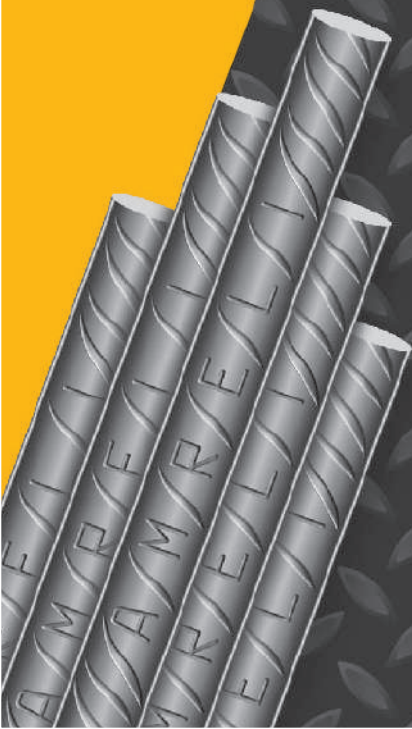


**AMRELI STEELS LIMITED**

**REPORT FOR THE  
HALF YEAR ENDED**

**31 DECEMBER 2018**



**AMRELI STEELS**  
Building for Life

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Abbas Akberali	Chairman, Non-Executive Director
Mr. Shayan Akberali	Chief Executive Officer
Mr. Badar Kazmi	Independent Director
Mr. Zafar Ahmed Taji	Independent Director
Mr. Teizoon Kijat	Independent Director
Ms. Kinza Shayan	Non-Executive Director
Ms. Mariam Akberali	Non-Executive Director

### AUDIT COMMITTEE

Mr. Teizoon Kijat	Chairman
Mr. Badar Kazmi	Member
Mr. Zafar Ahmed Taji	Member
Ms. Kinza Shayan	Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Zafar Ahmed Taji	Chairman
Mr. Teizoon Kijat	Member
Mr. Shayan Akberali	Member
Ms. Mariam Akberali	Member

### CHIEF OPERATING OFFICER (STRATEGY)

Mr. Hadi Akberali

### CHIEF OPERATING OFFICER (OPERATIONS) & CHIEF FINANCIAL OFFICER

Mr. Fazal Ahmed

### COMPANY SECRETARY

Mr. Adnan Abdul Ghaffar

### HEAD OF INTERNAL AUDIT

Mr. Fraz Ahmed

### EXTERNAL AUDITORS

EY Ford Rhodes, Chartered Accountants  
Progressive Plaza, Beaumont Road, Karachi, Pakistan

### LEGAL ADVISOR

Mr. Shamim Javaid Shamsi  
A-102, Samina Avenue, Shadman No.2,  
North Karachi, Karachi

## SHARE REGISTRAR

THK Associates (Pvt) Limited  
1st Floor, 40-C, Block-6, P.E.C.H.S. Karachi - 75400  
UAN: 92-21-111-000-322, Tel: 92-21-34168270, Fax: 92-21-34168271  
Email: secretariat@thk.com.pk

## INTERNAL AUDITORS

BDO Ebrahim & Co. Chartered Accountants  
2nd Floor, Block-C, Lakson Square, Building No. 1,  
Sarwar Shaheed Road, Karachi - 74200, Pakistan  
Tel: 92-21-35683030, Fax: 92-21-35684239

## BANKERS

Askari Bank Limited	JS Bank Limited
Allied Bank Limited	MCB Bank Limited
Bank Al Habib Limited	MCB Islamic Bank Limited
Bank Alfalah Limited	Meezan Bank Limited
Bank Islami Pakistan Limited	Samba Bank Limited
Dubai Islamic Bank Pakistan Limited	Soneri Bank Limited
Faysal Bank Limited	Standard Chartered Bank (Pakistan) Limited
Habib Bank Limited	United Bank Limited
Habib Metropolitan Bank Limited	

## REGISTERED OFFICE

A-18, S.I.T.E, Karachi, Pakistan  
UAN: (+92-21) 111-AMRELI (267-354)  
Fax: 92-21-32587240, 38798328  
Email: investor-relations@amrelisteels.com

## SHERSHAH ROLLING MILL (SRM)

D-89, Shershah Road, Karachi, Pakistan

## STEEL MELT SHOP (SMS) AND DHABEJI ROLLING MILL (DRM)

Industrial Land, Deh Gharo, Tapo Gharo,  
Taluka Mirpur Sakro  
(Distt: Thatta), Sindh, Pakistan

## SYMBOL AT PAKISTAN STOCK EXCHANGE LIMITED

ASTL

## WEBSITE INFORMATION

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

## DIRECTORS' REVIEW REPORT

The Board of Directors are pleased to present their review on the financial and operational performance of your Company for the half year ended 31 December 2018.

