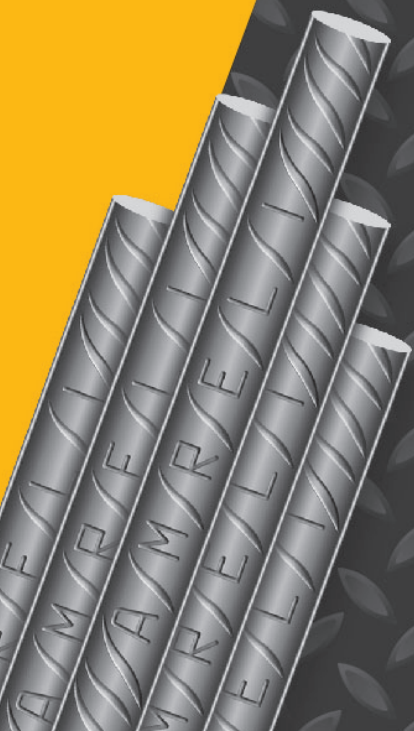


AMRELI STEELS LIMITED

**REPORT FOR THIRD QUARTER &
NINE MONTHS PERIOD ENDED**

31 MARCH 2019



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 Kisat	Independent Director
Ms. Kinza Shayan	Non-Executive Director
Ms. Mariam Akberali	Non-Executive Director

AUDIT COMMITTEE

Mr. Teizoon Kisat	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 Kisat	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	Habib Metropolitan Bank Limited
Allied Bank Limited	JS 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

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

DIRECTORS' REVIEW REPORT

The Board of Directors are pleased to present their review on the financial and operational performance of your Company for the nine months' period and quarter ended 31 March 2019.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

During nine months' period under review, net sales of the Company increased by 72.31% primarily due to higher sales volumes as compared to the corresponding period last year. However, the gross profit decreased by 14.24% as compared to the corresponding period last year. The net profit after tax was recorded at Rs.224 million as compared to Rs.997 million in the corresponding period last year.

During the third quarter of FY 19, your Company achieved net sales of Rs.6.41 billion as compared to Rs.4.63 billion of the corresponding quarter last year, reflecting an increase of 38.41%. In contrast, cost of sales increased by 67.02% during the quarter as compared to the similar quarter last year which resulted in much lower gross margins of 4.92% as compared to 21.2% in the similar period last year. This was a result of increase in raw material prices, energy costs, coupled with lower capacity utilization post expansion and higher depreciation expense pertaining to the newly established Dhabeji re-rolling plant. Based on percentage of revenue, distribution expense increased slightly, whereas administrative expenses remained under control. However, finance cost significantly increased to Rs.370.45 million from Rs.117.28 million as compared to the corresponding quarter because of the increase in borrowing costs which has drastically increased in the recent months. This resulted in a loss before tax of Rs.344.49 million during the third quarter under review as compared to profit before tax of Rs.611.97 million of the corresponding quarter last year.

The overall decline in the profitability of the Company is attributable mainly to its inability of passing through the ever rising cost of doing business. This is a pure reflection of macro-economic imbalances persisting in the economy and a uncertainty on the Government's economic policies. According to the World Bank's overview on Pakistan's economy for the period July 2018 to March 2019, this contraction in the economy and decline in industrial growth has been the result of significant devaluation in the USD-PKR exchange rate and increase in inflationary pressures. This led the central bank to hike up the policy rate during the period under review.

The key financial highlights of the Company are as follows –

	Nine Months Ended 31 March 2019 (Rs. in millions)	Nine Months Ended 31 March 2018 (Rs. in millions)	Quarter Ended 31 March 2019 (Rs. in millions)	Quarter Ended 31 March 2018 (Rs. in millions)
Net sales	18,723	10,865	6,406	4,628
Gross profit	1,840	2,146	315	981
Operating profit	1,014	1,525	26	729
Profit/ (loss) before tax	154	1,201	(344)	612
Profit/ (loss) after tax	224	997	(293)	473
Earnings/ (loss) per share – basic and diluted (in Rupees)	0.75	3.36	(0.99)	1.59

FUTURE OUTLOOK

The uncertainty prevailing in the current economic landscape along with the massive increase in cost of doing business in the country will put negative pressure on the pricing power moving forward. This along with the contraction in GDP growth of the country will prove to be a challenge for the construction sector in the near future.

