

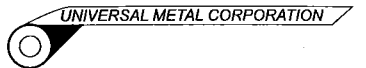
Alpha Steel

Joint Venture of:



Arif Habib

Metal One



trust to build future

Quarterly Report, September 30, 2014



AISHA STEEL MILLS LIMITED

SHAPING THE ECONOMY

Arif Habib Center 23, M. T. Khan Road, Karachi-74000.
Tel: (92-21) 32470217 / Fax: (92-21) 32468316

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company information

Board of Directors

Mr. Arif Habib, Chairman & CEO
 Mr. Shahid Aziz Siddiqui
 Mr. Shinpei Asada
 Mr. Hasib Rehman
 Mr. Nasim Beg
 Mr. Kashif A. Habib
 Mr. Muhammad Ejaz
 Mr. Khalid Tirmzi
 Mr. Kamran A. Kazmi

Audit Committee

Mr. Kashif A. Habib - Chairman
 Mr. Hasib Rehman - Member
 Mr. Muhammad Ejaz - Member

Registered Address

Arif Habib Centre, 23 - M.T. Khan Road,
 Karachi - Pakistan.
 website: www.aishasteel.com

Plant Address

DSU - 45, Pakistan Steel
 Down Stream Industrial Estate,
 Bin Qasim, Karachi - Pakistan.

Auditors

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

Share Registrar Department

Central Depository Company of Pakistan, CDC, House,
 99-B, SMCHS, Shahrae Faisal, Karachi.

Legal Advisor

- Mr. Ajmal Awan
 Sattar & Sattar Advocates
 - Bawaney & Partners

Bankers

Allied Bank Ltd.
 Askari Bank Ltd.
 Bank Alfalah Ltd.
 Bank Islami Pakistan Ltd.
 Barclays Bank Plc.
 Faysal Bank Ltd.
 JS Bank Ltd.
 Habib Metropolitan Bank Ltd.
 KASB Bank Ltd.
 MCB Bank Ltd.
 National Bank of Pakistan
 NIB Bank Ltd.
 Pak China Investment Company Ltd.
 Saudi Pak Ind. & Agr. Inv. Co. Ltd.
 Silk Bank Ltd.
 Summit Bank Ltd.
 Sindh Bank Ltd.
 Standard Chartered Bank (Pakistan) Ltd.
 The Bank of Khyber
 The Bank of Punjab

directors review

The Directors of Aisha Steel Mills Limited (ASML) present herewith Directors' Review together with condensed interim financial statements (unaudited) of the Company for the first quarter ended September 30, 2014.

Steel Market Review

Quarter under review witnessed a number of challenges all at once. These include political noise, flooding, and depreciation of Pak Rupee against US Dollar. In addition to this, holy month of Ramadan resulted in lower than normal sales. Falling international CRC prices has also been another challenge, however, depreciation of Pak Rupee against US Dollar, supported the domestic CRC prices in Pak Rupee, but on the other hand input cost for domestic CRC producers went up due to the Pak Rupee depreciation as the entire raw material (HRC) is being imported. This will result in lowering of primary margin in coming few months.

Operational Review

Though there has been loss in the period under review, your Company's operational performance has improved during the first quarter of current financial year as compared to corresponding period of last year with record Gross Sales of Rs. 2,593.169 million (Q1 2013: Rs.2,534.001 million) and also able to continue with realization of Gross Profit in the first quarter as well of Rs.105.267 million as compared to Gross Loss of Rs. 82.585 million in the corresponding period of last year. This is a result of optimization of manufacturing cost and realizing better margin as compared to last year.

A brief summary of the financial results for the period ended September 30, 2014 is as follows

All figures in PKR Million	Quarter ended September 2014	Quarter ended September 2013
Net Sales	2,182.262	2,144.176
Gross Profit	105.267	(82.585)
Loss before tax	(428.825)	(520.971)
Loss after tax	(285.287)	(367.069)

Future Outlook:

We are positive that the Government will restore 10% tariff protection to local manufacturing of CRC soon. We are hoping that political stability returns to our Country so that business activity continues

without any disturbance. The pressure on prices in international markets appears to be nearing the bottom resulting in near term pressure on local prices followed by a period of medium term stability.

Acknowledgement

We would also like to record our appreciation to all stakeholders for their patronage and look forward towards their continued support.

