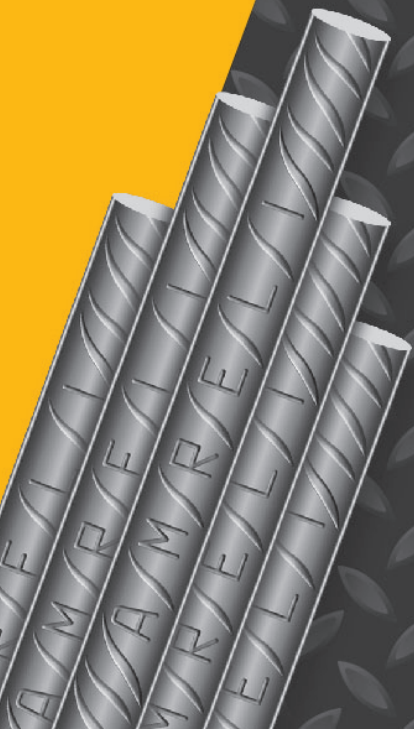


AMRELI STEELS LIMITED

**REPORT FOR THE SECOND
QUARTER AND HALF YEAR ENDED**

31 DECEMBER 2019



AMRELI STEELS
Building for Life

TABLE OF CONTENTS

Contents	Page No.
Company Information	02
Directors' Review Report (English & Urdu)	04
Auditor's Review Report	08
Condensed Interim Statement of Financial Position	09
Condensed Interim Statement of Profit or Loss	10
Condensed Interim Statement of Comprehensive Income	11
Condensed Interim Statement of Changes in Equity	12
Condensed Interim Statement of Cash Flows	13
Notes to the Condensed Interim Financial Statements	14
Investors' Education (Jama Punji)	20

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

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	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	Standard Chartered Bank (Pakistan) Limited
Faysal Bank Limited	United Bank Limited
Habib 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 HALF YEAR ENDED 31 DECEMBER 2019**

The Board of Directors of your Company present their review on the financial and operational performance of the Company for the half year ended 31 December 2019.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Your Company registered net sales of Rs.13.6 billion during the first half of ongoing financial year as compared to Rs.12.3 billion during the similar period last year. The gross profit for the half year declined from Rs.1.5 billion (12.4%) to Rs.1.3 billion (9.3%) mainly due to increase in cost of sales by 14.7%. The operating profit declined to Rs.624.7 million during six months' period under review as compared to Rs.987.6 million in the similar period last year. The Company registered a loss before and after tax of Rs.589.1 million and Rs.313.5 million respectively during the half year under review as compared to profit before and after tax of Rs.498 million and Rs.516.3 million respectively in the similar period last year. This decline in profit is attributable mainly to 17.1% drop in gross margins and a phenomenal 2.5 times increase in finance cost. Administrative and distribution expenses also grew by 31% and 15% respectively during the half year under review.

Comparing the second quarter under review (December 2019) with the first quarter (September 2019) of ongoing financial year, your Company increase its net sales by Rs.1.5 billion reflecting an increase of 24.1% which is primarily due to higher sales volumes by 18,781 metric tons or 29.6% more than first quarter. However, cost of sales increased by 28.5% which resulted in decline in gross margins by 3.1% and similarly the operating profits also declined to 3.4% (December 2019) from 6.1% (September 2019).

The slow-down in overall economy, smuggling from Iran, misdeclaration of input by certain manufacturers, anomalies in taxation of certain type of intermediate goods, inability of FBR to adjust Input Sales Tax of the opening inventories, increasing cash flow difficulties and goods coming from FATA/PATA at a much cheaper rates are all putting huge pressure on price. Further, supply being more than demand is containing the ability of the Company to pass through increase in costs resulting in losses in both the quarters.

The key financial highlights of the Company are as follows –

	Half Year Ended 31 December 2019 (Rs. in millions)	Half Year Ended 31 December 2018 (Rs. in millions)
Net sales	13,642	12,317
Gross Profit	1,264	1,525
Operating Profit	625	988
(Loss)/ Profit before tax	(589)	498
(Loss)/ Profit after tax	(313)	516
(Loss)/ Earnings Per Share – basic and diluted (Rs.)	(1.06)	1.74

FUTURE OUTLOOK

The overall economy in general and steel industry in particular will continue to face challenges during the remaining half of the ongoing financial year. The expected upsurge in input costs due to increase in utility tariffs and volatility in international scrap and other raw material input prices will escalate the production cost further. The new axle load regime will also increase cost of transportation of goods. The restrictions by tax authorities on sales to unregistered persons upto a certain threshold and documentation of economy will keep pressure on prices and margins. Import restrictions from India and implication of Corona Virus from China will also increase the cost of doing business further.

