797	(424,282)	2,169,363	(271,663)
Selling and distribution costs	16	(144,391)	(22,499)	(210,768)	(46,540)
Administrative expenses		(129,869)	(106,986)	(230,839)	(200,373)
Operating profit / (loss)		861,537	(553,767)	1,727,756	(518,576)
Other expenses	17	(13,558)	172,516	(17,069)	(1,082,181)
Other income	18	109,164	47,668	267,704	60,675
Finance costs	19	(945,336)	(765,195)	(1,916,948)	(1,574,968)
Profit / (loss) before tax		11,807	(1,098,778)	61,443	(3,115,050)
Income tax credit	20	85,120	412,445	70,725	1,017,379
Profit / (loss) for the period		96,927	(686,333)	132,168	(2,097,671)
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss)		96,927	(686,333)	132,168	(2,097,671)
		Rupees			
Earnings / (loss) per share - basic and diluted		0.07	(0.72)	0.08	(2.31)

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chief Executive


Director

Condensed Interim Statement of Changes in Equity

For The Half Year Ended December 31, 2023 - (Unaudited)

	Share capital			Reserves			Contribution from sponsor (Note 11)	Total
	Ordinary shares	Cumulative preference shares	Difference on conversion of cumulative preference shares into ordinary shares	Surplus on revaluation of property, plant and equipment	Capital reduction reserve	Revenue Capital Unappropriated (loss) / profit		
	Rupees '000							
Balance as at July 1, 2022	9,248,008	444,950	(1,762,456)	1,305,870	667,686	4,131,495	-	14,035,553
Incremental depreciation net of deferred tax transferred	-	-	-	(20,574)	-	20,574	-	-
Cumulative preference dividend converted to ordinary shares of Rs. 10 each during the period	52,151	-	(3)	-	-	(52,148)	-	-
Preference dividend @ Rs. 117 per share for the year ended June 30, 2022	-	-	-	-	-	(162)	-	(162)
Total comprehensive income for the half year ended December 31, 2022*								
- Loss for the period	-	-	-	-	-	(2,097,671)	-	(2,097,671)
- Other comprehensive income for the period	-	-	-	-	-	-	-	-
	-	-	-	-	-	(2,097,671)	-	(2,097,671)
Balance as at December 31, 2022	<u>9,300,159</u>	<u>444,950</u>	<u>(1,762,459)</u>	<u>1,285,296</u>	<u>667,686</u>	<u>2,002,088</u>	<u>-</u>	<u>11,937,720</u>
Balance as at July 1, 2023	9,300,159	444,950	(1,762,459)	2,116,203	667,686	925,176	4,000,000	15,691,715
Incremental depreciation net of deferred tax transferred	-	-	-	(28,263)	-	28,263	-	-
Total comprehensive income for the half year ended December 31, 2023*								
- Profit for the period	-	-	-	-	-	132,168	-	132,168
- Other comprehensive income for the period	-	-	-	-	-	-	-	-
	-	-	-	-	-	132,168	-	132,168
Balance as at December 31, 2023	<u>9,300,159</u>	<u>444,950</u>	<u>(1,762,459)</u>	<u>2,087,940</u>	<u>667,686</u>	<u>1,085,607</u>	<u>4,000,000</u>	<u>15,823,883</u>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive

Director

Condensed Interim Statement Of Cash Flows

For The Half Year Ended December 31, 2023 (Unaudited)

