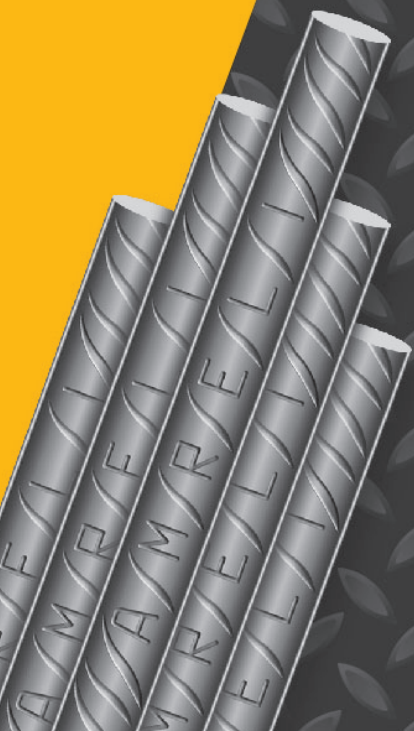


AMRELI STEELS LIMITED

**REPORT FOR THE FIRST
QUARTER ENDED**

30 SEPTEMBER 2020



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. Kinza Shayan	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

Ms. Alina Osama Ali

EXTERNAL AUDITORS

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

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

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

LEGAL ADVISOR

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

CORPORATE ADVISOR

Moore Shekha Mufti
C-253, P.E.C.H.S, Block-6,
Off Shahrah-e-Faisal, Karachi, Pakistan
Tel: 021-34374811-5

BANKERS

Askari Bank Limited	MCB Islamic Bank Limited
Allied Bank Limited	Meezan Bank Limited
Bank Alfalah Limited	National Bank of Pakistan
Bank Islami Pakistan Limited	Pak China Investment Company Limited
Dubai Islamic Bank Pakistan Limited	Pak Kuwait Investment Company Limited
Faysal Bank Limited	Samba Bank Limited
Habib Bank Limited	Standard Chartered Bank (Pakistan) Limited
Habib Metropolitan Bank Limited	United Bank Limited
JS Bank Limited	

REGISTERED OFFICE

A-18, S.I.T.E, Karachi, Pakistan
UAN: (+92-21) 111-AMRELI (267354)
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

DIRECTORS' REVIEW REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020

The Board of Directors of your Company are pleased to present their review on the financial and operational performance of the Company for the quarter ended 30 September 2020.

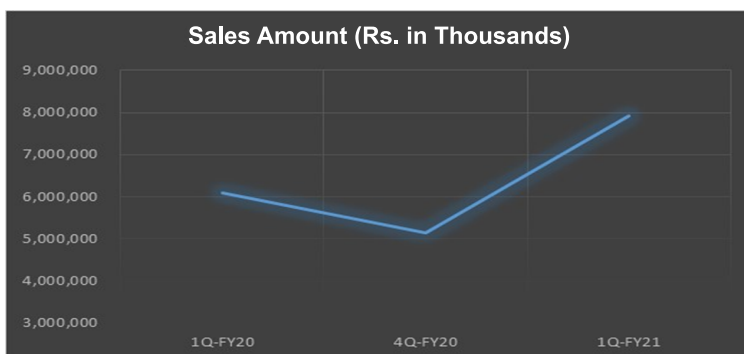
FINANCIAL AND OPERATIONAL HIGHLIGHTS

The top line of your Company registered an impressive growth of 30% to Rs.7,914 million during the first quarter of ongoing financial year as compared to Rs.6,087 million during the same period last year. The increase is attributable to 30% increase in sales volumes in the current quarter as compared to the similar quarter last year. The gross profit also increased by 29% to Rs.863 million as compared to Rs.669 million in the similar period last year. The GP margins stood at 10.90% as compared to 10.99% in the first quarter last year. The operating profit registered 37% growth to Rs.507 million during the quarter under review as compared to Rs.371 million for the similar quarter last year. Finance cost decreased by 17% mainly due to a significant reduction in policy rate by the State Bank of Pakistan and efficient utilization of working capital by the Company. Your Company registered a profit before tax and profit after tax of Rs.50 million and Rs.111 million for the quarter under review, as compared to loss before tax and loss after tax of Rs.176 and Rs.81 million in the similar quarter last year.

