

Nine Months Report March 2022

Rolling Dreams into Reality



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Vision

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

Mission

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

Company Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

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

CHIEF FINANCIAL OFFICER

Umair Noor Muhammad

COMPANY SECRETARY

Mr. Manzoor Raza

HEAD OF INTERNAL AUDIT

Mr. Muhammad Shahid

REGISTERED OFFICE

Arif Habib Centre, 23 – M. T. Khan Road,
Karachi – Pakistan – 74000
Tel: (+92 21) 32468317

PLANT ADDRESS

DSU - 45, Pakistan Steel
Down Stream Industrial
Estate, Bin Qasim, Karachi – Pakistan.
Tel: (+92 21) 34740160

AUDITORS

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

SHARE REGISTRAR DEPARTMENT

CDC Share Registrar Services Limited
CDC House, 99-B, SMCHS,
Main Shahrah-e-Faisal, Karachi - 74400
Phone: 0800 – 23275
Fax: (+92 21) 34326053
Email: info@cdcsrsl.com
Website: www.cdcsrsl.com

LEGAL ADVISOR

Ahmed & Qazi
Khalid Anwer & Co.
Akhund Forbes
Mohsin TayebAly & Co.
Lex Firma
Khalid Jawed & Co.

BANKERS / LENDERS

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan (Aitemad)
National Bank of Pakistan
Pak China Investment Company Limited
Saudi Pak Industrial and Agricultural
Investment Company Limited
Silk Bank Limited
Sindh Bank Limited
Standard Chartered Bank (Pakistan)
Limited
Summit Bank Limited
The Bank of Khyber
The Bank of Punjab
United Bank Limited

WEBSITE

www.aishasteel.com



Directors' Review Report

The Directors of Aisha Steel Mills Limited (ASML) present herewith Directors' Review Report together with condensed interim financial statements (un-audited) of the Company for the third quarter ended March 2022.

The HRC prices gradually declined from the peak of US\$1050, FOB China, observed in May 2021 to US\$ 800 FOB China in December 2020. The market remained stable at these levels in January 2022 as well. However, the tension between Russia and Ukraine, which erupted to a full-blown war, gave rise to a new wave of commodity price increase. HRC prices also increased reaching US\$ 950, FOB China in March 2022. The market is nervous and evaluating situation on daily basis as the war rages on. The local manufacturers were compelled to increase prices to pass on higher input cost as well as on account of depreciating PKR against US\$.

Operational Review

The total quantity sold during the July-2021-March 2022 period, was 235,800 tons. Out of which 30,647 tons were exports to Europe, America and Canada and several other countries. The quantity sold in the corresponding period last year was 301,644 tons, showing a decline of about 22%. The exports during the July-2020-March 2021 period were limited to 12,922 tons.

The total quantity produced during the period was 245,560 tons compared to 276,787 tons produced in the corresponding period last year, showing a decrease of about 11%. The production curtailed due to slow offtake and buildup of finished goods inventory. The average inventory in the July-to-March period increased to 31,455 tons compared to 13,273 tons recorded in the same period last year.

A brief summary of the financial results as on March 31, 2022 is as follows:

Description	July- March Period	
	March 2022	March 2021
	Rs. In Million	
Revenue	49,117	40,754
Gross profit	3,481	8,352
Profit before tax	695	6,615
Profit after tax	514	4,752
	Earnings / (loss) per share in (Rupees)	
EPS	0.56	6.11

Future Outlook:

International steel and steel related commodities prices are still fluctuating due to on-going Russia and Ukraine war. The resurgence of COVID in China is also not helping. The local market is concerned about the political developments in the country, currency fluctuations and increase in discount rate. The situation is expected to be stabilized in the near future.

