



# AGHA STEEL INDUSTRIES Ltd.

## HALF YEARLY REPORT December 31, 2024

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mrs. Shazia Agha	Chairperson, Non-Executive Director
Mr. Hussain Iqbal Agha	Chief Executive Officer
Mr. Raza Agha	Executive Director
Mr. Asif Ahmad	Non-Executive Director
Mr. Muhammad Shahid	Non-Executive Director
Mr. Muhammad Asif	Independent Director
Mr. Saeed Mirza	Independent Director

### AUDIT COMMITTEE

Mr. Saeed Mirza	Chairman
Mr. Asif Ahmad	Member
Mr. Muhammad Asif	Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mrs. Shazia Agha	Chairperson
Mr. Muhammad Shahid	Member
Mr. Raza Agha	Member

### CHIEF FINANCIAL OFFICER

Mr. Kamran Ahmed

### COMPANY SECRETARY

Mr. Muhammad Muneeb Khan

### HEAD OF INTERNAL AUDIT

Mr. Khawaja Muhammad Akbar

### EXTERNAL AUDITORS

Reanda Haroon Zakaria Rizwan Salman & Company Chartered Accountants  
Progressive Plaza, Beaumont 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
- Askari Bank Limited
- Habib Bank Limited
- Bank Al Falah Limited
- Meezan Bank Limited
- Bank Islami Pakistan Limited
- United Bank Limited
- JS Bank Limited
- Samba Bank Limited
- Soneri Bank Limited
- Faysal Bank Limited
- Habib Metro Bank Limited
- MCB Islamic Bank Limited
- MCB Bank Limited
- Dubai Islamic Bank Limited
- The Bank of Khyber
- National Bank of Pakistan
- Allied Islamic Bank Limited
- 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, 8<sup>th</sup> Floor, Emerald Tower, G-19

II Talwar, Block 5, Clifton, Karachi, Pakistan

UAN # 021-111-111-2442

[Corporate@aghasteel.com](mailto:Corporate@aghasteel.com)

## **SYMBOL AT PAKISTAN STOCK EXCHANGE**

AGHA

## **WEBSITE INFORMATION**

[www.aghasteel.com](http://www.aghasteel.com)

## **DIRECTORS' REVIEW REPORT**

The Board of Directors is pleased to present the financial statements for the quarter ended December 31, 2024.

### **Economic Environment**

The economy continued to maintain stability under the USD 7 billion Extended Fund Facility (EFF) program by the International Monetary Fund (IMF). A decline in petroleum prices contributed to a reduction in inflation, which stood at 4.1% in December 2024. The exchange rate remained stable at approximately Rs.278 per USD, supported by strong remittances and export receipts. Encouragingly, the current account recorded a surplus of USD 1.2 billion, accompanied by an increase in foreign exchange reserves.

However, these positive economic indicators have yet to translate into increased economic activity, as evidenced by a contraction of 1.25% in the large-scale manufacturing sector during July–November 2024. The steel industry faced challenges due to volatility in steel prices, sluggish international growth, and heightened trade barriers in major economies, all contributing to a significant decline in steel prices. Additionally, the local industry remained under pressure due to rising costs and the continued misuse of sales tax exemptions granted to the FATA/PATA regions.

### **Management's Response**

The management is actively reviewing operations to identify areas for improvement and implement strategic adjustments aimed at mitigating the factors contributing to the current financial losses. Our focus remains on stabilizing operations, optimizing costs, and exploring opportunities for recovery.

### **Financial Performance**

During the six months of the financial year 2025, the Company recorded net sales of Rs. 5,363 million compared to Rs. 9,345 million during the corresponding period last year. The Company registered an operating loss of Rs. (3,620) million during the six-month period under review, as against an operating loss of Rs. (550) million in the same period last year. The loss before and after tax stood at Rs. (4,557) million and Rs. (1,403) million, respectively, compared to a loss of Rs. (520) million and Rs. (219) million in the corresponding period last year.

Six Months Ended	December 31, 2024	December 31, 2023
<b>Rupees in Millions</b>		
Sales	5,363	9,345
Gross Profit	(632)	1,809
Operating Profit/(Loss)	(3,620)	(550)
Profit/(Loss) before tax	(4,557)	(520)
Profit/(Loss) after tax	(1,403)	(219)
Earnings per share - Basic (in Rupees)	(2.32)	(0.36)

### **Qualified Opinion by Auditors**

#### **Extract from the Auditor's Report:**

*During the course of our review, we sent confirmations to trade debtors for outstanding balances receivable amounting to Rs. 3,735.463 million as of December 31, 2024. As of the date of this report, we have neither received direct confirmations from the respective debtors nor been able to substantiate these balances through alternative procedures. Consequently, we were unable to obtain sufficient and appropriate audit evidence regarding the existence and completeness of trade debts.*

*Further, with reference to Note 9.1 of the accompanying condensed interim financial statements, the Company has written off trade debts amounting to Rs. 1,034.567 million that were deemed uncollectible. We were not provided with specific criteria, documentation, or records regarding management's efforts to recover these balances. This limitation has affected our ability to assess the appropriateness and justification for these write-offs.*

*Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present a true and fair view of the financial position of the entity as of December 31, 2024, and its financial performance and cash flows for the six-month period then ended, in accordance with the applicable accounting and reporting standards in Pakistan.*

#### **Management's Response to Audit Observations**

We acknowledge the observations highlighted in the auditors' report. While the write-off of certain trade debts may seem concerning at first glance, this step is necessary to ensure a more accurate and transparent balance sheet. The rationalization of actual receivables aligns with the

principle of 'True and Fair' accounting, providing a clearer reflection of the Company's financial position.

This decision underscores our commitment to financial integrity and transparency. Despite prevailing macroeconomic challenges, including market volatility and operational difficulties, the management remains dedicated to upholding the highest standards of corporate governance and risk management. The write-offs reflect a prudent approach to financial reporting, allowing us to mitigate risks associated with uncollectible receivables while reinforcing stakeholder confidence in our financial disclosures.

### **Future Prospects**

The Company is actively pursuing strategic initiatives to enhance operational efficiency and long-term sustainability. These initiatives include a comprehensive review of our product portfolio, exploration of potential partnerships and collaborations, and the adoption of innovative technologies to drive productivity. Furthermore, we are continuously evaluating market trends and customer preferences to align our offerings with evolving industry demands.

### **Acknowledgment**

The Board of Directors extends its gratitude to all stakeholders, including the Securities and Exchange Commission of Pakistan, the Pakistan Stock Exchange, the State Bank of Pakistan, financial institutions, our valued customers, vendors, and suppliers, for their unwavering support and trust in the Company. We also acknowledge the dedication and commitment of our employees, whose contributions remain integral to our progress and resilience.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**



**Hussain Iqbal Agha**  
**Chief Executive Officer**



**Raza Iqbal Agha**  
**Director**

Karachi: **February 28, 2025**



**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
AGHA STEEL INDUSTRIES LIMITED  
REPORT ON REVIEW OF CONDENSED 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, 2024 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 (herein-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, 2024 and December 31, 2023 have not been reviewed, as we are required to review only the cumulative figures for the six months' period ended December 31, 2024.

***Scope of Review***

Except as explained in the following paragraph, 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 information 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.

***Basis for Qualified Conclusion***

During the course of our review, we sent confirmations to trade debtors for the outstanding balances receivable amounting to Rs. 3,735.463 million as at December 31, 2024. As of the date of this report, we have neither received direct confirmations from the respective debtors nor substantiated these balances from alternative procedures. Therefore, we were unable to obtain sufficient appropriate audit evidence regarding the existence and completeness of trade debts.

Further, reference to note 9.1 to the accompanying condensed interim financial statements, the Company has written off its trade debts amounting to Rs. 1,034.567 million that were considered uncollectable. We were not provided the basis of specific criteria, documentation, or records relating to the efforts made by the management for collection of these balances. This limitation has impacted our ability to assess the appropriateness and justification for these write-offs.

*RHZAARCO*



As a result, we are unable to determine whether any adjustment to the carrying amounts of trade debts may be necessary.

