



WE DO IT

HALF YEARLY REPORT DECEMBER 2022



CONTENTS

04	Vision and Mission Statement
05	Company Information
06	Directors' Review Report
09	Independent Auditor's Review Report
11	Condensed Interim Statement of Financial Position
12	Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
13	Condensed Interim Statement of Cash Flows
14	Condensed Interim Statement of Changes in Equity
15	Notes To and Forming Part of The Condensed Interim Financial Statements

COMPANY OVERVIEW





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
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

Mr. Umair Noor Muhammad

Company Secretary

Mr. Manzoor Raza

Head of Internal Audit

Mr. Muhammad Shahid

Registered Office

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

Factory 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, Block B, 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 Tayeb Aly & Co.
Lex Firmā
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
Industrial and Commercial Bank of China

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 of the Company for the half year ended December 31, 2022.

Steel Market Review

The downward trend in HRC prices started in April 2022 and continued into the current financial year reaching near bottom in October 2022. The prices decreased from around US\$ 950 FOB China to around US\$ 500. The trend reversed, thereafter, and prices have increased gradually to levels near US\$600 in December 2022 and still rising. The fall attributed to COVID related slowdown and then rise in post COVID industrial pick up.

However, improvement anticipated in Pakistan went astray due to country specific developments. The country confronted challenges the likes of which were seldom seen before. Prolonged political instability, balance of payment crises, declining rupee value and high interest rates compounded by devastating floods led to serious economic crises. To handle acute shortage of foreign exchange, drastic and abrupt policy changes were enforced to avoid international default. The sudden policy changes disrupted raw material flow, leading to slow down and in some cases stoppage in production. The ad hoc steps taken will have far-reaching consequences for the local business entities in both short and long term.

The biggest challenge for the industries in general and steel in particular is opening Letter of Credit and making payment by the banks when it becomes due. The steel sector may face difficulties in procuring raw material. Major suppliers are shying away from bidding as due payments against L/C's are delayed or not released by the banks. Prudent measures are in order to avoid long-term consequences of the on-going financial crises.

Operational Review

The total quantity sold during the Jul-Dec, 2022 period was 69,895 tons compared to 151,916 sold during the corresponding period last year showing a decline of about 54%. The export quantity was 1,152 tons compared to 20,335 tons exported during the corresponding period last year.

The total quantity produced during the period was 64,106 tons compared to 174,200 tons in the corresponding period last year, a decline of about 63%. The production was curtailed due to slow offtake and buildup of finished goods inventory. In addition to high cost of inventory, slow offtake, high rate of mark-up and exchange loss have been the main reasons for weak financial results of the Company.

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

	Half year ended	
	December 2022	December 2021
	Rs. In Millions	
Revenue	15,686	31,581
Gross (Loss) / Profit	(272)	2,660
Finance Costs *	(1,575)	(1,027)
Exchange Loss (Net)**	(1,081)	(607)
(Loss) / Profit before tax	(3,115)	591
(Loss) / Profit after tax	(2,098)	452
(Loss) / earnings per share	(2.31)	0.53

* Finance Cost

The State Bank of Pakistan vide its circular letter no. 9 of 2022 dated April 7, 2022 has imposed requirement of 100% cash margin to be deposited in current account of banks for opening of letter of credits for import of hot rolled coils. As a result of this requirement, we were required to incur finance charges on arrangement of cash margin deposited with the banks. Finance cost includes Rs.102 million incurred meeting this requirement.

**** Exchange loss**

The International Financial Reporting Standards (IFRS), applicable to import of materials, require a business to record the purchase of the materials at the time the supplier ships the materials against a C&F contract, i.e., at the stage the goods are loaded onto a vessel, when the title to the goods is transferred to the importer. This accounting of the purchase is recorded at the contracted C&F price converted to the local currency of the importer at the spot exchange rate at the time of shipment, even though the exchange rate at which the importer will pay for the goods will be at the actual exchange rate prevailing when the shipping documents are received, and the materials are paid for. The IFRS require the difference in the exchange rate prevailing at the time of the shipment and the actual transaction exchange rate at which the payment is made, to be recorded as an accounting exchange gain or loss.

