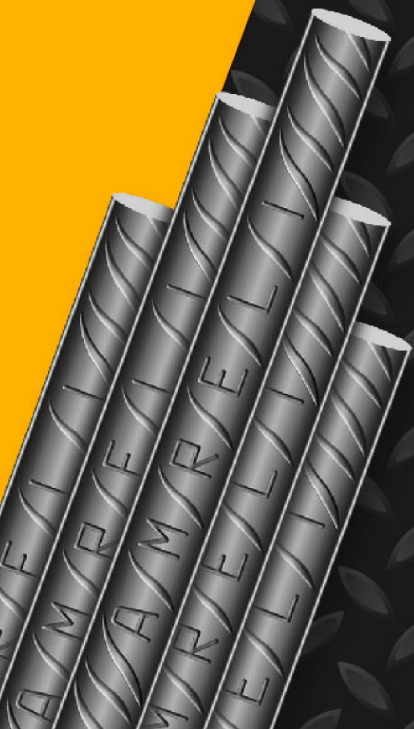


AMRELI STEELS LIMITED

**REPORT FOR THE FIRST
QUARTER ENDED**

30 SEPTEMBER 2022



AMRELI STEELS
Building for Life

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COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

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

CHIEF OPERATING OFFICER (STRATEGY)

Mr. Hadi Akberali

CHIEF OPERATING OFFICER (OPERATIONS) & CHIEF FINANCIAL OFFICER

Mr. Fazal Ahmed

COMPANY SECRETARY

Mr. Adnan Abdul Ghaffar

HEAD OF INTERNAL AUDIT

Ms. Alina Osama Ali

EXTERNAL AUDITORS

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

INTERNAL AUDITORS

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

SHARE REGISTRAR

THK Associates (Pvt) Limited
Plot No. 32-C, Jami Commercial Street - 2, D.H.A.,
Phase -VII, Karachi-75500.
UAN: (021) 111-000-322 Direct No: (021) 35310187
Email: sfc@thk.com.pk

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

Al Baraka Bank Pakistan Limited	MCB Bank Limited
Allied Bank Limited	MCB Islamic Bank Limited
Askari Bank Limited	Meezan Bank Limited
Bank Al Habib Limited	National Bank Limited
Bank Alfalah Limited	Samba Bank Limited
Bank Islami Pakistan Limited	Silk Bank Limited
Dubai Islamic Bank Pakistan Limited	Soneri Bank Limited
Faysal Bank Limited	Standard Chartered Bank (Pakistan) Limited
Habib Bank Limited	Summit Bank Limited
Habib Metropolitan Bank Limited	The Bank of Punjab
JS Bank Limited	United Bank Limited

REGISTERED OFFICE

A-18, S.I.T.E, Karachi, Pakistan
UAN: (+92-21) 111-AMRELI (267354)
Fax: 92-21-32587240, 38798328
Email: investor-relations@amrelisteels.com

SHERSHAH ROLLING MILL (SRM)

D-89, Shershah Road, Karachi, Pakistan

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

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

SYMBOL AT PAKISTAN STOCK EXCHANGE LIMITED

ASTL

WEBSITE INFORMATION

www.amrelisteels.com

DIRECTORS' REVIEW REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2022

The Board of Directors of your Company hereby present their reviews on the financial and operational performance of the Company for the quarter ended 30 September 2022 amidst rapidly changing economic and geopolitical landscape that has emerged in the country during the recent past.

Persistent political instability and indecisive monetary measures have left the business to face gross challenges. Recent floods brought on by extremely strong monsoon rains have damaged not only national infrastructure but also afflicted a food crisis, directly affecting the sustainability of the masses socially and economically. The catastrophic flooding has killed thousands of people, besides sinking one-third of the country into water with damages estimated to be running in the billions of dollars. This has further compounded the agony of an economy which has already been struggling for its survival due to the ever increasing current account deficit and sharply rising inflation amid a huge burden of international and domestic debts. Moreover, the unsustainable policy rate of 15% along with the massive rupee devaluation has left no option for the local industries to curtail or shut down their production facilities.

For the quarter under review, the PKR devalued 11.7% from Rs.205 on 01 July 2022 to Rs.229 on 30 September 2022. With working capital lines already stressed, many steel mills in Pakistan have not only curtailed their production but some have completely shut down their operations for the entire quarter. Additionally, in the absence of steel demand (due to a large part of the country still being under water), the steel stocks are piling-up, resulting in liquidity issues for many steel mills which have been forced to lower their rebar prices by Rs.10,000 to Rs.15,000 per ton as of the reporting date. Even with a reduction in pricing, the stocks are not being easily off loaded in the market due to a severe crunch in demand for construction materials.

