



AGHA STEEL INDUSTRIES LTD.
FINANCIAL STATEMENT
FOR THE SIX MONTHS
PERIOD ENDED
DECEMBER 31ST 2021

TABLE OF CONTENTS

Contents

Company Information

Directors' Review Report (English & Urdu)

Auditor's Review Report

Condensed Interim Statement of Financial Position

Condensed Interim Statement of profit or Loss

Condensed Interim Statement of Other Comprehensive Income

Condensed Interim statement of Cash Flows

Notes to the Condensed Interim Financial Statement

COMPANY INFORMATION

BOARD OF DIRECTORS

Mrs. Shazia Agha	Chairperson, Non-Executive Director
Mr. Hussain Iqbal Agha	Chief Executive Officer
Mr. Raza Agha	Executive Director
Mr. Amer Nazim Haji	Executive Director
Mr. Akbar Pesnani	Independent Director
Mr. Muhammad Asif	Independent Director
Mr. Askari Asghar Agha	Independent Director

AUDIT COMMITTEE

Mr. Askari Asghar Agha	Chairman
Mr. Amer Nazim Haji	Member
Mr. Muhammad Asif	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Akbar Pesnani	Chairman
Mr. Muhammad Asif	Member
Mr. Raza Agha	Member

CHIEF FINANCIAL OFFICER

Mr. Kamran Ahmed

COMPANY SECRETARY

Mr. Muhammad Muneeb Khan

HEAD OF INTERNAL AUDIT

Mr. Muhammad Azam

EXTERNAL AUDITORS

Reanda Haroon Zakaria & Company Chartered Accountants
Progressive Plaza, Baumont Road, Karachi, Pakistan

SHARE REGISTRAR

CDC Share Registrar Services Limited
CDC House, Main Shahrah-e-Faisal, Karachi, Pakistan

LEGAL ADVISOR

Asad Mehmood

Uni Shopping Center, Abdullah Haroon Road, Karachi, Pakistan

BANKERS

- | | |
|--------------------------------|----------------------------------|
| • Bank Al Habib Limited | • Faysal Bank Limited |
| • Askari Bank Limited | • Habib Metro Bank Limited |
| • Habib Bank Limited | • MCB Islamic Bank Limited |
| • Bank Al Falah Limited | • Muslim Commercial Bank Limited |
| • Meezan Bank Limited | • Dubai Islamic Bank Limited |
| • Bank Islami Pakistan Limited | • The Bank of Khyber |
| • United Bank Limited | • JS Bank Limited |
| • Samba Bank Limited | • National Bank of Pakistan |
| • Allied Bank Limited-Islamic | • Bank of Punjab |

REGSITERED OFFICE

Plot No. N.W.I.Z/1/P-133, (SP-6), D-2,
Port Qasim Authority, Karachi, Pakistan
PTCL# 021-34156219-21

CORPORATE OFFICE

Office 801 & 804, 8th Floor, Emerald Tower, G-19
II Talwar, Block 5, Clifton, Karachi, Pakistan
UAN # 021-111-111-2442
Coporate@aghasteel.com

SYMBOL AT PAKISTAN STOCK EXCHANGE

AGHA

WEBSITE INFORMATION

www.aghasteel.com

DIRECTORS' REVIEW REPORT

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

The Directors are pleased to present their review, together with the unaudited financial statements of the Company, for the half year ended December 31, 2021.

FINANCIAL PERFORMANCE

Your Company showed exceptional increase in sales during the current period, the Company recorded gross sales revenue of Rs. 14,704 million with growth of 22% in the revenues as compared to first half of financial year 2021(corresponding period).This was achieved through the strategy of expansion of Company's sales network. The gross profit stood at Rs. 2,844 million as compared to Rs. 2,147 million as compared to the corresponding period. The gross profit percentage increased to 22.63% as compared to 20.89% in the corresponding period, this was mainly due to the increase in deform bar prices in response to exorbitant increase in international scrap prices coupled with the steep increase in electricity tariff during the period.

Key financial highlights of the company is as follows:

	2021	2020
	(Rs.in million)	
Sales –net	12,568	10,279
Gross profit	2,844	2,147
Operating Profit	1,703	1,210
Profit before tax	1,420	1,260
Profit after tax	1,178	1,057
Earnings Per share		
Basic and diluted (in Rupees)	1.95	2.03

Administrative expenses were efficiently reduced and stood at Rs. 160 million as against to the expenses of Rs. 183 million in the corresponding period.

Selling and distribution cost increased to Rs. 235 million as compared to Rs. 220 million in the corresponding period, the increase was due to increase in advertisement charges by Rs. 12 million. Advertising and marketing expenses were increased in line with the strategy of penetration and exploration of new markets.

Finance cost stood at Rs. 745 million in first half of 2022 as compared to Rs. 533 million in the corresponding period, this was mainly attributable to the increase in short term borrowings and increase of 1.5% in discount rate during the period.

Earnings per Share

Basic and Diluted Earnings per share for the period ended December 31, 2021 was Rs. 1.95 as compared with Rs. 2.03 per share in first half year of 2021.

INDUSTRY AND FUTURE OUTLOOK

The steel demand has started to show recovery as OMICRON showed mild effects on economy. Despite introduction of a few new entrants in the market your company has shown remarkable growth in topline during first half of financial year 2022 (reflecting an increase of 22%), this was achieved through the expansion strategy to explore the markets on the horizons of the country and increase in price.