Despite the above, the Company continues to increase its market share which is reflected by 44% volumetric growth achieved in these nine months. We are now focusing on increasing manufacturing efficiencies, capacity utilization and cost reductions. Marketing and sales efforts are underway to strengthen the Company's retail and corporate network.

Further, we believe that once the economy stabilizes, there will be a strong demand for steel bars which will be required for various infrastructure projects that have been announced by the government recently.

Acknowledgement

The Board expresses their gratitude to all stakeholders including our valued shareholders, customers, financial institutions and suppliers for their confidence and continued support in strengthening the Company. The Board would also like to thank the management and employees for their sincere contributions and their tireless efforts in driving the Company on the path of growth.

For & on behalf of Board of Directors


Shayan Akberali
Chief Executive Officer


Teizoon Kisat
Director

Date: 27th April 2019
Place: Karachi

1.59

(0.99)

3.36

0.75

آمدن/(نقصان) فی حصص
بنیادی و تحلیلی (روپے میں)

مستقبل پر نظر

موجودہ دور میں پاکستان کی معیشت میں پائی جانے والی غیر یقینی صورتحال اور کاروباری اخراجات میں روز بروز ہونے والے اضافے کے پیش نظر قیمتیں منفی اثرات کے دباؤ میں رہیں گی۔ ان وجوہات اور اس کے علاوہ ملک کی خام قومی پیداوار (جی ڈی پی) میں کمی کی وجہ سے تعمیراتی صنعت مستقبل قریب میں دشواریوں کا شکار رہے گی۔

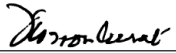
مذکورہ بالا مشکلات کے باوجود کمپنی کی جانب سے مارکیٹ میں اپنے حصے کو بڑھانے کیلئے کوششیں جاری ہیں، جس کا عکس زیر نظر نو ماہی کے دوران فروختگی کے حجم میں %44 اضافے سے ہوتا ہے۔ اب ہماری توجہ اس جانب مرکوز ہے کہ پیداواری صلاحیتوں کو مزید موثر بنایا جائے، پیداواری صلاحیت کو زیادہ سے زیادہ زیر استعمال لایا جائے اور پیداواری لاگت میں کمی لائی جائے۔ اس کے ساتھ ساتھ کمپنی کی ریشٹل کو مزید مضبوط بنانے اور کارپوریٹ نیٹ ورک کو مضبوط کرنے کی غرض سے فروخت اور مارکیٹنگ کی کوششیں جاری ہیں۔

مزید برآں ہمیں امید ہے معیشت کے توازن میں آتے ہی اسٹیل بارز کی طلب میں زبردست اضافہ ہوگا۔ طلب میں اس اضافے کی ایک بنیادی وجہ حکومت کی جانب سے حال ہی میں اعلان کردہ بنیادی ڈھانچے سے متعلق پروڈیکٹس بھی ہیں۔

اظہار تشکر

بورڈ تمام حصص داران کی جانب سے ان کے اعتماد اور حمایت کیلئے ان کا بے حد مشکور ہے۔ ہم اپنے تمام شراکت داروں، قابل اعتماد صارفین، مالیاتی اداروں اور ترسیل کاروں کے تہہ دل سے مشکور ہیں کہ ان کی حمایت اور تعاون مستقل بنیادوں پر ہمارے شامل حال رہی ہے۔ ہم انتظامیہ اور تمام ملازمین کی جانب سے ان کی مخلصانہ اور انتھک کوششوں کیلئے بھی بے حد مشکور ہیں جن کی وجہ سے کمپنی ترقی کی راہ پر گامزن ہے۔