Owing to the sluggish demand of our product, your Company had suspended production operations for the month of September to manage inventories and cash flows. Your Company moved 49,024 metric tons of prime rebars during the quarter under review, which were 43% less than the volumes of the corresponding quarter last year. This resulted in a decline of 17% in the top line to Rs.9.8 billion during the first quarter of the ongoing financial year as compared to Rs.11.8 billion during the similar quarter last year.

Despite substantial decline in sales quantity, the gross profit for the quarter reduced marginally from Rs.1.7 billion to Rs.1.6 billion whereas operating profit declined from Rs.1.2 billion to Rs.1.1 billion as compared to similar quarter last year. This was possible because of low cost inventory that was available for manufacturing and sales at the beginning of the quarter under review. The Company registered profit before and after tax of Rs.214 million and Rs.204 million respectively during the quarter under review as compared to profit before and after tax of Rs.857 million and Rs.702 million respectively in the similar period last year. The decline in profit is attributable mainly due to a 6.12% decline in gross margins and a 142% increase in finance cost as compared to the similar quarter last year. Your Company recorded Earning Per Share (both basic and diluted) during the quarter under review at Re.0.69.

The key financial highlights of the Company are as follows -

	First Quarter Ended 30 September 2022 (Rs. in millions)	First Quarter Ended 30 September 2021 (Rs. in millions)
Net sales	9,820	11,844
Gross profit	1,589	1,692
Operating profit	1,142	1,241
Financial charges	928	384
Profit before tax	214	857
Profit after tax	204	702
Earnings per share (both basic and diluted) (in Rupee(s))	0.69	2.36

FUTURE OUTLOOK:

The World Bank in its recent report forecasted Pakistan's economy to slow down to 2% in financial year 2023 due to the recent devastating floods, fiscal adjustments, monetary tightening and various macroeconomic imbalances which remain unaddressed and would ultimately lead to a suppression of domestic demand. Luckily, international scrap prices came down during the quarter under review which negated the negative effect of PKR devaluation to some extent. However, the current rupee appreciation has surprised everyone as there is no plausible reason for its strengthening, given the USD is at its all-time high and our import cover is down to 6 weeks. This anomaly has actually confused the markets as it has created more uncertainty in the minds of the business community and customers alike.

Interest rates are expected to remain very high and continue to hurt leveraged companies. Construction industry participants believe there can be a contraction in construction activities to the tune of 25% to 30% for most part of the current financial year. However, the markets may improve towards the end of the third quarter of the current financial year giving hopes of some recovery. As mentioned in our last annual report, there are plenty of construction projects in the pipeline that will eventually require high volumes of steel. Whether it converts into actual demand or not will depend on how the government manages budgetary constraints due to the IMF dictates and liquidity crisis with the ever depleting foreign currency reserves.

Finally, we would like to offer gratitude to all stakeholders of the Company including our Amrelians, valued shareholders, customers, financial institutions and suppliers for their encouragement and continued support.

For & on behalf of Board of Directors



Shayan Akberali
Chief Executive Officer



Zafar Ahmed Taji
Director

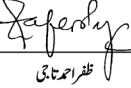
25 October 2022
Karachi

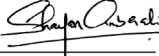
ورلڈ بینک نے اپنی حالیہ رپورٹ میں پیش گوئی کی ہے کہ ماضی قریب کے تباہ کن سیلابوں، مالیاتی توافق، سخت مالیاتی پالیسی اور مختلف غیر متوازن کئی معاشی اشاریوں کی وجہ سے مالی سال 2023 میں پاکستان کی معیشت 2% تک سست روی کا شکار ہو جائے گی، جو کہ آخر کار مقامی طلب کے سکرڑنے کا باعث بنے گی۔ خوش قسمتی سے زیر جائزہ سہ ماہی کے دوران بین الاقوامی سکرپٹ کی قیمتیں نیچے آئیں جس نے روپے کی قدر میں کمی کے منفی اثرات کو کسی حد تک روکیا۔ البتہ فی زمانہ روپے کی قدر میں اضافہ سبب کیلئے باعث حیرت رہا کیونکہ روپے کی قدر میں اضافے کی کوئی وجہ نظر نہیں آتی، ان حالات میں کہ امریکی ڈالر اپنی تاریخ کی بلند ترین سطح پر ہے اور درآمدات کیلئے موجود ذخائر گھٹتے چھ ہفتوں کا رہ گیا ہے۔ اس غیر معمولی صورتحال نے دراصل مارکیٹ کو پریشانی میں ڈال دیا ہے جس کے باعث غیر یقینی صورتحال میں کمی آنے کے بجائے اضافہ ہوا ہے اور اس صورتحال سے کاروباری برادری اور صارفین یکساں پریشان ہیں۔

