

Half Yearly Report
December 2019

FY
20

We
see the
future
in steel



Table of Contents

Vision and Mission Statement	02
Company Information	03
Directors' Review Report.....	04
Condensed Interim Statement of Financial Position	06
Condensed Interim Statement of Profit or Loss Account and Other Comprehensive Income.....	07
Condensed Interim Statement of Cash Flows	08
Condensed Interim Statement of Changes In Equity.....	09
Notes to and Forming Part of the Condensed Interim Financial Statements	10



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. Muhammad Ejaz
Mr. Jawaid Iqbal
Mr. Kashif Habib
Ms. Tayyaba Rasheed
Mr. Ahsan Ashraf (resigned on February 17, 2020)

Audit Committee

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

Human Resource & Remuneration Committee

Mr. Rashid Ali Khan – Chairman
Mr. Arif Habib – Member
Mr. Muhammad Ejaz – Member
Mr. Jawaid Iqbal – Member

Chief Financial Officer

Mr. 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

Auditor

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 Advisors

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

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



Directors' Review Report

The Directors of Aisha Steel Mills Limited (ASML) present here with Directors' Review Report together with condensed interim financial statements (unaudited) of the Company for the half year ended December 31, 2019.

Steel Market Review

The declining trend in the international HRC prices continued till October 2019 where the FOB China price reached levels near US\$ 400 per ton, a drop of over US\$ 100 when compared to prices prevailing in July 2019. Subsequently, the HRC prices stabilized and started firming up reaching over US\$ 500 within a short span of two months. Similar rising trend was observed in all major markets including EU, USA, Japan, India and Russia. The iron ore increased from US\$ 85 to US\$ 95 during the October-December quarter, 2019.

The local market sentiments improved and demand picked up following the rising trend in the international market. The auto sector, however, remained under pressure. Sales volume of cars, trucks and tractors did not show any substantial improvement.

The imports during the period continued, however, the volumes dropped substantially. A comparison of imports and market share of ASML, ISL during July - December period is tabulated below:

Approximate Imports	Dec 2019	Dec 2018	Decrease in imports
CRC Imported (Tons)	54,619	127,889	57%
GI Imported (Tons)	62,620	69,796	10%

Approximate CRC Market Share	Dec 2019	Dec 2018
ASML	38%	27%
ISL	39%	26%
Imports	23%	47%

Approximate GI Market Share	Dec 2019	Dec 2018
ASML	28%	0%
ISL	43%	63%
Imports	29%	37%

The overall market share of ASML has increased from 16%, in July to December 2017-18 period to 33% in the corresponding period of the current financial year. The overall market share of ISL has remained around 41% for both the periods. The share of imports has dropped from 43% last year to 26% in the current financial year.

Operational Review

The sales quantity achieved in the July-December 2019 period was 153,040 tons compared to 75,010 tons for the corresponding period last year, showing an increase of about 104%. The total production for the period was 160,838 tons compared to 88,049 tons, showing an increase of about 83%. The capacity utilization, after the expansion to 700,000 tons/year, was 46% compared to 80% recorded



for the corresponding period last year when the capacity stood at 220,000 tons/year. The revenue generated during the period was PKR 17,551 million, compared to PKR 7,600 million achieved in the corresponding period of 2018-19, showing an increase of 131%.

The Company posted before tax loss of PKR 539 million in the July-December period of the current financial year compared to before tax loss of PKR 343 million in corresponding period in 2018-19.

A brief summary of the financial results as on December 31, 2019 is as follows:

All figures in PKR Million	Half year ended	
	Dec 2019	Dec 2018
Net Sales	17,551	7,600
Gross Profit	1,259	639
Loss before tax	(539)	(343)
Loss after tax	(285)	(52)

Future Outlook

The prices currently are under pressure due to coronavirus. The long-term implications of the same are still being speculated and the market is taking a very cautious approach. However, it is anticipated that demand in the local market is likely to show improvement.

Post Balance Sheet Event

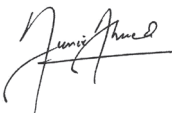
On January 7th, 2020, at around 10 am, fire broke out at the Cold Rolling & Skin pass Mill (CRSM). It took about 30 minutes to control and extinguish the same using in-house firefighting system. The equipment around the main housing was seriously damaged. All the instrumentation (E&I), control cabinets, measuring devices, hydraulic stations, oil mist stations etc. were completely burnt out.

