

Half Yearly Report December 2021

# Rolling Dreams into Reality





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## Vision

To be a global leader in the flat steel industry, acknowledged by its customers for quality and service excellence.

## Mission

To provide an environment of motivated employees focused on continuous improvement in product and quality, highest business and work ethics, add value to our customers and ensure sustained return on investment to our shareholders.

# Company Information

## BOARD OF DIRECTORS

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

## AUDIT COMMITTEE

Mr. Jawaid Iqbal – Chairman  
Mr. Nasim Beg  
Mr. Kashif A. Habib  
Ms. Tayyaba Rasheed

## HUMAN RESOURCE & REMUNERATION COMMITTEE

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

## CHIEF FINANCIAL OFFICER

Umair Noor Muhammad

## COMPANY SECRETARY

Mr. Manzoor Raza

## HEAD OF INTERNAL AUDIT

Mr. Muhammad Shahid

## REGISTERED OFFICE

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, 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 TayebAly & 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  
Summit Bank Limited  
The Bank of Khyber  
The Bank of Punjab  
United Bank Limited

## WEBSITE

[www.aishasteel.com](http://www.aishasteel.com)



# Directors' Report

The Directors of Aisha Steel Mills Limited (ASML) present herewith Directors' Review Report together with condensed interim financial statements (un-audited) of the Company for the half year ended December 31, 2021.

The unprecedented rise of HRC prices in the financial year 2020-21, was followed by a gradual decline in the current financial year. The peak value of US\$ 1,050, FOB China, recorded in May 21 declined to US\$ 800 by December 2021. The international market has somewhat stabilized since. Confronted with the rising international prices compounded by depreciating rupee, the local market witnessed substantial rise in the steel prices. However, in line with international trend, the prices have come down since and have stabilized. The end users, during the down cycle, preferred to draw down on inventories and made limited new purchases. Sales remained subdued in the second quarter. It now appears that the international market has bottomed out and revival expected. The local market is also expected to follow suite.

## Operational Review

The total quantity sold during the July-December period, 2021, was 151,916 tons out of which 20,335 tons was exported to Europe, America and Canada and several other countries. The total quantity sold in the corresponding period last year was 202,247 tons, showing a decline of about 25%. The exports in previous period were limited to 7,149 tons with major quantity going to Afghanistan.

The total quantity produced during the period was 174,200 tons compared to 179,070 tons produced in the corresponding period last year, showing a decrease of about 3%. Arrival of raw material at higher prices coincided with declining international prices not allowing passing on the cost, resulting in lower gross profit margin. At the same time, depreciation of rupee value resulted in exchange loss and surge in financial expenses. The average inventory in the July-December period increased to 34,472 tons compared to 12,303 tons recorded in the same period last year.

A brief summary of the financial results as on December 31, 2021 is as follows:

Description	Half year ended	
	Dec 2021	Dec 2020
	Rs. In Million	
Revenue	31,581	25,417
Gross profit	2,660	4,577
Profit before tax	591	3,452
Profit after tax	452	2,520
	Earnings / (loss) per share in (Rupees)	
EPS	0.53	3.21

## Future Outlook:

Steel and steel related commodities prices have corrected and signs of stability appearing. The local market is expected to pick up in the coming months.

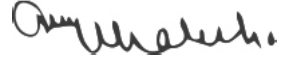
## Acknowledgement

We would like to record our appreciation and gratitude to our financial partners i.e Banks for the continuous support in the ongoing operations as well as in the expansion project. We also acknowledge the support of Regulators for their continued support.

For and on behalf of the Board



Dr. Munir Ahmed  
Chief Executive



Arif Habib  
Chairman

February 25, 2022.



# Financial Statements

# FINANCIAL PERFORMANCE



# INDEPENDENT AUDITOR'S REVIEW REPORT

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, 2021 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to these financial statements for the half year 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 other comprehensive income for the quarters ended December 31, 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2021.