توقع کی جارہی ہے کہ شرح سود کی حالیہ بلند سطح جاری رہے گی جس کے باعث پمپلے سے متروض کمپنیوں کی دشواریوں میں مزید اضافہ ہوگا۔ تعمیراتی صنعت سے وابستہ شرکت داروں کا خیال ہے کہ رواں مالی سال کے بڑے حصے کے دوران تعمیراتی صنعت میں 25% سے 30% تک کمی آئے گی۔ تاہم رواں مالی سال کی تیسری سہ ماہی کے اختتام پر مارکیٹ میں بہتری آسکتی ہے۔ جیسا کہ ہماری گزشتہ سالانہ رپورٹ میں مذکور ہے، بہت سے تعمیراتی منصوبے زیر التواء ہیں جن کیلئے بالآخر اسٹیل کی بڑی ضرورت پیش آئے گی۔ یہ منصوبے حقیقی طلب کا باعث بنتے ہیں کہ نہیں اس کا انحصار اس بات پر ہوگا کہ حکومت کی جانب سے بجٹ کی ان رکاوٹوں کو کیسے عبور کیا جاتا ہے جو کہ آئی ایم ایف کے احکامات اور تیزی کے ساتھ کم ہوتے ہوئے غیر ملکی زرمبادلہ کے ذخائر کی وجہ سے پیدا ہونے والے فنڈز کے بحران کی وجہ سے پیش آسکتی ہیں۔

آخر میں کمپنی کے تمام متعلقین، بشمول ہمارے ملازمین، مقابل قدر حصص داران، صارفین، مالیاتی اداروں اور سپلائرز کا اکی حوصلہ افزائی اور مسلسل حمایت کے لئے ہم شکر گزار ہیں۔

برائے دلچسپ اور ڈرافٹنگ ڈائریکٹرز


ظفر احمد تاجی
ڈائریکٹر


شبان امیر
چیف ایگزیکٹو آفیسر

25 اکتوبر 2022

کراچی

بورڈ آف ڈائریکٹرز 30 ستمبر 2022 کو ختم ہونے والی سہ ماہی سے متعلق کمپنی کے مالیاتی و کاروباری امور کے ساتھ ساتھ ماضی قریب میں ملک کے اندر تیزی سے بدلتے ہوئے معاشی اور سیاسی منظر نامے کی بابت اپنی جائزہ رپورٹ آپ کی خدمت میں پیش کر رہے ہیں۔

مسلح سیاسی بحران اور غیر فیصلہ کن مالیاتی اقدامات کی وجہ سے کاروباری دنیا پیچیدہ مسائل سے تہرہ آ رہا ہے۔ مومن کو نئی شہید بارشوں کی وجہ سے آنے والے حالیہ سیلابوں نے نہ صرف بنیادی ڈھانچے کو نقصان پہنچایا ہے بلکہ غذائی بحران کا سبب بھی بنے ہیں، اس کے نتیجے میں سماجی اور اقتصادی بحران نے عوام کو براہ راست متاثر کیا ہے۔ تباہ کن سیلاب ہزاروں افراد کی جان لے چکا ہے، ہزار ایک تہائی ملک زیر آب ہے۔ جس کے نقصانات کا تخمینہ اربوں ڈالروں میں ہے۔ ان حالات میں تیزی سے بڑھتے ہوئے کرنٹ اکاؤنٹ خسارے، افراط زر کی بلند شرح اور مقامی اور بین الاقوامی قرضوں کے بوجھ تلخ دہلی ہوئی ایک ایسی معیشت جو کہ پیلے ہی اپنی بقا کی جنگ لڑ رہی ہے کو ایک بڑا چھوٹا لگا ہے۔ مزید برآں، 15% غیر متوازن پالیسی ریت اور روپے کی قدر میں تیزی کے ساتھ آنے والی کمی کے باعث مقامی صنعت کیلئے اس کے علاوہ اور کوئی چارہ نہیں لگا اپنی پیداواری حجم میں کمی لائیں یا پیداواری عمل مکمل طور پر بند کر دیں۔