### FINANCIAL AND OPERATIONAL HIGHLIGHTS

Net sales in the first half of ongoing financial year has increased by 97.4% to Rs.12,317 million as compared to Rs.6,238 million in corresponding period last year predominantly because of the increase in sales volume, which grew by 60% as compared to the similar period last year. This commendable volumetric growth was a result of increase in production capacity of the Company and due to the increasing demand of its products in the market. Gross profit increased by Rs.360.6 million (+30.9%) whereas operating profit increased by Rs.191.8 million (+24.1%) during the first six months of the current financial year as compared to the corresponding period last year. However, profit before tax and after tax dropped by Rs.91.1 million (-15.4%) and Rs.8.1 million (-1.5 %) respectively, as compared to the first half of the last financial year.

The operating and net profit declined as a result of slow down of the economy in general and construction industry in particular. The demand of rebars remained stagnant across the country which did not allow your Company to pass through the ever rising cost of goods being manufactured and sold. The costs of goods manufactured and sold increased primarily due to a massive rupee devaluation, increase in costs of imported scrap, and also increase in cost of energy. Distribution expense as a percentage of sales increased slightly, however administrative expenses as a percentage of sales remained under control. The finance cost doubled as a result of increase in interest rates to double digit and higher borrowings to fund the increased operations of the Company, albeit at a very low profitability.

The key financial highlights of the Company are as follows:-

	Half Year Ended 31 December 2018 (Rs. in millions)	Half Year Ended 31 December 2017 (Rs. in millions)
Net sales	12,317	6,238
Gross profit	1,525	1,165
Operating profit	988	796
Profit before tax	498	589
Profit after tax	516	524

The earnings per share (both basic and diluted) during the six months' period under review stood at Rs.1.74 (corresponding period 31 December 2017: Rs.1.77).



## FUTURE OUTLOOK

The calendar year 2019 will remain a challenging year for the country in general and construction industry in particular. The expected IMF program for financial assistance is likely to bring more economic hardships for the country, from further increase in interest rates to another expected devaluation of 6% to 8% and abolition of a number of subsidies. With problem of large circular debt to be resolved, release of funds for PSDP related activities will remain a challenge for the government. The crackdown against number of construction projects and declaration of a large number of housing societies as illegal has considerably slowed down the construction activities across the country. Although short term balance of payment crisis has been averted to a great extent due to generous funding from friendly countries (like Saudi Arabia, United Arab Emirates, China and Turkey), the long term macro-economic imbalances remain to be addressed.

With the changed economic circumstances, your Company is focused on increasing its production, reducing its cost and increasing its sales at competitive prices to increase its market share.

## ACKNOWLEDGEMENT

The Board of Directors of your Company remains grateful to all stakeholders including our valued shareholders, employees, customers, financial institutions and suppliers for their unwavering contribution and support to further strengthen the Company.

**For & on behalf of Board of Directors**

  
Shaydn Akberali  
Chief Executive Officer

  
Zafar Ahmed Tajji  
Director

Date: 27<sup>th</sup> February 2019  
Place: Karachi

زیر نظر عرصے کے دوران کمپنی کی جانب سے 1.74 روپے آمدن فی حصص (بنیادی و تطہیلی) درج کی گئی ہے۔ (گزشتہ سال یعنی 31 دسمبر 2017 کے اسی عرصے کے دوران آمدن فی حصص 1.77 روپے درج کی گئی تھی)

## مستقبل پر نظر


مالی سال 2019 پاکستان میں باعموم صنعتوں اور بالخصوص تعمیرات کی صنعت کیلئے ایک سخت سال ثابت ہوگا۔ آئی ایم ایف کی جانب سے ملنے والی امداد مالی مسائل میں مزید اضافہ کر سکتی ہے۔ کیونکہ اس کیلئے کے باعث شرح سود میں مزید اضافہ ہونے کی وجہ سے روپے کی قدر میں 6% سے 8% تک مزید کمی آسکتی ہے اور بہت سی حکومتی رعایات ختم ہو سکتی ہیں۔ گزشتہ قرضوں کے اتنے بڑے حجم کی موجودگی میں، پی ایس ڈی بی کی مدد میں فنڈز کی فراہمی حکومت کیلئے ایک بڑا چیلنج ثابت ہوگی۔ پورے ملک میں بہت سے تعمیراتی اداروں کی ہاؤسنگ سوسائٹیوں کو غیر قانونی قرار دینے جانے اور مختلف تعمیراتی منصوبوں کے خلاف شروع کی جانے والی کارروائی کی وجہ سے بھی تعمیرات کی صنعت انتہائی ست روئی کا شکار ہو چکی ہے۔ گو کہ قلیل المدتی ادائیگیوں کے سلسلے میں پایا جانے والا عدم توازن دوست ممالک (جیسا کہ سعودی عرب، عرب امارات، چین اور ترکی) کی جانب سے دی جانے والی امداد کے باعث کافی حد تک ٹھیک ہے لیکن ادائیگیوں کے ضمن میں پایا جانے والا طویل المدتی عدم توازن کا مسئلہ ابھی اپنی جگہ موجود ہے۔