### ***Qualified Conclusion***

Based on our review, except for the possible effects of the matter described in the *Basis for Qualified Conclusion* paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the entity as at December 31, 2024, and of its financial performance and cash flows for the six-month period then ended in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### ***Emphasis of Matters***

- a) We draw attention to note 2 to the accompanying interim financial statements, which indicates that the Company has experienced financial constraints due to low business volumes during the period and has incurred gross loss of Rs. 789.297 million, loss before levy and taxes amounting to Rs. 4,555.504 million and loss after taxation amounting to Rs. 3,841.726 million. The Company's current liabilities exceeded its current assets by Rs. 16,754.701 million. Additionally, all the banking liabilities are payable on-demand at period end comprising of short-term borrowings amounting to Rs. 15,126.507 million, long-term borrowings amounting to Rs. 7,880.559 million and accrued markup amounting to Rs. 5,441.303 million due to breach of covenants.

These events or conditions along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business, and also discusses the reasons for preparing the interim financial statements on going concern basis including the expectation of future profitability based on forecasted financial projections. These plans are subject to inherent uncertainty as future events are always subject to change.

- b) We draw attention to note 10.1 to the accompanying condensed interim financial statements, which describes the effects of non-payment of bank borrowings on time and breach of other covenants stipulated with the respected loan agreements.
- c) We draw attention to note 17 to the accompanying condensed interim financial statements, which describes the contingent liabilities and asset arising from ongoing litigations. The outcome of these matters cannot be determined with certainty at this time, and no adjustments have been made to the condensed interim financial statements in respect of these contingencies.

Our conclusion is not modified in respect of these matters.

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

*REANDA*

**Reanda Haroon Zakaria Aamir Salman Rizwan & Company**  
**Chartered Accountants**

**Place: Karachi**  
**Dated:**

**UDIN: RR202410086s7LXP0Yea**

**AGHA STEEL INDUSTRIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2024**

		(Unaudited) December 31 2024	(Audited) June 30 2024
	Note	----- Rupees in '000' -----	
<b><u>ASSETS</u></b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	45,481,719	45,575,831
Intangible asset		32,970	36,110
Long term deposits and receivable	7	28,571	387,360
		<u>45,543,260</u>	<u>45,999,301</u>
<b>Current Assets</b>			
Stores, spare parts and loose tools		2,692,623	2,869,749
Stock-in-trade	8	3,421,751	3,545,206
Trade and other receivables	9	3,367,756	4,024,456
Loans and advances		2,431,951	2,752,355
Deposits		23,920	33,063
Tax refunds due from Government		706,385	524,053
Cash and bank balances		63,291	239,134
		<u>12,707,677</u>	<u>13,988,016</u>
<b>Total Assets</b>		<u><u>58,250,937</u></u>	<u><u>59,987,317</u></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Share Capital and Reserves</b>			
Authorized capital		<u>10,250,000</u>	<u>10,250,000</u>
<b>Share Capital</b>			
Issued, subscribed and paid up capital		6,048,791	6,048,791
<b>Capital reserve</b>			
Share premium		2,126,687	2,126,687
Surplus on revaluation of fixed assets - net		16,342,962	16,656,355
		<u>18,469,649</u>	<u>18,783,042</u>
<b>Revenue Reserve</b>			
Accumulated (loss) / profit		(221,926)	3,306,407
<b>Total Shareholders' Equity</b>		<u>24,296,514</u>	<u>28,138,240</u>
<b>Non-Current Liabilities</b>			
Long term borrowings	10	-	-
Advance against preference shares	11	750,000	750,000
Loan from directors	12	415,020	-
Lease liabilities		49,962	72,668
Deferred tax liability		3,277,063	4,010,148
		<u>4,492,045</u>	<u>4,832,816</u>
<b>Current Liabilities</b>			
Trade and other payables	13	971,582	645,548
Long term borrowings - on demand	14	7,880,559	7,922,670
Short term borrowings - on demand	15	15,126,507	15,226,851
Accrued markup	16	5,467,537	3,193,826
Current portion of lease liabilities		16,193	27,366
		<u>29,462,378</u>	<u>27,016,261</u>
<b>Contingencies and Commitments</b>			
<b>Total Equity and Liabilities</b>	17	<u><u>58,250,937</u></u>	<u><u>59,987,317</u></u>

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer

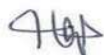


Director

**AGHA STEEL INDUSTRIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2024 (UN-AUDITED)**

		<i>Half year ended</i>		<i>Quarter Ended</i>	
		<i>December 31,</i>		<i>December 31,</i>	
		<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
<i>Note</i>		<i>----- (Rupees in '000') -----</i>			
<b>Turnover - net</b>		<b>5,363,522</b>	9,344,664	<b>2,518,333</b>	4,091,583
Cost of sales	18	<b>(6,152,819)</b>	(7,535,823)	<b>(3,083,976)</b>	(3,491,940)
<b>Gross (loss) / profit</b>		<b>(789,297)</b>	1,808,841	<b>(565,643)</b>	599,643
Administrative expenses	19	<b>(319,283)</b>	(170,926)	<b>(131,086)</b>	(105,249)
Selling and distribution costs		<b>(183,597)</b>	(190,889)	<b>(99,458)</b>	(63,652)
Finance costs	20	<b>(2,484,983)</b>	(1,997,179)	<b>(1,345,316)</b>	(1,045,015)
		<b>(2,987,863)</b>	(2,358,994)	<b>(1,575,860)</b>	(1,213,916)
<b>Operating loss</b>		<b>(3,777,160)</b>	(550,153)	<b>(2,141,503)</b>	(614,273)
Other expenses	21	<b>(1,020,212)</b>	(150,873)	<b>(730,541)</b>	(140,810)
Other income	22	<b>241,868</b>	181,076	<b>199,511</b>	74,346
<b>Loss before levy and taxation</b>		<b>(4,555,504)</b>	(519,950)	<b>(2,672,533)</b>	(680,737)
Levy		<b>(67,044)</b>	(137,527)	<b>(31,479)</b>	(43,571)
<b>Loss before taxation</b>		<b>(4,622,548)</b>	(657,477)	<b>(2,704,012)</b>	(724,308)
Taxation - net		<b>780,822</b>	438,437	<b>677,136</b>	380,030
<b>Loss after taxation</b>		<b>(3,841,726)</b>	(219,040)	<b>(2,026,876)</b>	(344,278)
Other comprehensive loss for the period		-	-	<b>(158,946)</b>	-
<b>Total comprehensive loss for the period</b>		<b>(3,841,726)</b>	(219,040)	<b>(2,185,822)</b>	(344,278)
Loss per share					
<b>Basic and diluted - Rupees</b>	23	<b>(6.35)</b>	(0.36)	<b>(3.35)</b>	(0.57)

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.



*Chief Executive*



*Chief Financial Officer*



*Director*

**AGHA STEEL INDUSTRIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2024 (UN-AUDITED)**

Particulars	Issued, subscribed and paid up capital	Reserves			Total reserves	Total shareholders' equity
		Capital		Revenue		
		* Share Premium	*** Surplus on revaluation of fixed assets	** Accumulated (loss) / profit		
		----- Rupees in '000' -----				
Balance as at June 30, 2023 - Audited	6,048,791	2,126,687	-	8,394,972	10,521,659	16,570,450
Total comprehensive loss for the period						
Loss after taxation	-	-	-	(219,040)	(219,040)	(219,040)
Other comprehensive income	-	-	-		-	
	-	-	-	(219,040)	(219,040)	(219,040)
Balance as at December 31, 2023 - Audited	6,048,791	2,126,687	-	8,175,932	10,302,619	16,351,410
Balance as at June 30, 2024 - Audited	6,048,791	2,126,687	16,656,355	3,306,407	22,089,449	28,138,240
Total comprehensive loss for the period						
Loss after taxation	-	-	-	(3,841,726)	(3,841,726)	(3,841,726)
Other comprehensive income - net	-	-	-	-	-	-
	-	-	-	(3,841,726)	(3,841,726)	(3,841,726)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	(313,393)	313,393	-	-
Balance as at December 31, 2024-Unaudited	6,048,791	2,126,687	16,342,962	(221,926)	18,247,723	24,296,514

\* 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.

\*\*\* Surplus on revaluation of fixed assets is a capital reserve, and is not available for distribution to the share holders in accordance with section 241 of the Companies Act, 2017.

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.