During the reporting period, following the accounting convention, the Company has recorded an exchange loss of Rs. 1,081 million, resulting from the exchange rate differential between the shipment date exchange rate and the actual transaction exchange rates applicable to the materials when paid to the suppliers and the exchange rate prevailing on the reporting date where payment of material is not made.

During the period ended December 31, 2022, out of the Rs. 1,081 million recorded as accounting exchange loss, Rs. 662 million pertains to the unsold materials the Company held either under transit or at its plant. Due to subsequent increase in selling price the company is expected to recover this exchange loss in next reporting period(s). The remaining Rs. 419 million is attributable to materials that has been converted to finished products and sold during the period ended December 31, 2022.

Future Outlook:

The outlook in the medium term looks challenging. The restrictions on imports of raw material and essential spares are threat to the continuity of production and sales. Margins in current quarter have improved resulting in profitable operations even with limited quantities of production and sales, reducing losses of first two quarters.

During the reporting period, the Company has recorded an exchange loss of Rs. 1,081 million, out of which Rs. 577 million was an unrealized exchange loss. This unrealized exchange loss relates to raw materials that was not cleared due to payment restrictions arising from the unavailability of USD reserves in Pakistan. Due to subsequent increase in selling price, the Company is expected to recover this exchange loss in next reporting period(s). However, once the available raw material is exhausted, situation may become testing. Efforts are being made to convince the suppliers to take positive view on Pakistan and to offer them products to satisfy them in view of shortage of foreign exchange with Pakistan. Agreement with IMF is critical for improvement in the inflow of forex for Pakistan, resulting in restoration of normal operations of the Company.

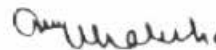
Acknowledgement

The directors are grateful to the Company's stakeholders for their continuing confidence and patronage. We would also like to record our appreciation to the Banks for the continuous support in the ongoing operations. We also acknowledge the support of Regulators for their continued support.

For and on behalf of the Board



Dr. Munir Ahmed
Chief Executive



Mr. Arif Habib
Chairman

Karachi : February 24, 2023

FINANCIAL STATEMENTS





INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Aisha Steel Mills Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Aisha Steel Mills Limited as at December 31, 2022 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to these financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial 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 other comprehensive income for the quarters ended December 31, 2022 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2022.

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 the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Rehman.

Chartered Accountants
Karachi

Date: February 28, 2023

UDIN: RR202210059QfZivtpej

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State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

■ KARACHI ■ LAHORE ■ ISLAMABAD

Condensed Interim Statement of Financial Position

AS AT DECEMBER 31, 2022 - (UNAUDITED)