A major factor in demand surge for construction sectors is based on the Government's poise to continue the corrective measure for creation of stimulus on macro-economic scenario through facilitation of construction and allied industries. As expected by the market, Government at the start of December 2021, through SBP announced increase in the exposure limit on eligible investments/financing up to 25 percent of the mandatory targets for housing and construction finance for commercial banks. The SBP already advised the banks to gear up their infrastructure and capacity to ensure compliance of meeting these targets. Accordingly, each bank is also required to develop a concrete action plan with detailed measures and their timelines to achieve its housing and construction finance targets. The steel in any given construction project is expected to have 30% cost of overall project, hence a big avenue of demand is expected to hit the construction steel industry within 18 months.

Since your Company will be the only players in the industry to bring additional capacity to meet the SBP generated stimulus, the future for additional capacity and expansion for your company seems very bright and exciting.

ACKNOWLEDGEMENT

The Board would like to thank and appreciate its employees, customers and strategic partners for their dedication, commitment and contributions. The Board also extends its gratitude to Government authorities, suppliers and shareholders for their unwavering support and cooperation.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Hussain Iqbal Agha
Chief Executive Officer



Raza Iqbal Agha
Director

Karachi: February 24, 2022

ڈائریکٹرز کی جائزہ رپورٹ
31 دسمبر 2021 کو ختم ہونے والی چھ ماہ کی مدت کے لیے

ڈائریکٹرز 31 دسمبر 2021 کو ختم ہونے والی چھ ماہ کی مدت کے لیے کمپنی کی مالی اور آپریشن کی کارکردگی کے بارے میں اپنی جائزہ رپورٹ پیش کرتے ہیں - 31 دسمبر 2021 کو ختم ہونے والی چھ مدت کے لیے غیر آڈٹ شدہ کنڈینسڈ عبوری مالی بیانات کا خلاصہ ذیل میں کیا گیا ہے :

	2021	2020
	(Rs.in million)	
Sales –net	12,568	10,279
Gross profit	2,844	2,147
Operating Profit	1,703	1,210
Profit before tax	1,420	1,260
Profit after tax	1,178	1,057
Earnings Per share		
Basic and diluted (in Rupees)	1.95	2.03

مالی جھلکیاں

آپ کی کمپنی نے موجودہ مدت کے دوران فروخت میں غیر معمولی اضافہ دکھایا۔ کاروباری سرگرمیاں کمپنی کے لئے موزوں رہی۔ مالی سال 2021 کی پہلی ششماہی (اسی مدت) کے مقابلے میں محصولات میں 22 فیصد اضافے کے ساتھ 14,704 ملین روپے رہی۔ یہ کمپنی کے سیلز نیٹ ورک کی توسیع کی حکمت عملی کے ذریعے حاصل کیا گیا۔ مجموعی منافع اسی مدت میں 2,147 ملین کے مقابلے میں 2,844 ملین رہا۔ مجموعی منافع کا تناسب اسی مدت میں 20.89 فیصد کے مقابلے میں بڑھ کر 22.63 فیصد ہو گیا، اس کی بنیادی وجہ بین الاقوامی اسکرپ کی قیمتوں میں بے تحاشہ اضافے اور اس مدت کے دوران بجلی کے نرخوں میں زبردست اضافے کے جواب میں ڈیفارم بار کی قیمتوں میں اضافہ تھا۔

انتظامی اخراجات کو مؤثر طریقے سے کم کیا گیا اور اسی مدت میں 183 ملین کے اخراجات کے مقابلے میں 160 ملین کیے گئے۔

فروخت اور تقسیم کی لاگت 235 ملین تک بڑھ گئی جو کہ اسی مدت میں 220 ملین تھی، یہ اضافہ اشتہاری چارجز میں 12 ملین اضافے کی وجہ سے ہوا۔ نئی منڈیوں کی رسائی اور تلاش کی حکمت عملی کے مطابق ایڈورٹائزنگ اور مارکیٹنگ کے اخراجات میں اضافہ کیا گیا۔

مالیاتی لاگت 2022 کی پہلی ششماہی میں 745 ملین رہی جو کہ اسی مدت میں 533 ملین تھی، یہ بنیادی طور پر مختصر مدت کے قرضوں میں اضافے اور اس عرصے کے دوران رعایتی شرح میں 1.5 فیصد اضافے سے منسوب ہے۔

فی شیئر آمدنی

دسمبر 2021 کو ختم ہونے والی مدت کے لیے بنیادی اور کم آمدنی فی حصص 1.95 تھی جو 2021 کی پہلی ششماہی میں 2.03 فی حصص تھی۔