Chief Executive



Chief Financial Officer



Director




**AGHA STEEL INDUSTRIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2024 (UN-AUDITED)**

		<i>December 31,</i>	
		<i>2024</i>	<i>2023</i>
		<i>--- Rupees in '000'---</i>	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>		
Loss before levy and taxation		(4,555,504)	(519,950)
Adjustments for:			
Depreciation	6.1	699,396	283,011
Amortization		3,140	3,140
Impairment loss on trade receivables - net	9.1	1,020,212	150,623
Finance cost		2,478,428	1,988,528
Finance lease markup		6,555	8,651
Workers profit participation fund		-	250
Gain on disposal of fixed assets - net		(1,808)	-
<b>Cash (used in) / generated from operations before working capital changes</b>		<b>(349,581)</b>	<b>1,914,253</b>
<b>Changes in working capital</b>			
<b>Decrease in current assets</b>			
Stores, spare parts and loose tools		177,126	(104,472)
Stock-in-trade	8	123,455	2,265,341
Trade and other receivables	9	(363,512)	(1,121,515)
Loans and advances		320,404	(272,001)
Deposits		9,143	(3,861)
		266,616	763,492
<b>Increase in current liabilities</b>			
Trade and other payables		347,793	393,039
<b>Net cash generated from operations</b>		<b>264,828</b>	<b>3,070,784</b>
Taxes paid - net		(201,638)	(119,534)
Workers profit participation fund paid		(18,759)	(52,944)
Workers welfare fund paid		(3,000)	-
Financial charges paid		(211,272)	(1,842,672)
<b>Net cash (used in) / generated from operating activities</b>		<b>(169,841)</b>	<b>1,055,634</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Long term deposits and receivable recovered - net		358,789	3,135
Additions in capital work in progress - net	6.2	(59,310)	(1,473,137)
Proceeds from disposal of property, plant and equipment		1,918	673,801
Additions in property, plant and equipment	6.1	(546,084)	(106,460)
<b>Net cash used in investing activities</b>		<b>(244,687)</b>	<b>(902,661)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of long-term borrowings - net	10	(42,111)	(363,939)
Loan from Directors	12	415,020	-
Advance received against shares		-	250,000
Lease rentals paid		(33,880)	(18,484)
Receipts / (repayments) of short-term borrowings - net	15	(100,344)	138,030
<b>Net cash generated from financing activities</b>		<b>238,685</b>	<b>5,608</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>		<b>(175,843)</b>	<b>158,581</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>239,134</b>	<b>87,295</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>63,291</b>	<b>245,876</b>

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.

  
**Chief Executive**

  
**Chief Financial Officer**

  
**Director**

**AGHA STEEL INDUSTRIES LIMITED**  
**NOTES TO THE CONDENSED INTERM FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2024 (UN-AUDITED)**

**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. The company is listed on Pakistan Stock Exchange Limited 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 plants are situated at plot no. N.W.I.Z. /1/ P-133, (SP-6 & 6A), D-2, Port Qasim Authority, Karachi.
- 1.2** The company has been listed on Pakistan Stock Exchange Limited on November 02, 2020 by offering 120,000,000 ordinary shares of Rs. 10 each to the general public at the strike price of Rs. 32 per share including premium of Rs. 22 per share which resulted in IPO proceeds of Rs. 3,840 million.
- 1.3** During the current period, the Company received a notice of Public Announcement of intention from potential Acquirer i.e., Fauji Foundation, wherein the potential acquirer has expressed its intention to acquire Shares and Control of the Company. Number of Shares related to intended acquisition is to be determined. Directors agreed to evaluate the non-binding offer, subject to compliance with requirements under applicable laws and regulations. However, on November 12, 2024, the potential acquirer has withdrawn their offer.

**2 GOING CONCERN ASSUMPTION**

During the period, the Company incurred gross loss of Rs. 789.297 million, loss before levy and taxes amounting to Rs. 4,555.504 million and loss after taxation amounting to Rs. 3,841.726 million. The Company's current liabilities exceeded its current assets by Rs. 16,754.701 million. Additionally, all the banking liabilities are payable on-demand at period end comprising of short-term borrowings amounting to Rs. 15,126.507 million, long-term borrowings amounting to Rs. 7,880.559 million and accrued markup amounting to Rs. 5,441.303 million due to breach of covenants.

Additionally, market prices declined during the period, while costs significantly increased. The company has also breached certain financial covenants related to its borrowing arrangements with various banks. As a result, loan installments due since November 29, 2023, under both short-term and long-term borrowings have not been paid [see notes 10, 14, and 15]. These breaches remain unresolved and have not been waived as of the reporting date. The company faced financial difficulties due to low business volumes, leading to a substantial revenue shortfall. Moreover, the company's production was severely disrupted by a fire at its manufacturing facilities on December 29, 2023. This incident temporarily halted production, further exacerbating the already declining revenue. Additionally, the insurance claim settlement was lower than the original amount requested.

The above facts and circumstances along with the risk and uncertainties, represents a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. The Company may not be able to realize its assets and discharge its liabilities in the normal course of business. However, the management has reasonable expectations that the Company will have adequate resources to continue its business for the foreseeable future.

Accordingly, the management has taken the following steps to improve the financial conditions and sustainability of the future operations of the Company:



- The Company is actively negotiating with its lenders to restructure both its long-term and short-term loans, excluding the TERF and IFRE facilities. The proposed restructuring plan spans over ten years, including a three-year grace period and the management expects that the Master Restructuring Agreement (MRA) will be finalized by June 30, 2025.
- As of the reporting date, the Company has insurance claim receivable of Rs. 385 million on account of damaged assets due to fire incident duly accepted by the insurance company. Its recovery is dependant subject to finalization of MRA with the banking companies. These funds will be utilized for completion of Mi. Da. Rolling Mill.
- The management believes that the overall business volumes for the year ended June 30, 2025 will observe growth from last year and expects to generate sufficient additional cashflows from operating activities to finance the remaining expenditure required for completion of Mi. Da. Rolling Mill.
- Subsequent to the fire incident, the Company has fully restored its production activities with the injection of Rs. 300 million from the sponsor directors.
- The Company is making every effort for recovery of outstanding trade receivables, however, the management is confident that, in case of non recovery of these long outstanding balances, the Company will continue its operating activities for the foreseeable future without any disruption.
- The successful installation of Mi. Da Rolling Mill will increase the market share and the production yield of the Company. The enhanced revenue will enable the Company to meet its financial debt obligation as per the MRA.
- The management has prepared ten-year financial projections of the Company based on the current information available to estimate the future business cashflows. These financial projections are based on various financial and business assumptions such as expected business volumes, restructured repayments of bank loan, foreign exchange and interest rates, and inflation factor. Such financial projections envisages that the Company would be able to generate sufficient cashflows through its operations and will meet its financial obligations particularly the amounts due to its lenders in terms of its contractual obligations.
- The Company recognizes that the above financial plan is subject to inherent risks and uncertainties including the ability of the Company to achieve the results set out in financial projections for the years 2025 - 2034. In this respect, particular challenges include (but not limited to), stability in the economic factors such as foreign exchange and interest rates and overall economic conditions of the country which may impact the Company's ability to maintain and improve the sales volumes, retention of its customer base and repayments of loan installments as per the potential revised schedule under the Master Restructuring Agreement and payments to its creditors.

Accordingly, these condensed interim financial statements have been prepared on going concern basis.

### **3 BASIS OF PREPARATION**

**3.1** 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.

- 3.2 The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2024 and December 31, 2023 and notes forming part thereof have not been reviewed by the statutory auditors of the company, as they have reviewed the cumulative figures for the half year ended December 31, 2024 and December 31, 2023.
- 3.3 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, 2024. These condensed interim financial statements are un-audited, 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 companies Act, 2017.
- 3.4 These condensed interim financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

#### **4 MATERIAL ACCOUNTING POLICY INFORMATION**

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended June 30, 2024, except for restatement of comparative information related to levies & taxation.

##### **4.1 Levies and taxation**

Taxation comprises of current and deferred tax. It is recognized in the profit or loss, except to the extent that it relates to the items recognized directly in other comprehensive income or in equity, in which case it is recognized there.

##### **4.1.1 Current tax and levies**

Income tax expense for the period, determined in accordance with the Income Tax Ordinance, 2001, is recognized as current to the extent it is based on taxable income at the current rate of taxation after taking into account tax credit available, if any. Any excess, representing tax determined on the basis other than taxable income, e.g. taxes under FTR / MTR regime, ACT, etc., are recognized as an expense and termed as levies in the profit or loss.

