

ANNUAL REPORT 2020

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LEADING THE REVIVAL



**AMRELI  
STEELS**





## LEADING THE REVIVAL

Amreli Steels is proud to be one of the finest quality brands strengthening the skyline of Pakistan. Although, the last year has been highly challenging with businesses striving for survival, Amreli Steels is all set to lead the revival as the economy recovers from the pandemic and the recent market regression.

"Tashkeel-e-Nau" – the launch of our new Vision, Mission and Values – serves as our guiding light to respond to the moment and thereafter. We marked the evolutionary step with "ouR-RIDE to the New Frontiers" where "R-RIDE" represents our values – Respect, Resilience, Integrity, Dynamism & Excellence, and the "New Frontiers" characterizes a new and evolved business structure, strategy and way of working with our stakeholders.

We are proud to lead the revival... once again!



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**FROM ENVISIONING A  
FUTURE TO MAKING  
IT HAPPEN**



# **CORPORATE INFORMATION**





# LAUNCH OF VISION, MISSION & VALUES

A year back, Amreli Steels envisioned the need to rejuvenate its strategic direction. This aspiration influenced the Board to focus on revisiting the "Vision, Mission and Organizational Values". After a series of exhaustive deliberations over a period of six months, the new Vision, Mission and Organizational Values were finally unveiled on 8<sup>th</sup> December 2019.

We are committed to this new direction which paves the way for sustainable development.







# VISION

**"Committed to strengthen the economy and society"**

# MISSION

- Be the brand of choice for all stakeholders
- Empower people
- Continue to invest in state-of-the-art steel manufacturing and associated technologies
- Achieve rebar sales in excess of 1.5 million tons annually
- Attain the highest standards of health and safety



# CORE VALUES

## Respect

1. We treat others the way we want to be treated
2. Give respect - regardless
3. We value diversity and believe in equality
4. We value differences of opinions
5. We respect the environment

## Resilience

1. We never give up
2. We stand tall in adversity
3. We embrace challenges
4. We view failures and mistakes as learning opportunities
5. We will win – if not immediately, then definitely

## Integrity

1. We deliver what we promise
2. We uphold the highest standards of ethics and honor
3. We act transparently
4. We do the right thing
5. We speak up when our Values are compromised

## Dynamism

1. We stay ahead of the curve
2. We change the game
3. We are innovative and aggressive
4. We are decisive and take calculated risks
5. We are agile and move fast

## Excellence

1. We give our best everyday
2. We strive to excel in every aspect of our business
3. We operate outside our comfort zone
4. We adapt to best practices
5. We believe in continuous improvement





## COMPANY PROFILE

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 December 2015 and is mainly engaged in manufacturing and sale of steel rebars and billets.

We are one of the largest manufacturers of steel reinforcement bars in Pakistan. The two re-rolling plants situated at S.I.T.E. Karachi and Dhabeji are using one of the most modern hot re-rolling technologies in the industry with a nameplate capacity of 180,000 metric tons and 605,000 metric tons of rebars per annum respectively.

Our Steel Melt Shop plant in Dhabeji, Sindh is the largest billet manufacturing in Pakistan boasting a nameplate capacity of 600,000 metric tons per year. This aims to bridge the supply-demand gap of Pakistan's steel industry.

# COMPANY INFORMATION

## Board of Directors

**Mr. Abbas Akberali**  
*Chairman, Non Executive Director*

**Mr. Shayan Akberali**  
*Chief Executive Officer*

**Mr. Teizoon Kisat**  
*Independent Director*

**Mr. Zafar Ahmed Taji**  
*Independent Director*

**Mr. Badar Kazmi**  
*Independent Director*

**Ms. Kinza Shayan**  
*Non-Executive Director*

**Ms. Mariam Akberali**  
*Non-Executive Director*

**Chief Operating Officer (Strategy)**  
Mr. Hadi Akberali

**Chief Operating Officer (Operations) & CFO**  
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

## Audit Committee

Mr. Teizoon Kisat  
*Chairman*

Mr. Zafar Ahmed Taji  
*Member*

Mr. Badar Kazmi  
*Member*

Ms. Kinza Shayan  
*Member*

## Human Resource & Remuneration Committee

Mr. Zafar Ahmed Taji  
*Chairman*

Mr. Teizoon Kisat  
*Member*

Mr. Shayan Akberali  
*Member*

Ms. Kinza Shayan  
*Member*

## Internal Auditors

BDO Ebrahim & Co.  
Chartered Accountants  
2nd Floor Block-C, Lakson Square  
Building No.1, Sarwar Shaheed Road  
Karachi, Pakistan