The management of your Company cognizant of all the above challenges is taking all steps necessary to steer the Company in these difficult times. We are working diligently to identify all inefficiencies in the operations, reduce receivable days and continue to increase capacity utilization by increasing sales volume and foot print across the country.

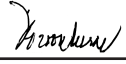
ACKNOWLEDGEMENT

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 to strengthen the Company.

For & on behalf of Board of Directors



Shayan Akberali
Chief Executive Officer



Teizoon Kisat
Director

26 February 2020
Karachi

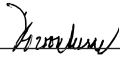
رواں مالی سال کے بقیت نصف حصے میں مجموعی طور پر پوری معیشت اور بالخصوص اسمٹیل کی صنعت کو مسائل کا سامنا رہے گا۔ یوٹیلیٹی بلوں میں متوقع اضافہ، بین الاقوامی مارکیٹ میں اسکرپ کی قیمتوں میں اتار چڑھاؤ اور دیگر تمام مال کی قیمت میں اضافے کا مجموعی اثر پیداواری لاگت میں مزید اضافے کا باعث بنے گا۔ نیواٹیکسل لوڈ ریٹیم متعارف کروانے جانے کے بعد ٹرانسپورٹ کے اخراجات میں بھی اضافہ ہوگا۔ لیکن اتھارٹی کی جانب سے غیر رجسٹرڈ شدہ افراد کو ایک حد سے زائد مال فروخت نہ کرنے کی پابندی اور مجموعی طور پر معیشت کو دستاویزی صورت میں لانے کے عمل کی وجہ سے قیمتیں دباؤ کا شکار رہیں گی جس کی وجہ سے شرح منافع پر بھی منفی اثرات مرتب ہو سکتے۔ بھارت کی جانب سے درآمدات پر پابندی اور چین میں کرونا وائرس کی وجہ سے بھی کاروباری لاگت میں اضافہ ہوگا۔


آپ کی کمپنی کی انتظامیہ مذکورہ بالا تمام مسائل سے پوری طرح واقف ہے اور ان مسائل سے کمپنی کو نکالنے کیلئے اپنے تمام وسائل بروئے کار لارہی ہے۔ ہم انتہائی مستعدی کے ساتھ کام کر رہے ہیں کہ کاروباری افعال میں پائی جانے والی خامیوں کی نشاندہی کی جائے، وصولیاں جلد از جلد کی جائیں اور استعداد کاری میں اضافہ کیا جائے اور اس سلسلے میں فروخت کے حجم اور پورے ملک کی مارکیٹ میں اپنے حصے کو بڑھانے کی کوشش جاری رکھی جائے۔

انٹہار تشکر

آپ کی کمپنی کے 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 و مختاب بورڈ آف ڈائریکٹرز


 تیزوان کت
 ڈائریکٹر


 شایان اکھتریل
 چیف ایگزیکٹو

ڈائریکٹرز کی جائزہ رپورٹ

برائے ششماہی اختتامیہ 31 دسمبر 2019

یورڈ آف ڈائریکٹرز آپ کی کمپنی کی مالیاتی کاروباری کارکردگی برائے ششماہی اختتامیہ 31 دسمبر 2019 سے متعلق رپورٹ آپ کی خدمت میں پیش کر رہے ہیں۔