However, if the tax expense is determined on the basis of minimum tax on turnover or ACT, while the management expects that the available credit may not be realizable / adjustable in future tax years, then the tax expense determined on the basis minimum tax or ACT, will be recognized as the levy in the profit or loss.

##### **Restatement**

During the previous year the Institute of Chartered Accountant of Pakistan (ICAP) have withdrawn the Technical Release 27 "IAS 12, Income Taxes (Revised 2012)" and issued guidance - "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes". The said guidance requires certain amounts of tax paid under minimum and final tax regime to be shown separately as a levy instead of showing it in current tax.

Accordingly, the impact has been incorporated in these financial statements retrospectively in accordance with the requirement of International Accounting Standard (IAS 8) - 'Accounting Policies, Change in Accounting Estimates and Errors'. There has been no effect on the statement of financial position, the statement of cash flows and earning per share as a result of this change. The effect of restatement on condensed interim statement of profit and loss and other comprehensive income is as follow:

	<b><i>For Half year ended December 31, 2024</i></b>			<b><i>For Half year ended December 31, 2023</i></b>		
	<i>Had there been no change in accounting policy</i>	<i>Impact of change in accounting policy</i>	<i>After incorporating effects of change in accounting policy</i>	<i>Had there been no change in accounting policy</i>	<i>Impact of change in accounting policy</i>	<i>After incorporating effects of change in accounting policy</i>
	<b><i>----- Rupees in '000' -----</i></b>					
Loss before income tax	<b>(4,555,504)</b>	<b>(67,044)</b>	<b>(4,622,548)</b>	(519,950)	(137,527)	(657,477)
Levy	-	<b>(67,044)</b>	<b>(67,044)</b>	-	(137,527)	(137,527)
Income tax expense	<b>713,778</b>	<b>67,044</b>	<b>780,822</b>	300,910	137,527	438,437

#### ***4.2 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan which are effective in current period:***

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

	<b><i>Effective for period beginning on or after</i></b>
Amendments to IAS 7 'Statement of Cash Flows': Amendments regarding supplier finance arrangements.	January 1, 2024
Amendments to IFRS 16 'Leases': Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions.	January 1, 2024
Amendments to IAS 1 'Presentation of Financial Statements': Amendments regarding the classification of liabilities and debt with covenants.	January 1, 2024

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

Certain amendments updating a reference to the Conceptual Framework and annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

#### **4.3 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 financial statements other than certain additional disclosures:

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

Amendments to IFRS 7 'Financial Instruments - Disclosures' and IFRS 9 'Financial Instruments': Amendments regarding the classification and measurement of financial instruments.

January 1, 2026

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.

IFRS 17 - Insurance Contracts

January 1, 2026

Certain amendments updating a reference to the Conceptual Framework and 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 19 Subsidiaries without Public Accountability: Disclosures

IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S2 Climate-related Disclosures

#### **5 ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of these condensed interim financial statements in conformity with the approved accounting 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. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by the management in applying the company's accounting policies and areas where assumptions and estimates are significant are same as those applied to the annual financial statements of the company as at and for the year ended June 30, 2024 except for restatement of comparative information related to levies & taxation.

**AGHA STEEL INDUSTRIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2024 (UN-AUDITED)**

**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. The company is 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 plants are situated at plot no. N.W.I.Z. /1/ P-133, (SP-6 & 6A), D-2, Port Qasim Authority, Karachi.
- 1.2** The company has been listed on Pakistan Stock Exchange (PSX) on November 02, 2020 by offering 120,000,000 ordinary shares of Rs. 10 each to the general public at the strike price of Rs. 32 per share including premium of Rs.22 per share which resulted in IPO proceeds of Rs. 3,840 million.
- 1.3** The geographical location and addresses of business units are as under:

<b>Location</b>	<b>Address</b>
Head Office and Factory	Plot no. N.W.I.Z. /1/ P-133, (SP-6 & 6A) D-2 and E-1, Port Qasim
Corporate Office	Plot no. G-19, Office # 801, 803 & 804, 8th Floor, Emerald Tower, II Talwar, Block # 5, Clifton, Karachi.
	Plot no. 8 G-3rd & 4th Floor, Shahbaz Lane 2, Main Khayaban e
Sales Offices	Suit # 103 floor 6, Dawood Mart Autobahn Road, Latifabad, Hyderabad.
	Street No 10 Sector I-9/2 Opposite Star Weighbridge adjacent, Hassan Steel Industrial Area, Islamabad.

- 1.4** The Company's major shareholders are Mr. Hussain Iqbal Agha (Chief Executive Officer) and Mr Raza Iqbal Agha (Executive Director), who holds 25% shares and 24% shares respectively of the Company as at June 30, 2024 (June 30, 2023: 26% and 24% respectively). The Company has received a notice of Public Announcement of intention from potential Acquirer i.e., Fauji Foundation, wherein the potential acquirer has expressed its intention to acquire Shares and Control of the Company. Number of Shares related to intended acquisition are not determinable at this stage (to be determined in accordance with the Regulations and after finalization of due diligence and Agreements). Directors have agreed to evaluate the non-binding offer, subject to compliance with requirements under applicable laws and regulations.

**2 GOING CONCERN ASSUMPTION**

#REF!

The Company's current liabilities exceeds its current assets by Rs. 16754.701 million. Additionally, the

Company's net operating cash flows for the current of Rs. -169.841 million were not sufficient to meet its short term obligations towards lenders (especially the banking companies) and it has breached certain financial covenants related to its borrowing facilities with various banking companies. These factors led to non-payment of various loan installments due since November 29, 2023 under both the short term and long term borrowings arrangements with various banks [refer note 18, 24 and 25]. These breaches have not yet been rectified or waived as of the reporting date.

In view of the above circumstances, the management and the Board has taken the following steps to assess the financial condition and sustainability of the future operations of the Company:

- The Company is actively negotiating with its lenders to restructure both its long-term and short-term loans, excluding the TERF and IFRE facilities. The proposed restructuring plan spans nine years, including a two-year grace period starting in January 2025. As of June 30, 2024, the Master Restructuring Agreement (MRA) had not been finalized or signed.
- The Company has initiated an insurance claim process to recover the carrying value of the damaged assets. As of the reporting date, the Company has recognized an insurance receivable of Rs. 385 million. This amount represents management's best estimate of the compensation expected from the insurance company based on discussions with the insurer and legal advisors.
- The management has prepared ten-year financial projections of the Company based on the current information available to estimate the future business cashflows. These financial projections are based on various financial and business assumptions such as expected business volumes, restructured repayments of bank loan, foreign exchange and interest rates, and inflation factor. Such financial projections envisages that the Company would be able to generate sufficient cashflows through its operations and will meet its financial obligations particularly the amounts due to its lenders in terms of its contractual obligations.
- The Company recognizes that the above financial plan is subject to inherent risks and uncertainties including the ability of the Company to achieve the results set out in financial projections for the years 2025 - 2034. In this respect, particular challenges include (but not limited to), stability in the economic factors such as foreign exchange and interest rates and overall economic conditions of the country which may impact the Company's ability to maintain and improve the sales volumes, retention of its customer base and repayments of loan installments as per the potential revised schedule under the Master Restructuring Agreement and payments to its creditors.

The above facts and circumstances along with the risk and uncertainties, represents a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. In case, the Company is unable to continue as a going concern, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the financial projections, the Board has reasonable expectations that the Company will have adequate resources to continue its business for the foreseeable future. Accordingly, these financial statements have been prepared on going concern basis.

### **3 BASIS OF PREPARATION**

#### **3.1 Statement Of Compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs), issued by International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

#### **3.2 Basis of measurement**



These financial statements have been prepared under the historical cost convention except otherwise stated. Further, accrual basis of accounting is followed in the preparation of these financial statements except for cash flow information.

### **3.3 Functional and presentation currency**

The financial statements are presented in Pakistan Rupees, which is also the Company's functional currency.