The CRSM carries out two functions. It is used as rolling mill and also as a skin pass mill. The latter mode is mandatory to produce annealed CRC which is almost 60% of our product mix. (The newly installed double strand rolling mill can roll 500,000 tons of CRC. However, the skin pass operation is not possible on the same.) The suppliers, M/S Steel Plantech, Japan and the software suppliers M/S ABB, China have been approached to carry out detailed survey of the damage. They are constituting teams which are expected to come on site in the next few weeks.

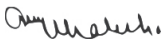
However, due to urgency of the skin pass operation, after taking approval from the insurance company, the recovery operation was initiated in house by engineers of ASML. After a month of hard work, team AISHA was able to completely rebuild the machine. The skin pass operations have commenced again from February 11, 2020.

Acknowledgement

We would like to record our appreciation and gratitude to the Banks for the continuous support in the ongoing operations as well as in the expansion project. We also acknowledge the support of the Regulators for their continued support. We appreciate the extra efforts put in by the company employees in connection with the rebuilding of the skin pass mill.



Dr. Munir Ahmed
Chief Executive



Mr. Arif Habib
Chairman

Karachi: February 18, 2020

Condensed Interim Statement of Financial Position

As At December 31, 2019

(Unaudited)
December 31,
2019

(Audited)
June 30,
2019

Rupees '000

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	5	20,290,113	20,133,384
Intangible assets		4,976	5,826
Long-term loans and advances		6,568	6,974
Long-term deposits		81,449	76,574
Deferred taxation	6	1,597,247	1,343,955
		<u>21,980,353</u>	<u>21,566,713</u>

CURRENT ASSETS

Stores and spares		459,498	379,561
Stock-in-trade	7	6,251,441	6,919,983
Trade receivables		406,931	598,537
Advances, deposits and short-term prepayments		725,382	937,592
Other receivables		149,159	144,500
Tax refunds due from Government - Sales tax		771,829	883,010
Taxation - payments less provisions		1,170,851	1,092,365
Cash and bank balances	8	169,858	208,648
		<u>10,104,949</u>	<u>11,164,196</u>
		<u>32,085,302</u>	<u>32,730,909</u>

TOTAL ASSETS

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Share capital	9		
Ordinary shares		7,655,293	7,655,293
Cumulative preference shares		472,272	472,272
Difference on conversion of cumulative preference shares into ordinary shares		(1,313,789)	(1,313,789)
		<u>6,813,776</u>	<u>6,813,776</u>
Accumulated loss		(513,438)	(246,194)
Capital reduction reserve		667,686	667,686
Surplus on revaluation of fixed assets		1,493,500	1,511,560
		<u>8,461,524</u>	<u>8,746,828</u>

LIABILITIES

NON - CURRENT LIABILITIES

Long-term finance		6,573,891	7,171,280
Long-term lease liability		41,373	37,212
Retirement benefit obligations		75,439	64,493
		<u>6,690,703</u>	<u>7,272,985</u>

CURRENT LIABILITIES

Trade and other payables	10	2,982,061	1,233,907
Accrued mark-up		833,561	854,036
Borrowings	11	12,174,796	14,111,977
Current maturity of long-term finance		927,035	500,000
Current portion of long-term lease liability		15,622	11,176
		<u>16,933,075</u>	<u>16,711,096</u>

TOTAL LIABILITIES

CONTINGENCIES AND COMMITMENTS

TOTAL EQUITY AND LIABILITIES

	12	<u>32,085,302</u>	<u>32,730,909</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 Account and Other Comprehensive Income

For The Half Year Ended December 31, 2019 - (Unaudited)