مالیاتی کاروباری امور کی اہم جھلکیاں

رواں مالی سال کی پہلی ششماہی کے دوران آپ کی کمپنی کی جانب سے صافی فروخت کا حجم 13.6 ارب روپے درج کیا گیا ہے جو کہ گزشتہ مالی سال کے اسی عرصے کے دوران 12.3 ارب روپے درج کیا گیا تھا۔ دوران ششماہی نام منافع 1.5 ارب (12.4%) سے کم ہو کر 1.3 ارب (9.3%) ہو چکا ہے جس کی بنیادی وجہ لاگت برائے فروخت میں 14.7% اضافہ ہے۔ زیر نظر ششماہی کے دوران کاروباری منافع کم ہو کر 624.7 ملین روپے ہو چکا ہے جو کہ گزشتہ مالی سال کے اسی عرصے کے دوران 987.6 ملین روپے درج کیا گیا تھا۔ دوران ششماہی کمپنی کی جانب سے با ترتیب قبل از ٹیکس و بعد از ٹیکس نقصان 589.1 ملین اور 313.5 ملین روپے درج کیا گیا ہے جبکہ گزشتہ مالی سال کے اسی عرصے کے دوران قبل از ٹیکس اور بعد از ٹیکس کمپنی کی جانب با ترتیب 498 ملین اور 516.3 ملین روپے کا منافع درج کیا گیا تھا۔ منافع میں آنے والی اس کمی کی وجوہات میں نام منافع میں 17.1% کی کمی اور معمولی لاگت میں 2.5 گناہ کا اضافہ شامل ہیں۔ زیر نظر ششماہی کے دوران انتظامی اخراجات اور لاگت برائے تربیل مال میں با ترتیب 31% اور 15% اضافہ ہوا ہے۔

رواں مالی سال کی پہلی سہ ماہی (ستمبر 2019) کے مقابلے میں دوسری سہ ماہی (دسمبر 2019) کے دوران آپ کی کمپنی کی جانب سے فروخت کے صافی حجم میں 1.5 ارب روپے کا اضافہ کیا گیا ہے جو کہ 24.1% بنتا ہے جس کی بنیادی وجہ پہلی سہ ماہی کے مقابلے میں فروخت کے حجم میں 18,781 میٹرک ٹن (29.6%) کا اضافہ تھا۔ تاہم لاگت برائے فروخت میں 28.5% اضافہ ہوا ہے جس کی وجہ سے نام منافع میں 3.1% کی کمی واقع ہوئی ہے اور اسی طرح کاروباری منافع میں بھی کمی آئی ہے جو کہ کم ہو کر 3.4% ہو چکا ہے جبکہ گزشتہ سہ ماہی (ستمبر 2019) کے اختتام پر منافع کی شرح 6.1% درج کی گئی تھی۔

بہت سی وجوہات کی بناء پر قیمت فروخت دباؤ کا شکار ہے جن میں معیشت کی سست روی، ایران سے ہونے والی اسمگلنگ، چند صنعتکاروں کی جانب سے خام مال کی لاگت میں غلط بیانی، کچھ درمیانی اشیاء کے سلسلے میں ٹیکس میں پائی جانے والی بے ضابطگیاں، ایف بی آر کی جانب سے افتتاحی انویسٹری کے سلسلے میں بیلر ٹیکس کا تعین کرنے میں ناکامی، قوم کی تربیل میں آنے والی مشکلات اور فنانسنگ کے انتہائی سستی قیمت میں آنے والی اشیاء وغیرہ شامل ہیں۔ مزید برآں، طلب سے زائد رسد ہونے کی وجہ سے کمپنی دونوں سہ ماہیوں میں ہونے والے نقصانات کی لاگت کو قیمت میں اضافے کے ذریعے متعلق نہ کر سکی۔

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

ششماہی اختتامیہ	ششماہی اختتامیہ	
31 دسمبر 2018	31 دسمبر 2019	
(روپے ملین میں)	(روپے ملین میں)	
12,317	13,642	صافی فروخت
1,525	1,264	خام منافع
988	625	کاروباری منافع
498	(589)	(نقصان) / منافع قبل از ٹیکس
516	(313)	(نقصان) / منافع بعد از ٹیکس
1.74	(1.06)	(نقصان) / آمدن فی حصص - بنیادی و تھمبلی (روپے میں)

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Amreli Steels Limited** (the Company) as at **December 31, 2019** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of condensed interim statement of profit or loss, condensed interim statement of comprehensive income and the notes forming part thereof for the three month period ended 31 December 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended 31 December 2019.


Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

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



Chartered Accountants

Place: Karachi

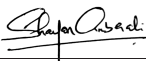
Date: 27 February 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

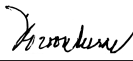
AS AT 31 DECEMBER 2019

		31 December 2019 (Un-audited)	30 June 2019 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	17,222,081	16,965,602
Intangible assets		25,995	31,926
Long-term investments		15,289	15,289
Long-term deposits		137,759	137,746
		<u>17,401,124</u>	<u>17,150,563</u>
CURRENT ASSETS			
Stores and spares		1,175,993	1,337,910
Stock-in-trade	6	7,358,190	6,586,598
Trade debts		4,307,096	3,402,722
Loans and advances		26,421	18,798
Trade deposits and short-term prepayments		35,016	35,940
Other receivables	7	599,456	127,402
Taxation – net		1,065,625	803,803
Cash and bank balances		436,646	147,039
		<u>15,004,443</u>	<u>12,460,212</u>
TOTAL ASSETS		<u>32,405,567</u>	<u>29,610,775</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		2,970,114	2,970,114
Capital reserve		2,788,742	2,788,742
Accumulated profit		3,903,792	4,179,935
Actuarial loss on gratuity fund		(56,406)	(56,406)
Revaluation surplus on property, plant and equipment – net of tax		2,323,864	2,361,200
		<u>11,930,106</u>	<u>12,243,585</u>
NON-CURRENT LIABILITIES			
Long-term financing	8	5,018,962	1,506,914
Loan from related party		-	280,000
Deferred taxation		623,996	900,142
Deferred liability		227,222	205,420
Lease liabilities	3.2	21,867	-
		<u>5,892,047</u>	<u>2,892,476</u>
CURRENT LIABILITIES			
Trade and other payables	9	2,973,894	3,560,081
Contract liabilities		347,328	280,783
Interest / markup accrued		432,007	352,787
Short-term borrowings		9,353,488	9,087,930
Current portion of long-term financing		1,198,663	1,186,554
Current portion of loan from related party		264,444	-
Current portion of lease liabilities	3.2	7,425	-
Unclaimed dividend		6,165	6,579
		<u>14,583,414</u>	<u>14,474,714</u>
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		<u>32,405,567</u>	<u>29,610,775</u>

The annexed notes 1 to 18 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 HALF YEAR ENDED 31 DECEMBER 2019

Note	Half-year ended		Quarter-ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees in '000)			
Sales	13,642,337	12,317,227	7,555,356	6,394,866
Cost of sales	(12,378,447)	(10,791,903)	(6,960,699)	(5,777,716)
Gross profit	1,263,890	1,525,324	594,657	617,150
Distribution costs	(327,481)	(284,927)	(156,570)	(128,959)
Administrative expenses	(310,025)	(236,682)	(178,958)	(127,473)
Other expenses	(10,287)	(45,480)	(6,605)	(9,193)
Other income	8,639	29,398	1,465	6,870
Operating profit	624,736	987,633	253,989	358,395
Finance costs	11 (1,213,839)	(489,638)	(667,141)	(281,027)
(Loss) / profit before taxation	(589,103)	497,995	(413,152)	77,368
Taxation - net	12 275,624	18,338	180,732	30,377
Net (loss) / profit for the period	(313,479)	516,333	(232,420)	107,745
(Loss) / earnings per share – basic and diluted	Rs. (1.06)	Rs. 1.74	Rs. (0.78)	Rs. 0.36

The annexed notes 1 to 18 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 HALF YEAR ENDED 31 DECEMBER 2019

	Half-year ended		Quarter-ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	----- (Rupees in '000) -----			
Net (loss) / profit for the period	(313,479)	516,333	(232,420)	107,745
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / income for the period	(313,479)	516,333	(232,420)	107,745

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director

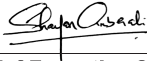


Chief Financial Officer

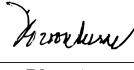
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
(UN-AUDITED)

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve	Actuarial loss on gratuity fund	Revaluation surplus on property, plant and equipment	Total
		Share premium	Accumulated profit			
(Rupees in '000)						
Balance as at 30 June 2018 (Audited)	2,970,114	2,788,742	4,727,294	(40,439)	2,434,441	12,880,152
Final dividend @ Rs.2.2 per Ordinary share of Rs. 10 each for the year ended 30 June 2018	-	-	(653,425)	-	-	(653,425)
Net profit for the period	-	-	516,333	-	-	516,333
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	516,333	-	-	516,333
Transferred to accumulated profit in respect of incremental depreciation during the period – net of tax	-	-	37,462	-	(37,462)	-
Balance as at 31 December 2018 (Un-audited)	<u>2,970,114</u>	<u>2,788,742</u>	<u>4,627,664</u>	<u>(40,439)</u>	<u>2,396,979</u>	<u>12,743,060</u>
Balance as at 30 June 2019 (Audited)	2,970,114	2,788,742	4,179,935	(56,406)	2,361,200	12,243,585
Net loss for the period	-	-	(313,479)	-	-	(313,479)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(313,479)	-	-	(313,479)
Transferred to accumulated profit in respect of incremental depreciation during the period – net of tax	-	-	37,336	-	(37,336)	-
Balance as at 31 December 2019 (Un-audited)	<u>2,970,114</u>	<u>2,788,742</u>	<u>3,903,792</u>	<u>(56,406)</u>	<u>2,323,864</u>	<u>11,930,106</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
(UN-AUDITED)