For and on behalf of the Board



Arif Habib
Chairman & CEO

Karachi
October 30, 2014



CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS
AISHA STEEL MILLS LIMITED
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

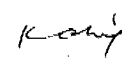
condensed interim balance sheet

as at September 30, 2014

as at September 30, 2014		(Unaudited) September 30 2014	(Audited) June 30 2014
	Note	Rupees in thousand	
ASSETS			
Non-current assets			
Property, plant and equipment	5	10,254,790	10,218,918
Intangibles - Computer Software		15,195	14,804
Long-term loans and advances		2,477	2,876
Long-term deposits and prepayments	6	47,964	47,878
Deferred tax		889,432	724,153
		<u>11,209,858</u>	<u>11,008,629</u>
Current assets			
Stores and spares		201,450	159,046
Stock-in-trade		3,627,760	3,347,294
Trade debts - considered good		25,867	192,499
Advances, deposits and prepayments		106,987	82,524
Other receivables	7	138,674	502,352
Accrued mark-up		160	160
Tax refunds due from Government - Sales tax		537,603	471,655
Taxation - payments less provision		360,443	456,205
Cash and bank balances		28,629	59,845
		<u>5,027,574</u>	<u>5,271,580</u>
Total assets		<u>16,237,432</u>	<u>16,280,209</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	8		
Ordinary shares		2,709,639	2,709,556
Cumulative preference shares		728,562	728,645
		<u>3,438,201</u>	<u>3,438,201</u>
Accumulated losses		<u>(1,816,082)</u>	<u>(1,532,979)</u>
		<u>1,622,118</u>	<u>1,905,222</u>
Share deposit money		236,924	236,924
Surplus on revaluation of fixed assets		389,493	391,676
LIABILITIES			
Non-current liabilities			
Long-term finance		5,585,537	5,483,867
Liabilities against assets subject to finance lease		4,080	4,950
Staff retirements benefit		15,814	14,722
		<u>5,605,431</u>	<u>5,503,539</u>
Current liabilities			
Trade and other payables		3,531,741	4,574,354
Accrued mark-up		421,007	284,475
Short-term borrowings	9	4,412,395	3,369,179
Current maturity of long-term loan		15,000	10,000
Current maturity of liabilities against assets subject to finance lease		3,323	4,840
		<u>8,383,466</u>	<u>8,242,848</u>
Total liabilities		<u>13,988,897</u>	<u>13,746,387</u>
Contingencies and commitments	10		
Total equity and liabilities		<u>16,237,432</u>	<u>16,280,209</u>

The annexed notes 1 to 15 form an integral part of these financial statements


Chairman & CEO


Director

condensed interim profit and loss account (unaudited)

for the Quarter ended September 30, 2014

		September 30 2014	September 30 2013
	Note	Rupees in thousand	
Sales	11	2,182,262	2,144,176
Cost of sales		<u>(2,076,996)</u>	<u>(2,226,760)</u>
Gross profit / (loss)		<u>105,267</u>	<u>(82,585)</u>
Selling and distribution cost		<u>(8,443)</u>	<u>(8,192)</u>
Administrative expenses		<u>(34,216)</u>	<u>(34,998)</u>
Other income		<u>2,838</u>	<u>3,006</u>
Profit / (loss) from operations		<u>65,445</u>	<u>(122,769)</u>
Finance cost		<u>(494,269)</u>	<u>(398,203)</u>
Loss before taxation		<u>(428,825)</u>	<u>(520,971)</u>
Taxation		<u>143,538</u>	<u>153,902</u>
Loss for the period		<u>(285,287)</u>	<u>(367,069)</u>
Other comprehensive income		-	-
Total comprehensive loss for the period		<u>(285,287)</u>	<u>(367,069)</u>
Rupees			
Basic earnings per share - (loss)	12	<u>(1.14)</u>	<u>(1.44)</u>

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Chairman & CEO

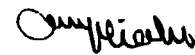

Director

condensed interim cash flow statement (unaudited)

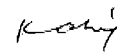
for the Quarter ended September 30, 2014