بدلتے ہوئے معاشی منظر نامے میں آپ کی کمپنی کی جانب سے تمام تر توجہ اس جانب مبذول کی جارہی ہے کہ کمپنی کی پیداوار میں اضافہ کیا جائے، پیداواری لاگت میں برآمدگی لائی جائے اور مارکیٹ میں اپنا حصہ بڑھانے کی غرض سے سماجی نرخوں پر اپنی فروخت کا حجم بڑھایا جائے۔

## اظہار تشکر

بورڈ تمام حصص داران کی جانب سے ان کے اعتماد اور حمایت کیلئے ان کا بے حد مشکور ہے۔ ہم اپنے تمام قابل احترام شراکت داروں، ملازمین، صارفین، مالیاتی اداروں اور ترسیل کاروں کے تہدید سے مشکور ہیں کہ ان کی حمایت اور مستقل تعاون کی وجہ سے کمپنی ترقی کی راہ پر گامزن ہے۔

## برائے و منجانب بورڈ آف ڈائریکٹرز

  
ظفر اقبال  
ڈائریکٹر

  
شایان اکبر  
چیف ایگزیکٹو آفیسر

مؤرخہ 27 فروری 2019

بہمقام کراچی

یورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ 31 دسمبر 2018 کو ختم ہونے والی شش ماہی سے متعلق کمپنی کے مالیاتی و کاروباری امور کی بابت اپنی جائزہ رپورٹ آپ کی خدمت میں پیش کر رہے ہیں۔

### مالیاتی و کاروباری امور کی اہم جھلکیاں

گزشتہ مالی سال کی شش ماہی کے مقابلے میں رواں مالی سال کی شش ماہی کے دوران فروخت کی شرح میں %97.4 (2018 میں 12,317 ملین روپے جبکہ 2017 میں 6,238 ملین روپے) کا زبردست اضافہ درج کیا گیا ہے، جس کی وجہ فروخت کے حجم میں اضافہ تھا اور یہ اضافہ گزشتہ سال کی شش ماہی کے مقابلے میں %60 سے زیادہ ہے۔ فروخت کے حجم میں اس زبردست اور قابل تعریف اضافے کی وجہ کمپنی کی پیداواری صلاحیت میں اضافہ اور کمپنی کی مصنوعات کی مارکیٹ میں بڑھتی ہوئی طلب ہے۔ گزشتہ مالی سال کی شش ماہی کے مقابلے میں زیر نظر مالی سال کی شش ماہی کے دوران خام منافع میں %360.6 ملین روپے (%30.9+) کا اضافہ درج کیا گیا ہے اور کاروباری منافع میں %191.8 ملین روپے (%24.1+) کا اضافہ درج کیا گیا ہے۔ تاہم گزشتہ مالی سال کی شش ماہی کے مقابلے میں منافع قبل از ٹیکس اور منافع بعد از ٹیکس میں بالترتیب %91.1 ملین روپے (%15.4-) اور %8.1 ملین روپے (%1.5-) کی کمی واقع ہوئی ہے۔

کاروباری منافع اور صافی منافع میں کمی کی بنیادی وجہ عمومی طور پر معیشت اور بالخصوص تعمیرات کی صنعت میں آنے والی سست روی ہے۔ پورے ملک میں عمومی طور پر اس دوران ریبارز کی طلب میں کوئی اضافہ نہ ہو سکا جس کی وجہ سے آپ کی کمپنی پیداواری لاگت میں اضافے کو متحمل کرنے سے قاصر رہی۔ بنائی اور فروخت کی جانے والی ایشیا کی لاگت میں اضافے کی وجوہات میں پاکستانی روپے کی قدر میں امریکی ڈالر کے مقابلے آنے والی زبردستی، درآئندہ خام مال کی قیمت میں اضافہ اور توانائی کی قیمت میں اضافہ وغیرہ شامل ہیں۔ فروخت کے حجم میں ہونے والے اضافے کے تناسب سے لاگت برائے ترسیل مال میں بھی معمولی سا اضافہ درج کیا گیا ہے اس کے برعکس انتظامی امور پر آنے والے اخراجات کو کنٹرول میں رکھا گیا ہے۔ کمپنی کی پیداواری صلاحیت کو بڑھانے کے سلسلے میں لئے جانے والے قرضے سمیت شرح سود کا بڑھ کر دو ہندسوں میں آجانے کی وجہ سے کمپنی کی مجموعی لاگت وگئی ہو چکی ہے۔

