

Aisha Steel

Joint Venture of:



Arif Habib

Metal One

UNIVERSAL METAL CORPORATION



Converting Challenges into Opportunities

Quarterly Report
September 30, 2013

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Company Information

Board of Directors

Mr. Arif Habib, Chairman
Mr. Shinpei Asada
Mr. Hasib Rehman
Mr. Nasim Beg
Mr. Samad A.Habib
Mr. Kashif A.Habib
Mr. Muhammad Ejaz
Mr. Kashif Shah, Director & CEO

Audit Committee

Mr. Kashif A.Habib - Chairman
Mr. Hasib Rehman - Member
Mr. Muhammad Ejaz- Member

Registered Address

Arif Habib Centre, 23 - M.T. Khan Road,
Karachi – Pakistan
website: www.aishasteel.com

Plant Address

DSU - 45, Pakistan Steel
Down Stream Industrial Estate,
Bin Qasim, Karachi - Pakistan

Auditors

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

Share Registrar Department

Central Depository Company of Pakistan, CDC, House, 99-B,
SMCHS, Shahrae Faisal, Karachi Phone: 92-21-111-111-500

Legal Advisors

Mr. Ajmal Awan (Sattar & Sattar Advocates)
Bawaney & Partners (Advocates & Investment & Coporate Advisers)

Bankers

Askari Bank Ltd.
Bank Alfalah Ltd.
Bank Islami Pakistan Ltd.
Barclays Bank Plc.
Faysal Bank Ltd.
JS Bank Ltd.
Habib Metropolitan Bank Ltd.
KASB Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Pak China Investment Company Ltd.
Saudi Pak Ind. & Agr. Inv. Co. Ltd.
Silk Bank Ltd.
Summit Bank Ltd.
Sindh Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Khyber
The Bank of Punjab

Directors' Review

The Directors of Aisha Steel Mills Limited (ASML) present herewith Directors' Review together with condensed interim financial statements (unaudited) of the Company for the first quarter ended September 30, 2013.

Steel Market Review

As shared in detail in the last annual report of 2012-13, your Company had to aggressively price its product to displace and dispel importer mafia involved in unscrupulous activities. Once local CRC producers are able to replace import of CRC, it would also help increase margins for local CRC producers. In September, margins started to improve which was partially a result of increased market penetration of the local CRC producers.

CRC local producers continue to await positive action from the relevant Government bodies to fix anomalies and provide level playing field by taking out CRC from China-Pak Free Trade Agreement, removal of CRC from concessionary import SROs, disallow CRC from Duty and Tax Remission for Exports (DTRE), etc. Your Company would continue to pursue and follow-up these matters with Federal Bureau of Revenue (FBR), Engineering Development Board (EDB), Ministry of Commerce, and Ministry of Industries. In relation to international prices of Hot Rolled Coil (HRC), which is raw material, the prices are expected to remain flat internationally with expectation of upward movement after Chinese New Year.

Operational Review

Your Company's operational performance has improved during the first quarter of current financial year as compared to last three quarters of the previous financial year with record Gross Sales of Rs. 2,480 million. However due to reasons mentioned above, your Company incurred a Gross Loss of Rs. 89.3 million.

During the first quarter your Company has achieved a production size of 30,062 metric tons and sales quantity of 30,339 metric tons translating into Net Sales of Rs. 2,083 million. Another milestone achieved by your company is that it has become the largest producer and seller of Cold Rolled Coil (CRC) steel in Pakistan. In order to achieve this leadership position, market share of importers has been taken over by your Company.

The margins increased in the month of September resulting in a positive Gross Profit of your Company. It is expected that these improved margins would remain stable in the next quarter owing to better penetration of your Company's product in the domestic market.

A brief summary of the financial results for the period ended September 30, 2013 is as follows:

All figures in PKR Million	Quarter ended September 2013	Quarter ended September 2012
Net Sales	2,083.2	-
Gross Profit	(89.3)	-
Loss before tax	(521.0)	(49.7)
Loss after tax	(367.1)	(32.3)

We are pleased to communicate that your Company is now supplying CRC of good quality and is successfully competing with end-user imported CRC and is ready to play a leading role in this segment as well in times to come.

Your Company has been able to secure working capital lines which have been utilized to procure raw material for production of CRC, however more working capital lines are required due to devaluation of Rupee against US Dollar and further ramping up of plant's capacity.