		Quarter ended		Half year ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Rupees '000					
Net revenue from contracts with customers	13	11,390,869	4,509,680	17,551,055	7,600,434
Cost of sales		(10,684,420)	(4,369,766)	(16,291,885)	(6,961,831)
Gross profit		706,449	139,914	1,259,170	638,603
Selling and distribution cost		(11,044)	(6,014)	(22,426)	(11,135)
Administrative expenses		(86,190)	(66,008)	(165,363)	(128,432)
Other expenses		-	11,793	-	-
Other income		13,622	14,486	29,987	17,154
Operating profit		622,837	94,171	1,101,368	516,190
Finance cost	14	(921,413)	(592,882)	(1,639,969)	(858,778)
Loss before taxation		(298,576)	(498,711)	(538,601)	(342,588)
Taxation	15	217,267	326,573	253,297	291,172
Loss after taxation		(81,309)	(172,138)	(285,304)	(51,416)
Other comprehensive income		-	-	-	-
Total comprehensive loss		(81,309)	(172,138)	(285,304)	(51,416)
Rupees					
Loss per share - Basic	16	(0.16)	(0.24)	(0.45)	(0.10)

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, 2019 - (Unaudited)

		December 31, 2019	December 31, 2018
Rupees '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilised in) operations	17	4,386,321	(4,668,554)
Income tax paid		(78,481)	(81,229)
Finance cost paid		(1,690,938)	(362,101)
Payments made to staff retirement benefit funds		(2,899)	(3,052)
Decrease / (increase) in long-term loans and advances		406	(1,456)
(Increase) / decrease in long-term deposits		(4,875)	15
Net cash generated from / (utilised in) operating activities		2,609,534	(5,116,377)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(535,249)	(4,565,581)
Return on bank deposits received		9,352	4,017
Purchase of intangible assets		-	(147)
Proceeds from disposal of property, plant and equipment		6,634	1,796
Net cash utilised in investing activities		(519,263)	(4,559,915)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term finance		(250,000)	(251,130)
Long-term finance obtained		78,378	2,174,850
Lease rentals paid		(20,258)	(5,455)
Net cash (utilised in) / generated from financing activities		(191,880)	1,918,265
Net increase / (decrease) in cash and cash equivalents		1,898,391	(7,758,027)
Cash and cash equivalents at beginning of the period		(13,903,329)	(4,999,542)
Cash and cash equivalents at end of the period	18	(12,004,938)	(12,757,569)

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, 2019 - (Unaudited)

	SHARE CAPITAL	RESERVES			Total
Capital		Revenue			
		Surplus on revaluation of fixed assets	Capital reduction reserve	Accumulated loss	
	Rupees '000				
Balance as at July 1, 2018	7,481,462	1,557,724	-	(548,080)	8,491,106
Incremental depreciation net of deferred tax transferred	-	(23,082)	-	23,082	-
Reduction in share capital	(667,686)	-	667,686	-	-
- Loss for the half year ended December 31, 2018	-	-	-	(51,416)	(51,416)
- Other comprehensive income for the half year ended December 31, 2018	-	-	-	-	-
Total comprehensive loss for the half year ended December 31, 2018	-	-	-	(51,416)	(51,416)
Balance as at December 31, 2018	6,813,776	1,534,642	667,686	(576,414)	8,439,690
Balance as at July 1, 2019	6,813,776	1,511,560	667,686	(246,194)	8,746,828
Incremental depreciation net of deferred tax transferred	-	(18,060)	-	18,060	-
- Loss for the half year ended December 31, 2019	-	-	-	(285,304)	(285,304)
- Other comprehensive income for the half year ended December 31, 2019	-	-	-	-	-
Total comprehensive loss for the half year ended December 31, 2019	-	-	-	(285,304)	(285,304)
Balance as at December 31, 2019	6,813,776	1,493,500	667,686	(513,438)	8,461,524

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive

Director



We see the future in steel

Pishra Steel Mills Limited

Half Yearly Report - December 2019

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - [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. 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.

After the reporting period, a fire accident occurred on January 7, 2020 at the rolling mill of the old plant (line-1) of the Company. The stated event is 'non-adjusting' in the reporting period as per International Accounting Standard (IAS) 10, 'Events After The Reporting Period'. The management along with the insurance company is in the process of assessing the amount of loss due to fire for filing the insurance claim as the assets were fully insured.

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, 2019.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The changes laid down by this standard have been disclosed in note 3.1 of these condensed interim financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant



Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - (Unaudited)

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2019 are considered not to be relevant to the Company's financial statements and hence have not been detailed here.

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, 2019, except as disclosed in note 3.1.

3.1 CHANGES IN ACCOUNTING POLICIES - IFRS 16

Effective July 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease', SIC-15 'Operating leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to the Company's right-of-use asset and lease liability are disclosed in note 3.2.