### **3.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the Company's financial statements or where judgment is exercised in application of accounting policies are as follows:

- a)* Property, plant and equipment - note 4.1 and 6;
- b)* Intangible assets - note 4.2 and 7;
- c)* Stores, spare parts and loose tools - note 4.5;
- d)* Stock-in-trade - note 4.6 and 9;
- e)* Recognition of financial instruments - note 4.4;
- f)* Recognition of expected credit losses - note 4.4.5 , 10 and 4.7
- g)* Tax refunds due from Government - note 4.10 and 13;
- h)* Recognition of levies, current tax and deferred tax - note 4.10, 34 and 35;
- i)* Accrued liabilities - note 4.12;
- j)* Revenue recognition - note 4.16 and 27;
- k)* Provision and estimation of contingent liability - note 4.14 and 26 .

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

### **3.5 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan which are effective in current period**

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. 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 financial statements other than certain additional disclosures:

*Effective for period beginning*

*on or after*

Amendments to IAS 1 'Presentation of Financial Statements':  
Amendments regarding the disclosure of accounting policies. January 1, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting  
Estimates and Errors': Amendments regarding the definition of  
accounting estimates. January 1, 2023

Amendments to IAS 12 'Income Taxes': Amendments regarding  
deferred tax on leases and decommissioning obligations and  
amendments to provide a temporary exception to the requirements  
regarding deferred tax assets and liabilities related to pillar two income  
taxes. January 1, 2023

Certain amendments updating a reference to the Conceptual Framework and annual improvements have  
also been made to a number of standards, which have not been enumerated here for brevity.

### **3.6 Amendments to standards and IFRS interpretations that are not yet effective**

The following standards, amendments to 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 financial statements other than certain additional disclosures:

*Effective from accounting period  
beginning on or after*

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 7 'Statement of Cash Flows': Amendments  
regarding supplier finance arrangements. January 1, 2024

Amendments to IFRS 16 'Leases': Amendments to clarify how a seller-  
lessee subsequently measures sale and leaseback transactions. January 1, 2024

Amendments to IFRS 9 'Financial Instruments: Disclosures' and IAS 7  
'Statement of Cash Flows': Amendments regarding supplier finance  
arrangements. January 1, 2026

Amendments to IAS 1 'Presentation of Financial Statements':  
Amendments regarding the classification of liabilities and debt with  
covenants. January 1, 2024

IFRS 17 - Insurance Contracts January 1, 2026

Certain amendments updating a reference to the Conceptual Framework and 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

#### **4 MATERIAL ACCOUNTING POLICY INFORMATION**

##### **4.1 Property, plant and equipment**

###### **4.1.1 Change in accounting policy - transition from cost model to revaluation model**

During the current year, the Company has changed its accounting policy for the subsequent measurement of lease hold land, buildings on lease hold land and plant and machinery (owned operating fixed assets) from the cost model to the revaluation model, in accordance with IAS 16 – Property, Plant, and Equipment. Under the previous cost model, these class of assets were carried at cost less accumulated depreciation and impairment losses.

Following the adoption of the revaluation model, these class of assets are now measured at fair value, with revaluation surpluses or deficits recognized in other comprehensive income and accumulated in equity under the revaluation reserve.

The decision to transition to the revaluation model was based on management’s assessment that fair value measurement provides more relevant and reliable information, particularly due to changes in market conditions that significantly affect the value of the company’s assets. The revaluation model better reflects the current economic benefits associated with the revalued assets.

In line with the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and IAS 16 – Property, Plant, and Equipment, the Company has applied the new accounting policy prospectively from June 28, 2024 being the effective date of revaluation of underlying assets. No adjustments have been made to the financial statements of prior periods. As a result, no restatement of comparative information for prior periods was required. The change in accounting policy will only impact the financial results of the current and future periods.

The transition to the revaluation model has resulted in an increase in the carrying amount of property, plant, and equipment by Rs. 22,331.742 million . This increase is recognized as a revaluation surplus of Rs. 22,331.742 million, net of deferred tax of Rs. 5,547.383 million, in other comprehensive income. The revaluation of property, plant, and equipment has resulted in a deferred tax liability of Rs. 5,547.383 million, arising from the difference between the carrying amount of the assets for accounting purposes and their tax base. The corresponding tax effect has been recognized in other comprehensive income.

###### **4.1.2 Operating fixed assets**

###### ***Owned assets***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold land which is stated at revalued amount and buildings on leasehold land and plant and machinery which are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged to profit or loss so as to write off the carrying amount of depreciable assets (other than land) over their estimated useful lives, applying the reducing balance method at the rates specified in the note 6.1 to these financial statements. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions up to the date when the asset is de-recognized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as

appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit or loss, as and when incurred.

An item of property, plant and equipment is derecognized when disposed or when no future economic benefits are expected from the continued use of the asset. Gains or losses on disposal of assets, if any, are recognized in profit or loss, as and when incurred.

#### ***Right-of-use assets and lease liabilities***

At the inception of the contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets are initially measured based on the initial amount of lease liabilities adjusted for any principle lease payments made at or before the commencement date, plus any initial direct costs incurred. Right-of-use assets are depreciated on same basis as owned assets at the rates as disclosed in note 6.1 to these financial statements.

The related lease liabilities are initially measured at the present value of remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease. The lease liabilities are subsequently measured at amortized cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, any change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its estimate of whether it will exercise a purchase or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use has been reduced to zero.

#### ***4.1.3 Capital work in progress***

These are stated at cost less impairment loss (if any) and represent expenditure incurred and advances made in respect of assets in the course of their acquisition, construction and installation. These are transferred to relevant category of assets as and when they are available for use.

#### ***4.1.4 Surplus on revaluation of fixed assets***

The company revalue its leasehold land, buildings on leasehold land and plant and machinery (revalued assets) on a regular basis to ensure that the carrying amount does not differ materially from fair value at the reporting date. The frequency of revaluations will depend on changes in market conditions that affect the value of the assets and as required by the IFRSs.

Any revaluation increase in the carrying amount of revalued assets is recognized, net of tax, in other comprehensive income and presented as a separate component of equity as "surplus on revaluation of fixed assets", except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognized in the statement of profit or loss, in which case the increase is first recognized in the statement of profit or loss to the extent of the decrease previously charged.

Any decrease that reverses previous increase of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decrease are charged to the statement of profit or loss.

Each year, the difference between depreciation based on the revalued carrying amount of the assets charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus to retained earnings as incremental depreciation

#### ***4.2 Intangible asset***

Intangible assets acquired separately are initially recognized at cost. After initial recognition, these are measured at cost less accumulated amortization and accumulated impairment losses. Costs associated with routine maintenance of intangible assets are recognized as an expense when incurred. However, costs that are directly attributable to identifiable intangible assets and which enhance or extend the performance of intangible assets beyond the original specification and useful life is recognized as capital improvement and added to the original cost of the software.

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged so as to allocate the cost of assets over their estimated useful lives, using straight line method at the rates disclosed in note 7 to these financial statements. Amortization on additions to intangible assets is charged from the date when the asset is acquired or capitalized upto the date when the asset is de-recognized.

#### **4.3 Impairment of non-financial assets**

The Company assesses at each reporting date whether there is any indication that assets, other than deferred tax asset, may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit or loss. The recoverable amount is the higher of an asset's 'fair value less costs to sell' and 'value in use'.

When impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

#### **4.4 Financial assets and liabilities**

##### **4.4.1 Initial Recognition**

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortized cost as the case may be.

##### **4.4.2 Classification of financial assets**

***The Company classifies its financial instruments in the following categories:***

- at amortized cost.
- at fair value through other comprehensive income ("FVTOCI"), or
- at fair value through profit or loss ("FVTPL"),

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

##### ***Financial assets at amortized cost***

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a)** the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- b)** the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### ***Financial assets at fair value through OCI***

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

However, Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income provided that the investment is neither held for trading nor is a contingent consideration in a business combination.

***Financial assets at fair value through P&L***

A financial asset is measured at fair value through P&L unless it is measured at amortized cost or at fair value through OCI.

**4.4.3 Financial liabilities**

***The Company classifies its financial liabilities in the following categories:***

- at fair value through profit or loss ("FVTPL"), or
- at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

**4.4.4 Subsequent measurement**

***Financial assets at FVTOCI***

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in OCI.

***Financial assets and liabilities at amortized cost***

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

***Financial assets and liabilities at FVTPL***

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income. Currently, there are no financial liabilities designated at FVTPL.