Future Outlook:

Going forward as your Company intends to take advantage of its market leadership position in CRC which should result in improved margins compared to quarter under review. Furthermore, it is expected that in the next budget, some of the anomalies being faced by domestic CRC producers would be addressed.

Acknowledgement

We would also like to record our appreciation to all stakeholders for their patronage and look forward towards their continued support.

For and on behalf of the Board



Kashif Shah
Director & CEO

Karachi
October 30, 2013



A close-up photograph of a hand holding a silver pen, pointing at a financial statement table. The table is partially visible, showing numbers and lines. The pen is positioned over a horizontal line that separates two rows of data. The numbers are printed in black ink on a light-colored background.

12,142	7,494
3,319	6,373
8,823	476
11,385	

Unaudited Financial Statements
Aisha Steel Mills Limited
for the First Quarter ended September 30, 2013

Balance Sheet

As at September 30, 2013

	Unaudited September 30 2013	Audited June 30 2013
Note	Rupees in thousand	
ASSETS		
Non-current assets		
Property plant and equipment	5	9,759,665
Intangible assets		18,606
Long term loans		3,899
Long term deposits and prepayments		49,384
Deferred tax asset		802,521
		<u>10,634,075</u>
Current assets		
Stores and spares		169,322
Stock in trade		1,800,527
Trade Debts		27,452
Advances, deposits and prepayments		80,068
Other Receivables	6	290,547
Short-term investment		-
Accrued mark-up		160
Sales tax refundable		362,612
Taxation - payments less provision		327,879
Cash and bank balances		163,719
		<u>3,222,285</u>
Total assets		<u><u>13,856,361</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	7	2,704,488
Ordinary Shares		2,704,173
Cumulative preference shares		733,713
		<u>3,438,201</u>
Accumulated Losses		<u>(1,553,569)</u>
		<u>1,884,631</u>
LIABILITIES		
Non-current liabilities		
Long-term finance		4,969,762
Liabilities against assets subject to finance lease		8,057
Staff retirements benefits		18,831
		<u>4,996,651</u>
Current liabilities		
Trade and Other Payables		2,304,805
Accrued mark-up		463,270
Short-term borrowings	8	3,207,576
Current maturity of long-term loan		995,936
Current maturity of liabilities against assets subject to finance lease		3,492
		<u>6,975,079</u>
Total liabilities		<u>11,971,729</u>
Contingencies and commitments	9	12,098,833
Total equity and liabilities		<u><u>13,856,361</u></u>

The annexed notes 1 to 13 form an integral part of this condensed financial information.



Kashif Shah
Director & CEO



Kashif A. Habib
Director

Profit and Loss Account

For the period ended September 30, 2013

	Note	Unaudited September 30 2013 Rupees in thousand	Unaudited September 30 2012
Sales	10	2,083,197	-
Cost of Sales		(2,172,466)	-
Gross Loss		(89,268)	-
Administrative expenses		(34,998)	(47,485)
Selling and distribution expenses		(1,508)	-
Other Operating Income		3,006	1,899
Loss from operations		(122,768)	(45,586)
Finance cost		(398,203)	(4,118)
Loss before tax		(520,971)	(49,704)
Taxation		153,902	17,397
Loss after tax		(367,069)	(32,308)
Other Comprehensive income		-	-
Total comprehensive loss for the period		(367,069)	(32,308)
Loss per share - (rupees)	11	(1.44)	(0.22)

The annexed notes 1 to 13 form an integral part of this condensed financial information.