		(Unaudited) December 31, 2022	(Audited) June 30, 2022
	Note	Rupees '000	
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,925,632	19,124,305
Intangible assets		52,240	53,915
Long-term advances		350	350
Long-term deposits		97,274	120,907
Deferred tax asset	6	<u>1,835,202</u>	<u>736,056</u>
		20,910,698	20,035,533
Current assets			
Inventories	7	14,763,788	16,607,460
Trade and other receivables		4,795,871	5,805,309
Loans, advances and prepayments	8	1,257,772	1,495,446
Tax refunds due from government - Sales tax		502,899	-
Taxation - payments less provision		3,035,229	2,653,075
Cash and bank balances	9	<u>910,060</u>	<u>207,994</u>
		25,265,619	26,769,284
Total assets		<u><u>46,176,317</u></u>	<u><u>46,804,817</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	10		
Ordinary shares		9,300,159	9,248,008
Cumulative preference shares		444,950	444,950
Difference on conversion of cumulative preference shares and dividends into ordinary shares		<u>(1,762,459)</u>	<u>(1,762,456)</u>
		7,982,650	7,930,502
Surplus on revaluation of property, plant and equipment		1,285,296	1,305,870
Capital reduction reserve		667,686	667,686
Unappropriated profit		<u>2,002,088</u>	<u>4,131,495</u>
		11,937,720	14,035,553
Liabilities			
Non-current liabilities			
Long-term finance - secured	11	4,080,511	4,831,450
Lease liabilities		127,828	121,662
Employee benefit obligations		<u>166,552</u>	<u>146,809</u>
		4,374,891	5,099,921
Current liabilities			
Trade and other payables		10,047,338	9,333,836
Accrued mark-up		734,272	523,635
Short-term borrowings	12	17,602,658	15,869,364
Sales tax payable		-	361,445
Unclaimed dividend		69,400	69,400
Current portion of deferred income - Government grant		-	1,158
Current maturity of long-term finance		1,395,756	1,476,893
Current maturity of lease liabilities		<u>14,282</u>	<u>33,612</u>
		29,863,706	27,669,343
Total liabilities		34,238,597	32,769,264
Contingencies and commitments	13		
Total equity and liabilities		<u><u>46,176,317</u></u>	<u><u>46,804,817</u></u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF YEAR ENDED DECEMBER 31, 2022 - (UNAUDITED)

	Note	Quarter ended		Half year ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		Rupees '000			
Revenue from contracts with customers	14	9,143,200	13,573,527	15,685,716	31,580,592
Cost of sales		(9,567,482)	(13,121,172)	(15,957,379)	(28,920,114)
Gross (loss) / profit		(424,282)	452,355	(271,663)	2,660,478
Selling and distribution cost	15	(22,499)	(81,272)	(46,540)	(226,813)
Administrative expenses		(106,986)	(121,787)	(200,373)	(202,864)
Operating (loss) / profit		(553,767)	249,296	(518,576)	2,230,801
Other expenses	16	172,516	(176,393)	(1,082,181)	(650,973)
Other income		47,668	31,506	60,675	37,573
Finance costs	17	(765,195)	(528,392)	(1,574,968)	(1,026,619)
(Loss) / profit before tax		(1,098,778)	(423,983)	(3,115,050)	590,782
Income tax credit / (expense)	18	412,445	138,030	1,017,379	(138,911)
(Loss) / profit for the period		(686,333)	(285,953)	(2,097,671)	451,871
Other comprehensive income		-	-	-	-
Total comprehensive (loss) / income		(686,333)	(285,953)	(2,097,671)	451,871
(Loss) / earnings per share		Rupees			
- Basic		(0.72)	(0.36)	(2.31)	0.53
- Diluted	19	-	(0.29)	-	0.50

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

Condensed Interim Statement Of Cash Flows

FOR THE HALF YEAR ENDED DECEMBER 31, 2022 - (UNAUDITED)

		(Unaudited) December 31, 2022	(Unaudited) December 31, 2021
	Note	Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	20	1,753,900	(10,653,327)
Income tax paid		(463,921)	(882,497)
Mark-up on loans paid		(1,282,670)	(679,568)
Return on bank deposits received		19,685	19,956
Employee benefits paid		(6,724)	(6,002)
Workers' welfare fund paid		-	(80,000)
Decrease in long-term advances		-	168
Decrease / (increase) in long-term deposits		23,633	(40,815)
Net cash generated from / (used in) operating activities		<u>43,903</u>	<u>(12,322,085)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(295,328)	(742,336)
Purchase of intangible assets		-	(7,762)
Sale proceeds from disposal of property, plant and equipment		6,481	2,821
Net cash used in investing activities		<u>(288,847)</u>	<u>(747,277)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term finance		(768,982)	(707,530)
Short-term borrowings obtained		4,340,000	1,725,000
Short-term borrowings paid		(2,040,000)	(725,000)
Dividend paid		(162)	(1,465,453)
Lease rentals paid		(17,140)	(8,213)
Net cash generated from / (used in) financing activities		<u>1,513,716</u>	<u>(1,181,196)</u>
Net increase / (decrease) in cash and cash equivalents		<u>1,268,772</u>	<u>(14,250,558)</u>
Cash and cash equivalents at beginning of the period		<u>(15,661,370)</u>	<u>(6,557,645)</u>
Cash and cash equivalents at end of the period	21	<u>(14,392,598)</u>	<u>(20,808,203)</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