زیر نظر سہ ماہی کے دوران روپے کی قدر میں 11.7% کی کمی واقع ہوئی ہے، کم جولائی 2022 کو ایک ڈالر کے مقابلے میں روپے کی قدر 205 روپے تھی جو 30 ستمبر 2022 تک گھٹ کر 229 روپے ہو گئی۔ زیر کار سرمایہ کی کمی کا شکار آئٹیل ملز اب پاکستان میں اپنی پیداوار میں نہ صرف کمی لائی ہیں بلکہ چند لوگوں کی جانب سے مکمل سہ ماہی کیلئے اپنے آپریشنز کو بند کر دیا گیا ہے۔ چونکہ ملک کا بڑا حصہ اب بھی زیر آب ہے جسکی وجہ سے آئٹیل کی طلب میں مسلسل کمی واقع ہو رہی ہے اور آئٹیل کا اسٹاک جمع ہو رہا ہے جس کے باعث بہت سی ملوں کیلئے فنڈز کی کمی کے مسائل پیدا ہو رہے ہیں، اس رپورٹ کی تاریخ تک بہت سی ملوں فی ٹن ریکریا کی قیمتیں 10,000 روپے سے 15,000 روپے تک کم کرنے پر مجبور ہو چکی ہیں۔ یہاں تک کہ قیمتوں میں کمی کے باوجود تیار مصنوعات آسانی سے فروخت نہیں ہو پا رہے، جس کی وجہ تیراتی میٹیریل کی طلب میں آنے والی زبردستی ہے۔

مصنوعات کی طلب میں کمی کے باعث آپ کی کمپنی کی جانب سے ستمبر کے مہینے کے لئے پیداواری عمل کو بند کیا تھا تاکہ مصنوعات کی دستیابی کے ساتھ فنڈز کی فراہمی کو بہتر بنایا جاسکے۔ آپ کی کمپنی کی جانب سے زیر نظر سہ ماہی کے دوران 49,024 میٹرک ٹن ریکریا فروخت کیا گیا ہے جو کہ گزشتہ مالی سال کی سہ ماہی کے مقابلے میں 43% کم ہے، جس کے باعث 17% کمی کے ساتھ فروخت کی گئی 9.8 ملین روپے راجیکہ گزشتہ مالی سال کی سہ ماہی کے دوران یہ حجم 11.8 ملین روپے ریکریا ڈیکریا کیا گیا تھا۔

فروخت کے حجم میں خاطر خواہ کمی کے باوجود سہ ماہی کا خام منافع معمولی فرق کے ساتھ 1.7 ملین روپے سے کم ہو کر 1.6 ملین روپے ہو گیا۔ جبکہ کاروباری منافع گزشتہ مالی سال کی اسی سہ ماہی کے مقابلے میں 1.2 ملین روپے سے کم ہو کر 1.1 ملین روپے ہو گیا۔ یہ کم لاگت کے مال کی وجہ سے ممکن ہوا جو کہ زیر جائزہ سہ ماہی کے آغاز میں پیداوار اور فروخت کیلئے دستیاب تھا۔ کمپنی نے زیر جائزہ سہ ماہی کے دوران بالترتیب 214 ملین روپے اور 204 ملین روپے قتل ازنگس اور بعد ازنگس منافع درج کیا ہے۔ اس کے مقابلے میں گزشتہ مالی سال کی اسی سہ ماہی میں بالترتیب 857 ملین روپے اور 702 ملین روپے منافع قتل ازنگس اور بعد ازنگس درج کیا گیا تھا۔ منافع میں کمی بنیادی طور پر خام منافع میں 6.12% کی کمی اور گزشتہ سال کی اسی سہ ماہی کے مقابلے میں تھوہلی لاگت میں 142% اضافے کی وجہ سے منسوب ہے۔

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

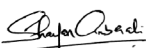
پہلی سہ ماہی اختتامیہ	پہلی سہ ماہی اختتامیہ	
30 ستمبر 2021	30 ستمبر 2022	
(روپے ملین میں)	(روپے ملین میں)	
11,844	9,820	کل فروخت
1,692	1,589	خام منافع
1,241	1,142	کاروباری منافع
384	928	تھوہلی لاگت
857	214	منافع قتل ازنگس
702	204	منافع بعد ازنگس
2.36	0.69	آمدنی فی حصص (بنیادی و تھوہلی) (روپے میں)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