Kashif Shah
Director & CEO



Kashif A. Habib
Director

Cash Flow Statement

For the period ended September 30, 2013

	For the quarter ended	
	September 30 2013	September 30 2012
Note	Rupees in thousand	
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss before taxation	(520,971)	(49,704)
Adjustment for non-cash and other items:		
Depreciation & amortization	86,458	4,165
Finance lease charges	347	449
Interest on loan	257,033	-
Exchange loss	121,027	-
Return on PLS savings deposits	(1,226)	(1,632)
	<u>463,638</u>	<u>2,982</u>
Loss before working capital changes	(57,333)	(46,722)
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(24,147)	(3,042)
Stock in trade	522,778	(1,054,774)
Trade debts	163,569	-
Advances, deposits and prepayments	(9,917)	(22,012)
Other receivable	(63,284)	-
Tax refunds due from government - Sales tax	59,931	(23,293)
	<u>648,931</u>	<u>(1,103,121)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(307,875)	611,569
Cash from operations	<u>283,723</u>	<u>(538,274)</u>
Markup on loans paid	(405,517)	(678,097)
Income tax paid	(90,482)	(13,790)
(Increase) / decrease in long-term deposits and prepayments	122	(4,317)
Increase / (decrease) in staff retirements benefits	3,629	-
Net cash used in operating activities	<u>(208,525)</u>	<u>(1,234,478)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(31,464)	(163,126)
Sale proceeds of trial run	-	258,359
Additions to Intangible assets	-	(1,759)
Investments in certificate of investment	20,000	-
Return from term deposits & saving accounts	1,594	1,453
Net cash used in / generated from investing activities	<u>(9,870)</u>	<u>94,927</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Sponsors' loan	-	59,948
(Decrease) in finance lease liability	(1,163)	(1,371)
Advance against share capital	-	-
Increase / (decrease) in short term loan	177,417	1,067,322
Net cash flow from financing activities	<u>176,254</u>	<u>1,125,899</u>
Net increase / (decrease) in cash and cash equivalents	<u>(42,141)</u>	<u>(13,652)</u>
Cash and cash equivalents at the beginning of the period	<u>205,860</u>	<u>37,283</u>
Cash and cash equivalents at the end of the period	<u>163,719</u>	<u>23,632</u>

The annexed notes 1 to 13 form an integral part of this condensed financial information.



Kashif Shah
Director & CEO



Kashif A. Habib
Director

Statement of Changes in Equity

For the period ended September 30, 2013

	Share Capital	Accumulated Loss	Total
	Rupees in thousand		
Balance as at July 01, 2012 - Audited	3,438,201	(440,664)	2,997,537
Total comprehensive loss for the period ended September 30, 2012	-	-	(32,308)
Balance as at September 30, 2012 - Unaudited	<u>3,438,201</u>	<u>(472,972)</u>	<u>2,965,229</u>
Balance as at July 01, 2013 - Audited	3,438,201	(1,186,501)	2,251,700
Total comprehensive loss for the period ended September 30, 2013	-	(367,069)	(367,069)
Balance as at September 30, 2013 - Unaudited	<u>3,438,201</u>	<u>(1,553,569)</u>	<u>1,884,631</u>

The annexed notes 1 to 13 form an integral part of this condensed financial information.



Kashif Shah
Director & CEO



Kashif A. Habib
Director

Notes To The Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2013

1 THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan on May 30, 2005 as a public limited company under the Companies Ordinance, 1984. 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 in the downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi. The Company acquired a piece of land measuring 50 Acres from Pakistan Steel Mills to set up this state of the art steel project.

In June 2012 an offer for sale of shares was made by Metal One Corporation, Japan, Arif Habib Equity (Private) Limited and Mr. Hasib Rehman, the existing sponsors of Aisha Steel Mills Limited. The principal purpose of the offer for sale of shares was to list the Company on the Karachi Stock Exchange (KSE). The subscription of these shares was made on 3rd and 4th July 2012. After the fulfillment of other formalities relating to listing, trading of Company's shares in KSE started on 6th August 2012.

The Company has set up a cold rolling mill complex in the downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi, to carry out its principal business of manufacturing and selling cold rolled coils. The production capacity of the plant is 220,000 metric tons. The Company started trial production from July 2012 and declared October 1, 2012 as its Commercial Operations Date.

2 BASIS OF PREPARATION

- 2.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2013.

- 2.2 This financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest rupee.

3 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual financial statements of the Company for the preceding year ended June 30, 2013.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2013.

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, 2013.

Notes To The Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2013

5. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment during the period are as follows;

	Additions (at cost)	
	Unaudited September 30 2013	Unaudited September 30 2012
	Rupees in thousand	
Plant and machinery	14,317	-
Electrical installations	428	-
Office equipment	6,422	2,888
Furniture and fittings	219	177
	<u>21,387</u>	<u>3,065</u>

5.1 No significant disposals were made during the period.

6. OTHER RECEIVABLES

This represents Rs. 138.48 million receivable from Etimaad Engineering (Private) Limited which is under dispute. There has been no change in the status of receivable from Etimaad Engineering (Private) Limited reported in the financial statements of the Company for the year ended June 30, 2013.