Condensed Interim Statement of Changes in Equity

FOR THE HALF YEAR ENDED DECEMBER 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 fixed assets	Capital reduction reserve	(Accumulated loss) / Unappropriated profit	
Rupees '000							
Balance as at July 1, 2021	7,716,843	445,335	(1,348,402)	1,404,689	667,686	5,580,433	14,466,584
Incremental depreciation net of deferred tax transferred	-	-	-	(20,574)	-	20,574	-
Cumulative preference shares of Rs. 10 each converted to 2,285 ordinary shares of Rs. 10 each during the period	880	(385)	(495)	-	-	-	-
Cumulative preference dividend converted to ordinary shares of Rs. 10 each during the period	1,530,285	-	(413,559)	-	-	(1,116,726)	-
Final dividend @ Rs. 2 per share for the year ended June 30, 2021	-	-	-	-	-	(1,543,545)	(1,543,545)
Preference dividend @ Rs. 7.10 per share for the year ended June 30, 2021	-	-	-	-	-	(979)	(979)
Total comprehensive income for the half year ended December 31, 2021							
- Profit for the period	-	-	-	-	-	451,871	451,871
- Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	-	451,871	451,871
Balance as at December 31, 2021	<u>9,248,008</u>	<u>444,950</u>	<u>(1,762,456)</u>	<u>1,384,115</u>	<u>667,686</u>	<u>3,391,628</u>	<u>13,373,931</u>
Balance as at July 1, 2022	9,248,008	444,950	(1,762,456)	1,305,870	667,686	4,131,495	14,035,553
Incremental depreciation net of deferred tax transferred	-	-	-	(20,574)	-	20,574	-
Cumulative preference dividend converted to ordinary shares of Rs. 10 each during the period	52,151	-	(3)	-	-	(52,148)	-
Preference dividend @ Rs. 1.17 per share for the year ended June 30, 2022	-	-	-	-	-	(162)	(162)
Total comprehensive income for the half year ended December 31, 2022							
- Loss for the period	-	-	-	-	-	(2,097,671)	(2,097,671)
- Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	-	(2,097,671)	(2,097,671)
Balance as at December 31, 2022	<u>9,300,159</u>	<u>444,950</u>	<u>(1,762,459)</u>	<u>1,285,296</u>	<u>667,686</u>	<u>2,002,088</u>	<u>11,937,720</u>

*This includes difference arising on conversion of dividend on preference shares of Rs. 3

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.


Chief Executive


Chief Financial Officer


Director

Notes to and Forming Part of the Condensed Interim Financial Statements

FOR THE HALF YEAR ENDED DECEMBER 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.

- 1.1 The prevalent economic conditions of the country including depleting foreign exchange reserves and high inflation are impacting the overall business activity including imports. The Company's main raw material is imported availability of which is also impacted due to the prevalent economic conditions. However, as at December 31, 2022, the Company has available raw material to carry out its operations and has also arranged forward purchases. Further, to finance its working capital requirements, the Company has several financing facilities. The rise in exchange rate and interest rates has also affected the Company. Management believes that these challenges are due to temporary downfall in the economic situation of the Country and Company will recover accordingly. The Company will continue its operations for the foreseeable future on the basis of the Company's plans and the continued support of the related parties and lenders of the Company.

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, 2022.

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 01, 2022. 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 01, 2023, 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.