While comparing operational results of the quarter under review with the fourth quarter of the outgoing financial year (i.e. April - June 2020), your Company turned the table on losses showing significant improvement on every count post lock down due to Covid-19. Net sales, gross profit, operating profit, profit before tax and profit after tax all registered significant growth with a complete turnaround. The prime reason for this improved performance was triggered by the revival of steel demand amid resumption of construction activities post lockdown in the fourth quarter of last year. This allowed your Company to increase capacity utilization by 25% in the quarter under discussion, resultantly lowering fixed costs on a per ton basis. Also revision in the Company's depreciation policy (as illustrated in note 5.4 to this interim report) helped improved the Company's profitability. The results are even more promising if the same are read in conjunction with the devastating impacts of record monsoon rains which played havoc in the country and particularly in Karachi, and halted construction activities in August for almost ten to twelve days.

The key financial highlights of the Company are as follows –

	First Quarter Ended 30 September 2020 (Rs. in millions)	First Quarter Ended 30 September 2019 (Rs. in millions)	Fourth Quarter Ended 30 June 2020 (Rs. in millions)
Net sales	7,914	6,087	5,142
Gross profit	863	669	216
Operating profit / (loss)	507	371	(104)
Profit / (Loss) before tax	50	(176)	(607)
Profit / (Loss) after tax	111	(81)	(439)
Earnings / (Loss) per share (both basic and diluted) (in Rupees)	0.37	(0.27)	(1.48)





FUTURE OUTLOOK

The outlook portrays a mixed picture for the near future as the overall economic situation still remains unpredictable. While on one hand, there are high hopes for the economy to recover due to a number of measures taken by the Government to boost the economy (like the construction package); on the other hand there is political noise on the rise which generally thwarts economic development. Further, a second wave of Covid-19 may halt the march to recovery and progress materially.

For the steel industry in specific, high turnover taxes along with 1.5% turnover taxes on its dealers and distributors should be completely done away with. There should be no Regulatory or Customs Duty on import of scrap as it is doing nothing but causing a cost-push inflation.

On the positive side, the steel sector is expected to remain on a growth path due to government's focus on construction and related activities. Following the footsteps of the government, the SBP has also introduced a mechanism to incentivize banks allowing them to maintain reduced cash reserves and have made it mandatory for the banks to allocate 5% of their lending portfolio for financing low cost housing. If the policy rate can be maintained on a straight line, it will definitely improve the overall investment climate of the country.

The management of your Company is focused towards increasing capacity utilization and is exploring and implementing all possible strategies to reduce costs, improve efficiency and increase market share by producing and delivering quality products at competitive prices.

ACKNOWLEDGEMENT

The Board of Directors of your Company express their gratitude to all stakeholders including our valued shareholders, employees, customers, financial institutions and suppliers for their encouragement and continued support.

For & on behalf of Board of Directors

Shayan Akberali
Chief Executive Officer

Teizoon Kijat
Director

29 October 2020
Karachi

مستقبل قریب کی صورتحال واضح نہیں ہے کیونکہ اس وقت بھی مجموعی معاشی صورتحال غیر یقینی کا شکار نظر آ رہی ہے۔ گو ایک جانب حکومت پاکستان کی جانب سے اٹھائے جانے والے اقدامات کے باعث ملک کی معیشت کی بحالی کے سلسلے میں بڑی امیدیں وابستہ ہیں (جیسا کہ تعمیراتی پیکج) جب کہ دوسری جانب سیاسی ماحول کشمکش کا شکار ہے جس سے عموماً ملک کی معیشت پر منفی اثرات مرتب ہوتے ہیں۔ نیز اگر کوئی ناواؤنس کی دوسری اہم آگئی تو معیشت کی بحالی اور ترقی کی راہ میں یہ اہم بڑی رکاوٹ ثابت ہوگی۔