	2019	2018
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	(589,103)	497,995
Adjustments for:		
Depreciation on:		
- Operating fixed assets	419,001	323,922
- Right-of-use assets	4,646	-
Amortization	6,436	5,240
Provision for expected credit loss	68,958	(25,725)
Provision for gratuity	30,097	17,929
Gain on disposal of operating fixed assets	(646)	(3)
Exchange gain on foreign currency	(3,272)	-
Finance costs on:		
- Lease liabilities	2,148	-
- Others	1,211,691	489,638
	<u>1,739,059</u>	<u>811,001</u>
	1,149,956	1,308,996
Increase in current assets:		
Stores and spares	161,917	(62,742)
Stock-in-trade	(771,592)	(1,087,499)
Trade debts	(973,333)	(836,144)
Loans and advances	(7,622)	(3,018)
Trade deposits and short-term prepayments	924	9,018
Other receivables	(472,054)	157,404
	<u>(2,061,760)</u>	<u>(1,822,981)</u>
Increase in current liabilities:		
Trade and other payables	169,212	220,980
Contract liabilities	66,545	-
Net cash used in operating activities	<u>(676,047)</u>	<u>(293,005)</u>
Income taxes paid	(262,889)	(181,832)
Gratuity paid	(8,295)	(6,628)
Long-term deposits – net	(13)	(422)
Net cash used in operating activities	<u>(947,244)</u>	<u>(481,887)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(649,000)	(841,860)
Proceeds from disposal of operating fixed assets	2,853	131
Additions to intangible assets	(506)	(12,160)
Dividends paid	(414)	(648,182)
Net cash used in investing activities	<u>(647,067)</u>	<u>(1,502,071)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings – net	(486,569)	2,016,812
Long-term financing – net	3,524,157	40,146
Loan from related party	(15,556)	280,000
Finance costs paid	(1,134,993)	(409,801)
Lease rentals paid	(3,121)	-
Net cash generated from financing activities	<u>1,883,918</u>	<u>1,927,157</u>
Net increase / (decrease) in cash and cash equivalents	<u>289,607</u>	<u>(56,801)</u>
Cash and cash equivalents at the beginning of the period	<u>147,039</u>	<u>131,074</u>
Cash and cash equivalents at the end of the period	<u>436,646</u>	<u>74,273</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

(UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

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

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

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 2019. These condensed interim financial statements are unaudited, however have been subject to limited scope review by the auditors, and 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.

The figures of the condensed interim statement of profit and loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2019 and 31 December 2018 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended 31 December 2019 and 31 December 2018.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the Company's annual audited financial statements for the year ended 30 June 2019 except as disclosed below:

3.1 New / Revised Standards, Amendments, Interpretations and Improvements

The Company has adopted the following accounting standards, amendments and interpretation of IFRSs and the improvements to accounting standards which became effective for the current period:

Standards, amendments and interpretation

- IFRS 16 - Leases
- IFRIC 23 - Uncertainty over income tax treatments
- IFRS 9 - Financial Instruments
- IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)

Improvements to Accounting Standards Issued by the IASB in December 2017

- IFRS 3 Business Combinations - Previously held Interests in a joint operation
- IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
- IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
- IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization

The adoption of the above standards, amendments, interpretation and improvements did not have any effect on the accounting policies of the Company except for IFRS 16. The impact of adoption of IFRS 16 is explained in note 3.2 to these condensed interim financial statements.

3.2 Impact on adoption of IFRS 16 - Leases

IFRS 16 supersedes IAS 17 'Leases', 'IFRIC 4' Determining whether an Arrangement contains a Lease, 'SIC-15' Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions and will be recognized in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities.

Lease obligations of the Company comprises of lease arrangements giving it the right-of-use over properties utilized as office premises and sales offices.