Notes to and Forming Part of the Condensed Interim Financial Statements

FOR THE HALF YEAR ENDED DECEMBER 31, 2022 - (UNAUDITED)

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, 2022.

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, 2022.

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, 2022.

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

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	16,603,776	16,952,995
Capital work in progress (at cost)	399,410	383,946
Major spare parts and stand-by equipment - note 5.2	1,922,446	1,787,364
	<u>18,925,632</u>	<u>19,124,305</u>

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

	(Unaudited)			
	Additions (at cost)		Disposals (at net book value)	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Rupees '000				
Owned assets:				
Building and civil works on leasehold land	-	1,040	-	-
Plant and machinery	97,505	238,895	-	-
Electrical equipment	3,952	5,907	-	-
Office equipment	6,473	9,076	217	-
Furniture and fixtures	-	339	-	-
Motor vehicles	199	268	-	389
Right of use assets:				
Motor vehicles	36,654	12,002	7,069	1,760
	<u>144,783</u>	<u>267,527</u>	<u>7,286</u>	<u>2,149</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

FOR THE HALF YEAR ENDED DECEMBER 31, 2022 - (UNAUDITED)

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

5.2 Major spare parts and stand-by equipment

Balance at beginning of the period / year	1,787,363	1,803,311
Additions	239,748	834,064
Transfers	(104,665)	(850,012)
Balance at end of the period / year	<u>1,922,446</u>	<u>1,787,363</u>

6. DEFERRED TAX ASSET

6.1 The Company's tax losses amount to Rs. 11.28 billion (June 30, 2022: Rs. 7.55 billion) as at December 31, 2022. The management carries out periodic assessment to assess the benefit of these losses as the Company would be able to set off the profit earned in future years against these carried forward losses. Based on the assessment, management has recognised deferred tax debit balance amounting to Rs. 3.27 billion (June 30, 2022: Rs. 1.84 billion) including an amount of Rs. 2.13 billion (June 30, 2022: Rs. 1.59 billion) on unabsorbed tax depreciation, amortisation and initial allowance of Rs. 7.36 billion (June 30, 2022: Rs. 5.49 billion). The amount of these benefits have been determined based on the financial projections of the Company for future years. The determination of future taxable profit 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.

6.2 The Company has recognised deferred tax asset on minimum tax paid in tax years 2022 and 2023 based on the advice of its tax advisor that the Company has the right to carry forward the minimum tax paid and adjust it against taxable profits of future years. In the previous years, the Company adjusted the minimum tax of Rs. 942.44 million paid in previous years with the tax liability.

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

7. INVENTORIES

Raw material [In transit Rs. 10,369.19 million (June 30, 2022: Rs. 8,334.82 million)] - note 7.1	10,369,185	10,580,168
Work-in-process	228,895	744,126
Finished goods [including coil end sheets Rs. 31.05 million (June 30, 2022: Rs. 62.83 million)]	2,641,207	3,674,450
Packing and other materials	-	-
	<u>13,239,287</u>	<u>14,998,744</u>
Stores	951,961	841,249
Spares	572,540	767,467
	<u>1,524,501</u>	<u>1,608,716</u>
	<u>14,763,788</u>	<u>16,607,460</u>

7.1 This includes inventory currently held at demurrage free yard (DFY) of the Port Qasim Authorities as at December 31, 2022 amounting to Rs. 9,132.81 million which is being released periodically based on the retirement of LCs pursuant to the foreign exchange availability with the banks.

Notes to and Forming Part of the Condensed Interim Financial Statements

FOR THE HALF YEAR ENDED DECEMBER 31, 2022 - (UNAUDITED)

8. LOANS, ADVANCES AND PREPAYMENTS

- 8.1 These include deposit held with a bank amounting to Rs. 63.49 million (June 30, 2022: Rs. 78.11 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) December 31, 2022	(Audited) June 30, 2022
	Rupees '000	

9. CASH AND BANK BALANCES

With banks on		
- Current accounts	122,962	110,567
- PLS savings accounts - note 9.1	786,786	97,086
Cash in hand	312	341
	<u>910,060</u>	<u>207,994</u>

- 9.1 At December 31, 2022 the rates of mark up on PLS savings accounts range from 12% to 14.5% (June 30, 2022: 12% to 13.7%) per annum.