اسٹیل کی صنعت اور اسی صنعت سے وابستہ ڈیلروں اور ترسیل کاروں پر کاروباری حجم کے لحاظ سے 1.5% کے ٹیکس کے نفاذ کو یکسر ختم کیا جانا چاہیے۔ خام مال کی درآمد پر کسی بھی قسم کی کوئی کسٹم دیونی یا ریگولٹری ڈیونی نہیں ہونی چاہیے کیونکہ اس سے کسی قسم کا فائدہ ہونے کے بجائے محض لاگت پڑتی ہوگی جس سے لے رہی ہے۔

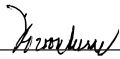
جب کہ مثبت پہلو یہ ہے کہ حکومت پاکستان کی جانب سے تعمیراتی اور منسلک صنعتوں کیلئے اٹھائے جانے والے اقدامات کی وجہ سے اسٹیل کی صنعت کیلئے امید کی جاسکتی ہے کہ یہ صنعت بہتر شرح نمو کے ساتھ آگے بڑھے گی۔ حکومت کے نقش قدم پر چلتے ہوئے، اسٹیل بینک آف پاکستان کی جانب سے بھی ایک نظام وضع کیا گیا ہے جس کے تحت بینکوں کو یہ اجازت دی گئی ہے کہ وہ اپنے نقد ذخائر میں کمی لاسکتے ہیں اور بینکوں کو اس بات کا پابند بنایا گیا ہے کہ اپنے جانب سے دیئے جانے والے 5% قرضوں کو کم آمدن والے گھروں کی تعمیرات کیلئے مختص کریں۔ اگر پالیسی رٹس اسی شرح پر برقرار رہتے ہیں تو مجموعی طور پر ملک کے اندر سرمایہ کاری کے ماحول میں بہتری آئے گی۔

آپ کی کمپنی کی انتظامیہ کی جانب سے ہر ممکن کوشش کی جارہی ہے کہ پیداواری صلاحیت میں اضافہ کیا جائے اور تمام تر حکمت عملیوں پر عمل کیا جائے تاکہ لاگت برائے پیداوار میں کمی لائی جاسکے اور کارکردگی کو مؤثر بنانے کے ساتھ ساتھ مسابقتی قیمتوں پر مصنوعات کی ترسیل کے ذریعے مارکیٹ میں اپنے حصے کو بڑھا جایا جائے۔

اظہار تشکر

آپ کی کمپنی کے بورڈ بورڈ آف ڈائریکٹرز تمام شراکت داروں بشمول قابل قدر حصص داران، ملازمین، صارفین، مالیاتی اداروں اور ترسیل کاروں کے تہہ دل سے مشکور ہیں کہ ان کی حوصلہ افزائی، حمایت اور تعاون ہمارے شامل حال رہا ہے۔

برائے دلچسپ بورڈ آف ڈائریکٹرز


تیزون کسٹ
ڈائریکٹر


شایان اکبر علی
چیف ایگزیکٹو

مؤرخہ 29 اکتوبر 2020

بمقام کراچی

ڈائریکٹرز جائزہ رپورٹ

برائے سہ ماہی اختتامیہ 30 ستمبر 2020

یورڈ آف ڈائریکٹرز 30 ستمبر 2020 کو تھم ہونے والی سہ 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