	September 30 2014	September 30 2013
	Rupees in thousand	
CASH USED IN OPERATING ACTIVITIES		
Loss before taxation	(428,825)	(520,971)
Add / (Less): Adjustment for non-cash and other items		
Depreciation & amortization	89,589	86,458
Finance lease charges	143	347
Provision for staff retirement benefits	1,092	-
Interest on loan	335,481	257,033
Exchange loss	120,236	121,027
Gain on disposal of fixed assets	35	-
Return on PLS savings deposits	(2,735)	(1,226)
	<u>543,840</u>	<u>463,639</u>
Profit before working capital changes	115,015	(57,332)
Effect on cash flow due to working capital changes (Increase) / Decrease in current assets		
Stores and spares	(42,404)	(24,147)
Stock-in-trade	(280,466)	522,778
Trade debts	166,632	163,569
Advances, deposits and prepayments	(24,463)	(9,917)
Other receivables	363,678	(63,284)
Tax refunds due from Government - Sales tax	(65,948)	59,931
	<u>117,028</u>	<u>648,930</u>
Increase in Current Liabilities		
Trade and other payables	(1,162,849)	(307,875)
Cash from operations	<u>(930,806)</u>	<u>283,723</u>
Income tax refund / (paid)	74,022	(90,482)
Markup on loans paid	(128,643)	(405,517)
Return received on deposits	2,735	1,594
Increase in long - term employee loans	399	122
(Decrease) / Increase in long-term deposits and prepayments	(86)	3,629
Net cash used in operating activities	<u>(982,380)</u>	<u>(206,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(88,578)	(31,464)
Acquisition of intangible assets	(1,034)	-
Investments in certificate of investment	-	20,000
Sale proceeds on disposal of property, plant and equipment	90	-
Net cash used in investing activities	<u>(89,522)</u>	<u>(11,464)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in finance lease liability	(2,530)	(1,163)
Net cash used in financing activities	<u>(2,530)</u>	<u>(1,163)</u>
Net decrease in cash and cash equivalents	<u>(1,074,432)</u>	<u>(43,735)</u>
Cash and cash equivalents at the beginning of the period	<u>(3,255,683)</u>	<u>(1,714,238)</u>
Cash and cash equivalents at the end of the period	<u>(4,330,115)</u>	<u>(1,933,796)</u>

The annexed notes 1 to 15 form an integral part of these financial statements



Chairman & CEO



Director

Aisha Steel Mills Limited

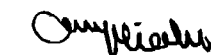
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condensed interim statement of changes in equity

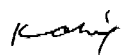
for the Quarter ended September 30, 2014

	Share Capital	Accumulated Loss	Total
	Rupees in thousand		
Balance as at July 1, 2013 - Audited	3,438,201	(1,186,501)	2,251,700
Total comprehensive loss for the quarter ended September, 30, 2013	-	(367,069)	(367,069)
Balance as at 30 September 2013 - Unaudited	<u>3,438,201</u>	<u>(1,553,569)</u>	<u>1,884,631</u>
Balance as at July 1, 2014 - Audited	3,438,201	(1,532,979)	1,905,222
Total comprehensive loss for the quarter ended September 30, 2014	-	(285,287)	(285,287)
Incremental depreciation - net of deferred tax	-	2,183	2,183
Balance as at 30 September 2014 - Unaudited	<u>3,438,201</u>	<u>(1,816,082)</u>	<u>1,622,119</u>

The annexed notes 1 to 15 form an integral part of these financial statements



Chairman & CEO



Director

Quarterly Report, September 30, 2014.

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notes to and forming part of the condensed interim financial statements

for the Quarter ended September 30, 2014

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on May 30, 2005 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Arif Habib Centre, 23 - M.T.Khan Road, Karachi.

The Company has set up a cold rolling mill complex in the downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi, to carry out its principal business of manufacturing and selling cold rolled steel in coils and sheets. The Company started trial production from July 2012 and declared October 1, 2012 as its Commercial Operations Date. The production capacity of the plant is 220,000 metric tons.

2. BASIS OF PREPARATION

- 2.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2014.

- 2.2 This financial information is presented in Pakistan Rupees which is also the Company's functional currency.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2014.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2014.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2014.

notes to and forming part of the condensed interim financial statements

for the Quarter ended September 30, 2014

5. PROPERTY PLANT AND EQUIPMENT

Additions to Property, plant and equipment during the period are as follows:

	Additions (at cost)	
	Unaudited September 30, 2014	Unaudited September 30, 2013
	Rupees in thousand	
Plant and machinery	51,959	14,317
Electrical installations	300	428
Office Equipments	337	6,422
Furniture and fittings	1,357	219
Major Spare Parts	49,763	2,136
Borrowing Cost Capitalised	35,723	27,999
Asset Held under Finance Lease		
Motor Vehicles	1,855	-
	<u>141,294</u>	<u>51,521</u>

- 5.1 No significant disposals were made during the period.