صنعت اور مستقبل کا آؤٹ لک

اسٹیل کی طلب نے بحالی کا مظاہرہ کرنا شروع کر دیا ہے کیونکہ OMICRON نے معیشت پر ہلکے اثرات دکھائے ہیں۔ مارکیٹ میں چند نئی سٹیل کمپنیاں متعارف ہونے کے باوجود آپ کی کمپنی نے مالی سال 2022 کی پہلی ششماہی کے دوران ٹاپ لائن میں غیر معمولی نمو دکھائی ہے (22 فیصد کے اضافے کی عکاسی کرتا ہے)، یہ مارکیٹ کے افق پر تلاش کرنے کی توسیعی حکمت عملی کے ذریعے حاصل کیا گیا۔ ملک اور قیمت میں اضافہ، تعمیراتی شعبوں کی مانگ میں اضافے کا ایک بڑا عنصر تعمیراتی اور اس سے منسلک صنعتوں کی سہولت کے ذریعے میکرو اکنامک منظر نامے پر تحریک پیدا کرنے کے لیے اصلاحی اقدام کو جاری رکھنے کے لیے حکومت کے عزم پر مبنی ہے۔ جیسا کہ مارکیٹ کی توقع ہے، حکومت نے دسمبر 2021 کے آغاز میں، SBP کے ذریعے کمرشل بینکوں کے لیے ہاؤسنگ اور کنسٹرکشن فنانس کے لیے لازمی اہداف کے 25 فیصد تک اہل سرمایہ کاری/فنانسنگ پر نمائش کی حد میں اضافے کا اعلان کیا۔ اسٹیٹ بینک نے پہلے ہی بینکوں کو مشورہ دیا ہے کہ وہ ان اہداف کی تکمیل کو یقینی بنانے کے لیے اپنے بنیادی ڈھانچے اور صلاحیت کو تیار کریں۔ اس کے مطابق، ہر بینک کو اپنے ہاؤسنگ اور تعمیراتی مالیاتی اہداف کو حاصل کرنے کے لیے تفصیلی اقدامات اور ان کی ٹائم لائنز کے ساتھ ایک ٹھوس ایکشن پلان تیار کرنا بھی ضروری ہے۔ کسی بھی تعمیراتی منصوبے میں اسٹیل کی مجموعی لاگت کا 30 فیصد ہونے کی توقع ہے، اس لیے 18 ماہ کے اندر تعمیراتی اسٹیل کی صنعت کو طلب کی ایک بڑی جگہ آنے کی توقع ہے۔

چونکہ آپ کی کمپنی صنعت میں واحد کھلاڑی ہوگی جو SBP کے پیدا کردہ محرک کو پورا کرنے کے لیے اضافی صلاحیت لائے گی، اس لیے آپ کی کمپنی کے لیے اضافی صلاحیت اور توسیع کا مستقبل بہت روشن اور پرجوش لگتا ہے۔

اظہار تشکر

بورڈ اپنے ملازمین، صارفین اور اسٹریٹجک شراکت داروں کی لگن، عزم اور شراکت کے لیے ان کا شکریہ ادا کرنا چاہتا ہے۔ بورڈ حکومتی حکام، سپلائرز اور شیئر ہولڈرز کا ان کی غیر متزلزل حمایت اور تعاون کے لیے شکریہ ادا کرتا ہے۔

برائے اور بورڈ کی جانب سے



رضا اقبال آغا
ڈائریکٹر



حسین اقبال آغا
چیف ایگزیکٹو آفیسر

کراچی: 24 فروری 2022

**REANDA**

Reanda Haroon Zakaria & Company
Chartered Accountants



**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AGHA STEEL INDUSTRIES LIMITED
REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Agha Steel Industries Limited** (the Company) as at **December 31, 2021** and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months ended December 31, 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period 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 accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's review report is **Muhammad Haroon**.


Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: **24 FEB 2022**
UDIN No: RR2021101364D38ftqno

AGHA STEEL INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

		<i>December 31, 2021 (Un-audited)</i>	<i>June 30, 2021 (Audited)</i>
	<i>Note</i>	<i>---- Rupees in '000'----</i>	
<u>ASSETS</u>			
Non-Current Assets			
Property, plant and equipment	6	18,545,771	17,066,357
Intangible asset		51,810	54,950
Long term deposits and receivable	7	492,612	507,759
		<u>19,090,193</u>	<u>17,629,066</u>
Current Assets			
Stores, spares parts and loose tools		1,954,693	1,726,320
Stock-in-trade	8	12,736,787	9,505,307
Trade and other receivables	9	4,564,856	4,047,003
Loans and advances	10	1,598,406	1,156,155
Deposits		31,159	41,928
Tax refunds due from Government		556,110	471,731
Cash and bank balances		475,783	833,205
		<u>21,917,794</u>	<u>17,781,649</u>
Total Assets		<u><u>41,007,987</u></u>	<u><u>35,410,715</u></u>
<u>EQUITY AND LIABILITIES</u>			
Share Capital and Reserves			
Authorized Capital	11	<u>6,250,000</u>	<u>6,250,000</u>
Share Capital			
Issued, subscribed and paid up capital	11	6,048,791	5,760,753
Capital reserve	12	2,126,687	2,414,725
Revenue Reserve			
Unappropriated profit		<u>6,812,949</u>	5,635,306
Total Shareholders' Equity		<u>14,988,427</u>	<u>13,810,784</u>
Non-Current Liabilities			
Long term borrowings	13	5,894,675	6,631,523
Deferred government grant		-	1,367
Lease liabilities		101,573	109,434
Deferred liability		1,025,782	968,745
		<u>7,022,030</u>	<u>7,711,069</u>
Current Liabilities			
Trade and other payables	14	904,742	1,011,114
Accrued markup		371,494	320,605
Short term borrowings	15	14,617,030	9,828,760
Current portion of non-current liabilities	16	3,104,264	2,728,383
		<u>18,997,530</u>	<u>13,888,862</u>
Contingencies and Commitments	17		
Total Capital and Liabilities		<u><u>41,007,987</u></u>	<u><u>35,410,715</u></u>