## 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 Syed Fahim ul Hasan.



**CHARTERED ACCOUNTANTS**

Karachi

Date: February 28, 2022

UDIN: RR202110133Mc4ut32BV

# Condensed Interim Statement of Financial Position

As at December 31, 2021 - (Un-audited)

		(Unaudited) December 31, <b>2021</b>	(Audited) June 30, <b>2021</b>
	Note	Rupees '000	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	18,958,894	19,398,632
Intangible assets		41,319	35,401
Long-term advances		360	528
Long-term deposits		108,927	68,112
Deferred tax asset		528,898	448,612
		<u>19,638,398</u>	<u>19,951,285</u>
<b>Current assets</b>			
Inventories	6	20,904,118	12,088,077
Trade and other receivables		1,062,805	2,045,504
Loans, advances and prepayments	7	551,452	545,508
Tax refunds due from government - Sales tax		1,173,671	-
Taxation - payments less provision		2,318,383	1,655,083
Cash and bank balances	8	305,476	238,060
		<u>26,315,905</u>	<u>16,572,232</u>
<b>Total assets</b>		<u><u>45,954,303</u></u>	<u><u>36,523,517</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	9		7,716,843
Ordinary shares		9,248,008	445,335
Cumulative preference shares		444,950	-
Difference on conversion of cumulative preference shares and dividends into ordinary shares		<u>(1,762,456)</u>	<u>(1,348,402)</u>
		7,930,502	6,813,776
Surplus on revaluation of property, plant and equipment		1,384,115	1,404,689
Capital reduction reserve		667,686	667,686
Unappropriated profit		<u>3,391,628</u>	<u>5,580,433</u>
		<u>13,373,931</u>	<u>14,466,584</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term finance - secured	10	5,690,274	6,096,715
Lease liabilities		43,146	52,250
Employee benefit obligations		137,764	123,261
Deferred income - Government grant		-	1,367
		<u>5,871,184</u>	<u>6,273,593</u>
<b>Current liabilities</b>			
Trade and other payables		2,712,061	6,937,551
Accrued mark-up		463,156	315,174
Short-term borrowings	11	22,113,679	6,795,705
Sales tax payable		-	175,338
Unclaimed dividend		79,071	-
Current portion of deferred income - Government grant		4,157	7,308
Current maturity of long-term finance		1,312,871	1,531,480
Current maturity of lease liabilities		24,193	20,784
		<u>26,709,188</u>	<u>15,783,340</u>
<b>Total liabilities</b>		<u><u>32,580,372</u></u>	<u><u>22,056,933</u></u>
<b>Contingencies and commitments</b>	12		
<b>Total equity and liabilities</b>		<u><u>45,954,303</u></u>	<u><u>36,523,517</u></u>

The annexed notes 1 to 20 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, 2021 - (Unaudited)

	Note	Quarter ended		Half year ended	
		December 31,	December 31,	December 31,	December 31,
		2021	2020	2021	2020
		Rupees '000			
Revenue from contracts with customers	13	13,573,527	14,211,160	31,580,592	25,417,022
Cost of sales		(13,121,172)	(11,110,247)	(28,920,114)	(20,839,948)
<b>Gross profit</b>		452,355	3,100,913	2,660,478	4,577,074
Selling and distribution cost	14	(81,272)	(31,168)	(226,813)	(43,280)
Administrative expenses		(121,787)	(81,061)	(202,864)	(152,377)
<b>Operating profit</b>		249,296	2,988,684	2,230,801	4,381,417
Other expenses		32,266	(195,865)	(44,115)	(260,129)
Other income		31,506	22,758	37,573	34,914
Finance costs	15	(737,051)	(260,667)	(1,633,477)	(704,185)
<b>Profit / (loss) before tax</b>		(423,983)	2,554,910	590,782	3,452,017
Income tax (expense) / credit	16	138,030	(694,940)	(138,911)	(931,823)
<b>Profit / (loss) for the period</b>		(285,953)	1,859,970	451,871	2,520,194
Other comprehensive income		-	-	-	-
<b>Total comprehensive income / (loss)</b>		(285,953)	1,859,970	451,871	2,520,194
Earnings / (loss) per share			Rupees		Rupees
- Basic		(0.36)	2.39	0.53	3.21
- Diluted		(0.29)	1.92	0.50	2.61