		December 31, 2023	December 31, 2022
Rupees '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	21	1,632,125	1,753,900
Income tax paid		(451,214)	(463,921)
Mark-up on loans paid		(1,796,409)	(1,282,670)
Return on bank deposits received		10,570	19,685
Employee benefits paid		(15,805)	(6,724)
Decrease in long-term advances		5	-
(Increase) / decrease in long-term deposits		(211)	23,633
Net cash (used in) / generated from operating activities		<u>(620,939)</u>	<u>43,903</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(431,076)	(295,328)
Sale proceeds from disposal of property, plant and equipment		13,082	6,481
Net cash used in investing activities		<u>(417,994)</u>	<u>(288,847)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term finance		(681,503)	(768,982)
Short-term borrowings obtained		690,000	4,340,000
Short-term borrowings paid		(690,000)	(2,040,000)
Dividend paid		(65,046)	(162)
Lease rentals paid		(27,065)	(17,140)
Net cash (used in) / generated from financing activities		<u>(773,614)</u>	<u>1,513,716</u>
Net (decrease) / increase in cash and cash equivalents		<u>(1,812,547)</u>	<u>1,268,772</u>
Cash and cash equivalents at beginning of the period		<u>(11,503,569)</u>	<u>(15,661,370)</u>
Cash and cash equivalents at end of the period	22	<u>(13,316,116)</u>	<u>(14,392,598)</u>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2023 - (Unaudited)

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on May 30, 2005 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company's shares are listed on Pakistan Stock Exchange (PSX) since August 2012. The registered office of the Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi.

The Company has set up a cold rolling mill complex and a galvanization plant in the downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi, to carry out its principal business of manufacturing and selling cold rolled coils and hot dipped galvanized coils.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2023.

2.1 Changes in accounting standards, interpretations and pronouncements (a) Standards and amendments to approved accounting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period beginning July 01, 2023. However, these do not have any significant impact on the Company's financial reporting.

b) Standards and amendments to approved accounting standards that are not yet effective

There are standards and certain other amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 01, 2024. However, these are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2023.

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2023 - (Unaudited)

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

However, management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in these condensed interim financial statements.

4.2 Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2023.

4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2023.

	(Unaudited) December 31, 2023	(Audited) June 30, 2023
Rupees '000		

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	17,483,244	17,715,001
Capital work-in-progress (at cost)	-	49,288
Major spare parts and stand-by equipment - note 5.2	2,128,406	1,881,431
	<u>19,611,650</u>	<u>19,645,720</u>

5.1 Additions to operating assets during the period are as follows:

Additions (at cost)		Disposals (at net book value)	
December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Rupees '000			

Owned assets:

"Building and civil works on leasehold land"	5,379	-	-	-
Plant and machinery	158,181	97,505	-	-
Electrical equipment	17,473	3,952	-	-
Office equipment	8,624	6,473	146	217
Motor vehicles	15,802	199	-	-
Right of use assets:				
Motor vehicles	45,979	36,654	20,799	7,069
	<u>251,438</u>	<u>144,783</u>	<u>20,945</u>	<u>7,286</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2023 - (Unaudited)

	(Unaudited) December 31, 2023	(Audited) June 30, 2023
	Rupees '000	

5.2 Major spare parts and stand-by equipment

Balance at beginning of the period / year	1,881,431	1,787,364
Additions	407,165	501,200
Transfers	(160,190)	(407,133)
Balance at end of the period / year	2,128,406	1,881,431

6. DEFERRED TAX ASSET

6.1 The Company's tax losses amount to Rs. 13.88 billion (June 30, 2023: Rs. 13.86 billion) as at December 31, 2023. The management carries out periodic assessment to assess the benefit of these losses as the Company would be able to set off the profit earned in future years against these carried forward losses. Based on the assessment, management has recognised deferred tax debit balance amounting to Rs. 3.73 billion (June 30, 2023: Rs. 3.69 billion) including an amount of Rs. 2.30 billion (June 30, 2023: Rs. 2.07 billion) on unabsorbed tax depreciation, amortisation and initial allowance. The amount of these benefits have been determined based on the financial projections of the Company for future years. The determination of future taxable profit is most sensitive to certain key assumptions such as capacity utilisation, gross margin percentage, inflation and KIBOR rates. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

6.2 The Company has recognised deferred tax asset on minimum tax paid in tax years 2022, 2023 and 2024 on the basis that the Company has the right to carry forward the minimum tax paid and adjust it against taxable profits of future years. In the previous years, the Company adjusted the minimum tax of Rs. 942.44 million paid in previous years with the tax liability.