کمپنی کی مالیاتی کارکردگی کے متعلق اہم جھلکیاں ذیل میں پیش خدمت ہیں:

شش ماہی	شش ماہی	
31 دسمبر 2017	31 دسمبر 2018	
(روپے ملین میں)	(روپے ملین میں)	
6,238	12,317	کل فروختگی
1,165	1,525	خام منافع
796	988	کاروباری منافع
589	498	منافع قبل از ٹیکس
524	516	منافع بعد از ٹیکس



# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AMRELI STEELS LIMITED REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Amreli Steels Limited** (the Company) as at **31 December, 2018** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the accounts for the six months period then ended (herein after referred to as "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the three-months period ended 31 December 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures of the six-months period ended 31 December 2018.

## Scope of Review

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.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Omer Chughtai.



**Chartered Accountants**

**Place:** Karachi

**Date:** 28 February 2019

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2018

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees) -----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	16,046,462,978	15,528,653,230
Intangibles	6	34,808,533	27,888,714
Long-term investments		15,289,370	15,289,370
Long-term deposits		136,021,446	135,599,448
		<b>16,232,582,327</b>	<b>15,707,430,762</b>
<b>CURRENT ASSETS</b>			
Stores and spares		932,507,323	869,765,512
Stock-in-trade	7	8,546,567,555	7,459,068,100
Trade debts	8	2,649,572,232	1,787,703,846
Loans and advances		26,395,796	23,377,452
Trade deposits and short-term prepayments		35,215,966	44,233,685
Other receivables		69,785,092	227,188,878
Taxation – net		574,576,188	393,017,333
Cash and bank balances		74,273,263	131,073,813
		<b>12,908,893,415</b>	<b>10,935,428,619</b>
<b>TOTAL ASSETS</b>		<b>29,141,475,742</b>	<b>26,642,859,381</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		2,970,114,270	2,970,114,270
Capital reserve		2,788,741,922	2,788,741,922
Revenue reserves – accumulated profit		4,627,664,305	4,727,294,416
Actuarial loss on gratuity fund		(40,439,405)	(40,439,405)
Revaluation surplus on property, plant and equipment – net of tax		2,396,979,154	2,434,441,250
		<b>12,743,060,246</b>	<b>12,880,152,453</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	9	2,126,724,463	2,204,388,750
Deferred taxation	10	988,038,205	1,006,648,806
Deferred liability – staff gratuity		166,978,394	155,677,808
		<b>3,281,741,062</b>	<b>3,366,715,364</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	2,448,411,982	2,428,873,755
Interest / markup accrued		215,485,779	135,648,698
Short-term borrowings		9,271,367,488	7,053,113,896
Current portion of long-term financing		1,173,055,682	775,245,124
Unpaid dividend		8,353,503	3,110,091
		<b>13,116,674,434</b>	<b>10,395,991,564</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,141,475,742</b>	<b>26,642,859,381</b>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**

  
**Chief Financial Officer**

  
**Director**

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**  
**(UN-AUDITED)**

	Note	Half-year ended		Quarter-ended	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
----- (Rupees) -----					
Sales	13	12,317,227,375	6,237,866,056	6,394,866,110	3,531,579,714
Cost of sales		(10,791,903,791)	(5,073,129,334)	(5,777,715,648)	(2,876,817,184)
<b>Gross profit</b>		<b>1,525,323,584</b>	1,164,736,722	<b>617,150,462</b>	654,762,530
Distribution costs	14	(284,926,510)	(135,835,091)	(128,959,379)	(80,342,657)
Administrative expenses		(236,681,645)	(184,446,218)	(127,472,775)	(83,389,416)
Other expenses		(45,480,341)	(49,407,109)	(9,193,235)	(30,578,328)
Other income		29,398,001	768,161	6,870,104	445,604
<b>Operating profit</b>		<b>987,633,089</b>	795,816,465	<b>358,395,177</b>	460,897,733
Finance costs	15	(489,637,838)	(206,752,388)	(281,027,271)	(109,693,173)
<b>Profit before taxation</b>		<b>497,995,251</b>	589,064,077	<b>77,367,906</b>	351,204,560
Taxation	16	18,337,680	(64,653,987)	30,376,957	(22,567,190)
<b>Net profit for the period</b>		<b>516,332,931</b>	524,410,090	<b>107,744,863</b>	328,637,370
<b>Earnings per share – basic and diluted</b>		<b>Rs. 1.74</b>	Rs. 1.77	<b>Rs. 0.36</b>	Rs. 1.11