## Share Registrar

THK Associates (Pvt) Limited  
1st Floor, 40-C, Block-6, P.E.C.H.S.  
Karachi - 75400  
UAN: 021-111-000-322  
Tel: 021-34168270  
Fax: 021-34168271

## 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  
Tel: 021 -34374811-15

## Bankers

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

## Registered Office

A-18, S.I.T.E, Karachi, Pakistan  
UAN: 021-111-(AMRELI) 267354  
Fax: 021-32587240, 38798328

## Shershah Rolling Mill (SRM)

D-89, Shershah Road, Karachi, Pakistan

## Steel Melt Shop (SMS) & Dhabeji Rolling Mill (DRM)

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

## Symbol at Pakistan Stock Exchange Limited

ASTL

## Email

[investor-relations@amrelisteels.com](mailto:investor-relations@amrelisteels.com)

## Website

[www.amrelisteels.com](http://www.amrelisteels.com)

# PRODUCT PORTFOLIO

Being the pioneer in Pakistan's steel industry both in terms of technology as well as market's best practices, Amreli Steels introduced the concept of product brands for the 1st time in Pakistan in 2018. The objective of this initiative was to distinguish our different products in a consumer-relevant way and to facilitate the end-user, who is in most cases a first time purchaser, in making the right decision.

These product brands followed the "Branded House" convention and their identities are closely linked to our Corporate Brand "Amreli Steels."

Following are the identities that have been developed along with their features:

## 1. Amreli Steels Maxima

- Based on ASTM 615
- Ideal for any type of construction – Residential, commercial, mega, infrastructure projects
- Strength 60,000 PSI
- Ultimate Tensile Strength 90,000 PSI
- Earthquake resistant in selected seismic zones
- Value for money due to uniform gauge
- Made from Billet, purpose-built for construction reinforcement

## 2. Amreli Steels Xtreme

- Based on BS 4449
- The strongest rebar available in the market
- Ideal for high-rise buildings
- Strength 72,500 PSI
- Upto 15% consumption saving as compared to G-60
- Safely weldable
- Earthquake resistant in selected seismic zones
- Value for money due to uniform gauge
- Made from Billet, purpose-built for construction reinforcement