**4.4.5 Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets that are measured at amortized cost. Loss allowances are measured on the basis of life time (ECLs) that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL is only recognized if the credit risk at the reporting date has increased



significantly relative to the credit risk at initial recognition. Credit risk on a financial asset is assumed to be increased significantly if it is more than past due for a reasonable period of time decided by the management of the Company. Further, the Company considers information based on Company's historical experience and the impact of forward looking information that is available without undue cost. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity and the cash flows that the Company expects to receive).

Financial assets that are subject to ECL model includes long term receivable, deposits and trade and other receivables.

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

#### **4.4.6 Derecognition**

##### ***Financial assets***

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to revenue reserve.

##### ***Financial liabilities***

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss and other comprehensive income.

#### **4.4.7 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### **4.5 Stores, spare parts and loose tools**

Stores, spare parts and loose tools are valued at lower of moving average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost comprising invoice value plus other directly attributable charges incurred thereon. Valuation of items is reviewed at each reporting date to record any provision for obsolete and slow moving items if required.

Net realizable value signifies the estimated market prices (being replacement cost) in the ordinary course of business less the estimated costs necessary to make the sale.

#### **4.6 Stock-in-trade**

These are valued at the lower of weighted average cost and net realizable value.

Cost in relation to raw material comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Cost in relation to billets (work in process) and finished goods represents cost of raw material and an appropriate portion of manufacturing overheads.

Raw material in transit consist of invoice value plus other charges paid thereon up to the reporting date.

Valuation of stock items are reviewed at each reporting date to record any provision for obsolete and slow moving items if required.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

#### ***4.7 Trade and other receivables***

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost after deducting allowance for uncollectable amounts, if any. The Company applies the IFRS 9 simplified approach to measure the expected credit losses (ECL) which uses a lifetime expected loss allowance for trade and other receivables. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. Trade and other receivables considered irrecoverable are written off.

#### ***4.8 Loans, advances and deposits***

Loans and advances are recognized initially at fair value and subsequently measured at amortized cost after deducting allowance for uncollectable amounts, if any. Loans and advances considered irrecoverable are written off.

#### ***4.9 Cash and bank balances***

Cash and bank balances consist of cash in hand and cash at banks in current accounts at amortized cost.

#### ***4.10 Taxation***

##### ***a) Current***

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and adjustment, if any, to tax payable or receivable in respect of previous years.

##### ***b) Deferred***

Deferred tax is recognized using the balance sheet liability method for all temporary differences at the reporting date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or the settlement of the carrying amounts of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit for the foreseeable future will be available

against which such assets can be utilized.

**c) Levy**

The tax charged under Income Tax Ordinance, 2001 which is not based on taxable income or any amount paid / payable in excess of the calculation based on taxable income is classified as levy in the statement of profit or loss and other comprehensive income as these levies fall under the scope of IFRIC 12/IAS 37.

**4.11 Staff retirement benefits - defined contribution plan**

The Company operates a recognized approved employees provident fund scheme for all permanent employees eligible for the benefit. Equal contributions are made, both by the Company and the employees, in accordance with the terms of the scheme. These contributions are transferred to a separate provident fund trust, where these are invested as per the requirements of the Act and rules made thereunder.

**4.12 Trade and other payables**

Liabilities for trade and other amounts payable including accrued liabilities are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

**4.13 Foreign currency transaction**

Transactions in foreign currencies are translated into reporting currency at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the reporting date. Non-monetary assets and liabilities are recorded using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit or loss.

**4.14 Provisions**

Provisions are recognized when the Company has a present (legal or constructive) obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**4.15 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year in which they occur. Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

**4.16 Revenue recognition**

- Revenue is recognized at amounts that reflect the consideration that the Company expects to be entitled to in exchange for transferring goods to a customer. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on the following basis:
- Revenue from sale of goods is measured based on the consideration specified in a contract with a customer and is recognized when control of goods have been transferred to a customer at a point in time when the performance obligations are met. The transaction price of Company's contracts with customers for the sale of goods does not include any variable consideration, any significant financing component, any non cash consideration or any consideration payable to its customers. The credit term ordinarily ranges from 30 to 120 days.

**4.17 Other income**

- Interest income is recognized on a time-apportioned basis using the effective rate of return method.

- Gain / (loss) arising on disposal of fixed assets is recognized on the date when the transaction takes place.
- Miscellaneous income is recognized on occurrence of transactions.

#### **4.18 Dividend and appropriation to/from reserves**

Dividend and appropriation to reserves are recognized in the financial statements in the period, in which these are approved. However, if these are approved after the reporting period but before the financial statements are authorized for issue, they are disclosed in the notes to the financial statements.

#### **4.19 Share Capital**

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **4.20 Advance against preference shares**

These are carried at the amount of consideration received for issuance of preference shares in subsequent year. The terms of preference shares are disclosed in note 19.1 to these financial statements.

#### **4.21 Earning Per share**

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Whereas, diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### **4.22 Deferred grant**

Government grant is recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant related to an expense item, it is recognized in the statement of profit or loss on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

#### **4.23 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand.

#### **4.24 Segment reporting**

For management's decision making purposes, the activities of the Company are organized into single reportable operating segment based on the similarity of the nature of the products, risks and returns, organizational and management structure, and internal financial reporting systems. Accordingly, the figures reported in the financial statements are related to the Company's only reportable segment.

#### **4.25 Restatement**

During the year, the Institute of Chartered Accountant of Pakistan (ICAP) have withdrawn the Technical Release 27 "IAS 12, Income Taxes (Revised 2012)" and issued guidance - "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes". The said guidance requires certain amounts of tax paid under minimum and final tax regime to be shown separately as a levy instead of showing it in current tax.

Accordingly, the impact has been incorporated in these financial statements retrospectively in accordance with the requirement of International Accounting Standard (IAS 8) - 'Accounting Policies, Change in

Accounting Estimates and Errors'. There has been no effect on the statement of financial position, the statement of cash flows and earning per share as a result of this change. The impact on statement of profit or loss and other comprehensive income is as follows;

	<i>For the year ended June 30, 2024</i>			<i>For the year ended June 30, 2023</i>		
	<i>Had there been no change in accounting policy</i>	<i>Impact of change in accounting policy</i>	<i>After incorporating effects of change in accounting policy</i>	<i>Had there been no change in accounting policy</i>	<i>Impact of change in accounting policy</i>	<i>After incorporating effects of change in accounting policy</i>
	<i>----- Rupees in '000' -----</i>					
Loss / profit before income tax	(1,272,161)	(201,232)	(1,473,393)	#####	(201,232)	(7,808,079)
Levies	-	(201,232)	(201,232)	-	(201,232)	(201,232)
Income tax expense	13,093,712	201,232	13,294,944	3,618,202	201,232	3,819,434

## 5 DETAILS OF RELATED PARTIES

Followings are the names of those related parties with whom the company has made transactions during the current financial year.

<i>Name of related parties</i>	<i>% of holding</i>	<i>Basis of relationship</i>
Denim International (Private) Limited	-	Common Directorship
Nitro Chemical And Gases (Private) Limited	-	Common Directorship
Agha Welfare Trust	-	Key management personnel is also a Trustee of the trust
Agha Steel Industries	-	Key management personnel are also Partners of the firm
Agha Steel Industries Staff Provident Fund	-	Employees' Provident Fund
Mr. Hussain Iqbal Agha - Chief Executive (sponsor)	25%	Key management personnel
Mrs. Shazia Iqbal Agha - Chairperson	3%	Key management personnel
Mr. Raza Iqbal Agha - Director (sponsor)	24%	Key management personnel
Mr. Asif Ahmed - Director	0.00008%	Key management personnel
Mr. Muhammad Shahid - Director	0.00008%	Key management personnel
Mr. Muhammad Asif - Director	0.0093%	Key management personnel
Mr. Saeed Mirza - Director	0.0%	Key management personnel

		<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>December 31</i>	<i>June 30</i>
		<i>2024</i>	<i>2024</i>
	<i>Note</i>	<i>---- Rupees in '000'----</i>	
<b>6 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	<b>31,767,820</b>	31,921,242
Capital work in progress (CWIP)	6.2	<b>13,713,899</b>	13,654,589
		<b>45,481,719</b>	45,575,831