آپ کی کمپنی کی جانب سے رواں مالی سال کی پہلی سہ ماہی کے دوران فروختنگل 30% اضافے کے ساتھ 7,914 ملین روپے رہی جبکہ گزشتہ مالی سال کی پہلی سہ ماہی کے دوران یہ فروختنگل 6,087 ملین روپے درج کی گئی تھی۔ اس اضافے کی وجہ گزشتہ مالی سال کے مقابلے میں فروختنگل کے حجم میں 30% اضافہ ہے۔ خام منافع بھی 29% فیصد اضافے کے ساتھ 863 ملین روپے رہا جو کہ گزشتہ مالی سال کے اسی عرصے کے دوران 669 ملین روپے درج کیا گیا تھا۔ خام منافع کی شرح گزشتہ مالی سال کے دوران 10.99% کے مقابلے میں زیر نظر سہ ماہی کے دوران 10.90% درج کی گئی ہے۔ کاروباری منافع زیر نظر سہ ماہی کے دوران 37% اضافے کے ساتھ 507 ملین روپے درج کیا گیا جبکہ گزشتہ مالی سال کے اسی عرصے کے دوران کاروباری منافع 371 ملین روپے درج کیا گیا تھا۔ اسٹیٹ بینک آف پاکستان کی جانب سے شرح سود میں کی جانے والی کمی کے باعث سودی بلنگ لاگت میں 17% کی کمی واقع ہوئی ہے اور اس کے ساتھ ساتھ کمپنی کی جانب سے ورکنگ کپٹل کو موثر انداز سے استعمال کیا گیا۔ زیر نظر سہ ماہی کے دوران آپ کی کمپنی نے بالترتیب 50 ملین روپے اور 111 ملین روپے منافع قبل از ٹیکس اور منافع بعد از ٹیکس کمایا جبکہ گزشتہ مالی سال کے اسی عرصے کے دوران کمپنی نے بالترتیب 176 ملین روپے اور 81 ملین روپے نقصان قبل از ٹیکس اور نقصان بعد از ٹیکس درج کیا تھا۔

اگر زیر نظر سہ ماہی کے کاروباری نتائج کا گزشتہ مالی سال کی آخری سہ ماہی (اپریل تا جون 2020) کے نتائج سے موازنہ کیا جائے تو آپ کی کمپنی نے نقصان کا پانسہ پلٹ دیا اور COVID-19 کے بعد کے حالات میں ہر لحاظ سے بہترین کارکردگی کا مظاہرہ کیا ہے۔ صافی منافع، خام منافع، کاروباری منافع، منافع قبل از ٹیکس اور منافع بعد از ٹیکس غرضیکہ منافع کی ہر شرح میں یکسر مثبت نتائج برآمد ہوئے ہیں۔ ان مثبت نتائج کی سب سے بڑی وجہ یہ ہے کہ لاک ڈاؤن بنائے جانے کے بعد گزشتہ مالی سال کی چوتھی سہ ماہی کے دوران تیسری سہ ماہی میں زور شور سے جاری رہیں اور اس کے نتیجے میں اسٹیٹ بینک کی طلب میں خاطر خواہ اضافہ ہوا۔ اسی وجہ سے زیر نظر سہ ماہی کے دوران آپ کی کمپنی کو یہ موقع بھی میسر آ گیا کہ کمپنی نے اپنی پیداواری صلاحیت کو 25% تک بڑھا دیا جس کے باعث فی ٹن پیداواری لاگت میں بھی کمی واقع ہوئی۔ علاوہ ازیں، کمپنی کی جانب سے فرسودگی کو منہا کرنے کی پالیسی (جو کہ اس عبوری رپورٹ کے نوٹ نمبر 5.4 میں درج ہے) میں تبدیلی کی گئی ہے اور اس قدم اٹھانے کی وجہ سے بھی کمپنی کی منفعت پر مثبت اثرات مرتب ہوئے ہیں۔ اگر ان نتائج کو ملک کے طول و عرض اور بالخصوص کراچی شہر میں ہونے والی موسلا دھار بارشوں سے پیدا ہونے والی تباہی کے ساتھ موازنہ کیا جائے تو یہ اور بھی زیادہ حوصلہ افزاء معلوم ہو سکے گی کیونکہ ان بارشوں کی وجہ سے اگست کے مہینے میں تمام تھمہراتی سرگرمیاں دس سے بارہ دنوں کیلئے یکسر معطل ہو چکی تھیں۔