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**

  
**Chief Financial Officer**

  
**Director**

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2018  
(UN-AUDITED)**

	Half-year ended		Quarter-ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	----- (Rupees) -----			
Net profit for the period	<b>516,332,931</b>	524,410,090	<b>107,744,863</b>	328,637,370
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b><u>516,332,931</u></b>	<u>524,410,090</u>	<b><u>107,744,863</u></b>	<u>328,637,370</u>

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

  
\_\_\_\_\_  
**Chief Executive Officer**

  
\_\_\_\_\_  
**Chief Financial Officer**

  
\_\_\_\_\_  
**Director**

**CONDENSED INTERIM STATEMENT OF CASH FLOW**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**  
**(UN-AUDITED)**

	2018	2017
	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	497,995,251	589,064,077
<b>Adjustments for:</b>		
Depreciation	323,922,161	175,465,936
Amortization	5,240,265	3,364,956
(Reversal) / provision for doubtful debts	(25,724,798)	12,354,808
Provision for gratuity	17,928,610	12,313,947
(Gain)/ loss on disposal of operating fixed assets	(3,202)	149,294
Finance costs	489,637,838	206,752,388
	<u>811,000,874</u>	<u>410,401,329</u>
	1,308,996,125	999,465,406
<b>(Increase) / decrease in current assets:</b>		
Stores and spares	(62,741,811)	(17,678,325)
Stock-in-trade	(1,087,499,455)	(1,174,599,703)
Trade debts	(836,143,588)	(42,578,435)
Loans and advances	(3,018,344)	5,951,473
Trade deposits and short-term prepayments	9,017,719	15,873,335
Other receivables	157,403,786	(102,027,554)
	<u>(1,822,981,693)</u>	<u>(1,315,059,209)</u>
<b>Increase in current liabilities:</b>		
Trade and other payables	220,980,071	121,884,228
<b>Net cash used in operating activities</b>	<u>(293,005,497)</u>	<u>(193,709,575)</u>
Income taxes paid	(181,831,777)	(160,289,136)
Gratuity paid	(6,628,022)	(1,588,706)
Long-term deposits – net	(421,998)	(2,378,950)
<b>Net cash used inoperating activities</b>	<u>(481,887,294)</u>	<u>(357,966,367)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(841,859,939)	(1,550,509,292)
Proceeds from disposal of operating fixed assets	131,233	76,189
Acquisition of intangible assets	(12,160,083)	(203,400)
Dividend paid	(648,181,278)	(212,903,678)
<b>Net cash used in investing activities</b>	<u>(1,502,070,517)</u>	<u>(1,763,540,181)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short-term borrowings – net	2,016,811,748	2,368,817,022
Long-term financing – net	40,146,271	(33,483,458)
Loan from Director	280,000,000	-
Finance costs paid	(409,800,758)	(165,615,489)
<b>Net cash generated from financing activities</b>	<u>1,927,157,261</u>	<u>2,169,718,075</u>
<b>Net(decrease) / increase in cash and cash equivalents</b>	<u>(56,800,550)</u>	<u>48,211,527</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>131,073,813</u>	<u>69,558,113</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>74,273,263</u>	<u>117,769,640</u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

  
**Chief Executive Officer**

  
**Chief Financial Officer**

  
**Director**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**  
**(UN-AUDITED)**

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves	Actuarial loss on gratuity fund	Revaluation surplus on property, plant and equipment	Total
		Share premium	Accumulated profit			
(Rupees)						
<b>Balance as at 30 June 2017 – restated</b>	2,970,114,270	2,788,741,922	3,662,702,710	(30,821,514)	1,755,014,996	11,145,752,384
Final dividend for the year ended June 30, 2017 @ Rs.2/- per ordinary share	-	-	(594,022,854)	-	-	(594,022,854)
Net profit for the period	-	-	524,410,090	-	-	524,410,090
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	524,410,090	-	-	524,410,090
Transferred to accumulated profit in respect of Incremental depreciation during the period – net of tax	-	-	36,073,517	-	(36,073,517)	-
<b>Balance as at 31 December 2017- restated</b>	<u>2,970,114,270</u>	<u>2,788,741,922</u>	<u>3,629,163,463</u>	<u>(30,821,514)</u>	<u>1,718,941,479</u>	<u>11,076,139,620</u>
<b>Balance as at 30 June 2018</b>	<b>2,970,114,270</b>	<b>2,788,741,922</b>	<b>4,727,294,416</b>	<b>(40,439,405)</b>	<b>2,434,441,250</b>	<b>12,880,152,453</b>
Final dividend for the year ended June 30, 2018 @ Rs.2.2/- per ordinary share	-	-	(653,425,139)	-	-	(653,425,139)
Net profit for the period	-	-	516,332,931	-	-	516,332,931
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	516,332,931	-	-	516,332,931
Transferred to accumulated profit in respect of Incremental depreciation during the period – net of tax	-	-	37,462,097	-	(37,462,096)	-
<b>Balance as at 31 December 2018</b>	<u>2,970,114,270</u>	<u>2,788,741,922</u>	<u>4,627,664,305</u>	<u>(40,439,405)</u>	<u>2,396,979,154</u>	<u>12,743,060,246</u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (UN-AUDITED)

## 1. THE COMPANY AND ITS OPERATIONS

Amreli Steels Limited (the Company) was incorporated in 1984 as a private limited company and converted into a public unquoted company in 2009. The Company enlisted on Pakistan Stock Exchange in 2015. The Company is engaged in manufacture and sale of steel bars and billets. The registered office of the Company is situated at Plot No. A-18, S.I.T.E., Karachi

## 2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards 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 Standards 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.