برائے منجانب بورڈ آف ڈائریکٹرز



شیوان اسلم
ڈائریکٹر



شیوان اسلم
چیف ایگزیکٹو آفیسر

مؤرخہ 27 اپریل 2019

بمقام کراچی

ڈائریکٹر جائزہ رپورٹ

بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ 31 مارچ 2019 کو ختم ہونے والی تیسری سہ ماہی وٹوماہی 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 سال کی نو ماہی کے مقابلے میں زیر نظر نو ماہی کے عرصے کے دوران مجموعی طور پر کمپنی کی فروختگی میں 72.31% کا اضافہ درج کیا گیا ہے جس کی وجہ گزشتہ نو ماہی کے مقابلے میں فروخت کے حجم میں اضافہ تھا۔ تاہم گزشتہ مالی سال کی نو ماہی کے مقابلے میں زیر نظر نو ماہی کے دوران خام منافع میں 14.24% کی کمی واقع ہوئی ہے۔ گزشتہ مالی سال کی نو ماہی کے منافع بعد از ٹیکس 997 ملین روپے کے مقابلے میں زیر نظر نو ماہی کے دوران منافع بعد از ٹیکس 224 ملین روپے درج کیا گیا ہے۔

مالی سال 2019 کی تیسری سہ ماہی کے دوران آپ کی کمپنی کی کل فروخت کا حجم 6.41 ملین روپے درج کیا گیا ہے جبکہ گزشتہ مالی سال کی تیسری سہ ماہی کے دوران یہ حجم 4.63 ملین روپے درج کیا گیا تھا جس سے یہ ظاہر ہوتا ہے کہ فروخت کے حجم میں 38.41% اضافہ ہوا ہے۔ اس کے برعکس، گزشتہ مالی سال کی تیسری سہ ماہی کے مقابلے میں زیر نظر سہ ماہی کے دوران لاگت برائے فروخت میں 67.02% اضافہ درج کیا گیا ہے جس کی وجہ سے خام منافع کی شرح گزشتہ مالی سال کے اس سہ ماہی کے مقابلے میں 21.2% سے گھٹ کر 4.92% ہو گئی۔ اس کی بنیادی وجوہات میں خام مال کی قیمت اور توانائی کی لاگت میں اضافے کے ساتھ ساتھ توسیع کے بعد پیداواری صلاحیت سے بھرپور استفادہ کیا جا سکا اور دھانچے میں نئے ری رولنگ پلانٹ پر فرسودگی کے بھاری اخراجات وغیرہ شامل ہیں۔ فروختگی کی شرح کی بنیاد پر مال کی ترسیل کی لاگت میں معمولی اضافہ درج کیا گیا ہے، تاہم انتظامی امور سے متعلق اخراجات کو کنٹرول میں رکھا گیا ہے۔ تاہم معمولی لاگت گزشتہ مالی سال کے 117.28 ملین روپے کے مقابلے میں خاطر خواہ اضافے کے بعد بڑھ کر 370.45 ملین روپے ہو چکی ہے جس کی وجہ حصول قرض کی لاگت میں اضافہ ہے جس میں حالیہ مہینوں کے دوران زبردست اضافہ دیکھنے میں آیا ہے۔ اس کی وجہ سے زیر نظر مالی سال کی تیسری سہ ماہی کے دوران نقصان قبل از ٹیکس 344.49 ملین روپے رہا جو کہ گزشتہ مالی سال کے اسی عرصے کے دوران منافع قبل از ٹیکس 611.97 ملین روپے تھا۔

کمپنی کے منافع میں کمی کی وجہ مجموعی طور پر یہ ہے کہ کمپنی لاگت برائے کاروبار میں ہونے والے اضافے کو اپنے صارفین تک منتقل نہ کر سکی جسکی بنیادی وجہ کلی معاشیات میں مستقل طور پر پائے جانے والے عدم استحکام کی فضا ہے جس سے اس بات کی بھی عکاسی ہوتی ہے کہ معاشی پالیسی کے سلسلے میں حکومت غیر یقینی صورتحال سے دوچار ہے۔ جولائی 2018 سے مارچ 2019 تک پاکستانی معیشت پر عالمی بینک کی جانب سے پیش کئے جانے والے جائزے کے مطابق معیشت کے سکڑنے اور صنعتی شعبے کے زوال کے پیچھے بڑی وجوہات میں امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں تیزی سے آنے والی کمی اور تیزی سے بڑھتی ہوئی افراط زر کی شرح شامل ہیں۔ اسی بناء پر زیر نظر عرصے کے دوران مرکزی بینک کی جانب سے بھی پالیسی ریٹ کو بڑھایا گیا ہے۔