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

پہلی سہ ماہی اختتامیہ	پہلی سہ ماہی اختتامیہ	پہلی سہ ماہی اختتامیہ	
30 ستمبر 2020	30 ستمبر 2019	30 جون 2020	
(روپے ملین میں)	(روپے ملین میں)	(روپے ملین میں)	
7,914	6,087	5,142	کل فروختنگل
863	669	216	خام منافع
507	371	(104)	کاروباری منافع / (نقصان)
50	(176)	(607)	منافع / (نقصان) قبل از ٹیکس
111	(81)	(439)	منافع / (نقصان) بعد از ٹیکس
0.37	(0.27)	(1.48)	آمدن / (نقصان) فی حصص بنیادی و تھمیلی (روپے میں)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

		30 September 2020 (Un-audited)	30 June 2020 (Audited)
	Note	----- (Rs. in '000') -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	17,736,307	17,650,951
Right-of-use assets	7	130,790	72,455
Intangibles		23,138	24,266
Long-term investments		15,289	15,289
Long-term deposits		147,440	134,962
		18,052,964	17,897,923
CURRENT ASSETS			
Stores and spares		1,577,495	1,683,504
Stock in-trade	8	6,416,494	8,040,331
Trade debts		4,796,026	4,900,333
Loans and advances		34,423	28,916
Trade deposits and short-term prepayments		580,416	642,890
Other receivables		576,347	527,960
Taxation - net		1,301,788	1,238,228
Cash and bank balances		288,465	509,361
		15,571,454	17,571,523
TOTAL ASSETS		33,624,418	35,469,446
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		2,970,114	2,970,114
Capital Reserves		2,788,742	2,788,742
Revenue reserves – accumulated profit		3,255,395	3,125,905
Actuarial loss on gratuity fund		(60,186)	(60,186)
Revaluation surplus on property, plant and equipment – net of tax		2,269,746	2,288,611
		11,223,811	11,113,186
NON-CURRENT LIABILITIES			
Long-term financing		5,552,993	5,429,984
Loan from related parties		341,333	341,333
Deferred taxation		134,663	243,874
Deferred liability		263,410	254,748
Lease liabilities		120,474	63,600
Government grant		11,457	7,627
		6,424,330	6,341,166
CURRENT LIABILITIES			
Trade and other payables	9	4,030,195	3,731,308
Contract liabilities		876,712	962,783
Unclaimed Dividend		5,911	5,990
Interest / mark up accrued		469,933	577,719
Short term borrowings - secured	10	9,644,726	11,912,828
Current maturity of long-term finances		923,682	811,503
Current portion of government grant		15,375	4,215
Current maturity of lease liabilities		9,743	8,748
		15,976,277	18,015,094
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		33,624,418	35,469,446

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



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2020

		30 September 2020	30 September 2019
	Notes	----- (Rs. in '000') -----	
Sales		7,914,003	6,086,982
Cost of sales		(7,051,171)	(5,417,748)
Gross profit		862,832	669,234
Distribution costs	12	(201,486)	(170,912)
Administrative expenses		(115,672)	(109,934)
Allowance for expected credit losses		(33,917)	(21,133)
Other expenses		(10,732)	(3,681)
Other income		5,603	7,175
Operating profit		506,628	370,749
Finance costs	13	(456,176)	(546,699)
Profit / (loss) before taxation		50,452	(175,950)
Taxation	14	60,173	94,892
Net profit / (loss) for the period		110,625	(81,058)
Earnings / (loss) per share – basic and diluted		Re. 0.37	Re. (0.27)

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


Chief Executive Officer


Director


Chief Financial Officer

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	30 September 2020	30 September 2019
	----- (Rs. in '000') -----	
Net profit / (loss) after taxation	110,625	(81,058)
Other comprehensive income / (loss)	-	-
Total comprehensive income / (loss) for the period	110,625	(81,058)

