

AMRELI STEELS LIMITED



THE FIRST QUARTERLY REPORT
30-September-2015



AMRELI STEELS
Building for Life

Company Information

Board of Directors

Mr. Abbas Akberali

Chairman & Chief Executive Officer

Mr. Shayan Akberali

Managing Director

Mr. Badar Kazmi

Independent Director

Mr. Zafar Ahmed Taji

Independent Director

Mr. Mirza Qamar Beg

Independent Director

Ms. Kinza Shayan

Non-Executive Director

Ms. Mariam Akberali

Non-Executive Director

Audit Committee

Mr. Badar Kazmi

Chairman

Mr. Mirza Qamar Beg

Member

Ms. Kinza Shayan

Member

Human Resource and Remuneration Committee

Mr. Zafar Ahmed Taji

Chairman

Mr. Mirza Qamar Beg

Member

Mr. Shayan Akberali

Member

Ms. Mariam Akberali

Member

Chief Financial Officer

Mr. Fazal Ahmed

Company Secretary

Mr. Zoeb Salemwala

Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

Legal Advisor

Mr. Shamim Javaid Shamsi

A-102, Samina Avenue, Shadman No.2

North Karachi, Karachi

Bankers

Al-Baraka Bank (Pakistan) Limited

Askari Bank Limited

Bank Al Habib Limited

Bank Al-Falah Limited

Bank Islami Pakistan Limited

Dubai Islamic Bank Pakistan Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

MCB Bank Limited

Meezan Bank Limited

NIB Bank Limited

Silk Bank Limited

Soneri Bank Limited

Standard Chartered Bank Pakistan Limited

Summit Bank Limited

The Bank of Khyber

The Bank of Punjab

United Bank Limited

Registered Office

A-18, S.I.T.E, Karachi, Pakistan

Tel: +92-21-32587232-9

Fax: + 92-21-32587240, 38798328

UAN: 111-267-354

Email: info@amrelisteels.com

Factories**Factory 1**

D-89, Shershah Road

S.I.T.E., Karachi

Factory 2

Industrial Land

Deh Gharo, Tapo Gharo

Taluka Mirpur Sakro

District Thatta, Sindh

Share Registrar

THK Associates (Pvt.) Limited

2nd Floor, State Life Building-3

Dr. Ziauddin Ahmed Road Karachi

DIRECTORS' REVIEW FOR THE QUARTER ENDED SEPTEMBER 30, 2015

The Directors are pleased to present the un-audited condensed interim financial statements of your Company for the first quarter ended September 30, 2015.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Your Company's performance improved with respect to revenue and profitability during the quarter ended September 30, 2015. Profit after taxation of the Company increased by around 154% to Rs.331.85 million during the current quarter, as compared to Rs.130.8 million in the corresponding quarter of the last fiscal year. The prime reason for this increase is the significant decrease in raw material import prices and robust demand of Rebars of your company in the local markets. The key financial and operational results of the Company during the quarter ended September 30, 2015 are as follows –

	Quarter ended September 30, 2015 (Rupees)	Quarter ended September 30, 2014 (Rupees)
Net Sales	3,431,321,071	3,596,373,112
Gross Profit	653,750,908	490,432,957
Operating profit	510,202,399	342,019,865
Profit before tax	402,103,159	166,327,128
Profit after taxation	331,854,250	130,802,432
Earnings per share - basic and diluted	<u>1.49</u>	<u>0.59</u>

FUTURE PROSPECTS & OUTLOOK

Despite the increasing challenges, your Company is committed to improve the results in the remaining quarters of the year as demand continues to outstrip supply and raw material prices seem stable. We hope to increase our footprint and reach across Pakistan by catering to our existing and new construction projects throughout various sectors. Our manufacturing facilities are running well and we aim to keep capacity utilizations high.

POST BALANCE SHEET EVENTS

1. BOOK BUILDING & RETAIL PORTION OF INITIAL PUBLIC OFFER

As you all know, your company is undertaking a capacity expansion by enhancing steel melting capacity from 200,000 tons per annum to 350,000 tons per annum and re-rolling mills capacity from 180,000 tons per annum to 480,000 tons per annum. For this expansion, the company decided to raise fresh equity from the secondary market by offering 74,252,857 new shares which would comprise of 25% of the post-IPO paid up capital of the Company.