These condensed interim financial statements of the Company for the half year ended December 31, 2018 are unaudited but subject to limited scope review by the statutory auditors as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017.

- 2.2 The figures of the condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed by the external auditors of the Company as they have reviewed the cumulative figures for the half year ended December 31, 2018. These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2018
- 2.3 These condensed interim financial statements are being submitted to the shareholders as required by Section 237 of the Companies Act, 2017.

## 3. ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2018, except for:

### New / Revised Standards, Interpretations and Amendments

The Company has adopted the following amendments to IFRSs which became effective for the current period:

#### Standard or Interpretation

IFRS 2 Share-based Payments – Classification and Measurement of Share-based Payments Transactions - (Amendment)  
IFRS 9 Financial Instruments  
IFRS 15 Revenue from Contracts with Customers  
IAS 40 Investment Property – Transfers of Investment Property (Amendments)  
IFRIC 22 Foreign Currency Transactions and Advance Consideration

The adoption of the above standards and amendments in the accounting standards did not have effect on the accounting policies of the Company except as follows:

### 3.1 IFRS 15 - Revenue from Contracts with Customers

IFRS 15: Revenue from Contracts with Customers supersedes IAS 11: Construction Contracts, IAS 18: Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company is engaged in manufacture and sale of steel bars and billets. The Company has assessed that significant performance obligation in contracts with customers are closely related and therefore are discharged over the period of the relationship with relevant customers. Hence, the Company has concluded that it is in compliance with the requirements of the new accounting standard.

### 3.2 IFRS 9 – Financial Instruments

IFRS 9: Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP). The Company's financial assets mainly includes trade debts, advances, deposits, other receivables and bank balances.

The adoption of IFRS 9 has fundamentally changed the Company accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. Expected Credit Loss (ECL) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time ECL and as at December 31, 2018 the Company has concluded that it is in compliance with the requirements of the new accounting standard.

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 The preparation of these condensed interim financial statements is in conformity with the approved accounting standards which requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

4.2 During the preparation of these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2018.

4.3 The Company follows the practice to conduct actuarial valuation as at year end. Hence, the impact of remeasurement of staff retirement plan has not been incorporated in these condensed interim financial statements.

	31 December 2018 (Un-audited)	30 June 2018 (Audited)
Note	-----	-----

## 5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	5.1	13,201,970,652	13,243,636,752
Capital work-in-progress	5.2	2,844,492,326	2,285,016,478
		<u>16,046,462,978</u>	<u>15,528,653,230</u>



		31 December 2018 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees) -----	
<b>5.1 Operating assets</b>			
Opening net book value (NBV)		13,243,636,752	7,154,739,872
Additions during the period / year (cost)	5.1.1	282,384,091	5,719,731,396
Deletions during the period / year (NBV)	5.1.1	(128,030)	(5,389,486)
Depreciation charged during the period / year		(323,922,161)	(426,551,302)
Revaluation of fixed assets		-	801,106,272
Closing NBV		<u>13,201,970,652</u>	<u>13,243,636,752</u>

**5.1.1 Details of additions and disposals are as follows:**

	Additions (cost)		Deletions (NBV)	
	December 31 2018 (Un-audited)	December 31 2017 (Un-audited)	December 31 2018 (Un-audited)	December 31 2017 (Un-audited)
	----- (Rupees) -----			
Buildings on leasehold land	26,322,231	93,842,406	-	-
Plant and machinery	214,729,539	827,615,303	-	-
Furniture and fittings	10,958,793	784,665	-	71,268
Office equipment	8,389,404	4,569,776	12,686	144,519
Vehicles	7,010,575	9,241,704	4,975	7,593
Computers	14,973,549	2,347,000	110,369	2,104
	<u>282,384,091</u>	<u>938,400,854</u>	<u>128,030</u>	<u>225,484</u>

