

AISHA STEEL MILLS LIMITED

Analyst:

Musaddeq Ahmed Khan
musaddeq@vis.com.pk

RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	BBB+	A2	BBB+	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	March 16, 2026		December 23, 2024	

Shareholding (10% or More)

Arif Habib Equity (Pvt.) Ltd - 33.54%
Mr. Muhammad Arif Habib - 20.15%
Local General Public - 18.32%
Arif Habib Corporation Limited - 12.19%

Other Information

Incorporated in 2005
Public Limited Company (listed)
Chairman: Mr. Arif Habib
Chief Executive: Mr. Munir Ahmed
External Auditor: A. F. Fergusons & Co., Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology - Corporates Ratings
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The assigned ratings to Aisha Steel Mills Limited ('ASL' or 'the Company') reflect the Company's established position in Pakistan's flat steel industry, association with the financially strong Arif Habib Group. The Company benefits from an experienced management team, structured governance framework, and diversified end-user exposure across automotive, engineering, and appliance segments. Sponsor support has remained forthcoming, demonstrated through sizeable equity injections that have strengthened the balance sheet and supported liquidity during periods of stress.

The business risk profile remains constrained by the sector's dependence on imported hot rolled coil, exposure to international price volatility, and competition from low-priced imports. Demand remains sensitive to macroeconomic conditions and industrial activity, mainly automotive industry. However, recent regulatory measures aimed at curbing unfair imports and improving domestic competitiveness, along with stabilization in key economic indicators, have supported a recovery in volumetric sales during the ongoing year. Export contribution has also increased, providing partial diversification to the revenue base.

Profitability weakened in the preceding year amid pricing pressures and subdued demand, resulting in margin compression and net losses. Nevertheless, performance has shown improvement in the current period, supported by higher sales volumes, better gross spreads, and lower finance costs. The return to positive bottom-line performance, albeit modest, signals gradual operational stabilization. Sustaining margin improvement in a competitive environment and managing the impact of additional taxation will remain important considerations.

The financial risk profile has strengthened on the back of debt reduction and additional equity through sponsor support. Gearing and leverage indicators have improved materially, while repayment of long-term obligations and recovery in funds from operations have translated into

stronger debt servicing capacity. Liquidity has also improved, reflected in better short-term coverage metrics and reduced reliance on short-term borrowings.

The ratings remain sensitive to sustained improvement in profitability, maintenance of adequate liquidity, and continued strengthening of coverage indicators.

Company Profile

ASL was incorporated in Pakistan in 2005 as a public limited company, commencing commercial operations in 2012. The Company's shares are listed on Pakistan Stock Exchange (PSX). It is involved in the manufacturing and sale of cold rolled coils and hot-dipped galvanized coils. Situated at Port Qasim, Karachi, the Company primarily meets local demand with improving exports to various international destinations, including North America, Asia, Africa, Europe, and the Middle East. ASL derives demand from the automobile, engineering, and appliances industries.

Sponsor Profile

ASL is part of the Arif Habib Group, a leading industrial and financial conglomerate in Pakistan with diversified interests across financial services and multiple industrial sectors, including fertilizers, cement, steel, real estate, energy, and textiles. The Group maintains an established market presence and has a demonstrated track record of developing and supporting large-scale industrial ventures.

ASL benefits from strong sponsor support from the Arif Habib Group, reflected in periodic equity injections to support the balance sheet and working capital requirements. This backing has supported liquidity and operational continuity amid sector cyclicity and elevated leverage. Going forward, management aims to reduce reliance on sponsor support.

Management and Governance

ASL maintains a sound governance framework in line with the Listed Companies (Code of Corporate Governance) Regulations, 2019. The nine-member Board comprises four independent directors, four non-executive directors (including the Chairman), and one executive director, along with female representation.