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



Chief Executive Officer



Director



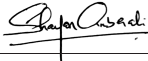
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	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			
----- (Rs. In '000) -----						
Balance as at 30 June 2019 (Audited)	2,970,114	2,788,742	4,179,933	(56,405)	2,361,200	12,243,584
Net loss for the quarter	-	-	(81,058)	-	-	(81,058)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the quarter	-	-	(81,058)	-	-	(81,058)
Incremental depreciation relating to revaluation surplus on property, plant and equipment– net of tax	-	-	17,577	-	(17,577)	-
Balance as at 30 September 2019 (Un-audited)	<u>2,970,114</u>	<u>2,788,742</u>	<u>4,116,452</u>	<u>(56,405)</u>	<u>2,343,623</u>	<u>12,162,526</u>
Balance as at 30 June 2020 (Audited)	2,970,114	2,788,742	3,125,905	(60,186)	2,288,611	11,113,186
Net profit for the quarter	-	-	110,625	-	-	110,625
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the quarter	-	-	110,625	-	-	110,625
Incremental depreciation relating to revaluation surplus on property, plant and equipment– net of tax	-	-	18,865	-	(18,865)	-
Balance as at 30 September 2020 (Un-audited)	<u>2,970,114</u>	<u>2,788,742</u>	<u>3,255,395</u>	<u>(60,186)</u>	<u>2,269,746</u>	<u>11,223,811</u>

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



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2020

		30 September 2020	30 September 2019
		----- (Rs. in '000') -----	
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	15	2,350,171	(1,285,606)
Income taxes paid		(112,599)	(125,746)
Gratuity paid		(5,406)	(5,480)
Long-term deposits – net		(12,478)	(2,147)
Net cash generated from / (used in) operating activities		2,219,688	(1,418,979)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(214,387)	(365,646)
Proceeds from disposal of operating fixed assets		2,877	921
Short-term investment		-	(32,438)
Acquisition of intangible assets		(1,205)	(98)
Net cash used in investing activities		(212,715)	(397,261)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings – net		(1,908,707)	1,360,751
Long-term financing – net		250,179	846,175
Loan from related party		-	(15,555)
Dividend paid		(79)	(199)
Finance costs paid		(560,051)	(419,359)
Lease rentals paid		(9,211)	-
Net cash (used in)/ generated from financing activities		(2,227,869)	1,771,813
Net decrease in cash and cash equivalents		(220,896)	(44,427)
Cash and cash equivalents at the beginning of the period		509,361	147,039
Cash and cash equivalents at the end of the period		288,465	102,612

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



Chief Executive Officer



Director



Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

1. THE COMPANY AND ITS OPERATION

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 geographical location and addresses of the Company's business units / immovable assets are as under:

Business Unit	Address
Registered office and warehouse Production plant	Plot No. A-18, S.I.T.E Karachi (Land measuring area 2.490 Acres)
	- Plot No. D-89 Shershah Karachi (Land measuring area 2.220 Acres)
	- Plot No. D-90/B Shershah Karachi (Land measuring area 1.05 Acres)
Production plant and warehouse	- Industrial Land, Deh Gharo, Tapo Gharo, Taluka Mirpur Sakro, District Thatta, Sind (Land measuring area 65.00 Acres)
	- Industrial Land, Deh Gharo, Tapo Gharo, Taluka Mirpur Sakro, Distri Thatta, Sind (Land measuring area 12.5 Acres)
Warehouses	- Plot # F-295 S.I.T.E Karachi (Land measuring area 0.50 Acres)
	- Noor Road Badami Bagh Lahore (Land measuring 0.79 Acres)

Apart from above, the Company's liaison offices are situated in Hyderabad, Lahore, Islamabad, Multan, Sukkur and Karachi

2. STATEMENT OF COMPLIANCE

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,
- Provisions of and directives issued under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants Pakistan (ICAP) as are notified under the Act

Where the provisions of and directives issued under the Companies Act, 2017 and IFAS differs with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 and IFAS have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June, 2020. These condensed interim financial statements are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Section 237 of the Companies Act, 2017.