		30 September	30 June
		2022	2022
		(Un-audited)	(Audited)
<u>ASSETS</u>	Note	----- (Rupees in '000) -----	
NON-CURRENT ASSETS			
Property, plant and equipment	5	21,629,175	21,578,251
Right-of-use-asset		70,441	76,410
Intangible assets		10,278	11,872
Long-term investments		14,289	14,289
Long-term deposits and loans		202,531	203,993
		<u>21,926,714</u>	<u>21,884,815</u>
CURRENT ASSETS			
Stores and spares		2,564,045	2,756,628
Stock-in-trade	6	12,963,505	11,017,657
Trade debts	7	5,823,865	5,680,426
Loans and advances		48,500	53,447
Trade deposits and short-term prepayments		39,394	31,260
Other receivables		13,989	266
Taxation – net		1,854,242	1,769,109
Cash and bank balances		130,300	356,869
		<u>23,437,840</u>	<u>21,665,662</u>
TOTAL ASSETS		<u><u>45,364,554</u></u>	<u><u>43,550,477</u></u>
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
Share capital		2,970,114	2,970,114
Capital reserve		2,788,742	2,788,742
Revenue reserves – accumulated profit		6,087,124	5,865,798
Actuarial loss on gratuity fund		(75,607)	(75,607)
Revaluation surplus on property, plant and equipment		3,688,396	3,705,659
		<u>15,458,769</u>	<u>15,254,706</u>
NON-CURRENT LIABILITIES			
Long-term financing	8	4,708,772	4,820,914
Long-term provision		155,187	154,463
Loan from related parties		316,333	341,333
Deferred taxation		576,624	641,128
Deferred liability - defined benefit obligation		386,795	369,916
Lease liabilities		63,200	72,416
Government grant		161,787	170,641
		<u>6,368,698</u>	<u>6,570,811</u>
CURRENT LIABILITIES			
Trade and other payables	9	3,797,892	6,238,326
Contract liabilities		601,371	975,994
Interest / markup accrued		749,737	521,139
Short-term borrowings		16,821,887	12,573,272
Current portion of long-term financing	10	1,504,601	1,353,625
Current portion of lease liabilities		14,316	14,351
Current portion of government grant		41,685	42,643
Unclaimed dividend		5,598	5,610
		<u>23,537,087</u>	<u>21,724,960</u>
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		<u><u>45,364,554</u></u>	<u><u>43,550,477</u></u>

The annexed notes 1 to 22 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 QUARTER ENDED 30 SEPTEMBER 2022
(UN-AUDITED)**

		30 September 2022	30 September 2021
	Note	----- (Rupees in '000) -----	
Sales		9,819,863	11,843,701
Cost of sales		(8,231,276)	(10,151,510)
Gross profit		<u>1,588,587</u>	<u>1,692,191</u>
Distribution costs		(219,425)	(238,889)
Administrative expenses		(163,805)	(177,590)
(Allowance for) / reversal of expected credit loss		(42,551)	19,365
Other expenses		(22,475)	(70,328)
Other income	12	1,887	15,816
Operating profit		<u>1,142,218</u>	<u>1,240,565</u>
Finance costs	13	(927,917)	(383,261)
Profit before taxation		<u>214,301</u>	<u>857,304</u>
Taxation	14	(10,238)	(155,449)
Net profit for the period		<u><u>204,063</u></u>	<u><u>701,855</u></u>
		----- (Rupees) -----	
Earnings per share – basic and diluted		<u>0.69</u>	<u>2.36</u>

The annexed notes 1 to 22 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 QUARTER ENDED 30 SEPTEMBER 2022
(UN-AUDITED)**

	30 September 2022	30 September 2021
	----- (Rupees in '000) -----	
Net profit for the period	204,063	701,855
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u><u>204,063</u></u>	<u><u>701,855</u></u>

The annexed notes 1 to 22 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 QUARTER ENDED 30 SEPTEMBER 2022 (UN-AUDITED)