7. SHARE CAPITAL

7.1 As on September 30, 2013 the Company has allotted 2,448,799 ordinary shares against conversion of 2,448,799 preference shares of the Company in accordance with the terms of issue of preference shares.

7.2 Dividend in respect of preference shares is only payable when Company has accumulated profits. Therefore, cumulative dividend on preference shares amounting to Rs. 288.92 million (June 30, 2013: 266.16 million) is not accounted for in this condensed interim financial information.

8. SHORT TERM BORROWING

	Unaudited September 30 2013	Audited June 30 2013
	Rupees in thousand	
Short term borrowing - note 8.1	-	500,000
Syndicated running finance - note 8.2	590,061	590,061
Short term running finance - note 8.3	2,617,515	1,940,098
	<u>3,207,576</u>	<u>3,030,159</u>

8.1 This represents finance obtained as on January 9, 2013 from various banks under Sukuk financing arrangement carrying mark-up at the rate of six month KIBOR + 2.15%. It has been repaid on July 11, 2013.

8.2 This represents syndicated running finance obtained from various banks and a financial institution under a syndicated term running finance agreement of Rs 590 million, carrying mark-up rate of 1% above 6 months KIBOR. This facility is principally secured by pari passu over fixed assets with 25% margin coupled with additional security of pledge of shares from shareholders of the Company namely, Arif Habib Corporation Limited, Arif Habib Equity (Private) Limited, Metal One Corporation - Japan and Mr. Haseeb Rehman.

8.3 This represents finance arranged on mark-up with various banks. Facilities for running finance available from these banks amount to Rs 2.6 billion June 30, (2013: Rs 1.94 billion). The rates of mark-up range between 3 months KIBOR + 2.25% to 3 months KIBOR + 3.5% (June 30, 2013: 3 months KIBOR + 2.5% to 3 months KIBOR + 3.5%). The balance is secured against ranking hypothecation charge over plant, machinery and equipment.

Notes To The Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2013

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 There has been no change in status of contingencies reported in the financial statements for the year ended June 30, 2013.

9.2 Commitments

9.2.1 Commitments for capital expenditure outstanding as at September 30, 2013 amounted to Rs 28.95 million (June 2013: Rs 40.10 million).

9.2.2 Commitments for rentals under ijarah arrangements as at September 30, 2013 amounted to Rs 19.04 million (June 2013: Rs 21.14 million) payable as follows:

	Unaudited September 30 2013	Unaudited September 30 2012
	Rupees in thousand	
Not later than 1 year	4,500	5,115
Later than 1 year but not later than 5 years	14,541	16,029
	<u>19,041</u>	<u>21,144</u>
10. SALES		
Gross Sales	2,479,707	-
Less: Sales tax	(360,299)	-
Less: Commission	(36,210)	-
Net Sales	<u>2,083,197</u>	<u>-</u>
11. EARNINGS PER SHARE		
Loss after tax attributable to ordinary shareholders	(367,069)	(32,308)
Adjustment for cumulative preference dividend	22,761	27,233
Loss after tax for calculation of of basic earnings per share	<u>(389,830)</u>	<u>(59,540)</u>
Weighted average number of ordinary shares outstanding at the end of the year (in thousand)		
Ordinary shares in issue	<u>270,438</u>	<u>268,000</u>
Basic earnings per share - (loss)	Rupees (1.44)	(0.22)

11.1 A diluted earnings per share has not been presented as it had anti-dilutive effect on the earnings per share.

Notes To The Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2013

12. TRANSACTION WITH RELATED PARTIES

Disclosure of transactions with related parties during the period were as follows;

Relationship	Nature of transaction	Unaudited	Unaudited
		September 30 2013	September 30 2012
Rupees in thousand			
Associated companies	Purchase of construction material	243	-
	Purchase of raw material	592,182	747,333
Other related parties	Rent expense	1,966	-
	Sponsor's loan	-	59,948
Key management compensation	Salaries and other short-term employee benefits	4,932	4,072

13. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue in the Board of Directors meeting held on October 30th, 2013.



Kashif Shah
Director & CEO



Kashif A. Habib
Director



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Tel: (021) 34740130-7 / Fax: (021) 34740151