**5.2 Capital work-in-progress**

	Opening balance	Additions	Transfers to operating fixed assets	Closing balance
	----- (Rupees) -----			
Freehold land	362,003,718	49,937,249	-	411,940,967
Civil works	1,101,385,115	121,765,780	(23,853,460)	1,199,297,435
Plant and machinery	821,627,645	605,946,811	(194,320,532)	1,233,253,924
	<u>2,285,016,478</u>	<u>777,649,840</u>	<u>(218,173,992)</u>	<u>2,844,492,326</u>

**6. INTANGIBLE ASSETS**

**Computer software**

**Net carrying value**

Balance at the beginning of the period / year	27,888,714	20,401,304
Additions during the period / year	12,160,084	14,756,279
Amortisation for the period / year	(5,240,265)	(7,268,869)
Balance at the end of the period / year	<u>34,808,533</u>	<u>27,888,714</u>

**Gross carrying value**

Cost	47,442,686	32,686,406
Additions during the period / year	12,160,084	14,756,279
Accumulated amortization / year	(24,794,237)	(19,553,971)
Balance at the end of the period / year	<u>34,808,533</u>	<u>27,888,714</u>

	Years	
<b>Useful life</b>	5	5

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees) -----	
<b>7. STOCK-IN-TRADE</b>			
<b>Raw materials</b>			
- In hand		3,038,393,734	3,926,397,766
- In transit		<u>636,584,762</u>	<u>1,388,553,092</u>
		<u>3,674,978,496</u>	5,314,950,858
<b>Work-in-process</b>		1,052,085,062	1,000,057,191
<b>Finished Goods</b>			
- Manufactured		3,817,604,941	1,141,969,859
- Trading		<u>1,899,056</u>	<u>2,090,192</u>
		<u>8,546,567,555</u>	<u>7,459,068,100</u>
<b>8. TRADE DEBTS – unsecured</b>			
Considered good		2,649,572,232	1,787,703,846
Considered doubtful		<u>101,422,406</u>	<u>127,147,204</u>
		2,750,994,638	1,914,851,050
Provision for doubtful debts	8.1	<u>(101,422,406)</u>	<u>(127,147,204)</u>
		<u>2,649,572,232</u>	<u>1,787,703,846</u>
<b>8.1 Movement of provision for doubtful debts</b>			
Opening balance		127,147,204	75,277,361
(Reversal)/ provision for the period / year		<u>(25,724,798)</u>	<u>52,264,698</u>
		101,422,406	127,542,059
Written off during the period / year		-	(394,855)
Closing balance		<u>101,422,406</u>	<u>127,147,204</u>
<b>9. LONG-TERM FINANCING</b>			
Includes loan obtained from a director amounting to Rs. 280 million during the period at a rate of 3 month KIBOR repayable in total on 30 September, 2020.			
		31 December 2018 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees) -----	
<b>10. DEFERRED TAXATION</b>			
<b>Deductible temporary differences arising in respect of:</b>			
Provisions		(138,857,258)	(141,119,105)
Unused tax credits	10.1	<u>(889,430,833)</u>	<u>(920,753,857)</u>
		<u>(1,028,288,091)</u>	<u>(1,061,872,962)</u>
<b>Taxable temporary differences arising in respect of:</b>			
Accelerated tax depreciation / amortization		1,214,239,179	1,251,866,058
Surplus on revaluation of property, plant and equipment		<u>802,087,117</u>	<u>816,655,710</u>
		<u>988,038,205</u>	<u>1,006,648,806</u>
<b>10.1</b>	Represents deferred tax recognised on minimum tax and alternate corporate tax, paid / payable under the Income Tax Ordinance, 2001. The management, based on the opinion of its tax advisor, considers the same to be claimable.		

## 11. TRADE AND OTHER PAYABLES

Includes murabaha amounting to Rs. 1,144 million (30 June 2018: 1,345 million) and provision for gas infrastructure development cess amounting to Rs. 213.392 million (30 June 2018: 189.666 million).

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

There were no major changes in the status of contingencies as reported in the annual financial statements for the year ended 30 June 2018 except for note 25.1 and note 25.2 which is described below.

- During the year ended 30 June 2016, the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers' Unit (LTU), Karachi passed an Order on the contention that the Company had violated the provisions of Rule 58H of Chapter XI of the Sales Tax Special Procedure Rules, 2007 and raised an alleged demand of Rs. 2,013.620 million for the tax periods July 2013 to December 2014. The Company filed an appeal against the Order at the Appellate Tribunal Inland Revenue (ATIR) and had secured interim stay from the Honourable High Court of Sindh. However, during the period, the ATIR has decided the case in favour of the Company. As of the period end, the tax authorities have not filed an appeal against the aforesaid decision of the ATIR.
- During the year ended 30 June 2016, the DCIR, LTU issued show cause notice dated 13 November 2015 for non-charging of further tax on the supplies made to unregistered persons amounting to Rs.166.934 million for the tax periods July 2013 to June 2015. The Company had filed a law suit against the show cause notice in the Honorable High Court of Sindh, however, during the current period, based on the advice of the legal counsel the suit has been withdrawn by the management of the Company. No further action has been taken by tax authorities in this regard.