	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 2021 (Audited)	2,970,114	2,788,742	4,471,374	(64,168)	3,774,568	13,940,630
Net profit for the period	-	-	701,855	-	-	701,855
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the period	-	-	701,855	-	-	701,855
Transferred to accumulated profit in respect of: -incremental depreciation during the period – net of tax	-	-	18,352	-	(18,352)	-
Balance as at 30 September 2021 (Un-audited)	2,970,114	2,788,742	5,191,581	(64,168)	3,756,216	14,642,485
Balance as at 30 June 2022 (Audited)	2,970,114	2,788,742	5,865,798	(75,607)	3,705,659	15,254,706
Net profit for the period	-	-	204,063	-	-	204,063
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	204,063	-	-	204,063
Transferred to accumulated profit in respect of: -incremental depreciation during the period – net of tax	-	-	17,263	-	(17,263)	-
Balance as at 30 September 2022 (Un-audited)	2,970,114	2,788,742	6,087,124	(75,607)	3,688,396	15,458,769

The annexed notes 1 to 22 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 QUARTER ENDED 30 SEPTEMBER 2022
(UN-AUDITED)**

		30 September 2022	30 September 2021
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Cash (used in) / generated from operating activities	17.	(1,649,581)	917,411
Income taxes paid		(159,877)	(171,691)
Gratuity paid		(6,206)	(5,249)
Long-term deposits and loans – net		1,462	(9,661)
Net cash (used in) / generated from operating activities		(1,814,202)	730,810
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(277,922)	(591,308)
Proceeds from disposal of operating fixed assets		2,771	133
Addition in intangibles		(360)	-
Net cash used in investing activities		(275,511)	(591,175)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings – net		1,733,675	60,058
Long-term financing – net		29,021	367,616
Related party loan		(25,000)	-
Dividend paid		(12)	(28)
Finance costs paid		(697,239)	(397,503)
Lease rentals paid		(11,331)	(9,873)
Net cash generated from financing activities		1,029,114	20,270
Net (decrease) / increase in cash and cash equivalents		(1,060,599)	159,905
Cash and cash equivalents at the beginning of the period		(1,660,342)	(1,845,683)
Cash and cash equivalents at the end of the period	18.	(2,720,941)	(1,685,778)

The annexed notes 1 to 22 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 QUARTER ENDED 30 SEPTEMBER 2022 (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. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the company 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:

- Provisions of and directives issued under the Companies Act, 2017 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Act; and
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by International Accounting Standard Board (IASB) as notified under the Act.

Where the provisions of and directives issued under the Act or IFAS differ with the requirements of IAS 34, the provisions of and directives issued under the Act or 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 June 30, 2022. These condensed interim financial statements are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Section 237 of the Companies Act, 2017

3. BASIS OF PREPARATION

- 3.1 These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.
- 3.2 These financial statements are prepared in Pak Rupees, which is the Company's functional and presentation currency.

4. ACCOUNTING POLICIES AND ACCOUNTING STANDARDS

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 audited financial statements for the year ended June 30, 2022.

New standards, amendments, improvements to approved accounting standards and the framework for financial reporting.

4.1 Amendments to approved accounting standards and the framework for financial reporting that became effective during the current year

There were certain amendments to accounting and reporting standards which became mandatory for the Company during the period. However, the amendments did not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

4.2 Standards, amendments and improvements to the approved accounting standards that are not yet effective

There were certain amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2022. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

	Note	30 September	30 June
		2022	2022
		(Un-audited)	(Audited)
		----- (Rupees in '000) -----	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets		19,622,514	19,791,171
Capital work-in-progress		2,006,661	1,787,080
		<u>21,629,175</u>	<u>21,578,251</u>

	Note	30 September	30 June
		2022	2022
		(Un-audited)	(Audited)
		----- (Rupees in '000) -----	
5.1 Operating fixed assets			
Balance at the beginning of the period / year		19,791,171	18,679,050
Additions during the period / year	5.1.1	15,308	216,091
Transfer from CWIP during the period / year	5.2	43,033	1,622,188
Disposals during the period / year	5.1.1	(1,310)	(18,911)
Depreciation charged during the period / year		(225,688)	(707,247)
Balance at the end of the period / year		<u>19,622,514</u>	<u>19,791,171</u>

5.1.1 Details of additions and disposals are as follows:

Note	Additions (cost)		Deletions (Net book value)	
	30 September	30 September	30 September	30 September
	2022	2021	2022	2021
	-----(Un-audited)----		-----(Un-Audited)----	
	----- (Rupees in '000) -----			
Buildings on leasehold land	-	4,362	-	-
Plant and machinery	42,777	36,523	-	-
Furniture and fittings	576	378	-	-
Office equipment	2,300	2,042	175	-
Vehicles	11,000	10,997	1,135	-
Computers	1,689	2,607	-	76
	<u>58,342</u>	<u>56,909</u>	<u>1,310</u>	<u>76</u>

5.1.1.1 This includes sale of vehicles to related parties amounting to Rs. 9.24 million in a sale and buy back transaction on net basis.