AMRELI STEELS LIMITED
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UAN# 111 - AMRELI (267 35-4)
E-mail: sales@amrelisteels.com



AMRELI STEELS
Building for Life



Although the issue was brought to market through the Book Building process at a Floor Price of Rs.24 per share (including a premium of Rs.14 per share), the book-building process determined the company's share price at Rs.51 per share (with a premium of Rs.41 per share). Accordingly, the book building phase of the IPO (which consisted of 55.5 million shares) was subscribed 2.5 times by institutions and high net worth individuals.

In the second phase, the rest of the 18.7 million shares were offered to the general public on October 27-29 at the Strike Price (being Issue Price) of Rs.51 per share. The total number of applications received against the offer is still under compilation with the banks. However, we are confident of getting a good response to the retail offer as well. The cost of the expansion project is estimated at Rs.3.4 billion, which will now be funded entirely through fresh equity which bodes well for the Company and its stakeholders.

2. EXPANSION PROJECT AT DHABEJI

Your Company has opened LCs cumulatively amounting to Rs.1.703 billion in favor of Primetals Technologies, TENOVA and Izhar Steels for key equipments and the Pre-fabricated Shed Structure for the expansion project. The consultants have started the detailed engineering works for the project and preliminary civil works have also commenced on site.

ACKNOWLEDGEMENT

The Board expresses its gratitude to all the shareholders for their confidence and support. We would like to thank all stakeholders for their support and cooperation and assure them of our commitment to maximize shareholder value with the highest standard of ethics. We would like to thank the management and employees for their sincere contributions and their tireless efforts in driving the Company on the path of growth.

We live in a dynamic and rapidly changing business environment. It is our goal to accept change and to adapt in a way that will best serve the interests of our shareholders and Company. To do so, we will combine our professional skills, diversity, team-driven approach and relentless pursuit of your objectives with a comprehensive knowledge of steel industry. This is our pledge to you and we will honor it.

On behalf of the Board

Director

Karachi: October 30, 2015

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A/15, S.I.T.E., Karachi, Pakistan.
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AMRELI STEELS LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2015

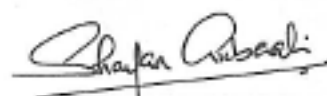
<u>ASSETS</u>	Note	SEPTEMBER 30, 2015 (UN-AUDITED)	JUNE 30, 2015 (AUDITED)
		----- (Rupees) -----	
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	5	7,427,258,220	7,504,204,035
Intangibles		23,059,821	24,345,354
		<u>7,450,318,041</u>	<u>7,528,549,389</u>
Long-term investments	6	15,289,370	15,289,370
Long-term deposits		130,190,219	129,836,820
		<u>7,595,797,630</u>	<u>7,673,675,579</u>
CURRENT ASSETS			
Stores and spares		583,512,248	505,225,542
Stock-in-trade		2,328,803,887	2,274,851,694
Trade debts	7	1,308,710,522	1,158,043,407
Loans and advances		104,630,358	87,459,799
Trade deposits and short-term prepayments	8	53,537,940	48,882,824
Other receivables		353,545,080	333,461,363
Taxation - net		61,834,331	101,179,328
Cash and bank balances		70,620,960	79,722,352
		<u>4,865,195,326</u>	<u>4,588,626,309</u>
TOTAL ASSETS		<u>12,460,992,956</u>	<u>12,262,301,888</u>
EQUITY AND LIABILITIES			
<u>SHARE CAPITAL AND RESERVES</u>			
Share Capital	9	2,227,585,700	2,227,585,700
Reserves		2,074,713,255	1,724,688,161
		<u>4,302,298,955</u>	<u>3,952,283,861</u>
Surplus on revaluation of property, plant and equipment		1,901,245,339	1,918,871,901
NON-CURRENT LIABILITIES			
Long-term financing	10	964,079,147	1,150,186,280
Deferred taxation		945,797,245	929,901,180
Deferred liability		69,639,521	67,160,595
Other financial liabilities		7,123,721	7,909,428
		<u>1,986,639,634</u>	<u>2,155,157,483</u>
CURRENT LIABILITIES			
Trade and other payables		958,969,821	999,389,837
Interest / markup accrued		94,825,450	82,714,774
Short-term borrowings		2,265,207,372	2,211,793,603
Current portion of long-term financing	10	951,806,385	952,090,429
		<u>4,270,809,028</u>	<u>4,235,988,643</u>
Contingencies & Commitments	11		
TOTAL EQUITY AND LIABILITIES		<u>12,460,992,956</u>	<u>12,262,301,888</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

STATEMENT UNDER SECTION 241 (2) OF THE COMPANIES ORDINANCE, 1984

The Chief Executive of the Company being presently out of the country, the condensed interim financial statements have been signed by two Directors.


