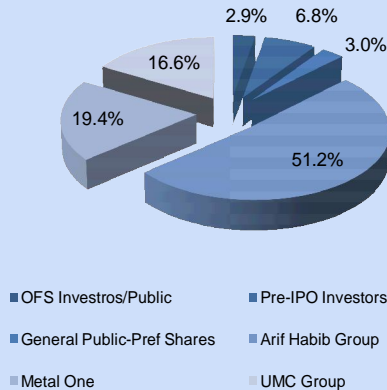
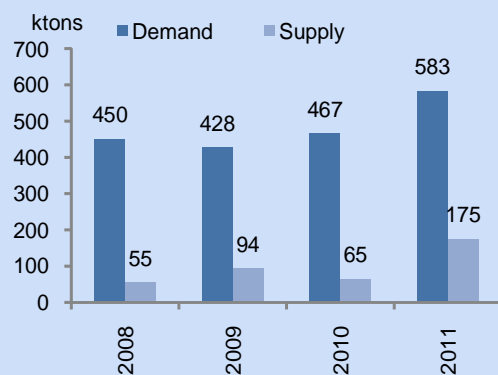


Aisha Steel Mills Limited
Industrial Metals & Mining
Poised to gain from huge CRC supply deficit
Shareholding Pattern

Pre-IPO Investors (PKR mn)

National Bank of Pakistan	100.0
Sindh Bank Limited	50.0
Picic Growth Fund	30.0
National Investment Unit Trust	21.3
NIT-Equity Market Opportunity Fund	10.0
PICIC Investment Fund	20.0
ABL Stock Fund	3.0



Source: ASML

Analyst

AHL Research
 research@arifhabibltd.com
 021-32462589

www.arifhabibltd.com

AHL is the Advisor and Arranger for Offer for sale of Aisha Steel Mills Limited (ASML). This document is for informative purposes only and does not carry any recommendation.

Aisha Steel Mills Limited ("ASML") operates a state-of-the-art Cold Rolling Coil ("CRC") mill with an installed capacity of 220k tons per annum. The plant, spread over an area of 50 acres, is strategically located closer to its downstream industries at Pakistan Steel Mills near Port Qasim. The plant is in testing phase and is expected to announce commencement of commissioning in the first week of July 2012. The sponsors of the company are divesting their 3.73% stake (10mn shares) through offer for sale. This offering will be done on July 3rd and July 4th 2012.

The Sponsors of the Project

Aisha Steel Mills Limited ("ASML") was setup in 2005 as a joint venture between renowned Pakistani and Japanese groups including Arif Habib Group (51%), Metal One Corporation (19.4%), a subsidiary of Mitsubishi and Universal Metal One (12.6%). Metal One Corporation (MOC) is the largest steel trader in the world; giving ASML a competitive edge in terms of sourcing HRC and marketing CRC.

Offer for Sale Details

All the three shareholders of the company are offering 10mn shares at PKR 10 each to the general public. The company has already raised PKR 234mn through Pre IPO by issuing 23.4mn new ordinary shares @ PKR 10/share to the various banks and mutual funds. The company had also issued convertible preference shares of PKR 75.8mn which was subscribed by Arif Habib Corporation.

Flexible capacity; an added advantage

ASML was incorporated in 2005 as a public limited company to setup a CRC facility with a capacity of 220ktons. It is also pertinent to mention here that the above capacity specification is based on the strict Japanese standards with CRC gauge of 0.5. Local practice however dictates that the predominant local demand for CRC is of 1.0 gauge and above. In view of this, ASML's management believes that the Company's plant can easily be operated at 269,000 tons capacity if required. The machinery installed is brand new and sourced from top of the line suppliers of Japan and Austria. The total cost for the project is PKR 9.38bn and it is financed through debt of 65%.

Electrolytic Cleaning Line; giving the competitive edge

ASML will be producing CRC through Hot Rolled Coil (HRC), which is to be procured from different countries with the assistance of Metal One. The manufactured CRC will be of finest quality which could be used in automotive, engineering and home appliances sectors. The company's management intends to employ a network of distributors (including Mitsubishi Corp) and dedicated wholesalers in order to effectively tap into the market and thus guaranteeing the supply of CRC into the market at large. It will be the country's first CRC mill to be equipped with an Electrolytic Cleaning Line, which will completely remove oil, iron power or other unwanted materials from the CRC. This will enable ASML to cater the demand of Auto manufacturers and other high end consumers who currently rely on imports.

Sector	2008	2009	2010	ASML Target	ASML Production - %
Automobile & Allied	90	60	70	45	20%
Engineering	250	268	285	110	50%
-PipeMills	50	40	55	20	9%
-IL's GI	-	-	20	-	
Drum	15	10	10	10	5%
Traders	185	218	200	80	36%
Home Appliances	55	50	62	35	16%
Packaging	55	50	50	30	14%
Total	450	428	467	220	100%

Source: Company Presentation

Power supply through dedication line

ASML will be supplied 16.5MW through 132KVA national grid line by KESC. This national grid comes under priority for the distribution company; hence for the past 10 years it witnessed a outage of only 6 minutes. The company has inked agreement with SSGC for supply of 1.7mmcf/d gas to meet its energy requirement. It is pertinent to mention that a CRC mill can only operate on the national grid due to high torque.

Poised to gain from huge CRC supply deficit

Pakistan has the lowest per capita steel consumption of 14.8 kg, compared to regional average 243kg and world average 220kg. The demand for steel in Pakistan has constantly been on a rise. At present, there are only three players in the industry producing flat end products, namely Pakistan Steel Mills (PSM), International Steel Mills Limited and Aisha Steel Mills Limited. Estimated demand for CRC during FY11 was approximately 467,000 tons against local supply of 175,000 tons. Given this annual deficit of 300ktons, coupled with dire financial straits of PSM (PSM's plant is currently operating at minimum capacity), ASML is ideally poised to make full use of its 220,000 tons capacity and replace imports which are 70% of total supply.

Future Expansion Plans

The Company intends to expand its current production capacity by installing additional 4 bells in Batch Annealing and also plans to establish a service centre, catering to the demand of cut to size sheets. These will add substantial margins to the company's profitability with minimal capital expenditure.

Future Expansion Plans	
Leveler & Shearer Capex	Margin/ ton
PKR 224mn	USD 15
4 bells in Batch Annealing and Skin Pass Mill Capex	Margin/ ton
PKR 550mn	Increased volumes (Avg. primary margin USD 130)
Service Centre Capex	Margin/ ton
PKR 460mn	USD 25

Source: Briefing Presentation

Financial Highlights	PKRmn	FY13	FY14	FY15	FY16	FY17
Net Revenue		13,032	16,980	20,088	20,953	21,588
Gross Profit		1,208	1,560	1,898	1,975	2,044
EBIT		1,055	1,394	1,721	1,792	1,857
Profit After Tax		134	246	478	834	1,054
EPS		0.5	0.92	1.78	3.11	3.93

Balance Sheet

Non Current Assets	9,196	8,783	8,451	8,162	7,873
Current Assets	5,498	6,249	7,564	8,322	9,560
Total Assets	14,694	15,032	16,015	16,484	17,433
Non Current Liabilities	5,410	4,322	3,278	2,261	1,357
Current Liabilities	6,089	7,269	8,818	9,469	10,269
Total Equity	3,195	3,441	3,919	4,753	5,807
Total Liabilities & Equity	14,694	15,032	16,015	16,484	17,433

Source: ASML