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



Chief Executive



Chief Financial Officer



Director

AGHA STEEL INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED DECEMBER 31, 2021

		<i>Half year ended</i>		<i>Quarter Ended</i>	
		<i>(Unaudited)</i>		<i>(Unaudited)</i>	
		<i>December 31,</i>		<i>December 31,</i>	
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<i>Note</i>		<i>----- (Rupees in '000') -----</i>			
Turnover - gross		14,704,044	12,026,053	7,514,086	6,135,930
Sales tax		(2,136,486)	(1,747,389)	(1,091,791)	(891,559)
Turnover - net		12,567,558	10,278,664	6,422,295	5,244,371
Cost of sales	18	(9,723,943)	(8,131,657)	(5,006,034)	(4,274,786)
Gross profit		2,843,615	2,147,007	1,416,261	969,585
Administrative expenses		(160,207)	(183,110)	(87,477)	(61,945)
Selling and distribution costs		(235,790)	(220,517)	(122,987)	(108,495)
Finance costs		(744,576)	(532,912)	(294,261)	(262,662)
		(1,140,573)	(936,540)	(504,725)	(433,102)
Operating profit		1,703,042	1,210,467	911,536	536,483
Other expenses		(419,409)	(100,642)	(361,180)	(56,735)
Other income		136,675	149,817	120,940	121,007
Profit before taxation		1,420,308	1,259,642	671,296	600,755
Taxation - net		(242,665)	(202,446)	(51,950)	(52,934)
Profit after taxation		1,177,643	1,057,196	619,346	547,821
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		1,177,643	1,057,196	619,346	547,821
Earnings per share		<i>(Restated)</i>		<i>(Restated)</i>	
Basic and diluted - Rupees	19	1.95	2.03	1.02	1.05

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



 Chief Executive



 Chief Financial Officer



 Director

AGHA STEEL INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2021

Particulars	Issued, subscribed and paid up capital	Reserves		Total reserves	Total shareholders' equity
		Capital	Revenue		
		*Share Premium	** Unappropriated profit		
----- Rupees in '000' -----					
Balance as at July 01, 2020	4,560,753	-	3,599,309	3,599,309	8,160,062
Total comprehensive income for the period					
Profit after taxation	-	-	1,057,196	1,057,196	1,057,196
Other comprehensive income	-	-	-	-	-
	-	-	1,057,196	1,057,196	1,057,196
Transaction with the owners					
120,000,000 ordinary shares issued @ Rs.10 per share.	1,200,000	-	-	-	1,200,000
Share premium @ Rs. 22 per share	-	2,640,000	-	2,640,000	2,640,000
Transaction cost on issuance of shares	-	(225,275)	-	(225,275)	(225,275)
Balance as at December 31, 2020	5,760,753	2,414,725	4,656,505	7,071,230	12,831,983
Balance as at July 01, 2021	5,760,753	2,414,725	5,635,306	8,050,031	13,810,784
Total comprehensive income for the period					
Profit after taxation		-	1,177,643	1,177,643	1,177,643
Other comprehensive income	-	-	-	-	-
	-	-	1,177,643	1,177,643	1,177,643
Transaction with the owners					
Issuance of 5% bonus shares for the year ended June 30, 2021	288,038	(288,038)	-	-	-
	6,048,791	2,126,687	6,812,949	9,227,674	14,988,427

* Share premium is held for utilization for purposes as stated in Section 81 of the Companies Act, 2017.

** Unappropriated profit can be utilized for meeting contingencies and distribution of profits by way of dividends.

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


 Chief Executive


 Chief Financial Officer


 Director

AGHA STEEL INDUSTRIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED DECEMBER 31, 2021

		<i>December 31</i>	
		<i>2021</i>	<i>2020</i>
		<i>(Unaudited)</i>	
	<i>Note</i>	<i>---- Rupees in '000'----</i>	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,420,308	1,259,642
Adjustments for:			
Depreciation	6.1	206,864	166,906
Amortization		3,140	3,140
Allowance for expected credit losses	9	24,087	23,102
Finance costs		741,286	528,757
Finance lease markup		3,290	4,155
Workers welfare fund		30,829	21,266
Workers profit participation fund		81,129	55,964
Loss on disposal of fixed assets - net		-	310
Markup on supplier credit - unwinding		1,339	27,997
Exchange loss / (gain)- net		283,364	(86,215)
Cash generated from operations before working capital changes		2,795,636	2,005,024
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares parts and loose tools		(228,373)	(127,960)
Stock-in-trade		(3,231,480)	1,474,192
Trade and other receivables		(541,940)	(560,114)
Loans and advances		(442,251)	(134,959)
Deposits		10,769	(29,144)
		(4,433,275)	622,015
(Decrease) / increase in current liabilities			
Trade and other payables		(501,694)	470,852
Net cash (used in) / generated from operations		(2,139,333)	3,097,891
Taxes (paid) / refund during the period		(270,007)	13,406
Financial charges paid		(688,455)	(644,286)
Net cash (used in) / generated from operating activities		(3,097,795)	2,467,011
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Long term deposits and receivable recovered - net		15,147	34,137
Additions in capital work in progress - net	6.2	(1,469,910)	(2,152,910)
Proceeds from disposal of property, plant and equipment		-	589
Additions in property, plant and equipment	6.1	(216,368)	(365,312)
Net cash used in investing activities		(1,671,131)	(2,483,496)

