



AGHA STEEL INDUSTRIES Ltd.

Quarterly Report September, 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. Umar Irshad

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, 8th Floor, Emerald Tower, G-19

II Talwar, Block 5, Clifton, Karachi, Pakistan

UAN # 021-111-111-2442

Corporate@aghasteel.com

SYMBOL AT PAKISTAN STOCK EXCHANGE

AGHA

WEBSITE INFORMATION

www.aghasteel.com

DIRECTORS' REVIEW REPORT

The Directors are pleased to present the financial statements for the quarter ending September 30, 2024.

Economic Environment

Pakistan's economy is showing promising signs of recovery, thanks in part to a successful agreement with the IMF for a 37-month Extended Fund Facility totaling USD 7 billion. This support is intended to stabilize fiscal conditions and facilitate essential economic reforms. The IMF projects that Pakistan's GDP growth could reach 3.2% this fiscal year. However, challenges remain, including:

- Policy uncertainty
- Tight macroeconomic conditions
- High energy costs
- Decreased consumer purchasing power
- Political instability

Steel Industry Landscape

In the global market, flat steel prices have experienced notable volatility this quarter due to several key factors:

Weakening Chinese Economy: As a major contributor to global steel demand, China's economic slowdown has resulted in decreased consumption.

Increased Production and Inventory Adjustments: Production levels have risen, leading to an oversupply and subsequent price declines.

Real Estate Sector Struggles: The downturn in China's real estate sector has further weakened steel demand.

Consequently, domestic steel prices have fallen from USD 640/MT to USD 500/MT. The local steel industry is grappling with these declining prices, compounded by:

An influx of tax-exempt materials from the FATA/PATA regions.

Conclusion

While opportunities for growth exist as the economy stabilizes, the current market landscape presents challenges that require careful strategic planning. We remain focused on adapting our strategies to navigate these conditions and ensure our continued performance and resilience in the industry.

MANAGEMENT'S RESPONSE:

The management is actively engaged in a thorough review of our operations, aiming to identify areas for improvement and implement strategic adjustments to address the issues contributing to the current loss. Our focus is on stabilizing operations, optimizing costs, and exploring avenues for recovery.

FINANCIAL PERFORMANCE:

Your Company during the Three months of the financial year 2025 has registered the net sales of Rs. 2,845 million as compared to Rs. 5,254 million under review. Your Company registered operating loss of Rs. (1,636) million during three months' period under review as against operating profit of Rs.64 million in the similar period last year. The Company registered a loss before and after tax of Rs.(1,883) million and (1,815) million as compared to profit of Rs. 161 million and 125 million respectively during the corresponding period last year.

Key financial highlights of the company is as follows:

	First Quarter Ended September 30,2024 (Un-Audited)	First Quarter Ended September 30,2023 (Un-Audited)
	----- Rupees in 'Millions'-----	
Sales	2,845	5254
Gross Profit/(Loss)	(224)	1,209
Operating Profit/(Loss)	(1,636)	64
Profit /(Loss) before tax	(1,883)	161

Profit/(Loss) after tax	(1,815)	125
(Loss)/Earnings per share		
Basic (in Rupees)	(3.00)	0.21

(Loss)/Earnings per Share

Basic and Diluted (Loss)/Earning per share for the period ended September 30, 2024 was Rs. (3.00) as compared with Rs. 0.21 per share in the corresponding period.

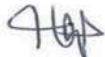
FUTURE PROSPECTS:

Our strategic initiatives include a comprehensive review of our product offerings, exploring partnerships and collaborations, and adopting innovative technologies to enhance our operational efficiency. We are also evaluating market trends and customer preferences to align our offerings with the evolving demands of the industry.

ACKNOWLEDGEMENT

The Board would like to place on record the all stakeholders, Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange, State Bank of Pakistan, banks/financial Institutions, especially its customers as well as the vendors and suppliers, for their continued commitment and support to the Company. The Board would also like to thank all staff members of the Company in performing their tasks with diligence and commitment.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Hussain Iqbal Agha
Chief Executive Officer