The Company has adopted IFRS 16 retrospectively from July 1, 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognised in the opening statement of financial position on July 1, 2019.

On adoption of IFRS 16, in relation to 'finance leases' recognised under IAS 17, the Company recognised the right-of-use asset and the lease liability at the carrying amount of the leased asset recognised as at June 30, 2019 under IAS 17. The measurement principles of IFRS 16 are only applied after that date. However, 'operating leases' under the principles of IAS 17 have been measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of July 1, 2019. The weighted average incremental borrowing rate of the Company applied to the lease liability on July 1, 2019 was 14.40% per annum.

The following summary reconciles the Company's finance and operating lease commitments as previously disclosed in the Company's annual financial statements for the year ended June 30, 2019 to the lease liability recognised on initial application of IFRS 16 at July 1, 2019.

	Rupees '000
Operating lease commitment as at July 01, 2019	25,789
Effect of discount using Company's incremental borrowing rate at the date of initial application	(7,451)
Total liability as at July 01, 2019	18,338
Of which are:	
Current lease liability	2,917
Non-current lease liability	15,421



Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - [Unaudited]

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at June 30, 2019.

The recognised right-of-use assets relate to the following types of asset:

	December 31, 2019	June 30, 2019
	Rupees '000	
Lease hold land	1,333,008	1,347,004
Leased vehicles	41,667	44,173
Rented property	17,465	19,960

The change in accounting policy affected the following items in the condensed interim statement of financial position on July 01, 2019 as follows,

Right-of-use asset - increased by	-	1,411,137
Lease liability - increased by	-	19,960

The change in accounting policy affected the following items in the condensed interim statement of profit or loss account for the half year ended December 31, 2019

Mark-up expense increased by	635	-
Depreciation charge in administrative expense increased by	2,495	-
Rent charge in administrative expense decreased by	2,778	-

3.2 Right-of-use asset and lease liability

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - (Unaudited)

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient not to recognise right-of-use asset and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

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, 2019.
- 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, 2019.

	December 31, 2019	June 30, 2019
Rupees '000		

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	17,570,856	19,184,659
Right-of-use assets - note 5.2	1,424,932	-
Less: depreciation	(32,792)	-
	1,392,140	-
Capital work in progress (at cost) - note 5.3	9,989	-
Major spare parts and stand-by equipment	1,317,128	948,725
	<u>20,290,113</u>	<u>20,133,384</u>



Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - [Unaudited]

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

	Additions (at cost)		Disposals (at net book value)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Rupees '000)			
Plant and machinery	147,658	198,448	-	-
Building and other civil work on lease hold land	-	1,467	-	-
Office equipment	4,545	4,506	100	127
Furniture and fixtures	-	1,826	-	-
Electrical equipment	4,847	7,990	-	-
Vehicles	-	-	18	1,446
Leased vehicles	-	22,150	-	-
	157,050	236,387	118	1,573

5.2 The right-of-use assets comprise of lease hold land, rented property and leased vehicles. During the period additions were made to vehicles under right-of-use assets amounting to Rs. 6.4 million and disposals made having written down value of Rs. 3.9 million.

5.3 Capital work in progress

This includes Rs. 9.98 million (June 30, 2019: Nil) for the development and construction of roads and infrastructure near plant site.

6. DEFERRED TAXATION

The Company has an aggregate amount of Rs. 9.42 billion (June 30, 2019: Rs. 11.59 billion) in respect of tax losses as at December 31, 2019. The management carries periodic assessment to assess the benefit of these losses as the Company would be able to set off the carried forward losses against the profits earned in future years. Based on management assessment, the Company has recognised deferred tax asset on losses amounting to Rs. 2.73 billion (June 30, 2019: Rs. 3.36 billion) including an amount of Rs. 2.20 billion (June 30, 2019: Rs. 2.99 billion) on timing difference on account of unabsorbed tax depreciation, amortisation and initial allowance of Rs. 7.60 billion (June 30, 2019: Rs. 10.31 billion). The amount of this benefit has been recognised in view of expected profits as per the financial projections of the Company for future years. The projection of future taxable profits 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.



Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - (Unaudited)

	December 31, 2019	June 30, 2019
Rupees '000		

7. STOCK-IN-TRADE

Raw material [including in transit Rs. 114 million (June 30, 2019: Rs. 1,393 million)]	3,993,938	4,897,937
Work in process	161,921	718,171
Finished goods [including coil end sheets Rs. 10.35 million (June 30, 2019: Rs. 24.89 million)]	2,057,233	1,288,734
Packing and other materials	38,349	15,141
	<u>6,251,441</u>	<u>6,919,983</u>

8. CASH AND BANK BALANCES

With banks on		
- Current accounts	111,829	169,851
- PLS savings accounts - note 8.1	57,629	38,332
Cash in hand	400	465
	<u>169,858</u>	<u>208,648</u>

8.1 At December 31, 2019 the rates of mark up on PLS savings accounts range from 7.1% to 11.5% (June 30, 2019: 6.17% to 8.75%) per annum.

9. SHARE CAPITAL

9.1 Authorised share capital

December, 31 2019	June, 30 2019		December, 31 2019	June, 30 2019
(Number of shares)			Rupees '000	
<u>1,100,000,000</u>	<u>1,100,000,000</u>	Ordinary and Cumulative Preference Shares of Rs. 10 each	<u>11,000,000</u>	<u>11,000,000</u>

9.2 Issued, subscribed and paid-up capital

December, 31 2019	June, 30 2019		December, 31 2019	June, 30 2019
(Number of shares)			Rupees '000	
765,529,303	832,297,886	Ordinary shares of Rs. 10 each	7,655,293	8,322,979
-	(66,768,583)	Reduction in share capital - note 9.3	-	(667,686)
<u>765,529,303</u>	<u>765,529,303</u>		<u>7,655,293</u>	<u>7,655,293</u>



We see the future in steel

Aisha Steel Mills Limited

Half Yearly Report - December 2019

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - [Unaudited]

9.3 Pursuant to Share Purchase Agreement executed on March 31, 2016 between the Arif Habib Group [consisting of Mr. Arif Habib, Arif Habib Corporation Limited and Arif Habib Equity (Private) Limited] and Metal One Corporation (Japan) (the Seller), it was agreed that subject to the satisfaction of certain conditions precedent, Mr. Arif Habib individually will acquire all the ordinary shares i.e. 66.77 million shares of the Seller in the Company at a price of Rs. 0.5 per share with the intention of writing off and surrendering all the acquired shares of the Seller to the Company, at no cost to the Company and in accordance with Section 96 of the repealed Companies Ordinance, 1984 by way of a court approved scheme of reduction of capital, in order to enhance shareholders value for the remaining shareholders. In this respect, the petition under section 96 of the repealed Companies Ordinance, 1984 was filed before the High Court of Sindh on December 29, 2016 for reduction of share capital of the Company. The Honourable High Court of Sindh in its order dated June 25, 2018 has allowed the petition and minutes passed in Annual General Meeting of the Company held on October 27, 2016 for reduction of paid-up capital. As required by section 93 of the Companies Act, 2017, the Company filed the application for registration of order of reduction and consequently, the SECP through its letter dated July 13, 2018 has acknowledged the registration of the High Court order for reduction of share capital. The reduction in capital is effective from the date of acknowledgement.

9.4 Dividend in respect of preference shares is only payable when Company has accumulated profits. Therefore, cumulative dividend on Preference Shares (PSX Symbol - ASLPS) and Preference Shares (PSX Symbol - ASLCPS) amounting to Rs. 709 million (June 30, 2019: Rs. 656 million) and Rs. 304 million (June 30, 2019: Rs. 301 million) respectively, is not accounted for in these condensed interim financial statements.

10. TRADE AND OTHER PAYABLES

These include bills payable of Rs. 2,081.63 million (June 30, 2019: Rs. 283.58 million) against import of raw material.