Zafar Ahmed Taj
 Director


Shayan Akberali
 Director

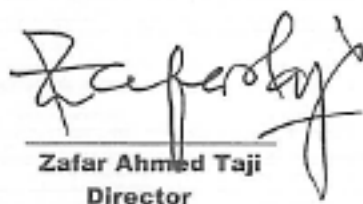
AMRELI STEELS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	SEPTEMBER 30, 2015 (UN-AUDITED)	SEPTEMBER 30, 2014 (UN-AUDITED)
	----- (Rupees) -----	
Sales – net	3,431,321,071	3,596,373,112
Cost of sales	2,777,570,163	3,105,940,155
Gross profit	653,750,908	490,432,957
Distribution costs	(66,108,447)	(90,944,433)
Administrative expenses	(49,226,392)	(44,243,334)
Other expenses	(29,090,890)	(13,588,235)
Other income	877,220	362,910
Operating profit	510,202,399	342,019,865
Finance costs	(108,099,240)	(175,692,737)
Profit before taxation	402,103,159	166,327,128
Taxation	(70,248,909)	(35,524,695)
Net profit for the quarter	331,854,250	130,802,432
Earnings per share – basic and diluted	1.49	0.59

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Zafar Ahmed Taji
Director


Shayan Akberali
Director

AMRELI STEELS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	SEPTEMBER 30, 2015 (UN-AUDITED)	SEPTEMBER 30, 2014 (UN-AUDITED)
	----- (Rupees) -----	
Net profit after taxation	331,854,250	130,802,432
Other comprehensive income/ (loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Unrealised gain / (loss) on cash flow hedge – net of tax	534,282	(649,186)
Total comprehensive income for the quarter	332,388,532	129,953,246

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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 Director



Shayan Akberali
 Director

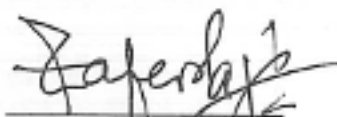
AMRELI STEELS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

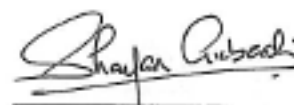
	SEPTEMBER 30, 2016 (UN-AUDITED)	SEPTEMBER 30, 2014 (UN-AUDITED)
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	402,103,159	168,327,128
Adjustments for:		
Depreciation	77,301,276	76,568,453
Amortization	1,285,533	81,357
Provision of doubtful debt	1,500,000	1,500,000
Provision for gratuity	4,128,492	3,465,000
Loss on disposal of operating assets	-	(7,298.)
Finance costs	108,099,240	175,892,737
Finance income	(412,460)	(257,474)
Operating profit before working capital changes	191,902,081	257,040,774
	594,005,240	423,367,903
(Increase) / decrease in current assets:		
Stores and spare parts	(78,206,706)	(29,184,771)
Stock-in-trade	(53,952,193)	(1,093,467,450)
Trade debts	(152,917,115)	(273,837,328)
Loans and advances	(17,170,559)	(11,836,340)
Trade deposits and short-term prepayments	(4,858,116)	15,994,699
Other receivables	(20,083,717)	(213,615,838)
	(327,265,406)	(1,805,747,028)
Increase / (decrease) in current liability:		
Trade and other payables	(172,204,961)	50,893,507
Cash generated from / (used in) operations	94,634,873	(1,131,485,619)
Income taxes paid	(14,509,247)	(11,148,075)
Gratuity paid	(1,649,565)	(46,446)
Long-term deposits – net	(353,399)	(194,000)
Net cash generated from / (used in) operating activities	78,022,661	(1,142,874,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(355,488)	(4,013,407)
Proceeds from disposal of fixed assets	-	7,298
Finance income received	412,460	257,474
Net cash generated from / (used in) investing activities	56,972	(3,748,636)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance lease rental paid	-	(99,542,384)
Short-term borrowings – net	195,198,715	1,325,239,047
Long-term financings – net	(186,391,177)	100,412,886
Finance costs paid	(95,988,564)	(178,829,534)
Net cash (used in) / generated from financing activities	(87,181,026)	1,147,280,017
Net (decrease) / increase in cash and cash equivalents	(9,101,392)	657,240
Cash and cash equivalents at the beginning of the period	79,722,352	63,469,830
Cash and cash equivalents at the end of the period	70,620,960	64,127,070

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

STATEMENT UNDER SECTION 241 (2) OF THE COMPANIES ORDINANCE, 1984

The Chief Executive of the Company being presently out of the country, the condensed interim financial statements have been signed by two Directors.