Composition of Board	Category
Mr. Arif Habib	Non-Executive Director/ Chairman
Mr. Abdus Samad Habib	Non-Executive Director
Mr. Kashif Habib	
Mr. Nasim Beg	
Dr. Munir Ahmed	Executive Director
Mr. Arslan Muhammad Iqbal	Independent Director
Mr. Rashid Ali Khan	
Ms. Saadia Umar	
Mr. Abdul Majeed	

The Company's CEO, Dr. Munir Ahmed, has been associated with ASL for over 12 years and brings with him extensive sector experience, providing strategic direction and operational leadership. He is supported by Mr. Ali Hassan, CFO, who has approximately eight years of association with the Company and oversees financial planning, controls, and reporting.

To strengthen governance, the Board has established key committees, including the Audit Committee, Human Resource & Remuneration Committee, Nomination Committee, and Risk Management Committee, ensuring structured oversight across critical areas.

Auditor

A.F. Ferguson & Co. holds a satisfactory QCR rating and is categorized in Category A on the State Bank of Pakistan (SBP) auditors' panel, has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of June 2025.

Business Risk

INDUSTRY

Pakistan's flat steel sector is assessed to have a medium to high business risk profile. The flat steel industry is a key component of the industrial value chain, serving sectors such as automotive, appliances, construction, engineering, and packaging. In Pakistan, the industry comprises three local producers: Aisha Steel Mills Limited (ASL), International Steels Limited (ISL), and Hadeed Pakistan (Private) Limited (HPL). Domestic demand is estimated at approximately 1.1 to 1.2 million metric tons, of which local producers are meeting around 40-45% of total demand, while the remaining requirement is fulfilled through imports. Local flat steel producers import Hot Rolled Coil (HRC) and convert it into Cold Rolled Coil (CRC), galvanized sheets, and color-coated sheets.

The sector's risk profile is primarily driven by its high sensitivity to international HRC prices and its structural dependence on imports. International HRC prices gradually declined from around US\$530 FOB China in July 2024 to US\$450 by June 2025. Since then, prices have stabilized and are showing signs of recovery following policy changes in China aimed at restricting production to control environmental pollution. The international steel market has also witnessed significant tariff policy changes implemented by the U.S. administration, followed by reciprocal measures from affected countries.

During the July-December 2025 period, prices remained stable, hovering around US\$465 FOB China. Domestic prices in Pakistan also remained stable during this period. The country's economic indicators have continued to improve, with inflation, the discount rate, and the exchange rate remaining stable. The Government of Pakistan has announced the gradual removal of sales tax exemptions for industrial units in FATA and PATA through the Finance Act 2025. Imports from these regions, which were previously exempt from sales tax, will now be subject to a 10% sales tax in FY26, increasing progressively until it reaches 18%. Furthermore, in June 2025, the National Tariff Commission (NTC) imposed anti-dumping duties on galvalume steel coils and sheets imported from China, effective from July 2025 through February 8, 2027. This measure was introduced to address the circumvention of earlier anti-dumping measures on galvanized steel, as galvalume products were increasingly used as substitutes to bypass existing tariffs. Resulting in gradual increase in demand for local producer.

However, demand remains cyclical, and competition from low-priced imports particularly from China continues to exert pressure on the sector. Although recent regulatory measures may provide some support, exposure to cost volatility, import competition, and macroeconomic pressures continues to sustain an elevated risk profile.

OPERATIONAL UPDATE

Production and Utilization	FY21	FY22	FY23	FY24	FY25
Rolling- Actual Capacity (Metric Tonnes)	480,000	480,000	480,000	480,000	480,000
Rolling- Actual Production (Metric Tonnes)	365,275	306,527	112,635	159,444	162,599
Rolling- Capacity Utilization %	76%	64%	23%	33%	34%
Galvanization- Actual Capacity (Metric Tonnes)	250,000	250,000	250,000	250,000	250,000
Galvanization- Actual Production (Metric Tonnes)	169,478	165,482	69,528	108,343	101,127
Galvanization- Capacity Utilization %	68%	66%	28%	43%	41%

The operational performance of ASL reflects a gradual recovery in production and utilization levels following a significant downturn in FY23. The Company's rolling capacity has remained stable at 480,000 metric tons; however, production declined sharply to 112,635 metric tons in FY23 due to low demand from the automotive sector. Subsequently, with recovery in automotive sector volumes improved to 159,444 metric tons in FY24 and further to 162,599 metric tons in FY25, with utilization recovering to 33.9%, though still below optimal levels.