11. BORROWINGS

The lender wise balance of short-term loan and running finance facilities obtained by the Company are as follows:

	December 31, 2019	June 30, 2019
Rupees '000		
Unsecured - short-term finance from related parties - note 11.1		
Mr. Arif Habib, Chairman	306,000	-
Arif Habib Equity (Private) Limited	839,000	-
Rotocast Engineering Company (Private) Limited	1,105,000	-
	2,250,000	-



Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - (Unaudited)

	December 31, 2019	June 30, 2019
	Rupees '000	
Secured short-term running finance from financial institutions - note 11.2		
United Bank Limited	340,574	348,899
National Bank of Pakistan	3,233,440	1,832,735
Dubai Islamic Bank Pakistan Limited	996,000	1,000,000
Habib Metropolitan Bank Limited	1,608,098	5,233,233
Bank Islami Pakistan Limited	494,978	570,254
Sindh Bank Limited	160,480	500,071
The Bank of Punjab	780,863	780,538
Askari Bank Limited	792,691	779,170
Summit Bank Limited	166,405	466,853
MCB Bank Limited	49,505	516,998
MCB Islamic Bank Limited	200,859	-
Habib Bank Limited	726,269	1,402,487
JS Bank Limited	374,634	680,739
	9,924,796	14,111,977
	12,174,796	14,111,977

11.1 The short-term finance facilities of a running finance nature for working capital financing from Mr.Arif Habib, Chairman, Arif Habib Equity (Private) Limited and Rotocast Engineering Company (Private) Limited are available with a maximum limit of Rs. 3.3 billion (June 30, 2019: Rs. 4 billion), Rs. 1 billion (June 30, 2019: Nil) and Rs. 1.2 billion (June 30, 2019: Rs. 1 billion) respectively. The facilities carry mark-up ranging between 3 month KIBOR plus 3% to 6 months KIBOR plus 2.55% per annum (June 30, 2019: 3 month KIBOR plus 3% per annum).

11.2 Facilities for running finance available from above financial institutions amount to Rs. 15.56 billion (June 30, 2019: Rs. 14.44 billion). The rates of mark-up range between 1 month KIBOR plus 1% to 3 month KIBOR plus 3% (June 30, 2019: 1 month KIBOR plus 0.75% to 6 month 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.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 There has been no significant change during the period in the contingencies reported in the annual financial statements for the year ended June 30, 2019.

12.2 Commitments

12.2.1 Commitments for capital expenditure outstanding as at December 31, 2019 amounted to Rs. 519.68 million (June 30, 2019: Rs. 295.69 million).

12.2.2 Commitments for rentals under ijarah arrangements amounted to Rs. 0.56 million (June 30, 2019: Rs. 1.2 million) payable as follows:

	December 31, 2019	June 30, 2019
	Rupees '000	
Not later than 1 year	518	864
Later than 1 year but not later than 5 years	46	407
	<u>564</u>	<u>1,271</u>



Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - [Unaudited]

	December 31, 2019	December 31, 2018
	Rupees '000	
13. NET REVENUE FROM CONTRACTS WITH CUSTOMERS		
Local - note 13.1	20,832,859	8,997,066
Export	76,138	3,846
Gross revenue from contracts with customers	20,908,997	9,000,912
Less: Sales tax	(2,988,094)	(1,295,029)
Rebates and discounts	(143,437)	(13,979)
Dealer commission	(226,411)	(91,470)
	<u>17,551,055</u>	<u>7,600,434</u>

13.1 This includes scrap sales of coil-end sheets net of sales tax amounting to Rs. 753.98 million (2018: Rs. 374.4 million).

	December 31, 2019	December 31, 2018
	Rupees '000	
14. FINANCE COST		
Mark-up expense:		
- long-term finance	542,804	208,470
- Impact of unwinding on long term finance	1,268	38,740
- short-term borrowings	1,182,048	366,882
Guarantee commission	2,473	845
Finance lease charges	2,490	1,051
Exchange (gain) / loss	(106,396)	231,780
Bank and other charges	15,282	11,010
	<u>1,639,969</u>	<u>858,778</u>

15. TAXATION		
Current		
- for the year	-	-
- prior year	5	255,076
Deferred	253,292	36,096
	<u>253,297</u>	<u>291,172</u>

16. LOSS PER SHARE		
16.1 BASIC LOSS PER SHARE		
Loss after taxation attributable to ordinary shareholders	(285,304)	(51,416)
Adjustment for cumulative preference share dividend	(55,697)	(25,228)
Loss after taxation for calculation of basic loss per share	<u>(341,001)</u>	<u>(76,644)</u>
Weighted average number of ordinary shares outstanding at the end of period (in thousand)	765,529	765,529
Basic loss per share (Rupees)	<u>(0.45)</u>	<u>(0.10)</u>



Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - (Unaudited)

16.2 DILUTED LOSS PER SHARE

Diluted loss per share has not been presented for periods ended December 31, 2019 and December 31, 2018, as it has an anti-dilutive effect on loss per share.