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

نواماہی اختتامیہ	نواماہی اختتامیہ	نواماہی اختتامیہ	نواماہی اختتامیہ
31 مارچ 2019	31 مارچ 2018	31 مارچ 2019	31 مارچ 2018
(روپے ملین میں)	(روپے ملین میں)	(روپے ملین میں)	(روپے ملین میں)
18,723	10,865	6,406	4,628
1,840	2,146	315	981
1,014	1,525	26	729
154	1,201	(344)	612

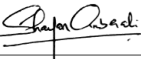
کل فروختگی
خام منافع
کاروباری منافع
منافع قبل از ٹیکس

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

		31 March 2019 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees) -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	16,484,198,616	15,528,653,230
Intangibles	6	34,058,545	27,888,714
Long-term investments		15,289,370	15,289,370
Long-term deposits		137,709,007	135,599,448
		16,671,255,538	15,707,430,762
CURRENT ASSETS			
Stores and spares		1,012,746,211	869,765,512
Stock-in-trade	7	9,395,226,961	7,459,068,100
Trade debts	8	2,634,449,458	1,787,703,846
Loans and advances		22,453,268	23,377,452
Trade deposits and short-term prepayments		34,538,193	44,233,685
Other receivables		173,127,504	227,188,878
Taxation – net		666,632,558	393,017,333
Cash and bank balances		111,981,596	131,073,813
		14,051,155,749	10,935,428,619
TOTAL ASSETS		30,722,411,287	26,642,859,381
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		2,970,114,270	2,970,114,270
Reserves		2,788,741,922	2,788,741,922
Revenue reserves – accumulated profit		4,353,146,510	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		2,378,736,980	2,434,441,250
		12,450,300,277	12,880,152,453
NON-CURRENT LIABILITIES			
Long-term financing		1,992,415,545	2,204,388,750
Deferred taxation	9	936,109,193	1,006,648,806
Deferred liability – staff gratuity		173,706,406	155,677,808
		3,102,231,144	3,366,715,364
CURRENT LIABILITIES			
Trade and other payables	10	3,364,533,855	2,428,873,755
Interest / markup accrued		327,129,896	135,648,698
Short-term borrowings		10,304,863,799	7,053,113,896
Current portion of long-term financing		1,166,101,205	775,245,124
Unclaimed dividends		7,251,111	3,110,091
		15,169,879,866	10,395,991,564
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		30,722,411,287	26,642,859,381

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Chief Financial Officer


Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2019
(UN-AUDITED)

		Nine months ended		Quarter-ended	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
Note		(Rupees)			
Sales	12	18,723,108,676	10,865,882,245	6,405,881,301	4,628,016,189
Cost of sales		(16,882,764,083)	(8,719,896,211)	(6,090,860,292)	(3,646,766,877)
Gross profit		1,840,344,593	2,145,986,034	315,021,009	981,249,312
Distribution costs	13	(438,690,133)	(228,186,183)	(153,763,623)	(92,351,092)
Administrative expenses		(371,454,907)	(298,288,629)	(134,773,262)	(113,842,411)
Other expenses		(21,792,017)	(96,286,791)	23,688,324	(47,028,976)
Other income		5,191,369	1,842,552	(24,206,632)	1,223,685
Operating profit		1,013,598,905	1,525,066,983	25,965,816	729,250,518
Finance costs	14	(860,091,226)	(324,034,902)	(370,453,388)	(117,282,514)
Profit / (loss) before taxation		153,507,679	1,201,032,081	(344,487,572)	611,968,004
Taxation	15	70,065,284	(203,880,450)	51,727,604	(139,226,463)
Net profit / (loss) for the period		223,572,963	997,151,631	(292,759,968)	472,741,541
Earnings / (loss) per share – basic and diluted		0.75	Rs. 3.36	(0.99)	Rs. 1.59

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer




Director


CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2019
(UN-AUDITED)

	Nine months ended		Quarter-ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	----- (Rupees) -----			
Net profit / (loss) for the period	223,572,963	997,151,631	(292,759,968)	472,741,541
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	223,572,963	997,151,631	(292,759,968)	472,741,541