The annexed notes 1 to 20 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, 2021 - (Unaudited)

	SHARE CAPITAL			RESERVES		TOTAL	
	Ordinary shares	Cumulative preference shares	Difference on conversion of cumulative preference shares into ordinary shares	Capital	Revenue		
				Surplus on revaluation of property plant and equipment	Capital reduction reserve		(Accumulated loss)/ Unappropriated Profit
Rupees '000							
<b>Balance as at July 1, 2020</b>	7,655,293	472,272	(1,313,789)	1,445,832	667,686	(829,857)	8,097,437
Incremental depreciation net of deferred tax transferred	-	-	-	(17,289)	-	17,289	-
<b>Total comprehensive income for the half year ended December 31, 2020</b>							
- Profit for the period	-	-	-	-	-	2,520,194	2,520,194
- Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	-	2,520,194	2,520,194
<b>Balance as at December 31, 2020</b>	<b>7,655,293</b>	<b>472,272</b>	<b>(1,313,789)</b>	<b>1,428,543</b>	<b>667,686</b>	<b>1,707,626</b>	<b>10,617,631</b>
<b>Balance as at July 1, 2021</b>	<b>7,716,843</b>	<b>445,335</b>	<b>(1,348,402)</b>	<b>1,404,689</b>	<b>667,686</b>	<b>5,580,433</b>	<b>14,466,584</b>
Incremental depreciation net of deferred tax transferred	-	-	-	(20,574)	-	20,574	-
Cumulative preference shares of Rs. 10 each converted to 2.285 Ordinary Shares of Rs. 10 each during the period	880	(385)	(495)	-	-	-	-
Cumulative preference dividend converted to ordinary shares of Rs. 10 each during the period	1,530,285	-	(413,559)	-	-	(1,116,726)	-
Final dividend @ Rs. 2 per share for the year ended June 30, 2021	-	-	-	-	-	(1,544,524)	(1,544,524)
<b>Total comprehensive income for the half year ended December 31, 2021</b>							
- Profit for the period	-	-	-	-	-	451,871	451,871
- Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	-	451,871	451,871
<b>Balance as at December 31, 2021</b>	<b>9,248,008</b>	<b>444,950</b>	<b>(1,762,456)</b>	<b>1,384,115</b>	<b>667,686</b>	<b>3,391,628</b>	<b>13,373,931</b>

\*This includes difference arising on conversion of dividend on preference shares of Rs. 413.56 million.

The annexed notes 1 to 20 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, 2021 - (Unaudited)

		December 31, 2021	December 31, 2020
	Note	Rupees '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	17	(10,653,327)	6,910,698
Income tax paid		(882,497)	(534,045)
Mark-up on loans paid		(679,568)	(985,248)
Return on bank deposits received		19,956	11,593
Employee benefits paid		(6,002)	(3,816)
Workers' welfare fund paid		(80,000)	-
Decrease in long-term advances		168	10
(Increase) / decrease in long-term deposits		(40,815)	796
<b>Net cash (used in) / generated from operating activities</b>		<b>(12,322,085)</b>	<b>5,399,988</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(742,336)	(511,430)
Purchase of intangible assets		(7,762)	-
Sale proceeds from disposal of property, plant and equipment		2,821	381
<b>Net cash used in investing activities</b>		<b>(747,277)</b>	<b>(511,049)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term finance		(707,530)	-
Long-term loan obtained - net		-	135,680
Short-term borrowings obtained		1,725,000	1,630,000
Short-term borrowings paid		(725,000)	(1,630,000)
Dividend paid		(1,465,453)	-
Lease rentals paid		(8,213)	(11,623)
<b>Net cash (used in) / generated from financing activities</b>		<b>(1,181,196)</b>	<b>124,057</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(14,250,558)</b>	<b>5,012,996</b>
Cash and cash equivalents at beginning of the period		(6,557,645)	(9,763,855)
<b>Cash and cash equivalents at end of the period</b>	18	<b>(20,808,203)</b>	<b>(4,750,859)</b>