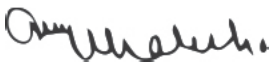
Acknowledgement

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

For and on behalf of the Board



Dr. Munir Ahmed
Chief Executive



Arif Habib
Chairman

Karachi : April 28, 2022

Financial Statements

FINANCIAL PERFORMANCE




Condensed Interim Statement of Financial Position

As At March 31, 2022 - (Unaudited)

		(Unaudited) March 31, 2022	(Audited) June 30, 2021
	Note	Rupees '000	
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,826,996	19,398,632
Intangible assets		56,005	35,401
Long-term advances		355	528
Long-term deposits		110,743	68,112
Deferred tax asset		530,262	448,612
		19,524,361	19,951,285
Current assets			
Inventories	6	10,371,166	12,088,077
Trade and other receivables		1,872,388	2,045,504
Loans, advances and prepayments	7	719,413	545,508
Taxation - payments less provision		2,473,930	1,655,083
Cash and bank balances	8	951,681	238,060
		16,388,578	16,572,232
Total assets		35,912,939	36,523,517
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	9		
Ordinary shares		9,248,008	7,716,843
Cumulative preference shares		444,950	445,335
Difference on conversion of cumulative preference shares and dividends into ordinary shares		(1,762,456)	(1,348,402)
		7,930,502	6,813,776
Surplus on revaluation of property, plant and equipment		1,373,828	1,404,689
Capital reduction reserve		667,686	667,686
Unappropriated profit		3,463,686	5,580,433
		13,435,702	14,466,584
Liabilities			
Non-current liabilities			
Long-term finance - secured	10	5,094,646	6,096,715
Lease liabilities		37,135	52,250
Employee benefit obligations		156,307	123,261
Deferred income - Government grant		-	1,367
		5,288,088	6,273,593
Current liabilities			
Trade and other payables		6,203,291	6,937,551
Accrued mark-up		314,870	315,174
Short-term borrowings	11	8,856,616	6,795,705
Sales tax payable		212,146	175,338
Unclaimed dividend		79,071	-
Current portion of deferred income - Government grant		2,582	7,308
Current maturity of long-term finance		1,496,380	1,531,480
Current maturity of lease liabilities		24,193	20,784
		17,189,149	15,783,340
Total liabilities		22,477,237	22,056,933
Contingencies and commitments			
	12		
Total equity and liabilities		35,912,939	36,523,517

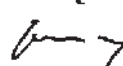
The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive



Director

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

For The Period Ended March 31, 2022 - (Unaudited)

		Quarter ended		Nine months ended	
		March 31,	March 31,	March 31,	March 31,
		2022	2021	2022	2021
Note		Rupees '000			
Net revenue from contracts with customers	13	17,536,012	15,336,609	49,116,604	40,753,631
Cost of sales		(16,715,568)	(11,561,432)	(45,635,682)	(32,401,380)
Gross profit		820,444	3,775,177	3,480,922	8,352,251
Selling and distribution cost	14	(53,371)	(106,116)	(280,184)	(149,396)
Administrative expenses		(79,915)	(82,087)	(282,779)	(234,464)
		(133,286)	(188,203)	(562,963)	(383,860)
Operating profit		687,158	3,586,974	2,917,959	7,968,391
Other expenses	15	(49,834)	(239,042)	(700,808)	(499,171)
Finance cost	16	(557,276)	(402,803)	(1,583,894)	(1,346,229)
		(607,110)	(641,845)	(2,284,702)	(1,845,400)
Other income		24,504	217,734	62,077	491,889
Profit before taxation		104,552	3,162,863	695,334	6,614,880
Income tax expense	17	(42,780)	(931,333)	(181,691)	(1,863,156)
Profit after taxation		61,772	2,231,530	513,643	4,751,724
Other comprehensive income		-	-	-	-
Total comprehensive income		61,772	2,231,530	513,643	4,751,724
		Rupees		Rupees	
Earnings / (loss) per share					
- Basic		0.05	2.90	0.56	6.11
- Diluted	18		2.34		4.95

The annexed notes 1 to 21 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 Period Ended March 31, 2022 - (Unaudited)

