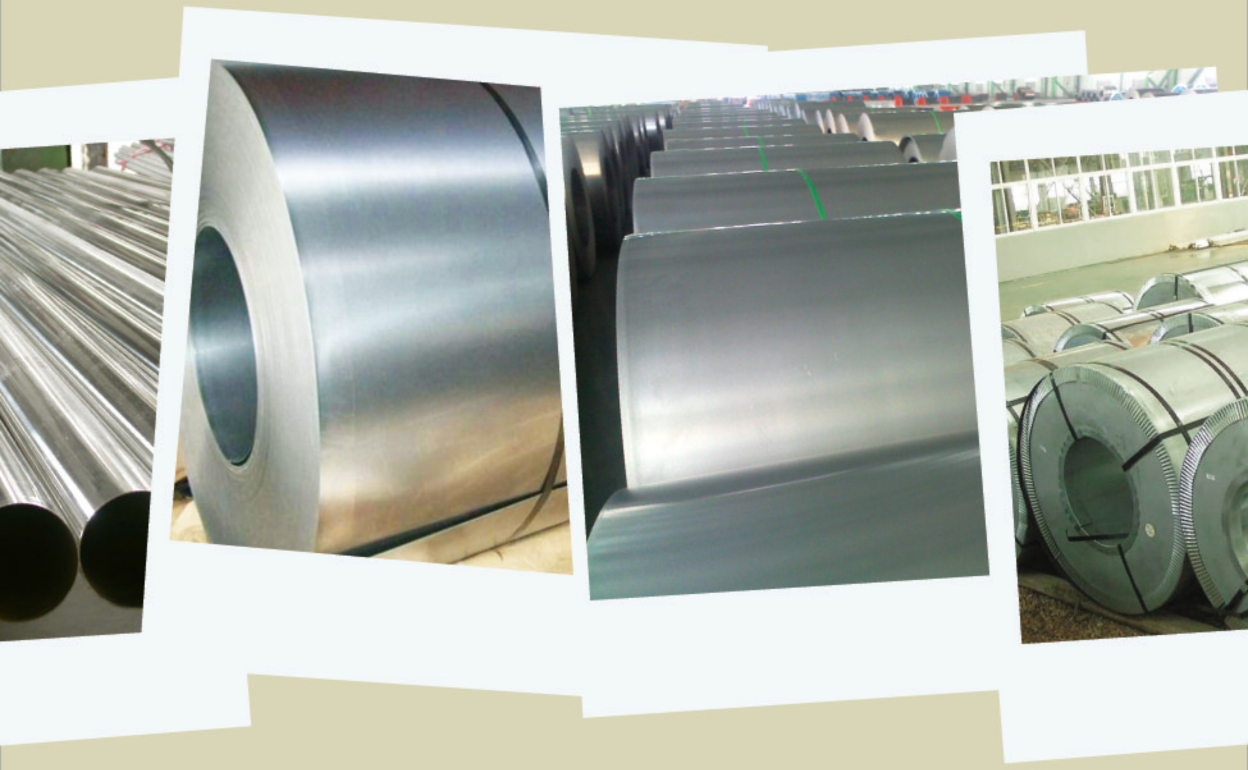
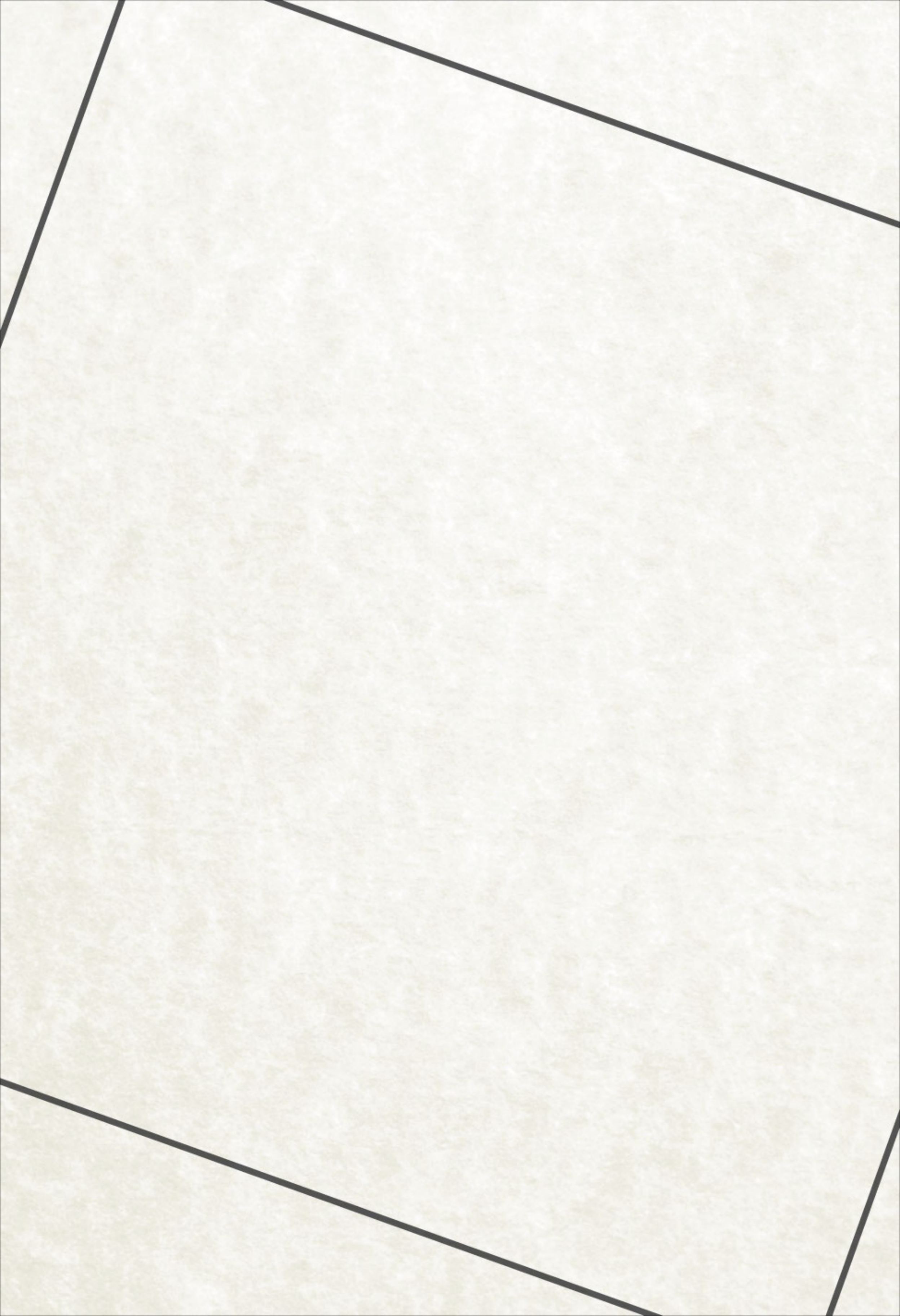