#### **6.1 Operating fixed assets**

Opening book value		<b>31,921,242</b>	10,154,667
Additions during the period / year	6.1.1	<b>546,084</b>	540,572
Revaluation		-	22,331,742
Transfer from CWIP		-	-
Disposals during the period / year		<b>(110)</b>	(676,447)
Depreciation charge for the period / year		<b>(699,396)</b>	(429,292)
		<b>31,767,820</b>	31,921,242

##### **6.1.1 Additions during the period / year**

Plant and machinery	<b>278,434</b>	34,546
Computers	<b>59</b>	2,228
Furniture and fixtures	-	5,809
Major stores and spares	<b>267,591</b>	50,916
Vehicles	-	538
Leased vehicles	-	46,558
	<b>546,084</b>	140,595

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

##### **- Machinery in transit**

Opening balance	<b>13,654,589</b>	11,122,713
Additions during the period / year	<b>59,310</b>	1,851,677
Borrowing costs	-	680,199
	<b>13,713,899</b>	13,654,589

## **7 LONG TERM DEPOSITS AND RECEIVABLE**

It includes receivable from Agha Steel Industries, an associated undertaking, amounting to Rs. Nil (June 30, 2024: Rs. 383.764 million). During the period, Rs. 213.432 million was received, with the remaining balance of Rs. 170.332 million classified under current assets, as it is expected to be settled within the next twelve months. The terms and conditions are same as disclosed in Note 8.1 to the annual audited financial statements for the year ended June 30, 2024.



		(Unaudited)	(Audited)
		December 31	June 30
		2024	2024
Note		---- Rupees in '000'----	
8 STOCK-IN-TRADE			
	Raw material	406,745	685,664
	Raw material in transit	1,898,837	825,017
8.1	Work in process	644,879	733,457
8.2	Finished goods	471,290	1,301,068
		3,421,751	3,545,206
8.1 Work in process			
	Cost	1,053,106	1,141,684
18	Provision for write down to NRV	6,685	408,227
	NRV loss realised on account of sale	(414,912)	-
		644,879	733,457
8.2 Finished goods			
	Cost	1,022,064	1,851,842
	Provision for write down to NRV	-	550,774
18	Reversal of provision on account of sales	(164,352)	-
	NRV loss realised on account of sale	(386,422)	-
		471,290	1,301,068
9 TRADE AND OTHER RECEIVABLES			
- Considered good			
	Trade receivables from contracts with customers	3,735,463	4,482,654
9.1	Allowance for expected credit losses	(1,230,787)	(1,245,142)
		2,504,676	3,237,512
- from associated undertakings			
	- markup	30,147	93,369
7	- current maturity of long term receivable	170,332	30,974
9.2	- sales tax	277,601	277,601
		478,080	401,944
- from others			
Other receivables			
	Insurance claim receivable	385,000	385,000
9.3		3,367,756	4,024,456
9.1 Allowance for expected credit losses			
	Opening	1,245,142	449,087
	Impairment losses recognized during the period/ year - net	1,020,212	796,055
21	Write off	(1,034,567)	-
9.1.1	Closing	1,230,787	1,245,142

**9.1.1** During the period, the company undertook a review of its outstanding receivables and determined that a total of Rs. 1,034.567 million, which was past due, is now deemed non-recoverable. Despite sustained efforts to collect these amounts, the receivables have been assessed as uncollectible, leading to their write-off.

**9.2** The details and status are same as disclosed in note 10.3 to the financial statements for the year ended June 30, 2024.

**9.3** Represents insurance claim against damage of operating fixed assets due to fire incident occurred on December 29, 2023. There has been no change in the recovery status and overall amount of insurance claim confirmed by the insurer as disclosed in note 6.2 to the financial statements for the year ended June 30, 2024. At period end, negotiations with the banks are ongoing to obtain NOC from respective banking companies allowing the company to utilize the claim amount directly.

		<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>December 31</i>	<i>June 30</i>
		<i>2024</i>	<i>2024</i>
<i>Note</i>		<i>--- Rupees in '000'---</i>	
<b>10 LONG TERM BORROWINGS</b>			
	<b><i>Secured</i></b>		
	<b><i>- From banking companies</i></b>		
	<b><i>- Conventional</i></b>		
	Samba Bank Limited - TF	150,000	150,000
	United Bank Limited - NIDF	29,188	29,188
	JS Bank Limited - TERF	480,082	485,847
	JS Bank Limited - STFF	2,463,874	2,459,291
	Askari Bank Limited - STFF	1,262,395	1,307,957
		<u>4,385,539</u>	<u>4,432,283</u>
	<b><i>- Shariah compliant</i></b>		
	Meezan Bank Limited - IFRE	115,388	115,388
	Sukuk- II	3,379,632	3,374,999
		<u>3,495,020</u>	<u>3,490,387</u>
		10.1 & 10.2	7,880,559
		10.1	7,922,670
	<b><i>Less: On demand portion due to breach of covenants</i></b>	<u>(7,880,559)</u>	<u>(7,922,670)</u>
		<u>-</u>	<u>-</u>

**10.1** The Company due to financial constraints as fully disclosed in note 2 to these condensed interim financial statements could not make repayments of bank borrowings on due dates and also breached both financial and non financial covenants stipulated with the underlying loan agreements. The Company actively started negotiations with its lenders to restructure both its long-term and short-term loans, excluding the TERF and IFRE facilities. The proposed restructuring plan spans ten years, including a three-year grace period starting in January 2025. Till the reporting date, the Master Restructuring Agreement (MRA) has not been finalized or signed. Accordingly, the Company does not have any unconditional right to defer its settlement for at least twelve months from the period end, therefore, the entire amount of long term loan has been classified as on demand portion under current liabilities.

**10.2** There are no major changes in terms and conditions as disclosed in note 18 to the annual audited financial statements of the Company for the year ended June 30, 2024.

## 11 ADVANCE AGAINST PREFERENCE SHARES

At period end, legal formalities for the issuance of preference shares are in process.

		<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>December 31</i>	<i>June 30</i>
		<i>2024</i>	<i>2024</i>
	<i>Note</i>	<i>---- Rupees in '000'----</i>	
<b>12 LOAN FROM DIRECTORS</b>			
<i>- related parties</i>			
Loan from directors	12.1	<u>415,020</u>	<u>-</u>

**12.1** Represents unsecured loan obtained from the directors of the company of Rs. 415.02 million to finance rehabilitation of current rolling mill. The facility carries mark-up at average 3 months KIBOR per annum.

## 13 TRADE AND OTHER PAYABLES

**13.1** It Includes Rs.236.162 million (June 30, 2024: Rs.236.162 million) on account of Bills payable to commercial bank that is overdue for more than 15 months due to cashflow constraints.

		<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>December 31</i>	<i>June 30</i>
		<i>2024</i>	<i>2024</i>
	<i>Note</i>	<i>---- Rupees in '000'----</i>	
<b>14 LONG TERM BORROWINGS - ON DEMAND</b>			
<i>Long term borrowings</i>			
- on demand portion	10	<u>7,880,559</u>	<u>7,922,670</u>

## 15 SHORT TERM BORROWINGS - ON DEMAND

### *Running Finance - secured*

Conventional banks	5,947,786	5,947,740
Islamic banks	<u>200,000</u>	<u>250,000</u>
	<u>6,147,786</u>	<u>6,197,740</u>

### *Finance against Trust Receipt (FATR)*

Conventional banks	<u>7,098,023</u>	<u>7,207,622</u>
Islamic banks	<u>1,880,698</u>	<u>1,821,489</u>
	<u>8,978,721</u>	<u>9,029,111</u>
15.1 & 15.2	<u>15,126,507</u>	<u>15,226,851</u>

**15.1** This represents amount payable on demand for reasons explained in note 10.1 to these condensed interim financial statements.

**15.2** There are no major changes in terms and conditions of short term borrowings as disclosed in note 24 to the annual audited financial statements of the Company for the year ended June 30, 2024.

	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>December 31</u>	<u>June 30</u>
	<u>2024</u>	<u>2024</u>
<i>Note</i>	<i>---- Rupees in '000'----</i>	
<b>16 ACCRUED MARKUP</b>		
16.1	<u><b>5,467,537</b></u>	<u><b>3,193,826</b></u>

**16.1** Includes markup payable on demand on long term borrowings amounting to Rs. 1,772.482 million and short term borrowings amounting to Rs. 3,668.821 million for reasons explained in note 10.1 to these condensed interim financial statements.