Raza Iqbal Agha
Director

Karachi: **October 29, 2024**

AGHA STEEL INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2024

<u>ASSETS</u>	2024	2023
	---- Rupees in '000'----	
Non-Current Assets		
Property, plant and equipment	6 45,777,636	45,575,831
Intangible asset	34,540	36,110
Long term deposits and receivable	7 374,286	387,360
	46,186,462	45,999,301
Current Assets		
Stores, spare parts and loose tools	2,957,063	2,869,749
Stock-in-trade	8 3,631,989	3,545,206
Trade and other receivables	9 3,862,866	4,024,456
Loans and advances	2,215,898	2,752,355
Deposits	33,063	33,063
Tax refunds due from Government	644,959	524,053
Cash and bank balances	155,303	239,134
	13,501,142	13,988,016
Total Assets	59,687,604	59,987,317
<u>EQUITY AND LIABILITIES</u>		
Share Capital and Reserves		
Authorized Capital	10,250,000	9,250,000
Share Capital		
Issued, subscribed and paid up capital	6,048,791	6,048,791
Capital reserve		
Share Premium	2,126,687	2,126,687
Surplus on revaluation of fixed assets - net	16,497,409	16,656,355
Revenue Reserve		
Unappropriated profit	1,650,503	3,306,407
Total Shareholders' Equity	26,323,390	28,138,240
Non-Current Liabilities		
Long term borrowings	10 -	-
Advance against preference shares	750,000	750,000
Loan from directors	300,000	
Lease liabilities	46,687	72,668
Deferred liability	3,906,462	4,010,148
	5,003,149	4,832,816
Current Liabilities		
Trade and other payables	11 1,428,022	645,548
Accrued markup	3,900,133	3,193,826
Short term borrowings	12 15,088,873	15,226,851
Current and overdue portion of non-current liabilities	7,944,037	7,950,036
	28,361,065	27,016,261
Contingencies and Commitments		
Total Equity and Liabilities	59,687,604	59,987,317


The annexed notes from 1 to 17 form an integral part of these financial statements.



 Chief Executive



 Chief Financial Officer



 Director

AGHA STEEL INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
FOR THE QUARTER ENDED SEPTEMBER 30, 2024

	<i>Un-Audited</i> <i>September 30</i> <i>2024</i>	<i>Un-Audited</i> <i>September 30</i> <i>2023</i>
	<i>---- Rupees in '000' ----</i>	
Turnover - net	2,845,189	5,253,081
Cost of sales	<u>(3,068,843)</u>	<u>(4,043,883)</u>
Gross (loss) / profit	(223,654)	1,209,198
Administrative expenses	<u>(188,197)</u>	<u>(65,677)</u>
Selling and distribution costs	<u>(84,139)</u>	<u>(127,237)</u>
Finance costs	<u>(1,139,667)</u>	<u>(952,164)</u>
Operating (loss) / profit	(1,412,003)	(1,145,078)
Other expenses	<u>(289,671)</u>	<u>(10,063)</u>
Other income	<u>42,357</u>	<u>106,730</u>
(Loss) / profit before levy and tax	(1,882,971)	160,787
Levy	<u>(35,565)</u>	<u>-</u>
(Loss) / profit before income tax	(1,918,536)	160,787
Taxation - net	<u>103,686</u>	<u>(35,549)</u>
(Loss) / profit after taxation	(1,814,850)	125,238
Other comprehensive income for the year		
Surplus on revaluation of fixed assets	<u>223,868</u>	<u>-</u>
Deferred tax	<u>(64,922)</u>	<u>-</u>
	<u>158,946</u>	<u>-</u>
Total comprehensive income for the year	(1,655,904)	125,238
(Loss) / earnings per share		
Basic and diluted - Rupees	<u>(3.00)</u>	<u>0.21</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer

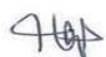


Director

AGHA STEEL INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED SEPTEMBER 30, 2024

	2024	2023
	---- Rupees in '000'----	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(1,882,971)	160,787
Adjustments for:		
Depreciation	327,410	103,542
Amortization	1,570	1,570
Impairment loss on trade receivables - net	289,671	
Finance cost	1,135,425	949,911
Finance lease markup	4,242	2,253
Workers welfare fund	-	8,542
Workers profit participation fund	-	1,521
Cash (used in) / generated from operations before working capital changes	(124,653)	1,228,126
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(87,314)	(85,564)
Stock-in-trade	(86,783)	(62,673)
Trade and other receivables	(128,081)	656,487
Loans and advances	536,457	(18,798)
Deposits	-	(1,684)
	234,279	487,768
(Decrease) / increase in current liabilities		
Trade and other payables	782,474	(259,392)
Net cash generated from operations	892,100	1,456,502
Taxes paid - net	(156,471)	(45,963)
Financial charges paid	(433,360)	(869,864)
Net cash generated from operating activities	302,269	540,675
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Long term deposits and receivable recovered - net	13,074	2,125
Additions in capital work in progress - net	(23,456)	(506,944)
Proceeds from disposal of property, plant and equipment	-	-
Additions in property, plant and equipment	(505,759)	(46,611)
Net cash used in investing activities	(516,141)	(551,429)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings - net	(5,999)	(191,241)
Loan from Directors	300,000	
Advance received against shares	-	83,333
Lease rentals paid	(25,981)	(1,216)
Receipts / (repayments) of short-term borrowings - net	(137,979)	270,314
Net cash generated from / (used in) financing activities	130,041	161,190
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(83,831)	150,436
Cash and cash equivalents at the beginning of the year	239,134	87,295
Cash and cash equivalents at the end of the year	155,303	237,731