AISHA STEEL MILLS LIMITED

SHAPING THE ECONOMY

Condensed Interim Report for the
Quarter ended March 31, 2013



CONTENTS

COMPANY INFORMATION

Board of Directors

Mr. Arif Habib, Chairman
Mr. Hasib Rehman
Mr. Yoshikazu Uda
Mr. Nasim Beg
Mr. Samad A. Habib
Mr. Kashif A. Habib
Mr. Muhammad Ejaz
Mr. Kashif Shah, CEO

Audit Committee

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

Registered Address:

Arif Habib Centre, MT Khan Road,
Karachi – Pakistan
website : www.aishasteel.com

Plant Address:

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

Auditors

A.F. Fergusons & Company , 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 Shahra-e-Faisal,
Karachi
Phone: 92-21-111-111-500

Bankers

Askari Bank Ltd
Bank Alfalah Ltd
Faysal Bank Ltd
Habib Metropolitan Bank Ltd
JS Bank Ltd
KASB Bank Ltd
MCB Bank Ltd
National Bank of Pakistan
Pak China Investment Company Ltd
Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Ltd
Silk Bank Ltd
Summit Bank Ltd
Sindh Bank Ltd
The Bank of Khyber
The Bank of Punjab

DIRECTORS' REVIEW

On behalf of the Board of Directors of Aisha Steel Mills Limited, I present the Directors' Review together with condensed interim financial statements (unaudited) of the Company for the third quarter and nine months ended March 31, 2013.

Market Review

China is the largest player (60% share in the world) in steel making which influences global steel prices. The East Asian block including Japan, Taiwan and Korea follow a similar trend with regard to prices. The Chinese mills intentionally increased their price before the Chinese New Year holidays to improve their financial results. In actuality increase in price amounting to USD 20/ MT was experienced every fortnight.