### 12.2 Commitments

	31 December 2018 (Un-audited) ----- (Rupees) -----	30 June 2018 (Audited) -----
12.2.1 Outstanding letters of credit	<u>2,595,278,336</u>	<u>1,910,517,299</u>
12.2.2 Outstanding letters of guarantee	<u>302,796,332</u>	<u>211,760,464</u>
12.2.3 Capital commitments	<u>62,200,000</u>	<u>112,200,000</u>
12.2.4 Commitments for rentals payable under Ijarah contracts in respect of vehicles and plant and machinery with Islamic banks are as follows:		
	31 December 2018 (Un-audited) ----- (Rupees) -----	30 June 2018 (Audited) -----
Not later than one year	<u>62,921,210</u>	<u>40,475,868</u>
Later than one year but not later than five years	<u>109,086,371</u>	<u>79,252,297</u>

	Half year ended		Quarter ended	
	31 December 2018 (Un-audited)	31 December 2017 (Un-audited)	31 December 2018 (Un-audited)	31 December 2017 (Un-audited)
<b>13. SALES – net</b>				
<b>Local</b>				
Manufactured stock	12,277,668,887	6,213,495,153	6,372,011,599	3,518,185,267
Trading stock	15,101,578	6,896,090	10,557,013	3,962,780
	<u>12,292,770,465</u>	<u>6,220,391,243</u>	<u>6,382,568,612</u>	<u>3,522,148,047</u>
<b>Less: sales tax</b>				
Trading stock	(2,175,751)	(1,001,996)	(1,515,430)	(575,789)
<b>Less: trade discounts</b>				
Manufactured stock	(659,145)	(951,468)	-	(869,468)
	<u>12,289,935,569</u>	<u>6,218,437,779</u>	<u>6,381,053,182</u>	<u>3,520,702,790</u>
<b>Export sales</b>				
	27,291,806	19,428,277	13,812,928	10,876,924
	<u>12,317,227,375</u>	<u>6,237,866,056</u>	<u>6,394,866,110</u>	<u>3,531,579,714</u>

#### 14. DISTRIBUTION COSTS

Includes advertisement and sales promotion amounting to Rs. 93.131 million (31 December 2017: Rs. 15.792 million) and cartage and transport amounting to Rs 95.932 million (31 December 2017: Rs. 54.751 million), respectively.

#### 15. FINANCE COSTS

Includes mark up on short term borrowings amounting to Rs. 381.639 million (31 December 2017: Rs 172.145 million).

	Half year ended		Quarter ended	
	31 December 2018 (Un-audited)	31 December 2017 (Un-audited)	31 December 2018 (Un-audited)	31 December 2017 (Un-audited)
<b>16. TAXATION</b>				
Current	272,918	71,430,776	138,129	49,268,115
Prior	-	(48,184,965)	-	(48,184,965)
Deferred	(18,610,598)	41,408,176	(30,515,086)	21,484,040
	<u>(18,337,680)</u>	<u>64,653,987</u>	<u>(30,376,957)</u>	<u>22,567,190</u>

16.1 The sales tax liability of the Company is determined under Rule 58H of the Sales Tax Special Procedures Rules, 2007.

#### 17. FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 30 June 2018. There have been no changes in any risk management policies since the year end.

The carrying values of all financial and non-financial assets and liabilities measured at other than amortised cost in these condensed interim financial statements approximate their fair values.

## 18. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise associates, directors, key management personnel and retirement funds. Transactions with related parties are as follows:

	31 December 2018 (Un-audited) ----- (Rupees) -----	31 December 2017 (Un-audited) -----
Directors' remuneration	<u>10,800,000</u>	<u>3,849,097</u>
Key management personnel's remuneration	<u>103,768,283</u>	<u>87,768,283</u>
Contribution to gratuity fund	<u>17,928,610</u>	<u>12,313,947</u>
Loan from non-executive director (principal plus interest)	<u>283,018,904</u>	<u>-</u>
Donation to Hunar Foundation	<u>200,000</u>	<u>-</u>
Purchase of food items from Hobnob Bakeries	<u>140,286</u>	<u>-</u>

## 19. DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on **27 February 2019** by the Board of Directors of the Company.

## 20. GENERAL

20.1 Figures have been rounded off to the nearest Rupee, unless otherwise stated.

20.2 Key management personnel remuneration corresponding figure in related party transactions note has been revised in line with the new definition of key management personnel under the directives issued by the Securities and Exchange Commission of Pakistan.



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

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In pursuance of SRO 924(1)/2015 dated September 9th, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been reproduced to educate investors.

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