The annexed notes 1 to 20 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 (UNAUDITED)

For The Half Year Ended December 31, 2021 - (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; and
- 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, 2021.

### 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 1, 2021. 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 1, 2022. 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, 2021.

### 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, 2021.

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, 2021.

	(Unaudited) December 31, 2021	(Audited) June 30, 2021
	Rupees '000	

### 5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	17,262,033	17,512,473
Capital work in progress (at cost)	108,675	82,848
Major spare parts and stand-by equipment - note 5.2	1,588,186	1,803,311
	<u>18,958,894</u>	<u>19,398,632</u>

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

	Additions (at cost)		Disposals (at net book value)	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	Rupees '000			
<b>Owned assets:</b>				
Building and civil works on leasehold land	1,040	-	-	-
Plant and machinery	238,895	148,224	-	-
Electrical equipment	5,907	38,374	-	-
Office equipment	9,076	7,524	-	46
Furniture and fixtures	339	-	-	-
Motor vehicles	268	165	389	-
<b>Right of use assets:</b>				
Motor vehicles	12,002	1,781	1,760	-
	<u>267,527</u>	<u>196,068</u>	<u>2,149</u>	<u>46</u>



	(Unaudited) December 31, 2021	(Audited) June 30, 2021
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Rupees '000

## 5.2 Major spare parts and stand-by equipment

Balance at beginning of the period / year	1,803,311	1,196,963
Additions	248,865	1,024,035
Transfers	(463,990)	(417,687)
Balance at end of the period / year	<u>1,588,186</u>	<u>1,803,311</u>

## 6. INVENTORIES

Raw material [including in transit Rs. 5.27 billion (June 30, 2021: Rs. 4.63 billion)]	11,095,730	7,850,190
Work-in-process	1,328,577	765,110
Finished goods [including coil end sheets Rs. 34.19 million (June 30, 2021: Rs. 22.31 million)]	7,247,270	2,352,387
Packing and other materials	-	85,186
	<u>19,671,577</u>	<u>11,052,873</u>
Stores	792,628	327,435
Spares	439,913	707,769
	<u>1,232,541</u>	<u>1,035,204</u>
	<u>20,904,118</u>	<u>12,088,077</u>

## 7. LOANS, ADVANCES AND PREPAYMENTS

- 7.1** These include deposit held with a bank amounting to Rs. 78.11 million (June 30, 2021: Rs. 56.5 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, 2021	(Audited) June 30, 2021
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Rupees '000

## 8. CASH AND BANK BALANCES

With banks on		
- Current accounts	124,270	156,638
- PLS savings accounts - note 8.1	131,043	81,167
- Term deposit receipt - note 8.2	50,000	-
Cash in hand	163	255
	<u>305,476</u>	<u>238,060</u>

- 8.1** At December 31, 2021 the rates of mark up on PLS savings accounts range from 3% to 6.8% (June 30, 2021: 4% to 5.5%) per annum.

- 8.2** At December 31, 2021 the term deposit account carried yield of 7.50% per annum maturing on January 11, 2022.

## 9. SHARE CAPITAL

During the period, the Company has converted accumulated preference dividends on preference shares (ASLCPS - Rs. 794.40 million and ASLPS - Rs. 321.84 million) into Company's ordinary shares, in accordance with the terms of issue.