10. SHARE CAPITAL

During the period, the Company has converted accumulated preference dividends on preference shares (ASLPS - Rs. 52.15 million) into Company's ordinary shares, in accordance with the terms of issue.

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

11. LONG-TERM FINANCE – secured

Loan under restructuring agreement - note 11.1	3,350,254	3,755,042
Loan for expansion project - note 11.2	2,093,227	2,454,162
Loan under refinance scheme - note 11.3	32,786	99,140
	<u>5,476,267</u>	<u>6,308,344</u>
Less: Current maturity of long-term finance	<u>(1,395,756)</u>	<u>(1,476,894)</u>
	<u>4,080,511</u>	<u>4,831,450</u>

- 11.1 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.
- 11.2 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.
- 11.3 The facility carries mark-up at the rate of 3% per annum and is repayable in 8 equal quarterly installments from January 2021 to January 2023.

Notes to and Forming Part of the Condensed Interim Financial Statements

FOR THE HALF YEAR ENDED DECEMBER 31, 2022 - (UNAUDITED)

(Unaudited)
December 31,
2022

(Audited)
June 30,
2022

Rupees '000

12. SHORT-TERM BORROWINGS - secured

Short term finance facilities under:

- Running finance under mark-up arrangement	2,496,285	2,553,128
- Istisna-cum-Wakala arrangement	4,976,563	2,427,772
- Finance against Trust Receipts	7,829,810	10,888,464
- Short-term loan from related party - note 12.3	2,300,000	-
	<u>17,602,658</u>	<u>15,869,364</u>

12.1 Facilities available from financial institutions amount to Rs. 28.86 billion (June 30, 2022: Rs. 24.9 billion). The rates of mark-up range between 1 month KIBOR plus 1% to 6 months KIBOR plus 1.75% (June 30, 2022: 1 month KIBOR plus 0.85% to 3 months KIBOR plus 3%) 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.

12.2 The facilities for opening letters of credit and guarantees as at December 31, 2022 amounted to Rs. 26.74 billion (June 30, 2022: Rs. 25.43 billion) of which the amount remained unutilised at period end was Rs. 9.89 billion (June 30, 2022: Rs. 4.1 billion). Corporate and personal guarantees provided by related parties against LC facility amounted to Rs. 4.3 billion (June 30, 2022: Rs. 4.3 billion) out of which amount remained unutilised at period end was Rs. 2 billion (June 30, 2022: Rs. 4.3 billion).

12.3 The facilities carry mark-up at the rate of 3 months KIBOR plus 1.8% per annum and 6 months KIBOR plus 1.8% per annum obtained from Arif Habib Corporation Limited and Mr. Arif Habib amounting to Rs. 0.56 billion and Rs. 1.74 billion respectively.

13. CONTINGENCIES AND COMMITMENTS

13.1 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, 2022 except as disclosed in notes 13.1.1 and 13.1.2 below:

13.1.1 During the period, Company received an order of DCIR dated October 31, 2022 in respect of tax year 2018 whereby income tax demand of Rs. 3.46 billion was established on the allegations which include bank credit entries, purchases, rebates and discounts, disallowance of income and expenses, finance costs, WPPF, business losses, tax credit u/s 65 B, depreciation and initial allowance, adjustment of minimum tax and super tax. The Company has filed an appeal against the aforesaid order before CIRA and which appeal is pending adjudication. The Company has also obtained stay order from CIRA. Based on the tax advice, the Company believes that it is not exposed to any tax liability.