Zafar Ahmed Taji
 Director


Shayan Akberali
 Director

AMRELI STEELS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

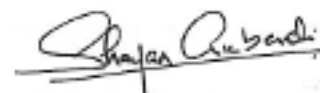
	Issued, subscribed and paid-up Capital	Reserves			Total reserves	Total equity
		Cash flow Hedge	Actuarial gain / (loss) on gratuity fund	Unappropriated Profit		
----- (Rupees) -----						
Balance as at July 1, 2014	2,227,585,700	(1,721,702)	(5,215,360)	650,375,947	651,439,886	2,679,025,586
Net Profit for the year ended June 30, 2015	-	-	-	1,011,182,731	1,011,182,731	1,011,182,731
Other comprehensive loss	-	(3,380,745)	(5,034,950)	-	(8,431,704)	(8,431,704)
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	70,505,249	70,505,249	70,505,249
Balance as at June 30, 2015	2,227,585,700	(5,118,447)	(10,250,319)	1,740,966,927	1,724,698,161	3,952,293,661
Net Profit for the quarter	-	-	-	331,854,250	331,854,250	331,854,250
Other comprehensive income	-	534,282	-	-	534,282	534,282
Transfer from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	17,626,562	17,626,562	17,626,562
Balance as at September 30, 2015	2,227,585,700	(4,684,166)	(10,250,319)	2,089,547,739	2,074,713,265	4,302,298,355

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

STATEMENT UNDER SECTION 241 (2) OF THE COMPANIES ORDINANCE, 1984

The Chief Executive of the Company being presently out of the country, the condensed interim financial statements have been signed by two Directors


Zafar Ahmed Taji
 Director


Shayan Akberali
 Director

AMRELI STEELS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

1. STATUS AND NATURE OF BUSINESS

Amreli Steels Limited (the Company) was incorporated in 1975 under the Companies Act, 1913 (now the Companies Ordinance, 1984) as a private limited company and converted into a public unquoted company in 2009. The Company is mainly 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.

Subsequent to the balance sheet date, the Company offered its 55.5 million shares through Book Building process at a Floor Price of Rs.24 per share (including a premium of Rs.14 per share). The book-building process determined the company's share price at Rs.51 per share (with a premium of Rs.41 per share). In the second phase, the Company has offered the rest of the 18.7 million shares to the general public on October 27, 28 and 29, 2015 at the Strike Price/ Issue Price of Rs.51 per share, the results of which are under compilation at the time of authorization of the condensed interim financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information for the quarter ended 30 September 2015 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In instances where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended June 30, 2015.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee except where stated otherwise.

3. ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of audited annual separate financial statements of the Company as at and for the year ended June 30, 2015.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect that application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2015.

SEPTEMBER 30, 2015 (UN-AUDITED)	JUNE 30, 2015 (AUDITED)
-----Rupees-----	

5 PROPERTY, PLANT AND EQUIPMENT

Operating assets	7,412,811,915	7,459,828,865
Capital work-in-progress	7,806,245	6,483,544
Stores held for capital expenditure	6,640,060	37,891,626
	<u>7,427,258,220</u>	<u>7,504,204,035</u>

	Operating Assets	Capital Work in Process	Store Held for Capital
5.1 Opening written down value/ cost	7,459,828,865	6,483,544	37,891,626
Transfers during the period	30,284,325	-	(30,284,325)
Charged to profit & loss account	-	-	(967,241)
Additions during the period	-	1,322,701	-
Total	7,490,113,190	7,806,245	6,640,060
Less:- Depreciation for the period	(77,301,275)	-	-
Closing written down value/ cost as on September 30, 2015	<u>7,412,811,915</u>	<u>7,806,245</u>	<u>6,640,060</u>