SHARE CAPITAL			RESERVES			TOTAL
Ordinary shares	Cumulative preference shares	Difference on conversion of cumulative preference shares into ordinary shares	Capital		Revenue	
			Surplus on revaluation of property plant and equipment	Capital reduction reserve	(Accumulated loss) / Unappropriated Profit	
Rupees '000						
7,655,293	472,272	(1,313,789)	1,445,832	667,686	(829,857)	8,097,437
-	-	-	(27,576)	-	27,576	-
-	-	-	-	-	4,751,724	4,751,724
-	-	-	-	-	-	-
-	-	-	-	-	4,751,724	4,751,724
7,655,293	472,272	(1,313,789)	1,418,256	667,686	3,949,443	12,849,161
7,716,843	445,335	(1,348,402)	1,404,689	667,686	5,580,433	14,466,584
-	-	-	(30,861)	-	30,861	-
880	(385)	(495)	-	-	-	-
1,530,285	-	(413,559)	-	-	(1,116,726)	-
-	-	-	-	-	(1,544,524)	(1,544,524)
-	-	-	-	-	-	-
-	-	-	-	-	513,643	513,643
-	-	-	-	-	-	-
-	-	-	-	-	513,643	513,643
9,248,008	444,950	(1,762,456)	1,373,828	667,686	3,463,686	13,435,702

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

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chief Executive


Director

Condensed Interim Statement of Cash Flows

For The Period Ended March 31, 2022 - (Unaudited)

	March 31, 2022	March 31, 2021
Note	Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	695,334	6,614,880
Add / (less): Adjustment for non-cash charges and other items		
Depreciation and amortisation	774,073	637,703
Mark-up charges	1,432,492	1,158,931
Unwinding of long-term finance	82,480	144,856
Finance lease charges	3,674	5,351
Provision for staff retirement benefit	41,446	25,777
Exchange (gain) / loss	650,847	(435,975)
Gain on disposal of fixed assets	(689)	(320)
Return on PLS savings accounts	(22,515)	(27,061)
	2,961,808	1,509,262
Profit before working capital changes	3,657,142	8,124,142
Effect on cash flow due to working capital changes (Increase) / decrease in current assets		
Stores and spares	76,206	(294,548)
Stock-in-trade	2,138,399	1,383,141
Trade debts	164,020	(147,725)
Advances, deposits and prepayments	(173,905)	118,620
Other receivables	9,096	(94,218)
Tax refunds due from Government - Sales tax	36,808	1,491,275
	2,250,624	2,456,545
(Decrease) / increase in current liabilities		
Trade and other payables	(1,306,036)	211,343
Net cash generated from operations	4,601,730	10,792,030
Income tax paid	(1,082,189)	(795,135)
Mark-up on loans paid	(1,432,796)	(1,394,996)
Return received on deposits		-
Staff retirement benefit paid	(8,400)	(7,112)
(Increase) / decrease in long-term loans and advances	168	10
Decrease / (increase) in long-term deposits	(42,631)	(14,634)
Net cash generated from operating activities	2,035,882	8,580,163
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(699,520)	(1,123,263)
Acquisition of Intangible assets	(23,340)	(24,027)
Return on PLS accounts	22,515	27,061
Sale proceeds from disposal of property, plant and equipment	2,820	387
Net cash used in investing activities	(697,525)	(1,119,842)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term finance	(1,125,742)	-
Long-term loan (paid) / obtained - net	-	(1,871,591)
Dividend Paid	(1,544,524)	-
Increase / (decrease) in liabilities against assets subject to finance leases	(15,380)	(5,974)
Net cash generated from financing activities	(2,685,646)	(1,877,565)
Net increase in cash and cash equivalents	(1,347,290)	5,582,756
Cash and cash equivalents at beginning of the period	(6,557,646)	(9,763,857)
Cash and cash equivalents at end of the period	(7,904,936)	(4,181,101)

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Chief Executive


Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Period Ended March 31, 2022 - (Unaudited)

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on May 30, 2005 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company's shares are listed on Pakistan Stock Exchange (PSX) since August 2012. The registered office of the Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi.