	(Unaudited) December 31, 2023	(Audited) June 30, 2023
	Rupees '000	

7. INVENTORIES

Raw material [In transit Rs. 3,192.9 million (June 30, 2023: Rs. 3,770.57 million)]	4,174,673	5,462,750
Work-in-process	295,025	186,311
Finished goods [including coil end sheets Rs. 105.29 million (June 30, 2023: Rs. 26.27 million)]	3,051,012	1,985,420
	7,520,710	7,634,481
Stores	963,503	970,041
Spares	547,270	562,688
	1,510,773	1,532,729
	9,031,483	9,167,210

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2023 - (Unaudited)

	(Unaudited) December 31, 2023	(Audited) June 30, 2023
	Rupees '000	

8. TRADE AND OTHER RECEIVABLES

Trade receivables - considered good: Not yet due	2,328,699	231,433
Other receivables:		
Receivable from Etimaad Engineering (Private) Limited	138,485	138,485
Receivable from insurance company	668,212	668,212
Others	3,202	4,853
	809,899	811,550
	<u>3,138,598</u>	<u>1,042,983</u>

9. LOANS, ADVANCES AND PREPAYMENTS

- 9.1 These include deposit held with a bank amounting to Rs. 53.54 million (June 30, 2023: Rs. 59.67 million) in respect of bank guarantees issued to Regulatory Authorities against disputed duties and taxes, and to a customer in respect of performance of a contract.

	(Unaudited) December 31, 2023	(Audited) June 30, 2023
	Rupees '000	

10. CASH AND BANK BALANCES

With banks on

- Current accounts	19,647	673,253
- PLS savings accounts - note 10.1	551,527	473,631
Cash in hand	287	269
	<u>571,461</u>	<u>1,147,153</u>

- 10.1 At December 31, 2023 the rates of mark up on PLS savings accounts range from 15.5% to 20.5% (June 30, 2023: 15.5% to 20.5%) per annum.

11. CONTRIBUTION FROM SPONSOR

Last year effective from January 1, 2023 the Company entered into an agreement with Mr. Arif Habib (Sponsor) for investment of Rs. 4,000 million on the following terms and conditions:

- The repayment of the principal amount and mark-up shall be at the sole and absolute discretion of the Company (taking into consideration the profitability and availability of its cash flows). However, in the event of liquidation, the sponsor will have preferred liquidation rights for recovery of the contribution and outstanding markup prior to Ordinary Shareholders of ASL.

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2023 - (Unaudited)

- The financing shall carry mark-up at the rate of 3 month KIBOR + 1.8%. However, the payment of mark-up shall also be at the sole and absolute discretion of the Company. Further, dividends to the ordinary shareholders will only be declared after the payment of markup to sponsor.

Pursuant to the requirements of IAS 32 - 'financial instruments presentation' and the terms of the arrangement, the loan is classified as equity in these financial statements.

	(Unaudited) December 31, 2023	(Audited) June 30, 2023
	Rupees '000	
12. LONG-TERM FINANCE – secured		
Conventional		
Loan under restructuring agreement - note 12.1	2,644,124	3,029,456
Loan for expansion project - note 12.2	1,462,245	1,777,509
	<u>4,106,369</u>	<u>4,806,965</u>
Less: Current maturity of long-term finance	(1,362,970)	(1,362,970)
	<u>2,743,399</u>	<u>3,443,995</u>

12.1 The facility carries mark-up ranging from 6 months KIBOR plus 1% per annum to 6 months KIBOR plus 3.28% per annum on the outstanding amount excluding frozen mark-up. It is repayable in 10 unequal semi-annual installments from July 19, 2021 to January 19, 2025.