6. DEFERRED TAXATION

The Company has an aggregate amount of Rs 7.77 billion (June 30, 2014: Rs 7.32 billion) in respect of tax losses as at September 30, 2014. The management carries periodic assessment to assess the benefit of these losses as the company would be able to set off the profit earned in future years against these carry forward losses. Based on the assessment management has recognised deferred tax debit balance on losses amounting to Rs 2.71 billion (June 30, 2014: Rs 2.56 billion) including an amount of Rs 1.97 billion (June 30, 2014: Rs 1.85 billion) on unabsorbed tax depreciation and initial allowance of Rs 4.73 billion (June 30, 2014: Rs 4.72 billion). The amount of this benefit has been determined based on the projected financial statement of the Company for future years. The determination of future taxable profit is most sensitive to certain key assumptions such as capacity utilisation, gross margin percentage, inflation and KIBOR rates. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

7. OTHER RECEIVABLES

This represents Rs. 138.48 million receivable from Etimaad Engineering (Private) Limited which is under dispute. There has been no change in the status of receivable from Etimaad Engineering (Private) Limited reported in the financial statements of the Company for the year ended June 30, 2014.

8. SHARE CAPITAL

- 8.1 During the quarter ended September 30, 2014, the Company has allotted 82,192 ordinary shares against conversion of 82,192 preference shares of the Company in accordance with the terms of issue of preference shares.

- 8.2 Dividend in respect of preference shares is only payable when Company has accumulated profits. Therefore, cumulative dividend on preference shares amounting to Rs. 382.09 million (June 30, 2014: 357.93 million) is not accounted for in this condensed interim financial information.

notes to and forming part of the condensed interim financial statements

for the Quarter ended September 30, 2014

9. SHORT TERM BORROWINGS

During the period Company obtained finance on markup basis from Bank of Punjab amounting to Rs 125 million (June 30, 2014: Nil). The rate of markup on this facility is 3 months KIBOR + 2% (June 30, 2014: Nil). This facility is secured against pari passu charge over the current assets and fixed assets of the Company.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There has been no change in status of contingencies reported in the financial statements for the year ended June 30, 2014.

10.2 Commitments

10.2.1 Commitments for capital expenditure outstanding as at September 30, 2014 amounted to Rs 38.94 million (June 2014: Rs 17.38 million).

10.2.2 Commitments for rentals under ijarah arrangements amounted to Rs 11.95 million (June 2014: Rs 14.2 million) payable as follows:

	Un audited September 30, 2014	Audited June 30, 2014
	Rupees in thousand	
Not later than 1 year	4,328	4,603
Later than 1 year but not later than 5 years	7,619	9,593
	<u>11,947</u>	<u>14,196</u>
	Un audited September 30, 2014	Un audited September 30, 2013
	Rupees in thousand	

11. SALES

Gross Sales	2,593,169	2,534,001
Less: Sales tax	(380,729)	(360,299)
Less: Commission	(30,179)	(29,526)
Net Sales	<u>2,182,262</u>	<u>2,144,176</u>

12. EARNINGS PER SHARE

Loss after tax attributable to ordinary shareholders	(285,287)	(367,069)
Adjustment for cumulative preference share dividend	24,160	22,761
Loss after tax for calculation of of basic earnings per share	<u>(309,447)</u>	<u>(389,830)</u>
Weighted average number of ordinary shares outstanding at the end of period	271,039	270,438
Ordinary shares in issue (in thousand)		
	Rupees	
Basic earnings per share - (loss)	<u>(1.14)</u>	<u>(1.44)</u>

12.1 A diluted earnings per share has not been presented as it had anti-dilutive effect on the earnings per share.

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Aisha Steel Mills Limited

notes to and forming part of the condensed interim financial statements

for the Quarter ended September 30, 2014

13. TRANSACTION WITH RELATED PARTIES

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

		Un audited September 30, 2014	Un audited September 30, 2013
		Rupees in thousand	
Relationship	Nature of transaction		
Associated companies	Purchase of construction material	-	243
	Purchase of raw material	-	592,182
	Re-imbursement of expense receivable	1,771	-
	Finance facility utilised	1,067,000	-
	Repayment of finance facility utilised	250,000	-
Other related parties	Rent expense	1,413	1,966
	Commission on sales	6,602	-
Key management compensation	Salaries and other short-term employee benefits	2,472	4,932

14. GENERAL

Corresponding figures have been re-arranged and / or reclassified wherever necessary for the purposes of comparison and better presentation.

15. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue in the Board of Directors meeting held on October 30, 2014.


Chairman & CEO


Director

Quarterly Report, September 30, 2014.

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