5.2 Capital work-in-progress

	Opening balance	Additions	Transfers to	Closing balance
			operating fixed assets	
	----- (Rupees in '000) -----			
	Un-audited			
Leasehold land	75,000	32,500	-	107,500
Plant and machinery	668,542	207,018	(43,033)	832,527
Civil works	1,043,538	23,096	-	1,066,634
	<u>1,787,080</u>	<u>262,614</u>	<u>(43,033)</u>	<u>2,006,661</u>

6. STOCK-IN-TRADE

	30 September	30 June
	(Un-audited)	(Audited)
	----- (Rupees in '000) -----	
Raw materials		
- In hand	4,983,373	5,085,067
- In transit	1,182,353	768,436
	<u>6,165,726</u>	<u>5,853,503</u>
Work-in-process	1,224,372	1,245,729
Finished goods	5,573,407	-
	<u>12,963,505</u>	<u>7,099,232</u>

		30 September 2022 (Un-audited)	30 June 2022 (Audited)
		----- (Rupees in '000) -----	
7. TRADE DEBTS - unsecured	Note		
Considered good	7.1	5,823,865	5,680,426
Considered doubtful		<u>229,562</u>	<u>187,011</u>
		6,053,427	5,867,437
Allowance for expected credit loss	7.2	<u>(229,562)</u>	<u>(187,011)</u>
Trade debts - net		<u><u>5,823,865</u></u>	<u><u>5,680,426</u></u>
7.1	It includes receivable from related parties amounting to Rs. 5.41 million (30 June 2022: Rs.3.33 million)		
7.2 Allowance for expected credit loss			
The movement in expected credit loss during the year is as follows:			
Balance at the beginning of the period/year		187,011	282,395
Charge during the period / year		42,551	5,177
Write off during the period / year		-	(100,561)
Balance at end of the period / year		<u><u>229,562</u></u>	<u><u>187,011</u></u>
8. LONG-TERM FINANCING			
During the period, the Company obtained Diminishing Musharaka amounting to Rs. 188.47 million (30 June 2022: Rs.185.53 million). These carry profit rate of 6 months KIBOR plus 1.65% (30 June 2022: 6 months KIBOR plus 1.65% per annum). These facilities are secured by tilt over Diminishing Musharaka assets.			
9. TRADE AND OTHER PAYABLES			
It includes Murahaba amounting to Rs. 2,376 million and accrued expenses amounting to Rs. 483 million (30 June 2022: Rs.4,057 million and Rs.1,281 million) respectively.			
		30 September 2022	30 June 2022
		----- (Rupees in '000) -----	
10. SHORT-TERM BORROWINGS - secured			
Cash Finance		828,799	5,069
Finance against trust receipts		9,348,181	7,019,110
Running finance		2,851,241	2,017,211
Istisna		3,205,163	2,906,882
Short term loan		<u>588,503</u>	<u>625,000</u>
		<u><u>16,821,887</u></u>	<u><u>12,573,272</u></u>
11. CONTINGENCIES AND COMMITMENTS			
11.1 Contingencies			
There were no material changes in the status of contingencies except reported in note no. 29.7 in the annual financial statements for the year ended 30 June 2022 as under.			
During the period, the Additional Commissioner Inland Revenue (ACIR), Large Taxpayer Office (LTO), Karachi passed an Order under section 122(5A) of the Income Tax Ordinance, 2001 and raised an alleged demand of Rs. 196.06 million for the tax year 2021. The Company led an appeal against the Order at the Commissioner Inland Revenue (Appeals) – [CIR-(Appeals)] and had secured an interim stay from the CIR (Appeals) under Section 140 of the Income Tax Ordinance, 2001. Although the case is still pending adjudication, the Company based on the merits of the case and as per the advice of the tax advisor expects a favourable outcome on this matter and accordingly, no provision has been made in these financial statements.			
		30 September 2022 (Un-audited)	30 June 2022 (Audited)
		----- (Rupees in '000) -----	
11.2 Commitments			
11.2.1 Outstanding letters of credit			
-Materials		4,133,606	5,814,377
-Capex		<u>222,031</u>	<u>229,048</u>
		<u><u>4,355,637</u></u>	<u><u>6,043,425</u></u>
11.2.2 Outstanding letters of guarantee		<u><u>483,356</u></u>	<u><u>583,356</u></u>
11.2.3 Commitments for rentals payable under Ijarah contracts in respect of vehicles and plant and machinery with Islamic banks are as follows:			
Not later than one year		<u><u>44,196</u></u>	<u><u>45,343</u></u>
Later than one year but not later than five years		<u><u>51,697</u></u>	<u><u>56,373</u></u>
12. OTHER INCOME			
It includes income amounting to Nil (30 September 2021: Rs.12.75 million) reversal of allowance for security deposit.			
13. FINANCE COSTS			
Includes mark up on long-term financing and short-term borrowings amounting to Rs. 225.44 million and Rs. 678.34 million (30 September 2021: Rs.121.57 million and Rs.250.43 million) respectively.			