Going forward decrease in steel prices is expected owing to above average inventory held by the Chinese dealers. We anticipate global prices trends and profit levels of steel mills to stabilize in the current quarter based on the raw material prices i.e. Iron Ore and Coke. As CRC prices are directly proportional to HRC prices, therefore CRC mills may see reduced margins owing to the time lag between HRC and CRC.

Within Pakistan, the two private sector producers, namely your Company and ISL, continued to sell their CRC at import parity prices. However, Pakistan Steel Mills (PSM), sold its CRC at substantially lower prices than your Company and ISL. While there is no bonafide research in Pakistan covering CRC sector and its demand-supply trends, however, based on market knowledge, we are proud to share with you that your Company has achieved a scale whereby its total sale of CRC was more than aggregate sale of all other local CRC producers. This would give advantage to your Company in times to come in terms of product premium and deeper relationship with key CRC consumers.

Duty & Tariff Regime

It is with a heavy heart that we report to you that local CRC producers continue to suffer at the hands of unscrupulous importer mafia on following accounts:

1. Under-invoicing of imported secondary quality CRC: For the quarter under review, Customs Department has not been able to set a formula for discount of secondary quality CRC prices due to influence of importer mafia. There is ample precedence whereby in another flat product, namely Electro Galvanize, Customs Department has agreed a discount from prime material of 5% to determine secondary material's import price. In case of CRC, Custom Department continues to unfairly favor the importer mafia by setting much higher discounts. This not only results in losses to national exchequer but also suppresses domestic CRC prices. Despite active follow-up by all the three local CRC producers, this issue remains un-resolved.

2. Massive miss-use of DTRE Scheme: Almost all the pipe mills in Pakistan which are importing CRC under Duty and Tax Remission for Exports (DTRE) scheme are selling the imported CRC in Pakistan without any value-addition while on papers they are showing exports to Afghanistan. In the month of January 2013, there was a small sign of victory when Customs Department caught 13 such pipe mills and registered FIRs against them. The blatant abuse of DTRE scheme these pipe mills cannot be stopped on a permanent basis unless CRC is exempted from DTRE scheme altogether and there is precedence for this as well. FBR has exempted edible oil and raw sugar from DTRE scheme. The reason for this solution is that almost all the 13 pipe mill against which FIRs were registered have been able to get their names removed through iniquitous ways. These pipe mills are resulting in losses of billions of rupees to national exchequer as they not only avoid paying import custom duty but also evade 16% Sales Tax.

3. Mis-declaration of CRC into Alloy Steel: Another growing threat is coming from mis-declaration of CRC under Alloy Steel which attracts nil import duty. In Jan-Mar 2012 quarter, total import of Alloy Steel was c.9,000MT which increased to c.30,000 in Jan-Mar 2013 quarter. All of this increase has come from imports by unscrupulous commercial importer mafia by mis-declaration of HRC and CRC as Alloy Steel to avoid paying 10% import duty. The only way to permanently address this issue is to impose an import duty which is in line with that of HRC and CRC i.e. 10% import duty on Alloy Steel and Silicon Steel.

Apart from above, local CRC producers are also actively following up with FBR and Engineering Development Board (EDB) for removal of import of CRC for pipe mill from concessional category under SRO-565 as CRC is being produced locally and 100% demand of all pipe mills can be met by the local producers. Similarly, Ministry of Commerce is being followed up for removal of CRC from China-Pak FTA which puts the local producers of CRC at a disadvantage as Chinese CRC can be imported at 5% custom duty instead of 10% from other countries.

Operational Review

Your Company's operational performance has been better than the last quarter with Gross Sales of c. PKR 800 million respectively in both Jan 2013 and Feb 2013. Sales have been slightly lower during the month of March due increase in load-shedding up-Country and perceived uncertainty due to upcoming elections. During the third quarter, your Company has achieved a total production of 21,870 MT and total sales of 23,980 MT translating into Gross Sales of PKR 2,111 million resulting in Gross Profit of PKR 4.11 million. Despite challenges discussed in the aforesaid market review, the achievement of Gross Profit in second production quarter shows that your Company is moving in the right direction

A brief summary of the financial results for the period ended March 31, 2013 is as follows:

All figures in PKR M	Period ended March 2013	Quarter ended March 2013	Period ended March 2012	Quarter ended March 2012
Net Sales	2,408	1,718	Project Phase	Project Phase
Gross Profit	(30)	4	Project Phase	Project Phase
Loss before tax	(704)	(298)	(94)	(30)
Loss after tax	(470)	(206)	(61)	(20)

We are pleased to communicate that your Company is now producing CRC of good quality and has been able to get orders from a number of reputable end-users which is a testament of good CRC quality of your Company. In order to operate at current production levels, your Company has sufficient working capital lines and additional working capital lines are under process which would enable us for seamless production at higher capacities.