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Chief Financial Officer


Director

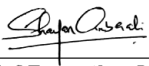
CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED 31 MARCH 2019

(UN-AUDITED)

	31 March 2019	31 March 2018
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	153,507,679	1,201,032,081
Adjustments for:		
Depreciation	496,036,628	272,033,154
Amortization	8,489,311	5,135,203
Provision for doubtful debts	16,026,785	35,499,922
Provision for gratuity	26,892,914	18,470,919
Gain on disposal of operating fixed assets	(299,633)	(379,259)
Finance costs	860,091,226	324,034,902
	1,407,237,231	654,794,841
(Increase) / decrease in current assets:		
Stores and spare	(142,980,697)	(142,889,291)
Stock-in-trade	(1,936,158,860)	(1,926,224,771)
Trade debts	(862,772,397)	(210,319,559)
Loans and advances	924,184	(14,187,428)
Trade deposits and short-term prepayments	9,695,490	(13,621,395)
Other receivables	54,061,373	(80,035,090)
	(2,877,230,907)	(2,387,277,534)
Increase in current liabilities:		
Trade and other payables	362,868,931	219,585,038
Net cash used in operations	(953,617,066)	(311,865,574)
Income taxes paid	(274,089,551)	(234,998,576)
Gratuity paid	(8,864,317)	(2,127,586)
Long-term deposits – net	(2,109,559)	(7,231,635)
Net cash used in operating activities	(1,238,680,493)	(556,223,371)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,452,080,488)	(2,329,588,669)
Proceeds from disposal of fixed assets	798,107	3,471,753
Acquisition of intangible assets	(14,659,143)	(1,849,541)
Net cash used in investing activities	(1,465,941,524)	(2,327,966,457)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings – net	3,824,541,071	2,430,894,400
Long-term financing – net	(101,117,124)	1,042,850,710
Loan from Directors	280,000,000	-
Dividend paid	(649,284,119)	(313,142,247)
Finance costs paid	(668,610,028)	(275,003,445)
Net cash generated from financing activities	2,685,529,800	2,885,599,418
Net (decrease) / increase in cash and cash equivalents	(19,092,217)	1,409,590
Cash and cash equivalents at the beginning of the period	131,073,813	69,558,113
Cash and cash equivalents at the end of the period	111,981,596	70,967,703

The annexed notes 1 to 19 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 NINE MONTHS ENDED 31 MARCH 2019

(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)
Balance as at 30 June 2017 – restated	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	-	-	997,151,631	-	-	997,151,631
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	997,151,631	-	-	997,151,631
Transferred to accumulated profit in respect of incremental depreciation during the period – net of tax	-	-	54,110,275	-	(54,110,275)	-
Balance as at 31 March 2018- restated	<u>2,970,114,270</u>	<u>2,788,741,922</u>	<u>4,119,941,762</u>	<u>(30,821,514)</u>	<u>1,700,904,721</u>	<u>11,548,881,161</u>
Balance as at 30 June 2018	2,970,114,270	2,788,741,922	4,727,294,416	(40,439,405)	2,434,441,250	12,880,152,453
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	-	-	223,572,963	-	-	223,572,963
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	223,572,963	-	-	223,572,963
Transferred to accumulated profit in respect of incremental depreciation during the period – net of tax	-	-	55,704,270	-	(55,704,270)	-
Balance as at 31 March 2019	<u>2,970,114,270</u>	<u>2,788,741,922</u>	<u>4,353,146,510</u>	<u>(40,439,405)</u>	<u>2,378,736,980</u>	<u>12,450,300,277</u>


The annexed notes 1 to 19 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 NINE MONTHS ENDED 31 MARCH 2019

(UN-AUDITED)

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 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.

2.2 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 30 June 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 30 June 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 include 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 31 March 2019 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 30 June 2018.
- 4.3** 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.