12.2 The facility carries mark-up ranging between 6 months KIBOR plus 1.9% per annum to be determined on semi-annual basis to mark up at 6 months KIBOR prevailing one day before the first Musharaka contribution date, plus a margin of 1.9% per annum to be determined on semi-annual basis. It is repayable in 10 consecutive semi-annual installments in arrears from December 2021 to June 2026.

	(Unaudited) December 31, 2023	(Audited) June 30, 2023
	Rupees '000	

13. SHORT-TERM BORROWINGS – secured

Conventional

- Running finance under mark-up arrangement - note 13.1	653,331	2,264,586
- Istisna-cum-Wakala arrangement	3,854,833	2,499,563
- Finance against Trust Receipts	9,379,413	7,153,533
- Foreign currency import finance	-	733,040
	<u>13,887,577</u>	<u>12,650,722</u>

13.1 Facilities available from financial institutions amount to Rs. 26.8 billion (June 30, 2023: Rs. 25.8 billion). The rates of mark-up range between 1 month KIBOR plus 1% to 6 months KIBOR plus 1.75% (June 30, 2023: 1 month KIBOR plus 0.85% to 3 months KIBOR plus 1.75%) per annum. The balance is secured against ranking hypothecation charge over plant, machinery and equipment and pari passu charge over the current assets and fixed assets of the Company.

13.2 The facilities for opening letters of credit and guarantees as at December 31, 2023 amounted to Rs. 12.95 billion (June 30, 2023: Rs. 13.35 billion) of which the amount remained unutilised at period end was Rs. 4.5 billion (June 30, 2023: Rs. 9.5 billion). Corporate and personal guarantees provided by related parties against LC facility amounted to Rs. 4.3 billion (June 30, 2023: Rs. 4.3 billion) out of which amount remained unutilised at period end was Rs. 4.3 billion (June 30, 2023: Rs. 4.3 billion).

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2023 - (Unaudited)

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There has been no significant change during the period in the contingencies reported in the annual financial statements for the year ended June 30, 2023 except as disclosed in notes 14.1.1 below:

- 14.1.1** During the year ended June 30, 2022, the Company received DCIR orders in 2022 for tax years 2016 - 2018, establishing income tax demands. Allegations encompassed bank credit entries, withholding tax issues and disallowances. Appeals were filed before ATIR, resulting in remand back order dated June 14, 2023.

During the current period, CIRA decided the appeals in the Company's favor through orders dated November 25, 2023 for tax years 2016 - 2017 except for tax credit under section 65B of the Income Tax Ordinance 2001 and order dated December 27, 2023 for tax year 2018, except for brought forward minimum tax under section 113 and tax credit under section 65B of the Ordinance. The Company has filed an appeal before CIRA regarding the matter of tax credit, which is currently pending. The Company expects a favourable outcome of the appeal hence no provision is made in these financial statements.

14.2 Commitments

Commitments for capital expenditure outstanding as at December 31, 2023 amounted to Rs. 136.62 million (June 30, 2023: Rs. 131.18 million).

		(Unaudited)	
		December 31, 2023	December 31, 2022
		Rupees '000	

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

Local sale of goods - note 15.1	24,752,856	18,364,084
Sales tax	(3,778,005)	(2,684,338)
Rebates and discounts	(386,203)	(221,101)
	<u>20,588,648</u>	<u>15,458,645</u>
Exports	2,057,160	227,071
	<u>22,645,808</u>	<u>15,685,716</u>

- 15.1** This includes scrap sale of coil-end sheets net of sales tax amounting to Rs. 0.88 billion (December 31, 2022: Rs. 0.66 billion).

16. SELLING AND DISTRIBUTION COSTS

This includes freight charges on export sales amounting to Rs. 166.03 million (2022: Rs. 13.47 million).