December 31
2021 **2020**
(Unaudited)
---- Rupees in '000'----

C. CASH FLOWS FROM FINANCING ACTIVITIES

Receipts / (repayments) of long term borrowings - net	(122,173)	262,161
Leases obtained during the period - net	19,995	10,701
Supplier credit paid	(247,292)	-
Lease rentals paid	(27,296)	(13,987)
Receipts / (Repayments) of short term borrowings - net	4,788,270	(3,571,593)
Proceeds from issuance of shares - net of transaction cost	-	3,614,725
Net cash generated from financing activities	4,411,504	302,007
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(357,422)	285,522
Cash and cash equivalents at the beginning of the year	833,205	68,366
Cash and cash equivalents at the end of the year	475,783	353,888

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



Chief Executive



Chief Financial Officer



Director

AGHA STEEL INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Agha Steel Industries Limited (the Company) was incorporated in Pakistan on November 19, 2013, as a private limited company under the repealed Companies Ordinance, 1984, now the Companies Act, 2017 (the Act). On April 07, 2015, the Company was converted into public limited company. During the financial year 2019, the Company has listed its privately placed Sukuk certificates with Pakistan Stock Exchange Limited. The Company was listed on Pakistan Stock Exchange on November 02, 2020. The Company is principally engaged in manufacturing and sale of steel bars, wire rods and billets, and its registered office and production plant are situated at plot no. N.W.I.Z. / 1 / P-133, (SP-6), D-2, Port Qasim Authority, Karachi.

2 STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements have been prepared in accordance with the accounting and reporting standard 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 Standard 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.

3 BASIS OF PREPARATION

- 3.1** The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2021 and December 31, 2020 and notes forming part thereof have not been reviewed by the statutory auditors of the company, as they have reviewed and audited the cumulative figures for the half year ended December 31, 2021 and December 31, 2020 respectively.
- 3.2** These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the company's annual financial statements for the year ended June 30, 2021. These condensed interim financial statements are unaudited, however, have been subjected to limited scope review by the statutory auditors and are being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange limited and section 237 of the Act.
- 3.3** These condensed interim financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

4 ACCOUNTING POLICIES

The accounting policies, related judgments, method of computations, estimates and assumptions adopted for the preparation of these condensed interim financial statements are the same as those applied in preparation of the annual financial statements of the Company for the year ended June 30, 2021.

4.1 Standards, amendments and improvements to IFRS's effective during the period:

The company has adopted the following accounting standards and amendments to IFRSs and the improvements to accounting standards which became effective for the current period:

	<i>Effective for period beginning on or after</i>
Amendments to IFRS 4 'Insurance Contracts', IFRS 7 'Financial Instruments: Disclosures', IFRS 9 'Financial Instruments', IFRS 16 'Leases', IAS 39 'Financial Instruments: Recognition and Measurement': Amendments regarding replacement issues in the context of the IBOR reform	January 1, 2021
Amendments to IFRS 16 'Leases': Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification	April 1, 2021

The adoption of the above standards, amendments, improvements to accounting standards did not have any material effect on these condensed interim financial statements.

4.2 Amendments to standards and IFRS interpretations that are not yet effective

The following amendments to accounting standards and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's condensed interim financial statements other than certain additional disclosures:

	<i>Effective from accounting period beginning on or after</i>
Classification of Liabilities as Non Current or Current - Amendments to IAS 1	January 1, 2022
Amendments to IFRS 4 'Insurance Contracts': Amendments regarding the expiry date of the deferral approach	January 1, 2023
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 16 'Property, Plant and Equipment': Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use.	January 1, 2022

***Effective from accounting
period beginning on or after***

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': Amendments regarding the costs to include when assessing whether a contract is onerous

January 1, 2022

Annual improvements to IFRS standards 2018-2020

January 1, 2022

Certain annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 17 - Insurance Contracts

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim financial statements in conformity with the approved accounting and reporting standards, as applicable in Pakistan, requires the management to make estimates, judgements that affect the application of policies and the reported amount of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparation of these condensed interim financial statements, the significant judgment made by management in applying the company's accounting policies and the key source of estimation uncertainty were the same as those that were applied to the annual audited financial statements for the year ended June 30 2021. The company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the company as at and for the year ended June 30, 2021.

		<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>December 31,</i>	<i>June 30,</i>
		<i>2021</i>	<i>2021</i>
<i>Note</i>		<i>---- Rupees in '000'----</i>	
6 PROPERTY, PLANT AND EQUIPMENT			

Operating fixed assets	6.1	9,406,474	9,396,970
Capital work in progress (CWIP)	6.2	9,139,297	7,669,387
		<u>18,545,771</u>	<u>17,066,357</u>

6.1 Operating fixed assets

Opening book value		9,396,970	8,491,905
Additions during the period / year	6.1.1	216,368	625,412
Transfer from CWIP		-	628,973
Disposals during the period / year		-	(899)
Depreciation charge for the period / year		(206,864)	(348,421)
		<u>9,406,474</u>	<u>9,396,970</u>