The Company has set up a cold rolling mill complex and a galvanization plant in the downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi, to carry out its principal business of manufacturing and selling cold rolled coils and hot dipped galvanized coils.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2021.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards and amendments to approved accounting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period beginning July 1, 2021. However, these do not have any significant impact on the Company's financial reporting.

b) Standards and amendments to approved accounting standards that are not yet effective

There are standards and certain other amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2022. However, these are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these financial statements.

	(Unaudited) March 31, 2022	(Audited) June 30, 2021
Rupees '000		

6. INVENTORIES

Raw material [including in transit Rs. 3.02 million
(June 30, 2021: Rs. 4.63 billion)]

3,545,057

7,850,190

Work-in-process

453,868

765,110

Finished goods [including coil end sheets
Rs. 25.649 million (June 30, 2021: Rs. 22.31 million)]

4,915,549

2,352,387

Packing and other materials

-
8,914,474

85,186
11,052,873

Stores

872,836

327,435

Spares

583,856

707,769

1,456,692

1,035,204

10,371,166

12,088,077

7. LOANS, ADVANCES AND PREPAYMENTS

- 7.1** These include deposit held with a bank amounting to Rs. 78.11 million (June 30, 2021: Rs. 56.5 million) in respect of bank guarantees issued to Regulatory Authorities against disputed duties and taxes, and to a customer in respect of performance of a contract.

	(Unaudited) March 31, 2022	(Audited) June 30, 2021
Rupees '000		

8. CASH AND BANK BALANCES

With banks on

- Current accounts

229,048

156,638

- PLS savings accounts - note 8.1

722,440

81,167

Cash in hand

193

255

951,681

238,060

- 8.1** At March 31, 2022 the rates of mark up on PLS savings accounts range from 3% to 6.8% (June 30, 2021: 4% to 5.5%) per annum.

9. SHARE CAPITAL

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

	(Unaudited) March 31, 2022	(Audited) June 30, 2021
Rupees '000		

10. LONG-TERM FINANCE – secured

Loan under restructuring agreement - note 10.1	3,715,197	4,403,436
Loan for expansion project - note 10.2	2,739,578	3,033,214
Loan under refinance scheme - note 10.3	136,251	191,545
	<u>6,591,026</u>	<u>7,628,195</u>
Less: Current maturity of long-term finance	<u>(1,496,380)</u>	<u>(1,531,480)</u>
	<u>5,094,646</u>	<u>6,096,715</u>

10.1 The facility carries mark-up ranging from 6 months KIBOR plus 1% per annum to 6 months KIBOR plus 3.28% per annum on the outstanding amount excluding frozen mark-up. It is repayable in 10 unequal semi-annual installments from July 19, 2021 to January 19, 2025.

10.2 The facility carries mark up ranging between 6 months KIBOR plus 1.9% per annum to be determined on semi-annual basis to mark up at 6 months KIBOR prevailing one day before the first Musharaka contribution date, plus a margin of 1.9% per annum to be determined on semi-annual basis. It is repayable in 10 consecutive semi-annual installments in arrears from December 2021 to June 2026.

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

	(Unaudited) March 31, 2022	(Audited) June 30, 2021
Rupees '000		

11. SHORT-TERM BORROWINGS - secured

Short term finance facilities under:		
- Running finance under mark-up arrangement	681,848	300,842
- Istisna-cum-Wakala arrangement	3,896,821	500,000
- Finance against Trust Receipts	<u>4,277,947</u>	<u>5,994,863</u>
	<u>8,856,616</u>	<u>6,795,705</u>

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There has been no significant change during the period in the contingencies reported in the annual financial statements for the year ended June 30, 2021.

12.2 Commitments

Commitments for capital expenditure outstanding as at March 31, 2022 amounted to Rs. 532.25 million (June 30, 2021: Rs. 721.11 million).