The annexed notes from 1 to 17 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

AGHA STEEL INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2024


Particulars	Issued, subscribed and paid up capital	Reserves			Total reserves	Total shareholders' equity
		Capital		Revenue		
		Share Premium	Surplus on revaluation of fixed assets	Unappropriated 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 income for the period						
Profit after taxation	-	-	-	125,238	125,238	125,238.00
Other comprehensive income	-	-	-	125,238	125,238	125,238
Balance as at September 30, 2023- Un-Audited	6,048,791	2,126,687	-	8,520,210	10,646,897	16,695,688
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 income for the period						
Loss after taxation	-	-	-	(1,814,850)	(1,814,850)	(1,814,850)
Other comprehensive income - net	-	-	(158,946)	158,946	(158,946)	-
	-	-	(158,946)	(1,655,904)	(1,973,796)	(1,814,850)
Balance as at September 30, 2024-Unaudited	6,048,791	2,126,687	16,497,409	1,650,503	20,115,653	26,323,390

* 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 17 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

AGHA STEEL INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2024

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Agha Steel Industries Limited (the Company) was incorporated in Pakistan on November 19, 2013, as a private limited company under the repealed Companies Ordinance, 1984, now the Companies Act, 2017 (the Act). On April 07, 2015, the Company was converted into public limited company. During the Financial year 2019, the Company has listed its privately placed Sukuk certificates with Pakistan Stock Exchange Limited. The Company is principally engaged in manufacturing and sale of steel bars, wire rods and billets, and its registered office and production plant are situated at plot no. N.W.I.Z. / 1 / P-133, (SP-6), D-2, Port Qasim Authority, Karachi.
- 1.2** 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

The Company experienced financial difficulties due to low business volumes in terms of quantities sold resulting in major revenue shortfall. Further, the Company's production activities were severely affected by a fire at its manufacturing facilities on December 29, 2023. This fire incident led to a temporary halt in production significantly affecting the already deteriorated revenue generation. As a result of these conditions, the Company incurred gross loss of Rs. 373.654 million, net loss before levy and taxes of Rs. 1840.289 million and loss after taxation amounting to Rs. 1784.546 million.

The Company's current liabilities exceeds its current assets by Rs. -13501.142 million. Additionally, the Company's net operating cash flows for the current of Rs. 28361.065 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 10, and]. 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 September 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

These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" issued by International Accounting Standard 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 IFRSs, the provisions of and directives issued under the Act have been followed.

These condensed Interim Financial statements are being submitted to the shareholders as required by Section 137 of the Companies Act 2017.

These condensed interim financial statements does not include all of the information required for full annual financial statements and should be read in conjunction with the published annual financial statements for the year ended June 30, 2023.

4 ACCOUNTING POLICIES

The accounting policies, related judgments, estimates and assumptions adopted for the preparation of this condensed interim financial statements are the same as those applied in preparation of the annual financial statements of the Company for the year ended June 30, 2024.

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of condensed interim financial statements in conformity with the accounting and reporting standards which requires the use of certain critical accounting estimates.it also require

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.

During preparation of these condensed interim financial statements, the significant judgment made by management in applying the company's accounting policies and the key source of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30 2024.