The Company adopted IFRS 16 with effect from 01 July 2019 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application with no restatement of comparative information. The Company elected to use the transition practical expedient allowing the Company to use a single discount rate to a portfolio of leases with the similar characteristics.

The right-of-use assets were recognized based on the amount equal to lease liabilities, adjusted for any related prepaid lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at 01 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	Rupees in '000
Operating lease commitments as at 30 June 2019	41,806
Impact of discounting	(8,473)
Other adjustment	(3,290)
Lease liabilities at 01 July 2019	<u>30,043</u>
Weighted average incremental borrowing rate as at 01 July 2019	<u>13.72%</u>

The impact of adoption of IFRS 16 as at 01 July 2019 (increase/ (decrease)) is as follows:

	Rupees in '000
Assets	
Property, plant and equipment	33,333
Prepayments	(3,290)
Total assets	<u>30,043</u>
Liabilities	
Lease liabilities	25,043
Current portion of lease liabilities	5,000
	<u>30,043</u>

The impact of adoption of IFRS 16 for the period ended 31 December 2019 is as follows:

Condensed interim statement of profit and loss	
Depreciation charge on right-of-use assets	<u>4,646</u>
Interest expense on lease liabilities	<u>2,148</u>
Deferred tax credit on right-of-use assets and corresponding lease liabilities - net	<u>174</u>

3.3 Amendments to accounting and reporting standards that are not yet effective

The following amendment to the accounting and reporting standards as applicable in Pakistan are relevant to the Company and would be effective from the date mentioned below:

	Effective date (annual periods beginning on or after)
IAS1 / IAS 8 Definition of Material	January 01,2020

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unconsolidated condensed interim financial statements in conformity with approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amount of assets and liabilities and income and expenses.

Judgements and estimates made by the management in the preparation of these unconsolidated condensed interim financial statements are same as those applied in the Company's annual unconsolidated financial statements for the year ended 30 June 2019, except as disclosed otherwise.

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

	31 December 2019 (Un-audited)	30 June 2019 (Audited)
Note	----- (Rupees in '000) -----	

5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	5.1	14,499,498	14,729,718
Capital work-in-progress	5.2	2,693,896	2,235,884
Right-of-use of assets		28,687	-
		17,222,081	16,965,602

5.1 Operating fixed assets

Balance at the beginning of the period / year		14,729,718	13,243,636
Additions during the period / year	5.1.1	190,988	2,171,498
Disposals during the period / year	5.1.1	(2,207)	(518)
Depreciation charged during the period / year		(419,001)	(684,898)
Balance at the end of the period / year		14,499,498	14,729,718

5.1.1 Details of additions and disposals are as follows:

	Additions (cost)		Deletions (Net book value)	
	December 31 2019 (Unaudited)	December 31 2018 (Unaudited)	December 31 2019 (Unaudited)	December 31 2018 (Unaudited)
	----- (Rupees in '000) -----			
Buildings on leasehold land	6,252	26,322	-	-
Plant and machinery	169,772	214,730	-	-
Furniture and fittings	447	10,959	12	-
Office equipment	4,010	8,389	5	13
Vehicles	6,501	7,011	1,986	315
Computers	4,006	14,974	204	190
	190,988	282,385	2,207	518

5.2 Capital work-in-progress

	Opening balance	Additions	Transfers to operating fixed assets	Closing balance
	(Rupees in '000)			
Freehold land	229,618	-	-	229,618
Plant and machinery	1,068,285	567,909	(143,383)	1,492,811
Civil works	937,981	35,827	(2,341)	971,467
	<u>2,235,884</u>	<u>603,736</u>	<u>(145,724)</u>	<u>2,693,896</u>
			31 December 2019 (Unaudited)	30 June 2019 (Audited)
			(Rupees in '000)	

6. STOCK-IN-TRADE

Raw materials

- In hand	2,572,376	1,974,244
- In transit	<u>744,598</u>	<u>1,489,037</u>
	<u>3,316,974</u>	<u>3,463,281</u>

Work-in-process

1,445,704 746,594

Finished Goods

2,595,512 2,376,723

7,358,190 6,586,598

7. OTHER RECEIVABLES

Includes sales tax refundable amounting to Rs. 598.755 million (30 June 2019: Rs. 127.055 million). The refundable amounting to Rs. 460.462 million pertains to closing inventory as of 30 June 2019.