Future Outlook:

Going forward, as per directions given by the Board of Directors, we intend to focus on ramping up our production further and keeping our costs under control. Of course our main cost is that of imported HRC and therefore, we plan to continue to import HRC diligently and at competitive prices from reputable HRC producers globally. As your Company achieves these targets, you would see further improvement in financial results.

Acknowledgement

On behalf of the Board of Directors, we would like to record appreciation of all our stakeholders, especially our exclusive Dealer-Partners, our Direct Customers, and our Bankers for their patronage and we look forward for the continued support. We acknowledge and appreciate the hard work put in by the employees of the Company during the period.

For and on behalf of the Board

Karachi
April 30, 2013

Kashif Shah
Chief Executive Officer

CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEET

As At March 31, 2013

	Note	(Un Audited) March 31 2013	(Audited) June 30 2012
		Rupees in thousand	
ASSETS			
Non-current assets			
Property plant and equipment	5	9,492,005	9,491,653
Intangible assets		15,961	11,343
Long-term loans		5,093	4,032
Long term deposits and prepayments		52,490	48,817
Deferred tax asset		482,701	237,281
		10,048,250	9,793,126
Current assets			
Stores and spares		401,929	137,090
Stock in trade		2,166,668	489,518
Advances, deposits and prepayme nts		118,171	19,480
Other receivables	6	138,655	138,485
Short-term investment		40,828	-
Tax refunds due from Government - Sales tax		276,546	285,274
Accrued mark-up		1,098	424
Taxation - Payments less provision		129,473	46,394
Cash and bank balances		220,995	37,283
		3,494,363	1,153,948
Total assets		13,542,613	10,947,074
EQUITY AND LIABILITIES			
Equity			
Share capital	7		
Ordinary shares		2,680,000	2,680,000
Cumulative preference shares		758,201	758,201
		3,438,201	3,438,201
Accumulated losses		(910,890)	(440,662)
		2,527,310	2,997,539
Liabilities			
Non-current liabilities			
Long-term finance	8	5,410,296	5,912,031
Liabilities against assets subject to finance lease		8,744	11,375
Staff retirements benefits		12,165	6,125
		5,431,205	5,929,531
Current liabilities			
Trade and other payables		1,894,355	592,131
Accrued mark-up		467,458	864,809
Short-term borrowings	9	2,096,997	529,386
Current maturity of long-term finance		1,121,796	30,000
Current maturity of liabilities against assets subject to finance leases		3,492	3,679
		5,584,098	2,020,004
Total liabilities		11,015,303	7,949,535
Contingencies and commitments	10		
Total equity and liabilities		13,542,613	10,947,074

The annexed notes 1 to 14 form an integral part of these condensed interim financial statement

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For The Period Ended March 31, 2013

	Note	(Un Audited) Nine months ended March 31 2013	(Un Audited) Nine months ended March 31 2012	(Un Audited) Quarter ended March 31 2013	(Un Audited) Quarter ended March 31 2013
		Rupees in thousand			
Sales	11	**2,408,175**	-	**1,717,990**	-
Cost of Sales		**(2,437,993)**	-	**(1,713,880)**	-
Gross Profit / (Loss)		**(29,818)**	-	**4,110**	-
Administrative expenses		**(118,764)**	(120,109)	**(33,878)**	(47,347)
Selling & Distribution expenses		**(3,182)**	-	**(1,307)**	-
Other operating income		**12,618**	33,203	**7,280**	13,984
Loss from operations		**(139,146)**	(86,906)	**(23,795)**	(33,363)
Finance costs		**(564,462)**	(7,456)	**(273,745)**	2,965
Loss before taxation		**(703,608)**	(94,362)	**(297,540)**	(30,398)
Taxation - deferred		**233,380**	33,243	**91,426**	10,639
Loss for the period		**(470,228)**	(61,119)	**(206,114)**	(19,759)
Other comprehensive income		**-**	-	**-**	-
Total comprehensive loss for the period		**(470,228)**	(61,119)	**(206,114)**	(19,759)
Loss per share - (Rupees)		**(2.04)**	(0.62)	**(0.86)**	(0.20)