		(Unaudited)	
		March 31,	March 31,
		2022	2021
		Rupees '000	

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Local sale of goods - note 13.1	51,334,132	46,331,992
Sales tax	(7,391,594)	(6,741,811)
Rebates and discounts	(939,076)	(595,502)
	43,003,462	38,994,679
Exports	6,113,142	1,758,952
	49,116,604	40,753,631

- 13.1** This includes scrap sale of coil-end sheets net of sales tax amounting to Rs. 2.06 billion (March 31, 2021: Rs. 1.42 billion).

14. SELLING AND DISTRIBUTION COST

This includes freight charges on export sales amounting to Rs. 232.239 million (March 31, 2021: Rs. 119.74 million).

		(Unaudited)	
		March 31,	March 31,
		2022	2021
		Rupees '000	

15. OTHER EXPENSES

Workers' Profits Participation Fund	35,686	355,903
Workers' Welfare Fund	14,275	143,268
Exchange loss - net	650,847	-
	700,808	499,171

16. FINANCE COSTS

Mark-up expense:		
- long-term finance	356,863	703,120
- impact of unwinding on long-term finance	82,480	144,856
- short-term borrowings	1,014,212	411,004
Interest on Workers' Profits Participation Fund	65,248	-
Finance lease charges	3,674	5,351
Bank and other charges	61,417	81,898
	1,583,894	1,346,229

17. INCOME TAX EXPENSE

Current		
- for the period	263,340	823,277
- prior year	-	10,990
Deferred	(81,649)	1,028,889
	181,691	1,863,156

18. DILUTED EARNINGS PER SHARE

Diluted earnings per share has not been presented for period ended March 31, 2022 as it has anti-dilutive effect on the earnings per share.

19. TRANSACTIONS WITH RELATED PARTIES

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


			(Unaudited) March 31, 2022	(Unaudited) March 31, 2021
			Rupees '000	
Relationship	Name of company	Nature of transaction		
Associated companies	Arif Habib Corporation Limited	- Finance facility utilised	1,725,000	1,630,000
		- Repayment of finance facility utilised	1,725,000	1,630,000
		- Long-term loan repaid	14,734	-
		- Mark-up on finance facilities	16,209	16,211
		- Mark-up on finance facilities paid	12,633	28,473
		- Guarantee commission	829	3,469
		- Guarantee commission paid	1,704	3,376
		- Dividend paid	49,422	-
		- Preference dividend converted into ordinary shares	436,371	-
	Arif Habib Limited	- Dividend paid	2,263	-
		- Preference dividend converted into ordinary shares	5,325	-
	Arif Habib Equity (Private) Limited	- Mark-up on finance facilities	-	206
		- Mark-up on finance facilities paid	-	27,318
		- Dividend paid	444,821	-
		- Preference dividend converted into ordinary shares	497,847	-
	Power Cement Limited	- Purchase of construction material	574	528
		- Payment made against purchase of construction material	389	673
	Rotocast Engineering Co. (Private) Limited	- Repayment of finance facility utilized	-	1,980,000
		- Mark-up on finance facilities	-	103,394
		- Mark-up on finance facilities paid	-	126,951
		- Rent and maintenance	6,852	7,193
		- Rent and maintenance paid	6,852	7,193
Other related parties	Mr. Arif Habib, Chairman	- Mark-up on finance facility	-	90
		- Mark-up on finance facility paid	-	8,156
		- Dividend paid	272,186	-
		- Preference dividend converted into ordinary shares	269,524	-
Key management personnel	Chief Executive Officer, Chief Financial Officer & Company Secretary	- Salaries and other employee benefits	20,437	16,706
	Chief Financial Officer & Company Secretary	- Post retirement benefits	493	425
	Non-Executive Director	- Meeting and other expenses	691	515

20. CORRESPONDING FIGURES

Corresponding figures have been reclassified / rearranged, wherever necessary, the impact of which is not material to the financial statements.

21. DATE OF AUTHORISATION FOR ISSUE

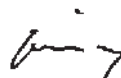
These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on 28 April, 2022.



Chief Financial Officer



Chief Executive



Director



Arif Habib Centre 23,
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Fax No. (021) 34740151
Email: info@aishasteel.com
Website: www.aishasteel.com