		31 March 2019 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees) -----	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	13,295,237,224	13,243,636,752
Capital work-in-progress	5.2	3,188,961,392	2,285,016,478
		<u>16,484,198,616</u>	<u>15,528,653,230</u>
5.1 Operating assets			
Opening net book value (NBV)		13,243,636,752	7,154,739,872
Additions during the period / year (cost)	5.1.1	548,135,575	5,719,731,396
Deletions during the period / year (NBV)	5.1.1	(498,475)	(5,389,486)
Depreciation charged during the period / year		(496,036,628)	(426,551,302)
Revaluation during the period		-	801,106,272
Closing NBV		<u>13,295,237,224</u>	<u>13,243,636,752</u>

5.1.1 Details of additions and disposals are as follows:

	Additions (cost)		Deletions (NBV)	
	31 March 2019 (Un-audited)	31 March 2018 (Un-audited)	31 March 2019 (Un-audited)	31 March 2018 (Un-audited)
	----- (Rupees) -----			
Buildings on leasehold land	30,073,304	101,868,022	-	-
Plant and machinery	468,141,107	862,609,691	-	36,155
Furniture and fittings	12,196,849	1,715,349	-	71,268
Office equipment	10,506,220	6,532,850	12,687	285,141
Vehicles	10,627,075	9,400,954	314,808	2,697,826
Computers	16,591,020	3,086,847	170,980	2,104
	<u>548,135,575</u>	<u>985,213,713</u>	<u>498,475</u>	<u>3,092,494</u>

5.2 Capital work-in-progress

	Opening balance	Additions	Transfers to operating assets	Closing balance
	----- (Rupees) -----			
Freehold land	362,003,718	1,070,990		363,074,708
Civil works	1,101,385,115	435,360,667	(25,739,450)	1,511,006,332
Plant and machinery	821,627,645	929,408,127	(436,155,420)	1,314,880,352
	<u>2,285,016,478</u>	<u>1,365,839,784</u>	<u>(461,894,870)</u>	<u>3,188,961,392</u>

	31 March 2019 (Un-audited)	30 June 2018 (Audited)
Note	----- (Rupees) -----	

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	14,659,142	14,756,279
Amortisation for the period / year	(8,489,311)	(7,268,869)
Balance at the end of the period / year	<u>34,058,545</u>	<u>27,888,714</u>

Gross carrying value

Cost	47,442,685	32,686,406
Additions during the period / year	14,659,143	14,756,279
Accumulated amortization / year	(28,043,283)	(19,553,971)
Balance at the end of the period / year	<u>34,058,545</u>	<u>27,888,714</u>

Useful life

Years		
5		5

31 March 2019 (Un-audited)	30 June 2018 (Audited)
----- (Rupees) -----	

7. STOCK-IN-TRADE

Raw materials

- In hand	2,653,277,134	3,926,397,766
- In transit	600,159,160	1,388,553,092
	<u>3,253,436,294</u>	<u>5,314,950,858</u>

Work-in-process

891,128,969	1,000,057,191
-------------	---------------

Finished goods

- Manufactured	5,249,577,317	1,141,969,859
- Trading	1,084,381	2,090,192
	<u>9,395,226,961</u>	<u>7,459,068,100</u>

8. TRADE DEBTS – unsecured

Considered good	2,634,449,458	1,787,703,846
Considered doubtful	143,173,989	127,147,204
	<u>2,777,623,447</u>	<u>1,914,851,050</u>
Provision for doubtful debts	(143,173,989)	(127,147,204)
	<u>2,634,449,458</u>	<u>1,787,703,846</u>

8.1 Movement of provision for doubtful debts

Opening balance	127,147,204	75,277,361
Provision for the period / year	16,026,785	52,264,698
	<u>143,173,989</u>	<u>127,542,059</u>
Written off during the period / year	-	(394,855)
Closing balance	<u>143,173,989</u>	<u>127,147,204</u>

		31 March 2019 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees) -----	
9. DEFERRED TAXATION			
Deductible temporary differences arising in respect of:			
Provisions		(156,070,476)	(141,119,105)
Unused tax credits	9.1	(950,859,893)	(920,753,857)
		<u>(1,106,930,369)</u>	<u>(1,061,872,962)</u>
Taxable temporary differences arising in respect of:			
Accelerated tax depreciation / amortization		1,248,046,623	1,251,866,058
Surplus on revaluation of property, plant and equipment		794,992,939	816,655,710
		<u>936,109,193</u>	<u>1,006,648,806</u>

- 9.1 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.