		<i>(Unaudited)</i>	<i>(Audited)</i>
		September 30	June 30
		2024	2024
6 PROPERTY, PLANT AND EQUIPMENT	<i>Note</i>	<i>---- Rupees in '000'----</i>	
Operating fixed assets	6.1	32,099,591	31,921,242
Capital work in progress (CWIP)	6.2	13,678,045	13,654,589
		45,777,636	45,575,831
6.1 Operating fixed assets			
Opening book value		31,921,242	10,154,667
Additions during the period / year	6.1.1	505,759	540,572
Revaluation			21,657,941
Transfer from CWIP		-	-
Disposals during the period / year		-	(2,646)
Depreciation charge for the period / year		(327,410)	(429,292)
		32,099,591	31,921,242
6.1.1 Additions during the period / year			
Plant and machinery		238,168	34,546
Computers		-	2,228
Furniture & fixtures		-	5,809
Major Stores & Spares		267,591	50,916
Vehicles		-	538
Leased Vehicles		-	46,558
		505,759	140,595
6.2 Movement in capital work-in-progress during the period / year:			
- Machinery in transit			
Opening balance		13,654,589	11,122,713
Additions during the period / year		23,456	1,851,677
Borrowing costs			680,199
		13,678,045	13,654,589

7 LONG TERM DEPOSITS AND RECEIVABLE

Included herein receivable from Agha Steel Industries - an associated undertaking amounting to Rs.352.79 (June 30, 2024:352.79) million. The terms and conditions are same as disclosed in note 8.1 to the annual audited financial statements of the Company for the year ended June 30, 2024.

	<i>(Unaudited)</i>	<i>(Audited)</i>
	September 30	June 30
	2024	2024
	---- Rupees in '000'----	
8 STOCK-IN-TRADE		
Raw material	407,078	685,664
Raw material in transit	1,585,944	825,017
Work in process	858,653	733,457
Finished goods	780,314	1,301,068
	<u>3,631,989</u>	<u>3,545,206</u>

9 TRADE AND OTHER RECEIVABLES

- Considered good

Trade receivables from contracts with customers	4,610,735	4,482,654
Bad Debts Write off	9.1 (1,034,567)	-
	<u>3,576,168</u>	<u>4,482,654</u>
Allowance for expected credit losses	(500,246)	(1,245,142)
	<u>3,075,922</u>	<u>3,237,512</u>

- from associated undertakings

- markup	93,369	93,369
- current maturity of long term receivable	30,974	30,974
- sales tax	277,601	277,601
	<u>401,944</u>	<u>401,944</u>

- from others

Other receivables

Insurance claim receivable	385,000	385,000
	<u>3,862,866</u>	<u>4,024,456</u>

9.1 During the period, the company undertook a review of its outstanding receivables and determined that a total of Rs. 1,035 Mn, 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.

	<i>(Unaudited)</i>	<i>(Audited)</i>
	September 30	June 30
	2024	2024
	---- Rupees in '000'----	
9.2 Allowance for expected credit losses		
Opening	1,245,142	449,087
Impairment losses recognized during the year - net	289,671	796,055
Write off	(1,034,567)	-
Closing	<u>500,246</u>	<u>1,245,142</u>

10 LONG TERM BORROWINGS

Secured

- From banking companies

- Conventional

	<i>(Unaudited)</i>	<i>(Audited)</i>
	September 30	June 30
	2024	2024
	---- Rupees in '000'----	
Note		

Samba Bank Limited - TF	150,000	150,000
United Bank Limited - NIDF	29,188	29,188
JS Bank Limited - TERF	485,847	485,847
JS Bank Limited - STFF	2,459,291	2,459,291
Askari Bank Limited - STFF	1,307,957	1,307,957
	4,432,283	4,432,283

- Shariah compliant

Meezan Bank Limited - IFRE	109,388	115,388
Sukuk- II	3,375,000	3,374,999
	3,484,388	3,490,387

10.1 **7,916,671** **7,922,670**

Less: Current portion shown under current liabilities

(7,916,671) **(7,922,670)**

10.1 The Company due to financial constraints as fully disclosed in note 2 to these 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 nine years, including a two-year grace period starting in January 2025. Till the reporting date, the Master Restructuring Agreement (MRA) had not been finalized or signed; therefore, its impact has not been reflected in these financial statements. Since, the Company at year end did not have an unconditional right to defer its settlement for at least twelve months, accordingly, non current portion of long term borrowings is classified as current liabilities under current portion of non current liabilities (refer note 24) in accordance with the requirement of para 69 of IAS 1 - Presentation of Financial Statements.

10.2 There are no major changes in terms and conditions as disclosed in note 16 to the annual audited financial statements of the Company for the year ended June 30, 2023.