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT

For The Period Ended March 31, 2013

	Note	(Un Audited) March 31 2013	(Un Audited) March 31 2012
		Rupees in thousand	
CASH USED IN OPERATING ACTIVITIES			
Loss before taxation		**(703,608)**	(94,362)
Add / (Less): Adjustment for non-cash and other items			
Depreciation & amortization		**169,795**	10,039
Finance lease charges		**1,267**	1,724
Provision for staff retirement benefits		**6,647**	438
Return on deposits		**(10,720)**	(24,650)
Gain on disposal of fixed assets		**(3)**	(17)
Unrealised gain on short term investments		**(828)**	-
Exchange loss		**57,249**	-
Interest on loan		**480,569**	-
		703,976	(12,467)
Loss before working capital changes		**368**	(106,829)
Effect on cash flow due to working capital changes			
(Increase) / Decrease in current assets			
Stores and spares		**(39,035)**	(40,569)
Stock-in-trade		**(1,677,150)**	(200,696)
Advances, deposits and prepayments		**(98,691)**	(28,714)
Other receivables		**(171)**	100,957
Tax refunds due from Government - Sales tax		**8,728**	(153,514)
		(1,806,318)	(322,536)
Increase in Current Liabilities			
Trade and other payables		**1,244,976**	223,099
Cash from operations		**(560,974)**	(206,265)
Income tax paid		**(95,119)**	(11,215)
Markup on loans paid		**(1,184,759)**	(398,931)
Return received on deposits		**10,046**	24,650
Staff retirement benefits paid		**(607)**	-
Increase in long - term employee loans		**(1,060)**	(1,133)
Increase in long-term deposits and prepayments		**(3,673)**	(356)
Net cash used in operating activities		**(1,836,147)**	(593,250)
CASH USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(88,261)**	(1,263,374)
Additions to Intangible assets		**(5,527)**	(8,598)
Short term investment		**(40,000)**	-
Sale proceeds on disposal of property, plant and equipment		**60**	220
Net cash used in investing activities		**(133,728)**	(1,271,752)
CASH INFLOW FROM FINANCING ACTIVITIES			
Advance against share capital		**-**	103,000
Long-term finance obtained		**590,061**	957,119
Increase in short term borrowings		**1,567,610**	255,000
(Decrease) / increase in liabilities against assets subject to finance leases		**(4,085)**	7,728
Net cash inflow from financing activities		**2,153,586**	1,322,847
Net increase / (decrease) in cash and cash equivalents		**183,711**	(542,154)
Cash and cash equivalents at the beginning of the period		**37,283**	938,392
Cash and cash equivalents at the end of the period		**220,995**	396,238

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY

For The Period Ended March 31, 2013

	Share capital	Share deposit money	Accumulated Loss	Total
	Rupees in thousand			
Balance as at July 1, 2012 - Audited	**3,438,201**	**-**	**(440,662)**	**2,997,539**
Total comprehensive loss for the nine months ended March 31,2013	**-**	**-**	**(470,228)**	**(470,228)**
Balance as at 31 March 2013 - Un audited	**3,438,201**	**-**	**(910,890)**	**2,527,310**
Balance as at July 1, 2011 - Audited	3,200,336	3,571	(355,201)	2,848,705
Share deposit money received	-	103,000	-	103,000
Shares issued during the period	3,571	(3,571)	-	-
Total comprehensive loss for the nine months ended March 31,2012	-	-	(61,119)	(61,119)
Balance as at 31 March 2012 - Un audited	3,203,907	103,000	(416,320)	2,890,586

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

Chief Executive Officer

Director

Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended March 31, 2013 (Unaudited)

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, 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.

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, existing sponsors of the Company. 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.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine months ended March 31, 2013 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 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, 2012.

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 financial statements for the year ended June 30, 2012, except for short term investments which are classified as "Investments carried at fair value through profit and loss account". There are no new IFRSs that are effective for the first time for this interim period that would be expected to have a material impact on 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, 2012.

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, 2012.

5. PROPERTY, PLANT AND EQUIPMENT

5.1 The Company declared commencement of commercial production of cold rolled coils (CRC), effective October 1, 2012. Accordingly, the company has transferred costs relating to cold rolling mill complex of Rs 8.49 billion to operating assets in the current period. The difference of trial production sales amounting to Rs 514.8 million and related cost of Rs 624 million have been charged to the cost of plant.