In the galvanization segment, capacity has also remained unchanged at 250,000 metric tons, with production recovering from 69,528 metric tons (28% utilization) in FY23 to 108,343 metric tons in FY24, before slightly declining to 101,127 metric tons in FY25, translating into a

utilization of 40.5%. The subdued utilization levels across both segments are reflective of persistent competitive pressures from low-priced imports, particularly galvanized products, which have historically eroded local market share and constrained volumetric growth. The Company primarily sources HRC from Japan (90%) and the rest from China and Taiwan, driven by competitive pricing and consistent quality.

Recent regulatory measures aimed at curbing unfair imports, along with improving demand conditions, have supported a recovery in production volumes in 1HFY26. Going forward, the Company's performance is expected to remain closely linked to its ability to recapture its local market share, improve capacity utilization, and sustain production growth amid a competitive landscape.

Sales Mix

Year	Local %	Export %	Total Revenue (PKR million)
FY23	97%	3%	31,102
FY24	88%	12%	42,750
FY25	84%	16%	33,752
1HFY26	78%	22%	20,568

The sales mix of ASL remained largely domestic, though export contribution has increased from 3% in FY23 to 22% in 1HFY26. The local market continues to be the primary revenue driver (1HFY26: PKR 16.0bn), while exports are mainly directed towards North America and Europe, with smaller contributions from the Middle East and Asia.

PROFITABILITY

The profitability of ASL remained under pressure in FY25. Net sales declined by 21.1% year-on-year in FY25. Furthermore, the gross margin contracted to 4.9% (FY24: 9.0%) due to competitive pricing pressures. Operating expenses increased slightly by 4.7%, whereas, other income doubled, primarily due to a one-time gain from an insurance claim. Despite this, operating margins declined to 3.2% (FY24: 7.2%). Finance costs decreased to PKR 2.73bn (FY24: PKR 3.86bn), mainly due to a 950-basis point reduction in the policy rate as well as a reduction in overall debt. Nevertheless, the Company reported a net loss of PKR 1.35bn (FY24: net loss of PKR 0.13bn), with net margins deteriorating to -4.0%.

In 1HFY26, profitability showed improvement, with revenue increasing by 59% compared to the same period last year (SPLY), reaching PKR 20.6bn (1HFY25: PKR 12.9bn). The growth was supported by higher sales volumes. Gross margin improved to 9.5%, operating margin increased to 5.1%, and net margin turned positive at 0.15%, supported by lower finance costs. However, the imposition of a 10% super tax on profitability is expected to exert additional pressure on net margins going forward.

Financial Risk

CAPITAL STRUCTURE

The capital structure has strengthened, supported by significant sponsor support and reduced debt levels. Total debt declined to PKR 15.8bn (Dec'24: PKR 19.9bn) as of Jun'25 and further to PKR 13.8bn as of Dec'25, with short-term borrowings forming a major portion, after timely repayment of long-term debt. Sponsor support increased to PKR 10.3bn as of Jun'25 and PKR 17.2bn as of Dec'25 resulting in equity of PKR 25.4bn as of Dec'25. Consequently, gearing and leverage improved to 0.55x (Jun'25: 0.86x) and to 0.67x, (Jun'25: 0.99x), respectively as of Dec'25.

DEBT COVERAGE & LIQUIDITY

During FY25, debt coverage remained weak with negative FFO and a DSCR of 0.42x, while liquidity indicators remained tight, reflected by a current ratio of 0.88x and short-term coverage of 0.63x.

In 1HFY26, the repayment of long-term debt and the reporting of positive funds from operations (FFO), driven by improved profitability, resulted in improved debt coverage metrics, with the debt service coverage ratio (DSCR) reaching 1.11x. The liquidity profile also strengthened due to a reduction in short-term borrowings. The current ratio improved to 1.32x, while short-term coverage increased to 0.92x.