3. BASIS OF PREPARATION

3.1 These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

3.2 These financial statements are prepared in Pak Rupees, which is the Company's functional and presentation currency

4. ACCOUNTING POLICIES

The accounting policies 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 30 June, 2020.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

- 5.1 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.
- 5.2 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 30 June, 2020, except as disclosed in note 5.4
- 5.3 The Company follows the practice to conduct actuarial valuation as at year end. Hence, the impact of re-measurement of staff retirement plan has not been incorporated in these condensed interim financial statements.
- 5.4 During the quarter, as a result of assessment of the review of remaining useful lives of the operating fixed assets, the management identified that plant & machinery and buildings require a revision in their useful lives. Hence, the remaining useful lives of plant & machinery and buildings have increased. Such change has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the profit before tax for the quarter ended 30 September 2020 would have been lower by Rs. 95.954 million and carrying value of operating fixed assets as at that date would have been lower by the same amount. Consequently, due to the above change in accounting estimate, Future profits or loss before tax for each quarter may increase or decrease by Rs.95.954 million respectively.

Note	30 September 2020	30 June 2020
	(Un-audited)	(Audited)
	----- (Rs. in '000') -----	

6. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	14,852,073	14,930,576
Capital work-in-progress	6.2	2,884,234	2,720,375
		<u>17,736,307</u>	<u>17,650,951</u>

6.1 Operating assets

Opening net book value (NBV)		14,930,576	14,729,718
Additions / transfer from CWIP during the period / year	6.1.1	57,881	1,072,615
Deletions during the period / year (NBV)	6.1.1	(10,186)	(12,405)
Depreciation charged during the period / year		(126,198)	(859,352)
Closing NBV		<u>14,852,073</u>	<u>14,930,576</u>

6.1.1 Details of additions and disposals are as follows:

	Additions (cost)		Deletions (NBV)	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	----- (Rs. in '000') -----			
Buildings on leasehold land	-	4,341	-	-
Plant and machinery	44,219	64,264	-	-
Furniture and fittings	-	436	-	-
Office equipment	1,490	1,051	-	-
Vehicles	9,973	6,500	9,973	552
Computers	2,199	262	213	15
	<u>57,881</u>	<u>76,854</u>	<u>10,186</u>	<u>567</u>

6.2 Capital work-in-progress

	Opening balance as at 01 July 2020	Additions	Transfers to operating fixed assets	Closing balance as at 30 September 2020
	----- (Rupees in '000') -----			
Freehold land	6,965	-	-	6,965
Plant and machinery	862,738	1,152	-	863,890
Civil works	1,850,672	204,553	(41,846)	2,013,379
	<u>2,720,375</u>	<u>205,705</u>	<u>(41,846)</u>	<u>2,884,234</u>

7. RIGHT OF USE ASSETS

Opening balance		72,455	33,333
Additions during the period / year		63,170	49,938
Depreciation charge for the period / year		(4,835)	(10,816)
Closing balance		<u>130,790</u>	<u>72,455</u>

8. STOCK-IN-TRADE

Raw materials			
- In hand		1,189,071	1,349,086
- In transit		1,436,551	3,376,081
		<u>2,625,622</u>	<u>4,725,167</u>
Work-in-process		774,589	1,023,943
Finished goods			
- Manufactured		3,014,202	2,291,221
- Trading		2,081	-
		<u>3,016,283</u>	<u>2,291,221</u>
		<u>6,416,494</u>	<u>8,040,331</u>

9. TRADE & OTHER PAYABLES

Trade and other payables includes murabaha amounting to Rs. 2,227 million (30 June 2020: Rs.1,905 million).

	30 September 2020 (Un-audited)	30 June 2020 (Audited)
	----- (Rs. in '000') -----	

10. SHORT TERM FINANCING

Cash finance	738,095	1,057,657
Finance against trust receipt	5,122,072	6,431,925
Running finance	1,664,890	1,653,578
Istisna	1,895,669	2,345,668
Short term loan	224,000	424,000
	<u>9,644,726</u>	<u>11,912,828</u>

11. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no major changes in the status of contingencies as reported in the annual financial statements for the year ended 30 June 2020.