11 TRADE AND OTHER PAYABLES

11.1 It Includes Rs.236.162 million (June 30, 2024: Rs.236.162 million) on account of Bills Payable.

	(Unaudited)	(Audited)
	September 30	June 30
	2024	2024

12 SHORT TERM BORROWINGS

Running Finance - secured

Conventional banks	4,748,152	5,947,740
Islamic banks	259,921	250,000
	5,008,073	6,197,740

Finance against Trust Receipt (FATR)

Conventional banks	8,244,470	7,207,622
Islamic banks	1,836,330	1,821,489
	10,080,800	9,029,111

12.1 **15,088,873** **15,226,851**

12.1 There are no major changes in terms and conditions of short term borrowings as disclosed in note 21 to the annual audited financial statements of the Company for the year ended June 30, 2024.

13 CONTINGENCIES AND COMMITMENTS

Contingencies

13.1 The Company has filed a Constitutional Petition (CP no. D-2253/2020) before the Honourable High Court of Sindh challenging the illegal and retrospective charge of the Industrial Support Package Adjustment (ISPA) from July 2019 onwards from industrial consumers which was through Corrigendum by the Ministry of Energy dated 22.01.2020 issued on the basis of SRO No. 810(I)/2019. In September 2020, the Honourable High Court of Sindh disposed off the said petition and passed the direction

whereby the said Corrigendum was declared illegal and void ab initio, but the aforementioned SRO was upheld. Thereafter, being aggrieved by the decision, the Company has filed a Civil petition for Leave of Appeal (CPLA's) with the honourable Supreme Court of Pakistan impugning the aforesaid judgment. In November 2020, the SCP granted leave in the CPLA's and passed an interim order suspending the effect of the impugned judgment. ON March 17, 2022, the Apex Court dismissed the appeal of K Electric, whereby, the Chief Justice of Pakistan verbally announced the dismissal in open court, however, in the written order the Court decided that the matter shall be listed for re-hearing.

On January 19, 2023, the matter was re-heard whereafter the appeals of K-electric were allowed and the appeals of the consumers were dismissed and the matter of adjustment consequent to SRO 810 was referred to NEPRA for its determination and issuance of a schedule of tariff amending the uniform tariff for K-electric. Against the judgment, the company has filed a review petition in the honourable Supreme Court of Pakistan but the same has not been fixed for hearing as of the reporting date.

13.2 During the financial year 2020, when the sales tax regime of the Company was changed from special procedures to VAT mode, the Company, based on the physical stock taking as at June 30, 2019 by the officers of sales tax department, has claimed sales tax refund of Rs. 804,079,660 under section 66 of the Sales Tax Act, 1990 on account of closing finished goods that were already taxed under special procedures. Deputy Commissioner Inland Revenue through its order no. 07/2021 dated June 05, 2021 allowed only Rs. 204,995,078 and rejected the balance claim of Rs. 599,084,582. Being aggrieved, the Company has filed a constitutional petition (CP-4400/2021) before Honorable High Court of Sindh for recovery of rejected claim. The management based on the advice of its legal adviser expects a favourable outcome in the case.

13.3 In FY 2024, Faysal Bank Limited filed a suit for the recovery of Rs. 738,061,096 (Rs. 650 million principal and 88 million profit) along with cost of funds charges and profit until the realization of the entire amount. The suit also includes prayers for the attachment and sale of the personal assets / properties of the company and Sponsor director of the company and for the recovery of cost of funds, in terms of Section 3 of the Financial Institutions (Recovery of Finance) Ordinance, 2001, on the aforementioned suit amount from the date of default until the date of realization. The aforementioned cost of funds could not be determined at this stage and is therefore not recognized in these financial statements.

The management based on the advice of its legal adviser and the fact that the company's restructuring scheme also includes restructuring of the suit amount is confident that this matter will be resolved amicably with the banking company.

13.4 In 2021, the Company filed a suit before the Honourable High Court of Sindh (SHC) against K-Electric Limited, National Electric Power Regulatory Authority (NEPRA) and the Federation of Pakistan challenging the failure of NEPRA to process the motion submitted by the Ministry of Energy Power Division vide letter dated 14 September, 2021 with respect to the extension of the reduced rates / Incremental Consumption Package for K-Electric from 1 July, 2021 to 31 October, 2023.

On 24 December, 2021, the SHC was pleased to pass an interim order restraining K-Electric from issuing monthly electricity bills without reflecting the Incremental Consumption Package; and the Company was directed to deposit differential amount (ICP component) with the Nazir High Court in the shape of postdated cheques.