6.1.1 Additions during the period / year

Buildings	18,708	-
Plant and machinery	170,991	744,210
Major stores and spares	-	394,448
Furniture and fixtures	3,292	3,831
Computers	3,289	5,532
Owned vehicles	93	-
Leased vehicles	19,995	106,364
	<u>216,368</u>	<u>1,254,385</u>

6.2 Movement in capital work-in-progress during the period / year:

- Machinery in transit

Opening balance	7,669,387	5,333,664
Additions during the period / year	1,395,463	2,765,616
Transfer	-	(628,973)
Borrowing costs	74,447	199,080
	<u>9,139,297</u>	<u>7,669,387</u>

7 LONG TERM DEPOSITS AND RECEIVABLE

Included herein receivable from Agha Steel Industries - an associated undertaking amounting to Rs. 460.65 (June 30, 2021: 508.966) million. The terms and conditions are same as disclosed in note 7.1 to the annual audited financial statements of the Company for the year ended June 30, 2021.

		<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>December 31,</i>	<i>June 30,</i>
		<i>2021</i>	<i>2021</i>
8 STOCK-IN-TRADE	<i>Note</i>	---- Rupees in '000'----	
Raw material		8,371,439	4,862,130
Raw material in transit		1,527,869	604,161
Work in process		1,262,069	1,564,321
Finished goods		1,575,410	2,474,695
		12,736,787	9,505,307

9 TRADE AND OTHER RECEIVABLES

- Considered good

Trade debts		4,249,683	3,445,125
Allowance for expected credit losses	9.1	(180,409)	(156,322)
		4,069,274	3,288,803

Other receivables

- sales tax refund

- 204,995

- from associated undertakings

- markup

9.2 24,992 55,052

- current maturity of long term receivable

9.3 20,753 48,316

- sales tax

9.3 449,837 449,837

495,582 553,205

4,564,856 4,047,003

9.1 Allowance for expected credit losses

Opening	156,322	98,614
Impairment losses recognized during the period / year - net	24,087	57,708
Closing	180,409	156,322

9.2 Represents markup on loan to Denim International (Private) Limited (related party) and receivable from Agha Steel Industries (related party) amounting to Rs. 4.639 (June 30, 2021: 15.804) million and Rs. 20.353 (June 30, 2021: 39.248) million, respectively. There is no change in the terms and conditions as disclosed in note 9.2 to the annual audited financial statements for the year ended June 30, 2021.

9.3 Represents receivable from M/s. Agha Steel Industries (related party) on account of sales tax refundable which will be transferred to the Company once refund is allowed to related party. The amount is outstanding for more than one year and is past due but not impaired as the management, based on the advice of its tax counsel and legal adviser and the facts of the appeal filed by M/s. Agha Steel Industries (related party) with the Honourable High Court of Sindh, is confident for the recovery of full amount.

		<div>(Unaudited)</div> <div>December 31,</div> <div>2021</div>	<div>(Audited)</div> <div>June 30,</div> <div>2021</div>
10 LOANS AND ADVANCES	Note	---- Rupees in '000'----	
- Considered good			
Loans			
- to employees	10.1	9,924	1,792
- to associated undertaking	10.2	-	165,536
		9,924	167,328
Advances			
- against supplies		1,121,447	724,464
- against sales tax		467,035	264,363
		1,588,482	988,827
		1,598,406	1,156,155

10.1 Represents interest free loans given to executives and other employees of the Company for their personal use in accordance with their terms of employment. These loans are to be repaid over a period of one year in equal monthly installments and are secured against the post employment benefits.

10.2 The loan to Denim International (Private) Limited has been fully recovered during the period.

	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>December 31,</i>	<i>June 30,</i>
	<i>2021</i>	<i>2021</i>
	---- Rupees in '000'----	

11 SHARE CAPITAL

11.1 Authorized Capital

625,000,000 Ordinary shares of Rs. 10 each	<u>6,250,000</u>	<u>6,250,000</u>
--	------------------	------------------

11.2 Issued, subscribed and paid up capital

<i>(Unaudited)</i>	<i>(Audited)</i>	
<i>December 31,</i>	<i>June 30,</i>	
<i>2021</i>	<i>2021</i>	
--- Number of shares ---		
<u>604,879,058</u>	<u>576,075,293</u>	Ordinary shares of Rs. 10 each

	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>December 31,</i>	<i>June 30,</i>
	<i>2021</i>	<i>2021</i>
11.3 Reconciliation of number of shares outstanding is as under:		
	---- Number of shares ----	
Shares at the beginning of the period / year	576,075,293	576,075,293
Bonus shares issued during the period	28,803,765	-
Shares at the end of the period / year	<u>604,879,058</u>	<u>576,075,293</u>

<i>(Unaudited)</i>	<i>(Audited)</i>
<i>December 31,</i>	<i>June 30,</i>
<i>2021</i>	<i>2021</i>
<i>----- Number of shares -----</i>	

11.4 Shares held by the related parties (directors) of the Company

Name of the shareholders

Mr. Iqbal Hussain Agha (late)	211,432,846	201,864,617
Mr. Hussain Iqbal Agha	95,775,812	91,215,059
Mr. Raza Iqbal Agha	95,775,812	91,215,059
Mrs. Shazia Iqbal Agha	75,894,272	72,280,259
Mr. Muhammad Asif	56,194	-
Mr. Amer Nazim Haji	36,750	-
Mr. Askari Asghar Agha	105	100
Mr. Akbar Pesnani	105	100