10. TRADE AND OTHER PAYABLES

Includes murabaha amounting to Rs.1918.551 million (30 June 2018: 1,345 million) and provision for gas infrastructure development cess amounting to Rs.226.388 million (30 June 2018: 189.666 million).

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 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 nine months 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 nine months 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.

	31 March 2019 (Un-audited) ----- (Rupees) -----	30 June 2018 (Audited) -----
Commitments		
11.1 Outstanding letters of credit	<u>2,681,290,346</u>	1,910,517,299
11.2 Outstanding letters of guarantee	<u>311,599,432</u>	211,760,464
11.3 Capital commitments	<u>62,200,000</u>	112,200,000
11.4 Commitments for rentals payable under Ijarah contracts in respect of vehicles and plant and machinery with Islamic banks are as follows:		
	31 March 2019 (Un-audited) ----- (Rupees) -----	30 June 2018 (Audited) -----
Not later than one year	<u>61,861,904</u>	40,475,868
Later than one year but not later than five years	<u>95,977,938</u>	79,252,297

	Nine months ended		Quarter ended	
	31 March 2019 (Un-audited) ----- (Rupees) -----	31 March 2018	31 March 2019 (Un-audited) ----- (Rupees) -----	31 March 2018
12. SALES – net				
Local				
Manufactured stock	18,654,889,728	10,828,146,084	6,377,220,841	4,615,121,420
Trading stock	<u>26,084,296</u>	<u>10,263,178</u>	<u>10,982,718</u>	<u>3,367,087</u>
	<u>18,680,974,024</u>	<u>10,838,409,262</u>	<u>6,388,203,559</u>	<u>4,618,488,507</u>
Less: sales tax				
Trading stock	3,787,339	1,491,355	1,611,588	489,358
Less: trade discounts				
Manufactured stock	1,510,887	480,979	851,742	-
	<u>18,675,675,798</u>	<u>10,836,436,928</u>	<u>6,385,740,229</u>	<u>4,617,999,149</u>
Export sales				
	<u>47,432,878</u>	<u>29,445,317</u>	<u>20,141,072</u>	<u>10,017,040</u>
	<u>18,723,108,676</u>	<u>10,865,882,245</u>	<u>6,405,881,301</u>	<u>4,628,016,189</u>

13. DISTRIBUTION COSTS

Includes advertisement and sales promotion amounting to Rs. 130.311 million (31 March 2018: Rs. 30.231 million) and cartage and transport amounting to Rs 164.775 million (31 March 2018: Rs. 96.993 million), respectively.

14. FINANCE COSTS

Includes mark up on short term borrowings amounting to Rs. 682.062 million (31 March 2018: Rs 270.146 million) and on long term borrowing Rs. 161.364 (31 March 2018: Rs. 41.978 million)

Nine months ended		Quarter ended	
31 March 2019	31 March 2018	31 March 2019	31 March 2018
(Un-audited)		(Un-audited)	
----- (Rupees) -----			

15. TAXATION

Current	(474,329)	(193,618,313)	(201,411)	(122,187,538)
Prior	-	48,184,965	-	-
Deferred	70,539,613	(58,447,102)	51,929,015	(17,038,925)
	<u>70,065,284</u>	<u>(203,880,450)</u>	<u>51,727,604</u>	<u>(139,226,463)</u>

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

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 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.

17. 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 March 2019 (Un-audited)	31 March 2018 (Un-audited)
	----- (Rupees) -----	----- (Rupees) -----
Directors' remuneration	16,200,000	15,006,839
Key management personnel's remuneration	164,370,347	126,967,072
Contribution to gratuity fund	26,892,914	18,470,919
Loan from non-executive director (principal plus interest)	290,302,740	-
Donation to Hunar Foundation	200,000	-
Purchase of food items from Hobnob Bakeries	170,666	-

18. DATE OF AUTHORIZATION

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

19. GENERAL

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

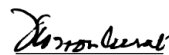
- 19.2 Key management personnel's remuneration corresponding figure in related party transactions note has been revised in line with the new definition of key management personnel under the directives issued by the Securities and Exchange Commission of Pakistan.



Chief Executive Officer



Chief Financial Officer



Director

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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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