However, subsequent to the above interim order, NEPRA processed the motion submitted by the Ministry of Energy Power Division (as prayed for in the Suit) and issued Decision No. NEPRA/R/ADG (Tariff) / TRF-100/498-500 dated January 11, 2022 and the same was notified vide S.R.O. 659(I)/2022 dated 27 May, 2022. Accordingly, the Suit has become infructuous and may be withdrawn by the Company.

Subsequently, K-Electric filed appeals against the Authority's decision No. NEPRA/R/ADG (Tariff) /

TRF100/498-500 dated 11 January, 2022 and decision No. NEPRA/RJADG(Tariff)/ TRF100/7148-7150 dated 11 May, 2022 (regarding extension of the Incremental Consumption Package) before the NEPRA Appellate Tribunal; and the Company filed an application to become a party / respondent in the said appeals.

C.P. 7276/2022 has been filed by the Company before the SHC against K-Electric Limited, National Electric Power Regulatory Authority (NEPRA) and the Federation of Pakistan challenging the failure of K-Electric to give effect to the Authority's decision No. NEPRA/R/ADG(Tariff) / TRF-100 / 498-500 dated 11 January, 2022.

On 25.11.2022, the Honourable Court was pleased to suspend the electricity bill of the Company for the month of November 2022 subject to deposit of a post-dated cheque with Nazir of the Court; and similarly, on 23.12.2022 the Honourable Court was pleased to suspend the electricity bill of the Company for the month of December 2022 subject to deposit of a post-dated cheque with Nazir of the Court.

On 11 July, 2024, as prayed for by the Company, the NEPRA Appellate Tribunal dismissed K-Electric's Appeals. We understand that K-Electric intends to appeal this decision further to the Islamabad High Court.

The matter is pending adjudication. In light of NEPRA Appellate Tribunal's judgment dated 11 July, 2024 dismissing K-Electric's appeal against the extension of the Incremental Consumption Package, the management, based on the advice of its legal adviser expects a favourable outcome for the Company in this matter, therefore, total subsidy of Rs. 682.024 million against excess charge by K Electric from July 2021 to October 2023 is disclosed as contingent asset in accordance with the requirements of IFRSs.

- 13.5** During financial year, the Collector of Customs issued a show cause notice regarding the classification of the Air Separation Plant under an incorrect Harmonized System (HS) code. As a result, a liability of Rs. 160.499 million for customs duties and associated taxes, along with applicable default surcharges, has been assessed and sought from the Company.

The Company, based on the advice of its legal counsel, believes that the correct amount of duty has been paid, aligning with the nature and intended use of the imported goods. Given that, the Air Separation Plant has been successfully installed and is now fully operational, contributing to the production of taxable supplies, management is confident in the accuracy of the classification.

Consequently, the Company has not recognized this potential liability in the financial statements, as it considers it unlikely that an outflow of economic benefits will be required to settle this matter. This

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

14 TRANSACTIONS WITH RELATED PARTIES

<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>2023</i>	<i>2023</i>
September 30	September 30

- associated undertaking
Agha Steel Industries

----- Rupees in '000'-----

Markup income received during the period	<u>12,567</u>	<u>12,196</u>
Markup income accrued during the period	<u>12,567</u>	<u>12,196</u>
Loan recovered during the period		

15 UTILIZATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

During the year, the Company has issued its shares to general public through IPO to finance the project of expansion of its capacity by installing Mi. Da. As at September 30, 2022, the utilization of proceeds from IPO is as follows:

	<i>2024</i>	<i>2023</i>
	<i>September 30</i>	<i>September 30</i>
	<i>Rupees in '000'</i>	
Proceeds from IPO	3,840,000	3,840,000
IPO related expenses	(225,275)	(225,275)
Civil works	(1,073,825)	(1,073,825)
Electrical	(452,023)	(452,023)
Mechanical	(665,277)	(665,277)
Duties and other taxes	(535,410)	(535,410)
LC Discounting charges	(193,861)	(193,861)
Air Separation Unit	(694,329)	(694,329)
Unutilized balance	<u>-</u>	<u>-</u>

15.1 IPO proceeds have been fully utilized during FY 2022.

16 GENERAL

Figures have been rounded-off to the nearest thousand rupee.

17 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors on 29th October, 2024



Chief Executive



Chief Financial Officer



Director