13.1.2 During the period, Company received an order of DCIR dated August 30, 2022 in respect of tax year 2020 whereby sales tax demand of Rs. 954.83 million alongwith penalty and default surcharge of Rs. 247.99 million and Rs. 47.76 million respectively, was established on allegations of supplies made to blocked/suspended persons, non-payment of sales tax on sale of fixed assets and short payment of sales tax on scrap sales etc. The Company has filed an appeal against the aforesaid order before CIRA which appeal is pending adjudication. Based on the advice of its tax advisors, the Company expects a favourable outcome of the appeal hence no provision is made in these financial statements.

13.2 Commitments

Commitments for capital expenditure outstanding as at December 31, 2022 amounted to Rs. 188.41 million (June 30, 2022: Rs. 1,176.61 million).

Notes to and Forming Part of the Condensed Interim Financial Statements

FOR THE HALF YEAR ENDED DECEMBER 31, 2022 - (UNAUDITED)

	(Unaudited)	
	December 31, 2022	December 31, 2021

Rupees '000

14. REVENUE FROM CONTRACTS WITH CUSTOMERS

Local sale of goods - note 14.1	18,364,084	32,451,869
Sales tax	(2,684,338)	(4,576,263)
Rebates and discounts	(221,101)	(317,676)
	<u>15,458,645</u>	<u>27,557,930</u>
Exports	227,071	4,022,662
	<u>15,685,716</u>	<u>31,580,592</u>

14.1 This includes scrap sale of coil-end sheets net of sales tax amounting to Rs. 0.66 billion (December 31, 2021: Rs. 1.39 billion).

15. SELLING AND DISTRIBUTION COST

This includes freight charges on export sales amounting to Rs. 13.47 million (December 31, 2021: Rs. 210.68 million).

16. OTHER EXPENSES

The International Financial Reporting Standards (IFRS), applicable to import of materials, require a business to record the purchase of the materials at the time the supplier ships the materials against a C&F contract, i.e., at the stage the goods are loaded onto a vessel, when the title to the goods is transferred to the importer. This accounting of the purchase is recorded at the contracted C&F price converted to the local currency of the importer at the spot exchange rate at the time of shipment, even though the exchange rate at which the importer will pay for the goods will be at the actual exchange rate prevailing when the shipping documents are received, and the materials are paid for. The IFRS require the difference in the exchange rate prevailing at the time of the shipment and the actual transaction exchange rate at which the payment is made, to be recorded as an accounting exchange gain or loss.

During the reporting period, following the accounting convention, the Company has recorded an exchange loss of Rs. 1,081 million, resulting from the exchange rate differential between the shipment date exchange rate and the actual transaction exchange rates applicable to the materials when paid to the suppliers and the exchange rate prevailing on the reporting date where payment of material is not made.

During the period ended December 31, 2022, out of the Rs. 1,081 million recorded as accounting exchange loss, Rs. 662 million pertains to the unsold materials the Company held either under transit or at its plant. Due to subsequent increase in selling price the company is expected to recover this exchange loss in next reporting period(s). The remaining Rs. 419 million is attributable to materials that has been converted to finished products and sold during the period ended December 31, 2022.

	(Unaudited)	
	December 31, 2022	December 31, 2021

Rupees '000

17. FINANCE COSTS

Mark-up expense:		
- long-term finance	352,983	252,595
- impact of unwinding on long-term finance	(63,094)	82,480
- short-term borrowings	1,140,324	574,955
Interest on Workers' Profits Participation Fund	5,915	65,248
Guarantee commission	12,463	509
Finance lease charges	3,976	2,518
Bank and other charges	122,401	48,314
	<u>1,574,968</u>	<u>1,026,619</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

FOR THE HALF YEAR ENDED DECEMBER 31, 2022 - (UNAUDITED)

- 17.1** The State Bank of Pakistan vide its circular letter no. 9 of 2022 dated April 7, 2022 has imposed requirement of 100% cash margin to be deposited in current account of banks for opening of letter of credits for import of hot rolled coils. As a result of this requirement, we were required to incur finance charges on arrangement of cash margin deposited with the banks. Finance cost includes Rs. 102 million incurred meeting this requirement.