6 LONG-TERM INVESTMENTS

6.1 15,289,370 15,289,370

6.1 These investments are held with commercial banks as a lien for guarantees issued on behalf of the company.

7 TRADE DEBTS

Considered good	1,308,710,522	1,158,043,407
Considered doubtful	32,373,071	30,123,071
	1,341,083,593	1,188,166,478
Provision for doubtful debts	(32,373,071)	(30,123,071)
	<u>1,308,710,522</u>	<u>1,158,043,407</u>

8 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits

Security deposits		26,756,082	23,025,000
Surety deposits	8.1	12,750,000	12,750,000
Margins against letters of credit		8,351,556	9,326,177
Margins against letters of guarantee		-	1,516,250
Prepayments		5,680,302	2,065,397
		<u>53,537,940</u>	<u>48,682,824</u>

- 8.1 Represents amount given to Pakistan Steels Mills Corporation (Private) Limited (PASMIC) in connection with case filed by the Federal Investigation Agency (FIA) against the Company alleging undue advantage taken by the Company under a scheme of PASMIC. The Honorable High Court of Sindh vide its order dated 19 April 2010 has directed PASMIC to invest the money in Government's profit bearing securities on behalf of the Company. The management, based on the legal advice, is confident for a favorable outcome in this respect.

9 SHARE CAPITAL

9.1 Authorized capital	SEPTEMBER 30, 2015		JUNE 30, 2015	
	(UN-AUDITED)		(AUDITED)	
	-----Rupees-----			
Numbers of shares				
	<u>September 30, 2015</u>	<u>June 30, 2015</u>		
	420,000,000	420,000,000	Ordinary shares of Rs.10/-each	4,200,000,000
	80,000,000	80,000,000	Cumulative preference shares of Rs.10/- each	800,000,000
	<u>500,000,000</u>	<u>500,000,000</u>		<u>5,000,000,000</u>
9.2 Issued, Subscribed and Paid up Capital				
			Ordinary of shares of Rs.10/- each	
	189,631,073	189,631,073	Issued for cash	1,896,310,730
	33,127,497	33,127,497	Issued for consideration other than cash	331,274,970
	<u>222,758,570</u>	<u>222,758,570</u>		<u>2,227,585,700</u>
10 LONG-TERM FINANCING				
Term finance facilities			753,153,788	835,307,567
Diminishing Musharika			576,039,000	601,039,144
Sukuk financing			418,000,000	501,600,000
Foreign Currency financing			168,692,744	164,329,998
			<u>1,915,885,532</u>	<u>2,102,276,709</u>
Current portion of long-term financing			(951,806,385)	(952,090,429)
			<u>964,079,147</u>	<u>1,150,186,280</u>

- 10.1 The terms and conditions of long-term finance are the same as disclosed in Note.18 to the annual audited financial statements of the Company for the year ended June 30, 2015.

11 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

11.1 The Company is subject to cess imported under Gas infrastructure Development Cess Act 011. The rate of such cess was revised from Rs.13/MMBTU to Rs.150/MMBTU through Finance Act 2011. The Company in association with other companies of the same sector filed a case against Federation of Pakistan challenging such increase and paid the cess at Rs.13/MMBTU till July 2014, since then Sui Southern Gas Company Limited has stopped billing of GIDC to the Company. The Company based on the opinion of its legal advisor, is confident that the outcome of the case will be in its favor. Accordingly, additional liability of Rs.100.7 million (June 30, 2015 Rs.92.198 million) has not been recorded in these condensed interim financial statements.

11.2 Refer note 8.1 for litigation in respect of surety deposit.

SEPTEMBER 30, 2015 (UN-AUDITED)	JUNE 30, 2015 (AUDITED)
-----Rupees-----	

COMMITMENTS

11.3 Capital commitments	250,000,000	-
11.4 Outstanding letters of credit	557,641,870	534,543,056
11.5 Outstanding letters of guarantee	48,640,456	48,640,456
11.6 Commitments for rental payable under Ijarah contracts in respect of vehicles, and plant and machinery are as follows -		
Not later than one year	42,134,600	43,438,743
Later than one year but not later than five years	94,488,972	101,886,678

12 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise directors and key management personnel. There has been no related party transaction during the current quarter.

13 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on October 30, 2015 by the Board of Directors of the Company.

14 GENERAL

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

STATEMENT UNDER SECTION 241 (2) OF THE COMPANIES ORDINANCE, 1984

The Chief Executive of the Company being presently out of the country, the condensed interim financial statements have been signed by two Directors.


Zafar Ahmed Taji
Director
















Shayan Akberali
Director



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