	(Unaudited) December 31, 2021	(Audited) June 30, 2021
	Rupees '000	

## 10. LONG-TERM FINANCE – secured

Loan under restructuring agreement - note 10.1	4,092,907	4,403,436
Loan for expansion project - note 10.2	2,744,774	3,033,214
Loan under refinance scheme - note 10.3	165,464	191,545
	<u>7,003,145</u>	<u>7,628,195</u>
Less: Current maturity of long-term finance	<u>(1,312,871)</u>	<u>(1,531,480)</u>
	<u>5,690,274</u>	<u>6,096,715</u>

**10.1** 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.

**10.2** 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.

**10.3** The facility carries mark-up at the rate of 3% per annum and is repayable in 8 equal quarterly installments from January 2021 to October 2022.

	(Unaudited) December 31, 2021	(Audited) June 30, 2021
	Rupees '000	

## 11. SHORT-TERM BORROWINGS - secured

Short term finance facilities under:		
- Running finance under mark-up arrangement	1,445,807	300,842
- Istisna-cum-Wakala arrangement	4,273,308	500,000
- Finance against Trust Receipts	15,394,564	5,994,863
- Short-term loan from related party	1,000,000	-
	<u>22,113,679</u>	<u>6,795,705</u>

**11.1** Facilities available from financial institutions amount to Rs. 24.9 billion (June 30, 2021: Rs. 23.63 billion). The rates of mark-up range between 1 month KIBOR plus 0.85% to 3 months KIBOR plus 3% (June 30, 2021: 6 months KIBOR plus 0.85% to 3 months KIBOR plus 3%) 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.

**11.2** The facilities for opening letters of credit and guarantees as at June 30, 2021 amounted to Rs. 25.43 billion (June 30, 2021: Rs. 16.59 billion) of which the amount remained unutilised at period end was Rs. 4.1 billion (June 30, 2021: Rs. 2.58 billion). Corporate and personal guarantees provided by related parties against LC facility amounted to Rs. 4.3 billion (June 30, 2021: Rs. 4.3 billion) out of which amount remained unutilised at period end was Rs. 4.3 billion (June 30, 2021: Rs. 4.3 billion).

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 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, 2021.

### 12.2 Commitments

Commitments for capital expenditure outstanding as at December 31, 2021 amounted to Rs. 587.79 million (June 30, 2021: Rs. 721.11 million).

	(Unaudited) December 31, 2021	(Audited) June 30, 2021
		Rupees '000

## 13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Local sale of goods - note 13.1	32,451,869	28,904,204
Sales tax	(4,576,263)	(4,249,994)
Rebates and discounts	(317,676)	(73,589)
	<u>27,557,930</u>	<u>24,580,621</u>
Exports	4,022,662	836,401
	<u>31,580,592</u>	<u>25,417,022</u>

**13.1** This includes scrap sale of coil-end sheets net of sales tax amounting to Rs. 1.39 billion (December 31, 2020: Rs. 0.83 billion).

## 14. SELLING AND DISTRIBUTION COST

This includes freight charges on export sales amounting to Rs. 210.68 million (December 31, 2020: Rs. 25.90 million).

	(Unaudited) December 31, 2021	December 31, 2020
		Rupees '000

## 15. FINANCE COSTS

Mark-up expense:		
- long-term finance	252,595	430,364
- impact of unwinding on long-term finance	82,480	139,854
- short-term borrowings	574,955	311,095
Interest on Workers' Profits Participation Fund	65,248	-
Guarantee commission	509	2,206
Finance lease charges	2,518	2,212
Exchange loss / (gain)	606,858	(239,241)
Bank and other charges	48,314	57,695
	<u>1,633,477</u>	<u>704,185</u>