17. OTHER EXPENSES

This includes exchange loss amounting to Nil (2022: Rs. 1.081 billion)

18. OTHER INCOME

This includes exchange gain amounting to Rs. 226 million (2022: Nil)

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2023 - (Unaudited)

	(Unaudited)	
	December 31, 2023	December 31, 2022
Rupees '000		
19. FINANCE COSTS		
Mark-up expense:		
- long-term finance	386,096	352,983
- impact of unwinding on long-term finance	(19,093)	(63,094)
- short-term borrowings	1,526,336	1,140,324
Interest on Workers' Profits Participation Fund	-	5,915
Guarantee commission	8,507	12,463
Finance lease charges	10,752	3,976
Bank and other charges	4,350	122,401
	1,916,948	1,574,968
20. INCOME TAX CREDIT		
- Current	86,273	81,767
- Deferred	(156,998)	(1,099,146)
	(70,725)	(1,017,379)
21. CASH GENERATED FROM OPERATIONS		
Profit / (loss) before tax	61,443	(3,115,050)
Adjustment for non-cash charges and other items		
Depreciation and amortisation	469,796	488,390
Finance lease charges	10,752	3,976
Mark-up charges	1,920,939	1,493,307
Loss on modification of lease	3,592	-
Unwinding of long term finance	(19,093)	(63,094)
Provision for staff retirement benefit funds	20,839	26,467
Return on PLS savings accounts	(10,570)	(19,685)
Government grant income	-	(1,158)
Expense for WPPF and WWF	5,613	-
Interest on WPPF	-	5,915
"Loss on disposal of property, plant and equipment"	7,864	805
	2,409,732	1,934,923
Profit / (loss) before working capital changes	2,471,175	(1,180,127)
"Effects on cash flow due to change in working capital"		
(Increase) / decrease in current assets		
Inventories	135,727	1,843,672
Trade and other receivables	(2,095,615)	1,009,438
Loans, advances, deposits and prepayments	349,481	237,674
Tax refunds due from Government - Sales tax	196,437	(864,344)
	(1,413,970)	2,226,440
Increase in current liabilities		
Trade and other payables	574,920	707,587
Net cash generated from operations	1,632,125	1,753,900

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2023 - (Unaudited)

	(Unaudited)	
	December 31, 2023	December 31, 2022
	Rupees '000	

22. CASH AND CASH EQUIVALENTS

Cash and bank balances - note 9
Short-term borrowings - note 12

571,461	910,060
(13,887,577)	(15,302,658)
<u>(13,316,116)</u>	<u>(14,392,598)</u>

23. TRANSACTIONS WITH RELATED PARTIES

Disclosure of transactions with related parties during the period are as follows:

			(Unaudited)	
			December 31, 2023	December 31, 2022
			Rupees '000	
Associated companies				
	Arif Habib Corporation Limited	- Finance facility utilised	690,000	2,600,000
		- Repayment of finance facility utilised	690,000	2,040,000
		- Long-term loan repaid	14,217	14,217
		- Mark-up on finance facilities	13,991	59,048
		- Guarantee commission	657	651
		- Preference dividend converted into ordinary shares	-	40,987
	Arif Habib Limited	- Preference dividend converted into ordinary shares	-	132
	Arif Habib Equity (Pvt.) Ltd	- Preference dividend converted into ordinary shares	-	4,693
	Power Cement Limited	- Purchase of construction material	-	463
	Rotocast Engineering Co.	- Rent and maintenance	10,131	7,884
Other related parties				
	Mr. Arif Habib, Chairman	- Finance facility utilised	-	1,740,000
		- Mark-up on finance facility	-	6,311
		- Preference dividend converted into ordinary shares	-	3,298
Key management personnel				
	Chief Executive Officer, Chief Financial Officer & Company Secretary	Salaries and other employee benefits	14,222	13,295
	Chief Financial Officer & Company Secretary	- Post retirement benefits	285	357
	Non-Executive Director	- Meeting and other expenses	470	585

24. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on February 23, 2024.



Chief Financial Officer



Chief Executive



Director



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