	30 September 2020 (Un-audited) ----- (Rs. in '000') -----	30 June 2020 (Audited) -----
Commitments		
11.1 Outstanding letters of credit	<u>2,782,513</u>	<u>953,766</u>
11.2 Outstanding letters of guarantee	<u>497,717</u>	<u>546,927</u>
11.3 Commitments for rentals payable under Ijarah contracts in respect of vehicles and plant and machinery with Islamic banks are as follows:		
Not later than one year	<u>37,340</u>	<u>38,223</u>
Later than one year but not later than five years	<u>38,046</u>	<u>47,472</u>

12. DISTRIBUTION COSTS

Includes cartage expense amounting to Rs. 73 million (30 September 2019: Rs. 66 million) and advertisement, sales promotions & others amounting to Rs. 48 million (30 September 2019: Rs. 42 million)

13. FINANCE COST

Includes mark-up on short term finance amounting to Rs.304 million (30 September 2019: Rs.424 million) and on long term borrowings Rs.149 million (30 September 2019: Rs.116 million)

	30 September 2020 (Un-audited) ----- (Rs. In '000') -----	30 September 2019 (Audited) -----
14. TAXATION		
Current	49,039	36,213
Deferred	<u>(109,212)</u>	<u>(131,105)</u>
	<u>(60,173)</u>	<u>(94,892)</u>

15 CASH GENERATED FROM OPERATIONS.

Profit / (loss) before taxation	50,452	(175,950)
Adjustments for:		
Depreciation on:		
-Operating fixed assets	126,198	208,099
-Right-of-use assets	4,835	-
Amortization	2,332	3,216
Provision for expected credit loss	33,917	21,133
Provision for gratuity	14,068	15,048
Gain on disposal of operating fixed assets	(44)	(354)
Exchange loss / (gain) on foreign currency	(460)	(4,414)
Finance cost on:		
-Lease liabilities	3,911	-
-Others	452,265	546,699
	637,022	789,427
Operating profit before working capital changes	687,474	613,477
Decrease / (increase) in current assets:		
Stores and spares	106,010	253,197
Stock in trade	1,623,837	(1,732,282)
Trade debts	70,390	(292,503)
Loans and advances	(5,508)	(4,113)
Trade deposits and short-term prepayments	62,474	(16,829)
Other receivables	(48,387)	(418,935)
	1,808,816	(2,211,465)
(Decrease) / Increase in current liabilities:		
Trade and other payables	(60,048)	276,870
Contract liabilities	(86,071)	35,512
	(146,119)	312,382
Cash generated from / (used in) operations	2,350,171	(1,285,606)

16. 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 2020. 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.

17 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise directors, associated companies, key management personnel and retirement fund. The related parties with whom the Company had entered into transactions or have arrangement / agreement during the quarter ended 30 September 2020 are same as reported in the annual financial statements for the year ended 30 June 2020. Transactions and balances with related parties are as follows:

	30 September 2020	30 September 2019
	(Un-audited)	
	----- (Rs. in '000') -----	
Nature of transactions		
Transaction with directors		
- Repayment of loan	-	15,555
- Interest charged on loans	5,134	8,955
- Meeting fee	2,025	800
Transactions with associates		
- Purchase of bakery items from Hobnob Bakeries	29	-
Transactions with shareholder		
- Interest charged on loan	1,095	-
- Sales made	230	-
Others		
- Remuneration and other benefits	62,735	60,349
- Contribution to gratuity fund	14,068	15,048
	30 September 2020	30 June 2020
	(Un-audited) (Audited)	
	----- (Rs. in '000') -----	
Balances		
- Payable to directors against loans and interest	294,003	283,471
- Payable to shareholder against loans and interest	61,776	60,000
- Receivables from associates/shareholder against goods	488	593

18. OPERATING SEGMENTS

These condensed interim financial statements have been prepared on the basis of a single reportable segment.

Revenue from export sales represents 0.24 % (30 September 2019: 0.22%) of the total gross revenue of the company.

All non-current assets of the Company as at 30 September 2020 and 30 September 2019 are located in Pakistan.

Sales to twenty major customers of the Company are around 26.92% during the period ended 30 September 2020 (30 September 2019: 32%).

19. DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue on 29 October 2020 by the Board of Directors of the Company.

20. GENERAL

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

20.2 Corresponding figures have been reclassified / rearranged, wherever necessary.



Chief Executive Officer



Director



Chief Financial Officer

Investors' Education

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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







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