Other ancillary cost transferred to operating assets during the current period include borrowing costs amounting to Rs 2.1 billion. The Company ceased capitalization of borrowing costs of the main plant on September 30, 2012 (the date when substantially all the activities necessary to prepare the main plant were completed) except for the borrowing cost on remaining plant and machinery, amounting to Rs 218 million which is still under construction phase.

The useful life of plant and machinery has been assessed between 10 to 33 years.

5.2 Additions to property plant and equipment during the period are as follows:

	Additions (at cost)	
	Un audited March 31, 2013	Un audited March 31 2012
	Rupees in thousand	
Owned		
Building on leasehold land	**9,804**	-
Plant and machinery	**51,831**	-
Electrical installations	**10,342**	-
Office Equipment	**8,165**	2,797
Furniture and fittings	**1,577**	939
Borrowing cost capitalised	**293,783**	403,604
Assets held under finance leases		
Motor vehicles	**-**	13,070
	375,502	420,410

5.3 No significant disposals were made during the period.

6. OTHER RECEIVABLES

This represents amount receivable from Etimaad Engineering (Private) Limited which is under dispute. There has been no change in the status of other receivables reported in the financial statements of the Company for the year ended June 30, 2012 .

7. SHARE CAPITAL

7.1 On March 31, 2013 the Company has allotted 1,619,799 ordinary shares against conversion of 1,619,799 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 244.1 million is not accounted for in these condensed interim financial statements.

8. LONG-TERM FINANCE

During the period the Company obtained additional financing facility of Rs 590 million from syndicate banks, payable by February 2014, 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. Hasib Rehman.

9. SHOR-TERM BORROWINGS

As at March 31, 2013, the Company has working capital finance facilities (including unfunded lines for letters of credit and guarantee) amounting to Rs 4.6 billion (June 30, 2012: Rs 1 billion), including 6 months Sukkuk facility of Rs. 500 million issued by the Company. The rates of mark-up range between 3 months KIBOR + 2.5% to 3 months KIBOR + 3% (June 30, 2012: 3 months KIBOR + 2.5% to 3 months KIBOR + 3%). These facilities are secured against first pari passu charge over the current assets of the Company alongwith ranking parri passu charge over fixed assets with 25% margin.

10. CONTINGENCIES AND COMMITMENT

10.1 Contingencies

There has been no change in status of contingencies reported in the financial statements for the year ended June 30, 2012.

10.2 Commitments

10.2.1 Commitments for capital expenditure outstanding as at March 31, 2013 amounted to Rs 144.7 million (June 30, 2012: Rs 77.86 million).

10.2.2 Commitments for rentals under ijarah arrangements amounted to Rs 22.432 million (June 30, 2012: Rs 1.38 million) payable as follows:

	Un audited March 31, 2013	Audited June 30, 2012
	Rupees in thousand	
Not later than 1 year	5,176	377
Later than 1 year but not later than 5 years	17,256	1,004
	22,432	1,381

	Un audited March 31, 2013	Un audited March 31, 2012
	Rupees in thousand	
11. SALES		
Gross Sales	2,843,411	-
Less: Sales tax	(392,195)	-
	2,451,217	-
Less: Commission	(43,042)	-
	2,408,175	-

12. LOSS PER SHARE

Loss after taxation attributable to ordinary shareholders	(470,228)	(61,119)
Adjustment for cumulative preference share dividend	77,550	91,579
Loss after taxation for calculation of basic earnings per share	(547,778)	(152,697)
Weighted average number of ordinary shares outstanding at the end of period		
Ordinary shares in issue	268,000	244,571
Loss per share - Rupees	(2.04)	(0.62)

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Nine Months Ended March 31, 2013 (Unaudited)

13. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transaction	Un audited March 31, 2013	Un audited March 31, 2012
		Rupees in thousand	
Associated companies:			
	- Purchase of construction materials	**2,170**	14,070
	- Purchase of raw material	**3,183,207**	-
	- Managerial and advisory fee	**-**	3,191
	- Recovery of expenses	**558**	558
	- Shares issued	**-**	3,571
Key management compensation	- Salaries and other short-term employee benefits	**11,903**	11,828
	- Post retirement benefits	**1,629**	744

14. 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 April 30, 2013.

Chief Executive Officer | Director | Chief Financial Officer

AISHA STEEL MILLS LIMITED
SHAPING THE ECONOMY

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