<i>(Unaudited)</i>	<i>(Audited)</i>
<i>December 31,</i>	<i>June 30,</i>
<i>2021</i>	<i>2021</i>
<i>Note ----- Rupees in '000'-----</i>	

12 CAPITAL RESERVE

Share premium	2,126,687	2,414,725
---------------	------------------	-----------

12.1 Movement in share premium account during the period /

Share premium as at July 01	2,414,725	2,414,725
Less: issuance of 5% bonus shares for the year ended June 3	(288,038)	-
	2,126,687	2,414,725

13 LONG TERM BORROWINGS

Secured

- From banking companies

- Conventional

Samba Bank Limited (SBL)	350,000	400,000
United Bank Limited (UBL)	174,938	204,125
JS Bank Limited	141,662	217,181
Askari Bank Limited - STFF	1,730,739	1,728,530
	2,397,339	2,549,836

- Shariah compliant

Meezan Bank Limited - IFRE	124,744	94,742
Sukuk certificates	4,942,406	4,931,759
	5,067,150	5,026,501

13.1	7,464,489	7,576,337
	(1,569,814)	(944,814)
	5,894,675	6,631,523

Less: Current portion shown under current liabilities

13.1 There are no major changes in terms and conditions as disclosed in note 16 to the annual audited financial statements of the Company for the year ended June 30, 2021.

14 TRADE AND OTHER PAYABLES

14.1 It Includes Rs. 348.118 million (June 30, 2021: 644.08 million) on account of Bills Payable.

15 SHORT TERM BORROWINGS

	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>December 31,</i>	<i>June 30,</i>
	<i>2021</i>	<i>2021</i>
<i>Note</i>	<i>---- Rupees in '000'----</i>	

Running Finance - secured

Conventional banks	3,933,195	2,738,797
Islamic banks	199,881	249,614
	4,133,076	2,988,411

Finance against Trust Receipt (FATR)

Conventional banks	7,145,496	4,521,649
Islamic banks	3,338,457	2,318,700
	10,483,954	6,840,349
15.1 & 15.2	14,617,030	9,828,760

15.1 During the period, the company has obtained following additional running finance and finance against trust receipt facilities from conventional and Islamic banks:

Running / Cash Financing:

<i>Name of Bank</i>	<i>Purpose</i>	<i>Security</i>	<i>Markup Rate</i>	<i>Available Limit (Rs.)</i>	<i>Unavailed Limit (Rs.)</i>
<i>Conventional</i>					
Askari Bank Limited	For working capital requirements	Joint Pari passu charge of Rs. 2,734 million on all present and future current assets (stocks and receivables) of the company with 25% margin	3 month KIBOR plus 0.75% p.a for Running Finance	640 (June 30, 2021: 640) million	144.93 (2020: 640 million).
Bank of punjab	For working capital requirements	Joint pari passu charge over all present and future assets of the Company inclusive of 25% margin of Rs. 133.334 million, and personal guarantees of all directors.	3 month KIBOR plus 1.25% p.a	100 (June 30, 2021: 100) million	Nil (June 30, 2021: 100 million).

Finance against trust receipt (FATR):

Conventional

Bank of punjab	For retirement of import documents against LCs established at BOP counter	To be secured against Ranking charge over fixed assets (Land, building, Plant and machinery) amounting to Rs 1,200 million	3 month KIBOR plus 1% p.a	900 (June 30, 2021: 900) million	Nil (June 30, 2021: 100 million).
----------------	---	--	---------------------------	----------------------------------	-----------------------------------

Islamic

MCB Islamic bank Limited	To procure raw material and to retire import LCs	Joint pari passu charge over stocks and book debts of the Company with 25% margin	Matching KIBOR plus 1 % p.a	500 (June 30, 2021: 200) million	236.037 (June 30, 2021: 200) million.
Allied Bank Limited	For retirement of foreign LCs and contracts	Joint pari passu hypothecation charge over of Rs. 667 million over current assets (stocks and trade receivables) and personal guarantees of all directors.	Relevant KIBOR plus 0.9% p.a	500 million (June 30, 2021: Nil)	137.530 million (June 30, 2021: Nil).

15.2 There are no major changes in terms and conditions of short term borrowings as disclosed in note 22 to the annual audited financial statements of the Company for the year ended June 30, 2021.

	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>December 31,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2021</u>
<i>Note</i>	---- Rupees in '000'----	

16 CURRENT PORTION OF NON-CURRENT LIABILITIES

Current portion of long term borrowings	13	1,569,814	944,814
Current portion of deferred grant		5,886	9,612
Current portion of supplier credit		1,503,524	1,749,477
Current portion of lease liabilities		25,040	24,480
		<u>3,104,264</u>	<u>2,728,383</u>

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

There are no major changes in status and nature of contingencies as disclosed in note 24 to the annual audited financial statements of the Company for the year ended June 30, 2021.