	30 September 2022	30 September 2021
	(Un-audited)	
	----- (Rupees in '000) -----	
14. TAXATION		
Current	74,742	54,546
Deferred	<u>(64,504)</u>	<u>100,903</u>
	<u>10,238</u>	<u>155,449</u>

15. 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 2022. There have been no change in any risk management policies since the year end.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

There were no transfers amongst levels during the period.

17. CASH GENERATED FROM OPERATIONS

	30 September 2022	30 September 2021
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	214,301	857,304
Adjustments for:		
Depreciation – operating fixed assets	225,688	165,631
Depreciation – right-of-use-asset	5,969	5,980
Amortization	1,955	1,883
Reversal of allowance for expected credit loss - security deposit	-	(12,750)
Allowance / (reversal of) for expected credit loss - trade debt	42,552	(19,365)
Provision for gratuity	23,084	17,557
Provision for GIDC	723	-
Gain on disposal of operating fixed assets	(1,461)	(56)
Finance Cost:		
- Others	925,837	385,702
- Lease liabilities	2,080	1,996
	<u>1,226,427</u>	<u>546,578</u>
Operating profit before working capital changes	<u>1,440,728</u>	<u>1,403,882</u>
(Increase) / decrease in current assets:		
Stores and spares	192,583	(315,215)
Stock-in-trade	(1,945,847)	(2,095,850)
Trade debts	(185,989)	1,632,888
Loans and advances	4,947	(24,288)
Trade deposits and short-term prepayments	(8,134)	(17,073)
Other receivables	(13,723)	63,810
	<u>(1,956,163)</u>	<u>(755,728)</u>
Increase / (decrease) in current liabilities:		
Trade and other payables	(759,522)	99,995
Contract liabilities	(374,624)	169,262
	<u>(1,134,146)</u>	<u>269,257</u>
Cash generated from operations	<u>(1,649,581)</u>	<u>917,411</u>
18. CASH AND CASH EQUIVALENTS		
Cash and bank balances	130,300	215,287
Running finance	<u>(2,851,241)</u>	<u>(1,901,065)</u>
	<u>(2,720,941)</u>	<u>(1,685,778)</u>

19. TRANSACTION WITH RELATED PARTIES

Related parties of the Company comprise of directors, associated companies, key management personnel and retirement fund. The related parties with whom the Company had entered into transactions or have arrangement / agreement during the quarter ended 30 September 2022 are same as reported in the annual financial statements for the year ended 30 June 2022. Details of transactions with related parties during the period, other than those disclosed elsewhere in these condensed interim financial statements are as follows:

		30 September 2022	30 September 2021
		(Unaudited) ----(Rupees in '000)----	
Nature of transaction	Relationship with the Company		
Remuneration and other benefits	Key management personnel	98,528	93,998
Contribution to staff gratuity fund	Retirement benefit fund	23,084	17,557
Interest expense charged on related parties loan	Directors and shareholder	12,643	6,410
Payment of related parties interest	Director and shareholder	-	2,890
Sales made	Shareholder	5,460	2,490
Meeting fee	Directors	800	1,300
Purchase of bakery items from Hobnob Bakeries	Associate	93	389
Donation to related parties	Associate	1,000	-

20. OPERATING SEGMENTS

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

Revenue from export sales represents Nil (30 September 2021: 0.05%) of the total gross revenue of the Company.

All non-current assets of the Company as at 30 September 2022 and 2021 are located in Pakistan.

Sales made by the Company to its twenty major customers during the period constituted 26% (30 September 2021: 16%) of total sales.

21. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 25 October 2022 by the Board of Directors of the Company.

22. GENERAL

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

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



Chief Executive Officer



Chief Financial Officer



Director

Investors' Education

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