Through Finance Act, 2019, Federal Excise Duty in sales tax mode was levied on steel melters under the second schedule of the Federal Excise Act, 2005. Previously, steel melters were discharging their sales tax liability under the Sales Tax Special Procedure Rules, 2007, on the basis of units of electricity consumed.

Currently, the mechanism for adjustment of said amount is in development stage and in accordance with the opinion of its tax advisor, the Company is confident that the amount would be recovered in due course.

8. LONG-TERM FINANCING

During the period, the Company obtained a new Syndicated Term Finance Facility from commercial banks for the purpose of conversion of short-term debt into long-term debt. This carries markup at one month KIBOR plus 1.15% per annum and is secured against first Pari-Passu charge over all present and future fixed assets of the Company with 25% margin. The portion of the facility utilized during period amounts to Rs. 4,000 million and is repayable over a period of five years.

9. TRADE AND OTHER PAYABLES

Includes murabaha amounting to Rs. 1,663.638 million (30 June 2019: 2,415.765 million) and provision for gas infrastructure development cess amounting to Rs. 258.151 million (30 June 2019: 242.127 million)

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There were no material changes in the status of contingencies as reported in the annual financial statements for the year ended 30 June 2019 except as 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 Honorable High Court of Sindh. However, during preceding financial year, the ATIR has decided the case in favour of the Company. During the period, the Federal Board of Revenue filed reference application at the Honorable High Court of Sindh against ATIR's Order. Although the case is still pending adjudication, the company based on the merit of the case and as per the advice of the legal advisor expects a favourable outcome on this matter and accordingly, no provision has been made in these condensed interim financial statements.

	31 December 2019 (Un-audited) ----- (Rupees in '000) -----	30 June 2019 (Audited)
10.2 Commitments		
10.2.1 Outstanding letters of credit	<u>2,735,253</u>	<u>3,153,847</u>
10.2.2 Outstanding letters of guarantee	<u>520,521</u>	<u>490,521</u>

10.2.3 Commitments for rentals payable under Ijarah contracts in respect of vehicles and plant and machinery with Islamic banks are as follows:

	31 December 2019 (Un-audited) ----- (Rupees in '000) -----	30 June 2019 (Audited)
Not later than one year	<u>49,620</u>	<u>56,834</u>
Later than one year but not later than five years	<u>64,295</u>	<u>85,184</u>

11. FINANCE COSTS

Includes mark up on long-term financing and short-term borrowings amounting to Rs. 279,468 million and Rs. 893,451 (31 December 2018: Rs. 98,332 million and Rs. 381.639 million), respectively.

	Half year ended	
	31 December 2019 (Un-audited) ----- (Rupees in '000) -----	31 December 2018
12. TAXATION - net		
Current	<u>204,374</u>	153,897
Deferred	<u>(479,998)</u>	<u>(172,235)</u>
	<u>(275,624)</u>	<u>(18,338)</u>

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks. 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 2019. There have been no change in any risk management policies since the year end.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

There were no transfers amongst levels during the period.

15. TRANSACTION WITH RELATED PARTIES

Related parties of the Company comprise of directors, major shareholders of the Company, key management personnel and retirement benefit funds. Details of transactions with related parties during the period, other than those disclosed elsewhere in these condensed interim financial statements are as follows:

Nature of transaction	Relationship with the company	Half Year Ended		Quarter Ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		—(Rupees in '000)—		—(Rupees in '000)—	
Meeting fee	Directors	1,350	1,500	550	600
Remuneration and other benefits	Key management personnel	111,946	114,568	51,598	51,794
Repayment of loan from related party	Chairman & Non-Executive Director	20,556	-	5,001	-
Interest expense charged on loan from related party	Chairman & Non-Executive Director	18,193	3,019	9,238	3,019
Contribution to staff gratuity fund	Retirement benefit fund	30,097	17,929	15,048	8,964

16. OPERATING SEGMENTS

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

Revenue from export sales represents 0.33% (December 31, 2018: 0.21%) of the total gross revenue of the Company.

All non-current assets of the Company as at 31 December 2019 and 2018 are located in Pakistan.

Sales made by the Company to its 20 major customers during the period constituted 42% (31 December 2018: 32%) of total sales.

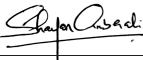
17. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 26 February 2020 by the Board of Directors of the Company.

18. GENERAL

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

18.2 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison.



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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