Financial Summary				Appendix I
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	6MFY26M
Property, plant and equipment	19,645.72	19,624.34	19,594.49	19,300.29
Stock-in-trade	7,634.48	8,413.65	6,601.93	11,144.47
Trade debts	231.43	2,119.53	1,331.75	1,128.55
Cash & Bank Balances	1,147.15	217.07	452.29	437.89
Other Assets	9,338.11	10,179.26	10,738.62	12,422.04
Total Assets	38,046.17	40,597.15	38,756.45	44,433.78
Creditors	149.51	203.39	291.13	361.559
Long-term Debt (incl. current portion)	4,970.17	3,389.12	766.84	478.37
Short-Term Borrowings	12,650.72	16,490.13	15,069.09	13,489.40
Total Debt	17,620.89	19,879.25	15,835.93	13,967.78
Other Liabilities	4,584.06	4,807.54	2,013.29	2,537.94
Total Liabilities	22,354.46	24,890.18	18,140.35	16,867.28
Paid up Capital	7,982.65	7,982.65	7,982.65	7,982.65
Capital Reserve	667.69	667.69	667.69	667.69
Revenue Reserve	925.17	827.33	(529.40)	(490.29)
Sponsors Support	4,000	4,000	10,281.10	17,200
Equity (excl. Revaluation Surplus)	13,575.51	13,477.66	18,402.04	25,360.05
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	6MFY26M
Net Sales	31,102.38	42,749.65	33,751.71	20,567.98
Gross Profit	2,013.55	3,830.64	1,667.27	1,951.04
Operating Profit	-1,203.79	3,064.21	1,066.17	1,049.59
Finance Costs	3,637.52	3,860.83	2,732.47	933.76
Profit Before Tax	-4,841.31	-796.62	-1,666.30	115.83
Profit After Tax	-3,215.66	-132.48	-1,351.85	31.48
Ratio Analysis	FY23A	FY24A	FY25A	6MFY26M
Gross Margin (%)	6.47%	8.96%	4.94%	9.49%
Operating Margin (%)	-3.87%	7.17%	3.16%	5.10%
Net Margin (%)	-10.34%	-0.31%	-4.01%	0.15%
Funds from Operation (FFO) (PKR Millions)	-4,413.46	-725.98	-1,956.83	132.85
FFO to Total Debt* (%)	-25.05%	-3.65%	-12.36%	1.90%
FFO to Long Term Debt* (%)	-88.80%	-21.42%	-255.18%	55.54%
Gearing (x)	1.30	1.47	0.86	0.55
Leverage (x)	1.65	1.85	0.99	0.67
Debt Servicing Coverage Ratio* (x)	-0.25	0.47	0.42	1.11
Current Ratio (x)	0.85	0.76	0.88	1.32
(Stock in trade + trade debts) / STD (x)	0.74	0.73	0.63	0.92
Return on Average Assets* (%)	-7.58%	-0.34%	-3.41%	0.15%
Return on Average Equity* (%)	-24.45%	-0.98%	-8.48%	0.29%
Cash Conversion Cycle (days)	173.00	83.63	101.26	95.33

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Aisha Steel Mills Limited				
Sector	Steel Industry				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	03/16/2026	BBB+	A2	Stable	Reaffirmed
	12/23/2024	BBB+	A2	Stable	Reaffirmed
	01/01/2024	BBB+	A2	Stable	Maintained
	03/31/2023	BBB+	A2	Rating Watch-Negative	Maintained
	12/13/2022	BBB+	A2	Stable	Downgrade
	03/10/2022	A-	A2	Stable	Reaffirmed
	01/15/2021	A-	A2	Stable	Maintained
	10/31/2019	A-	A2	Negative	Maintained
	10/02/2018	A-	A2	Stable	Reaffirmed
10/05/2017	A-	A2	Stable	Initial	
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2026 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.				
Due Diligence Meetings Conducted	Name	Designation		Date	
	Mr. Dr Munir Ahmed	Chief Executive Officer (CEO)		10 th February 2026	
	Mr. Ali Hassan	Chief Financial Officer (CFO)			