	(Unaudited)	
	December 31, 2021	December 31, 2020
Rupees '000		
<b>16. INCOME TAX EXPENSE</b>		
Current		
- for the period	219,197	319,738
- prior year	-	10,990
Deferred	(80,286)	601,095
	<u>138,911</u>	<u>931,823</u>
<b>17. CASH (USED IN) / GENERATED FROM OPERATIONS</b>		
Profit before tax	590,782	3,452,017
<b>Adjustment for non-cash charges and other items</b>		
Depreciation and amortisation	518,079	416,832
Finance lease charges	2,518	2,212
Mark-up charges	827,550	741,459
Unwinding of long term finance	82,480	139,854
Provision for staff retirement benefit funds	20,504	17,185
Return on PLS savings accounts	(19,956)	(11,593)
Government grant income	(4,517)	-
Expense for WPPF and WWF	44,115	260,129
Interest on WPPF	65,248	-
Gain on disposal of property, plant and equipment	(671)	(344)
	<u>1,535,350</u>	<u>1,565,734</u>
Profit before working capital changes	<u>2,126,132</u>	<u>5,017,751</u>
<b>Effects on cash flow due to change in working capital</b>		
<b>Decrease / (increase) in current assets</b>		
Inventories	(8,413,983)	915,469
Trade and other receivables	982,699	(1,848,923)
Loans, advances, deposits and prepayments	(5,944)	272,317
Tax refunds due from Government - Sales tax	(1,349,009)	959,296
	<u>(8,786,237)</u>	<u>298,159</u>
<b>(Decrease) / increase in current liabilities</b>		
Trade and other payables	(3,993,222)	1,594,788
Net cash (used in) / generated from operations	<u>(10,653,327)</u>	<u>6,910,698</u>
<b>18. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	305,476	324,116
Short-term borrowings	(21,113,679)	(5,074,975)
	<u>(20,808,203)</u>	<u>(4,750,859)</u>

## 19. TRANSACTIONS WITH RELATED PARTIES

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

			(Unaudited) December 31, <b>2021</b>	(Unaudited) December 31, <b>2020</b>
Rupees '000				
Relationship	Name of company	Nature of transaction		
<b>Associated companies</b>	Arif Habib Corporation Limited	- Finance facility utilised	1,725,000	1,630,000
		- Repayment of finance facility utilised	725,000	1,630,000
		- Long-term loan repaid	14,734	-
		- Mark-up on finance facilities	11,088	11,996
		- Mark-up on finance facilities paid	6,455	22,530
		- Guarantee commission	509	2,206
		- Guarantee commission paid	1,376	2,206
		- Dividend paid	49,422	-
		- Preference dividend converted into ordinary shares	436,371	-
		Arif Habib Limited	- Dividend paid	2,263
	- Preference dividend converted into ordinary shares		5,325	-
	Arif Habib Equity (Private) Limited	- Mark-up on finance facilities	-	27,111
		- Dividend paid	444,821	-
		- Preference dividend converted into ordinary shares	497,847	-
	Power Cement Limited	- Purchase of construction material	574	194
- Payment made against purchase of construction material		221	290	
Rotocast Engineering Co. (Private) Limited	- Mark-up on finance facilities	-	96,455	
	- Mark-up on finance facilities paid	-	39,710	
	- Rent and maintenance	4,503	4,849	
	- Rent and maintenance paid	4,503	4,849	
<b>Other related parties</b>	Mr. Arif Habib, Chairman	- Mark-up on finance facility paid	-	8,147
		- Dividend paid	272,186	-
		- Preference dividend converted into ordinary shares	269,524	-
<b>Key management personnel</b>	Chief Executive Officer, Chief Financial Officer & Company Secretary	- Salaries and other employee benefits	13,761	11,422
		Chief Financial Officer & Company Secretary	314	283
	Non-Executive Director	- Meeting and other expenses	404	200

## 20. 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 25, 2022.



**Chief Financial Officer**



**Chief Executive**



**Director**





**AISHA STEEL**  
MILLS LIMITED  
SHAPING THE ECONOMY

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