(Unaudited)	
December 31, 2022	December 31, 2021

Rupees '000

18. INCOME TAX EXPENSE

- Current	81,767	219,197
- Deferred	(1,099,146)	(80,286)
	<u>(1,017,379)</u>	<u>138,911</u>

19. (LOSS) / EARNINGS PER SHARE

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

(Unaudited)	
December 31, 2022	December 31, 2021

Rupees '000

20. CASH GENERATED FROM / (USED IN) OPERATIONS

(Loss) / profit before tax	(3,115,050)	590,782
Adjustment for non-cash charges and other items		
Depreciation and amortisation	488,390	518,079
Finance lease charges	3,976	2,518
Mark-up charges	1,493,307	827,550
Unwinding of long term finance	(63,094)	82,480
Provision for staff retirement benefit funds	26,467	20,504
Return on PLS savings accounts	(19,685)	(19,956)
Government grant income	(1,158)	(4,517)
Expense for WPPF and WWF	-	44,115
Interest on WPPF	5,915	65,248
Loss / (gain) on disposal of property, plant and equipment	805	(671)
	<u>1,934,923</u>	<u>1,535,350</u>
(Loss) / profit before working capital changes	(1,180,127)	2,126,132
Effects on cash flow due to change in working capital		
Decrease / (increase) in current assets		
Inventories	1,843,672	(8,413,983)
Trade and other receivables	1,009,438	982,699
Loans, advances, deposits and prepayments	237,674	(5,944)
Tax refunds due from Government - Sales tax	(864,344)	(1,349,009)
	<u>2,226,440</u>	<u>(8,786,237)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	707,587	(3,993,222)
Net cash generated from / (used in) operations	<u>1,753,900</u>	<u>(10,653,327)</u>

21. CASH AND CASH EQUIVALENTS

Cash and bank balances	910,060	305,476
Short-term borrowings	(15,302,658)	(21,113,679)
	<u>(14,392,598)</u>	<u>(20,808,203)</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

FOR THE HALF YEAR ENDED DECEMBER 31, 2022 - (UNAUDITED)

22. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Name of company	Nature of transaction	(Unaudited)	
			December 31, 2022	December 31, 2021
			Rupees '000	
Associated companies				
	Arif Habib Corporation Limited	- Finance facility utilised	2,600,000	1,725,000
		- Repayment of finance facility utilised	2,040,000	725,000
		- Long-term loan repaid	14,217	14,217
		- Mark-up on finance facilities	59,048	11,088
		- Guarantee commission	651	509
		- Dividend paid	-	49,422
		- Preference dividend converted into ordinary shares	40,987	436,371
	Arif Habib Limited	- Dividend paid	-	2,263
		- Preference dividend converted into ordinary shares	132	5,325
	Arif Habib Equity (Private) Limited	- Dividend paid	-	444,821
		- Preference dividend converted into ordinary shares	4,693	497,847
	Power Cement Limited	- Purchase of construction material	463	574
		- Payment made against purchase of construction material	-	221
	Rotocast Engineering Co. (Private) Limited	- Rent and maintenance	7,884	4,503
Other related parties				
	Mr. Arif Habib, Chairman	- Finance facility utilised	1,740,000	-
		- Mark-up on finance facility	6,311	-
		- Dividend paid	-	272,186
		- Preference dividend converted into ordinary shares	3,298	269,524
Key management personnel				
	Chief Executive Officer, Chief Financial Officer & Company Secretary	- Salaries and other employee benefits	13,295	13,761
	Chief Financial Officer & Company Secretary	- Post retirement benefits	357	314
	Non-Executive Director	- Meeting and other expenses	585	404

23. 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 24, 2023.


Chief Executive


Chief Financial Officer


Director