	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>December 31,</u>	<u>June 30,</u>
	<u>2021</u>	<u>2021</u>
	---- Rupees in '000'----	

17.2 Commitments

Outstanding against letter of credits	3,406,350	2,631,838
Outstanding against letter of guarantees	176,644	157,274
Capital commitments	69,799	123,111
	<u>3,652,793</u>	<u>2,912,223</u>

18 COST OF SALES

	<i>Half year ended</i>		<i>Quarter ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>----- (Rupees in '000') -----</i>			
T OF SALES				
Raw materials consumed	5,115,246	4,078,688	3,585,839	1,805,270
Stores, spare parts and loose tools	511,631	703,535	234,885	333,106
Salaries, wages and other benefits - refer note 22	282,409	242,035	189,035	131,921
Fuel and power	2,136,817	1,256,344	1,447,806	551,346
Repairs and maintenance	13,451	8,743	10,365	4,533
Communication	2,641	1,928	2,249	1,000
Staff transportation	36,953	25,304	34,611	13,119
Insurance	3,897	2,697	1,212	1,398
Oil and fuel	7,977	3,795	5,866	1,968
Depreciation	194,077	156,368	118,768	78,184
Others	2,225	516	1,743	267
Cost of goods manufactured	8,307,324	6,479,953	5,632,379	2,922,112
Work in process				
Opening stock	1,564,321	1,686,611	888,315	1,013,084
Purchases	215,082	289,809	-	193,478
Closing stock	(1,262,069)	(1,164,512)	(1,262,069)	(1,164,512)
	517,334	811,908	(373,754)	42,050
Finished goods				
Opening stock	2,474,695	2,904,408	1,322,819	3,375,236
Closing stock	(1,575,410)	(2,064,612)	(1,575,410)	(2,064,612)
	899,285	839,796	(252,591)	1,310,624
Cost of Sales	9,723,943	8,131,657	5,006,034	4,274,786

19 EARNINGS PER SHARE

Basic and diluted

Profit after tax (Rupees in '000)	1,177,643	1,057,196	619,346	547,821
	<i>(Restated)</i>		<i>(Restated)</i>	
Weighted average number of ordinary shares	604,879,058	519,966,014	604,879,058	519,966,014
	<i>(Restated)</i>		<i>(Restated)</i>	
Earnings per share - (In Rupees)	1.95	2.03	1.02	1.05

19.1 During the period, the Company issued 5% bonus shares (i.e. 5 ordinary shares for every 100 ordinary shares held), which has resulted in restatement of basic and diluted earnings per share for the quarter and half year ended December 31, 2020.

20 UTILIZATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

During the financial year 2021, the Company has issued its shares to general public through IPO to finance the project of expansion of its capacity by installing Mi. Da. Mill Rolling Plant from IPO proceeds as disclosed in note 1.2 to the annual audited financial statements for the year ended June 30, 2021. As at December 31, 2021, the utilization of proceeds from IPO is as follows:

	(Unaudited)		(Audited)	
	December 31,		June 30,	
	2021		2021	
	----- Rupees in '000' -----			
Proceeds from IPO	3,840,000		3,840,000	
IPO related expenses	(225,275)		(225,275)	
Civil works	(703,034)		(414,030)	
Electrical	(452,023)		(271,465)	
Mechanical	(451,021)		(388,128)	
Duties and other taxes	(535,410)		(535,410)	
LC Discounting charges	(193,861)		(193,861)	
Air Separation Unit	(694,329)		(408,231)	
Unutilized balance	585,047		1,403,601	

	Half year ended		Quarter ended	
	December 31,		December 31,	
	2021	2020	2021	2020
	(Unaudited)	(Audited)	(Unaudited)	
	----- (Rupees in '000') -----			
21 TRANSACTIONS WITH RELATED PARTIES				
<u>Associated Undertaking</u>				
<u>Denim International (Private) Limited</u>				
Markup income received	15,804	12,862	-	12,862
Markup income accrued	4,639	9,650	1,717	5,025
Loan disbursed	383,210	454,423	362,669	294,582
Loan recovered	548,747	593,970	423,022	412,209
<u>Agha Steel Industries</u>				
Markup income received	39,248	82,072	-	82,072
Markup income accrued	20,353	21,845	11,229	10,497
Loan recovered	48,316	56,273	48,316	56,273
<u>Agha Welfare Trust</u>				
Donations paid	21,630	20,817	21,630	10,547
<u>Cosmos properties</u>				
Sales	-	-	-	970
<u>A & Z Associates</u>				
Sales	59,835	-	59,835	-
Receipt	59,835	-	59,835	-
<u>Staff retirement benefit fund</u>				
<u>Agha steel staff provident fund</u>				
Contribution paid	13,151	10,346	8,110	5,504
<u>Key management personnel</u>				
<u>Directors</u>				
Remuneration and other benefits	13,800	13,800	6,900	6,900
Board and other meeting fee	900	150	450	150

22 CORRESPONDING FIGURES

Corresponding figures have been reclassified, whenever necessary for the purpose of compliance, comparison and better presentation. Major reclassification during the year are as follow;

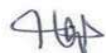
<i>Reclassification from the caption component</i>	<i>Reclassification to the caption component</i>	<i>Note</i>	<i>Amount</i>
<i>Cost of sales</i> (Salaries and wages and benefits)	<i>Administrative expenses</i> (Salaries and wages and	18	<u><u>33,269,163</u></u>
<i>Cost of sales</i> (Salaries and wages and benefits)	<i>Selling and distribution costs</i> (Salaries and wages and	18	<u><u>35,710,432</u></u>

23 GENERAL

23.1 Figures have been rounded-off to the nearest thousand rupee, unless otherwise stated.

24 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 24 02 2022 Board of Directors of the Company.



Chief Executive



Chief Financial Officer



Director