	December 31, 2019	December 31, 2018
	Rupees '000	
17. CASH GENERATED FROM / (UTILISED IN) OPERATIONS		
Loss before taxation	(538,601)	(342,588)
Adjustment for non-cash charges and other items		
Depreciation and amortisation	401,729	245,601
Finance cost charged	1,670,463	582,159
Unwinding of long term finance	1,268	66,189
Interest on lease liability	2,489	1,051
Provision for staff retirement benefit funds	13,845	10,342
Return on PLS savings accounts	(9,352)	(4,017)
Gain on disposal of property, plant and equipment	(2,617)	(222)
	2,077,825	901,103
Profit before working capital changes	1,539,224	558,515
Effects on cash flow due to change in working capital		
Decrease / (increase) in current assets		
Stores and spares	(79,937)	(92,897)
Stock-in-trade	668,542	(4,068,415)
Trade receivables	191,606	(261,824)
Advances, deposits and short-term prepayments	212,210	(59,023)
Other receivables	(4,659)	(34,526)
Tax refunds due from Government - Sales tax	111,181	(775,199)
	1,098,943	(5,291,884)
Increase / (decrease) in current liabilities		
Trade and other payables	1,748,154	64,815
Net cash generated from / (utilised in) operations	4,386,321	(4,668,554)
18. CASH AND CASH EQUIVALENTS		
Cash and bank balances	169,858	72,657
Borrowings	(12,174,796)	(12,830,226)
	(12,004,938)	(12,757,569)



Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - [Unaudited]

19. TRANSACTIONS WITH RELATED PARTIES

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

			December 31, 2019	December 31, 2018
			Rupees '000	
Relationship	Name of Company	Nature of transaction		
Associated companies	Arif Habib Corporation Limited	- Finance facility utilised	1,060,000	1,345,000
		- Repayment of finance facility utilised	1,069,478	1,009,478
		- Mark-up on finance facilities	36,491	37,743
		- Mark-up on finance facilities paid	53,234	33,386
		- Guarantee commission	2,450	1,748
		- Guarantee commission paid	2,282	1,739
	Arif Habib Equity (Pvt.) Limited	- Finance facility utilised	839,000	410,000
		- Repayment of finance facility utilised	-	410,000
		- Mark-up on finance facilities	18,137	4,635
	Power Cement Limited	- Purchase of construction material	-	54
		- Payment made against purchase of construction material	-	113
	Rotocast Engineering Co. (Private) Limited	- Finance facility utilised	1,105,000	-
		- Mark-up on finance facilities	54,291	-
		- Mark-up on finance facilities paid	19,168	-
		- Rent and maintenance	4,664	4,166
		- Rent and maintenance paid	4,664	4,166
	Javedan Corporation Limited	- Expenses against sponsorship	-	500
		- Payment against sponsorship expenses	-	1,000
	Sachal Energy Development (Private) Limited	- Finance facility utilised	300,000	-
		- Payment made against finance facility	300,000	-
		- Mark-up on finance facilities	22,577	-
		- Mark-up on finance facilities paid	22,566	-
Other related parties	Mr. Arif Habib, Chairman	- Finance facility utilised	3,003,000	3,680,000
		- Repayment of finance facility utilised	2,697,000	370,000
		- Mark-up on finance facility	158,969	97,321
		- Mark-up on finance facility paid	400,000	-
	Silk Bank Limited	- Bank charges paid	-	33
		- Repayment of finance facilities utilised	-	14,218
		- Mark-up on finance facilities	-	11,716
		- Mark-up on finance facilities paid	-	11,851
Key management personnel	Chief Executive Officer, Chief Financial Officer & Company Secretary	- Salaries and other employee benefits	9,470	8,019
	Chief Financial Officer & Company Secretary Non-Executive Director	- Post retirement benefits	269	219
		- Meeting and other expenses	383	542



Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended December 31, 2019 - (Unaudited)

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 18, 2020.



Chief Financial Officer



Chief Executive



Director





Arif Habib Centre 23,
M.T. Khan Road, Karachi - 74000
Tel: (021) 32468317, 34740160
Fax No. (021) 34740151
Email: info@aishasteel.com
Website: www.aishasteel.com