## **17 CONTINGENCIES AND COMMITMENTS**

### ***Contingencies***

**17.1** There are no major changes in the status and nature of contingencies as disclosed in the annual audited financial statements of the Company for the year ended June 30, 2024, except for the below:

**17.2** During the period, JS Bank Limited and Bank Islami Pakistan Limited issued notices under Section 20(7) of the Financial Institutions (Recovery of Finances) Ordinance, 2001, alleging willful default by the Company under Section 2(g) for recovery of outstanding finance facilities of Running finance, FATR, Syndicate and TERF amounting to Rs. 2,144.136 million. In response, the Company filed a petition (CP No. D-12 of 2025 and CP No. D-13 of 2025) respectively in the High Court of Sindh to prevent the initiation of any criminal proceedings by the Federal Investigation Agency.

Subsequently, the High Court of Sindh, through an order dated 6 January 2025, restrained the Respondents from taking any coercive action against the Company. The management in consultation with its legal advisor believes that there will be no negative outcomes of these cases as all the underlying banking liabilities are recorded in these condensed interim financial statements. Further, the management is actively negotiating with the banking companies to restructure all banking loans through the master restructuring agreement as disclosed in note 10.1 to the condensed interim financial statements.

	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>December 31</u>	<u>June 30</u>
	<u>2024</u>	<u>2024</u>
	<i>---- Rupees in '000'----</i>	
<b><i>Commitments</i></b>		
Outstanding against letter of credits	-	319,130
Outstanding against letter of guarantees	<u><b>290,060</b></u>	<u><b>290,060</b></u>
	<u><b>290,060</b></u>	<u><b>609,190</b></u>

<i>Half year ended</i>		<i>Quarter ended</i>	
<i>December 31,</i>		<i>December 31,</i>	
<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
<i>(Unaudited)</i>		<i>(Unaudited)</i>	
<i>----- (Rupees in '000') -----</i>			

## 18 COST OF SALES

Raw materials consumed	280,816	2,816,775	2,230	1,264,921
Stores, spare parts and loose tools	278,743	345,903	174,506	31,797
Salaries, wages and other benefits	283,118	324,979	140,095	188,508
Fuel and power	608,061	2,259,600	335,801	1,001,498
Repairs and maintenance	9,218	5,530	4,605	4,959
Communication	1,254	1,644	622	948
Staff transportation	4,178	12,239	3,127	3,996
Insurance	21,801	5,382	19,296	2,884
Oil and fuel	7,644	17,310	4,776	12,912
Depreciation	610,962	240,678	324,951	152,624
Others	1,962	3,170	1,454	1,875
<b>Cost of goods manufactured</b>	<b>2,107,757</b>	<b>6,033,210</b>	<b>1,011,463</b>	<b>2,666,922</b>

### Work in process

Opening stock	733,457	2,703,979	858,653	1,925,404
Provision for write down to NRV	(6,685)	-	(6,685)	-
Purchases	2,969,039	-	1,392,048	-
Closing stock	(644,879)	(1,357,791)	(644,879)	(1,357,791)
	<b>3,050,932</b>	<b>1,346,188</b>	<b>1,599,137</b>	<b>567,613</b>

### Finished goods

Opening stock	1,301,068	2,042,997	780,314	2,143,977
Reversal of provision for NRV	164,352	-	164,352	-
Closing stock	(471,290)	(1,886,572)	(471,290)	(1,886,572)
	<b>994,130</b>	<b>156,425</b>	<b>473,376</b>	<b>257,405</b>

### Cost of Sales

	<b>6,152,819</b>	<b>7,535,823</b>	<b>3,083,976</b>	<b>3,491,940</b>
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## 19 ADMINISTRATIVE EXPENSES

The company has recognized a rent expense of Rs. 94.786 million, charged by Port Qasim Authority (PQA) for land use over a period of 7 years, from 2017 to 2024.

## 20 FINANCE COSTS

The increase in markup is due to non-payment of major installments of long-term loans by the Company during the current period.

<i>Half year ended</i>		<i>Quarter ended</i>	
<i>December 31,</i>		<i>December 31,</i>	
<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
<i>(Unaudited)</i>		<i>(Unaudited)</i>	
<i>----- (Rupees in '000') -----</i>			

## 21 OTHER EXPENSES

Workers welfare fund	-	250	-	-
Impairment loss on trade receivables - net	1,020,212	150,623	730,541	140,810
	<b>1,020,212</b>	<b>150,873</b>	<b>730,541</b>	<b>140,810</b>

## 22 OTHER INCOME

It includes Rs.157.667 million on account of reversal of NRV provision - net on WIP and Finished goods.

	<i>Half year ended</i>		<i>Quarter ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>----- (Rupees in '000') -----</i>			
<hr/> <hr/>				
<b>23 LOSS PER SHARE</b>				
<i>Basic</i>				
Loss after tax (Rupees in '000)	<b><u>(3,841,726)</u></b>	<u>(219,040)</u>	<b><u>(2,026,876)</u></b>	<u>(344,278)</u>
Weighted average number of ordinary shares	<b><u>604,879,058</u></b>	<u>604,879,058</u>	<b><u>604,879,058</u></b>	<u>604,879,058</u>
Loss per share - (In Rupees)	<b><u>(6.35)</u></b>	<u>(0.36)</u>	<b><u>(3.35)</u></b>	<u>(0.57)</u>

### ***Diluted***

Diluted earnings per share has not been computed because there are no dilutive potential ordinary shares.

## 24 UTILIZATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

In the financial year ended June 30, 2021, the Company 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 these condensed interim financial statements.

	<i>December 31,</i>	<i>June 30,</i>
	<i>2024</i>	<i>2024</i>
	<i>---- Rupees in '000'----</i>	
Proceeds from IPO	<b>3,840,000</b>	3,840,000
IPO related expenses	<b>(225,275)</b>	(225,275)
Civil works	<b>(1,073,825)</b>	(1,073,825)
Electrical	<b>(452,023)</b>	(452,023)
Mechanical	<b>(665,277)</b>	(665,277)
Duties and other taxes	<b>(535,410)</b>	(535,410)
LC Discounting charges	<b>(193,861)</b>	(193,861)
Air Separation Unit	<b>(694,329)</b>	(694,329)
Unutilized balance	<b><u>-</u></b>	<u>-</u>

**24.1** IPO proceeds has been fully utilized.

25 TRANSACTIONS WITH RELATED PARTIES	<i>Half year ended</i>		<i>Quarter ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>----- (Rupees in '000') -----</i>			
<u><i>Associated Undertaking</i></u>				
<u><i>Denim International (Private) Limited</i></u>				
Sales	-	42,889	-	-
Receipt against sales	-	42,889	-	42,889
<u><i>Nitro Chemical And Gases (Private) Limited</i></u>				
Sales during the year	133,564	-	66,236	-
Receipts during the year	133,564	-	66,236	-
<u><i>Agha Steel Industries</i></u>				
Markup income received	93,369	79,105	-	-
Markup income accrued	30,147	49,170	8,956	24,475
Long term receivables recovered	213,432	4,000	120,346	-
<u><i>Agha Welfare Trust</i></u>				
Donations paid	30,795	7,000	15,760	7,000
<u><i>Staff retirement benefit fund</i></u>				
<u><i>Agha steel staff provident fund</i></u>				
Contribution paid	16,061	16,248	7,936	8,280
<u><i>Key management personnel</i></u>				
<u><i>Directors</i></u>				
Loan received from directors	415,020	-	115,010	-
Loan repaid to directors	-	-	-	-
Markup accrued during the period	26,234	-	14,935	-
Markup paid during the period	-	-	-	-
Remuneration and other benefits	13,800	13,800	6,900	6,900
Board and other meeting fee	900	1,100	450	550
Number of directors	6	6	6	6

## 26 CORRESPONDING FIGURES

<i>Reclassified from</i>	<i>Reclassified to</i>	<i>Note</i>	<i>June 30, 2024 Rupees '000'</i>
Current and overdue portion of non-current liabilities	Long term borrowings - on demand	14	7,922,670
Current and overdue portion of non-current liabilities	Current portion of lease liabilities		27,366

## **27 GENERAL**

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

## **28 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on **28th February, 2025** by the Board of Directors of the Company.



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**Chief Executive**



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**Chief Financial Officer**



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**Director**