## 3. Amreli Steels Ultima

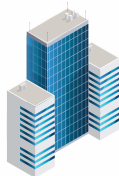
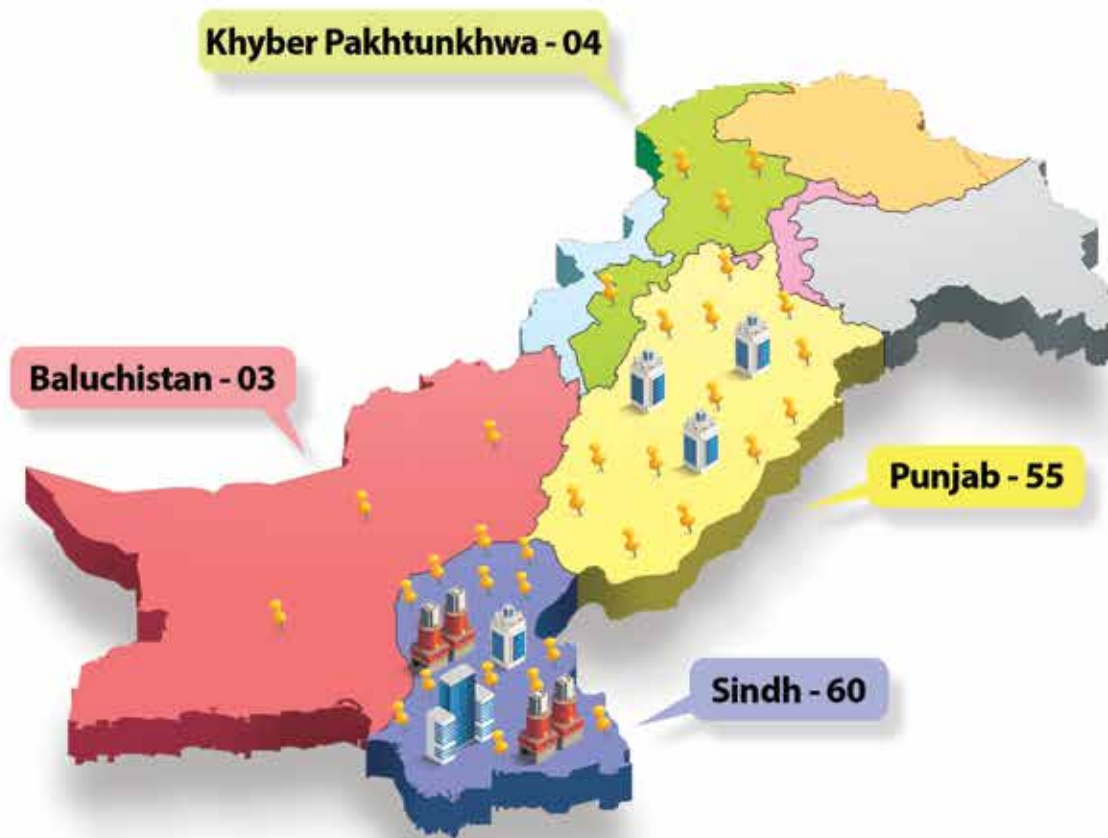
- Based on ASTM 706
- Earthquake resistant in seismic zones
- Strength 60,000 PSI
- Ultimate Tensile Strength 80,000 PSI
- Tensile / Yield Strength Ratio > 1.25
- Made from Billet, purpose-built for construction reinforcement
- Value for money due to uniform gauge
- Ideal for residential and commercial projects especially in high seismic activity zones

Besides these product brands, Amreli Steels is now capable of delivering customized rebar solutions never seen before in our market, thanks to its state-of-the-art plant based on 5th Generation Red-Ring Rolling Technology, the first of its kind in Pakistan.

## Amreli Steels can offer

- Rebars conforming to any international standard
- Rebars with Rib patterns as per any international standard
- Cut-to-length as per requirement upto 16M in length
- 1.25 ratio in ASTM
- 8 mm deformed rebars in ASTM 615, ASTM 706 and BS 4449

# GEOGRAPHICAL PRESENCE OF AMRELI STEELS LIMITED



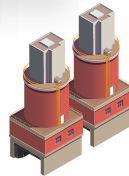
## Head office

Karachi



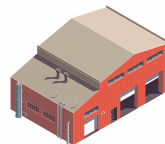
## Regional Offices

1. Hyderabad
2. Sukkur
3. Multan
4. Lahore
5. Islamabad



## Factories

1. Dhabeji
2. SITE Karachi



## Warehouses

1. Karachi
2. Lahore
3. Islamabad



## Number Of Existing Retailers /Stockists

1. Sindh	60
2. Baluchistan	03
3. Punjab	55
4. Khyber Pakhtunkhwa	04
<b>TOTAL</b>	<b>122</b>



# MANAGEMENT OBJECTIVES

The objectives of the Company are aimed at achieving sustainable productivity and profitability and high standards of safety, occupational health and environmental care. This entails human resource development, value addition, implementation of conservation measures, up gradation of existing facilities and installation of new facilities. The key objective of the Company's management is to sustain market leadership in Pakistan's steel industry and increase value for all the stakeholders. All the corporate goals are targeted towards this purpose and the key performance indicators are defined to measure Amreli Steels' improved performance in all spheres of its operations.

Maintaining our competitive position in the core business aligned with corporate goals, making every employee a self-assessor with defined yearly targets and transparent measuring criteria, we employ our brand name, unique organizational culture, professional excellence and financial strength diversifying in local and multinational environments through acquisitions and new projects thus achieving synergy towards value creation for our stakeholders. Furthermore, the Company also refines and improves its human resource policies regularly. The Company's financial performance and market leadership is a reflection of the achievement of its corporate goals through all around strategic alignment.

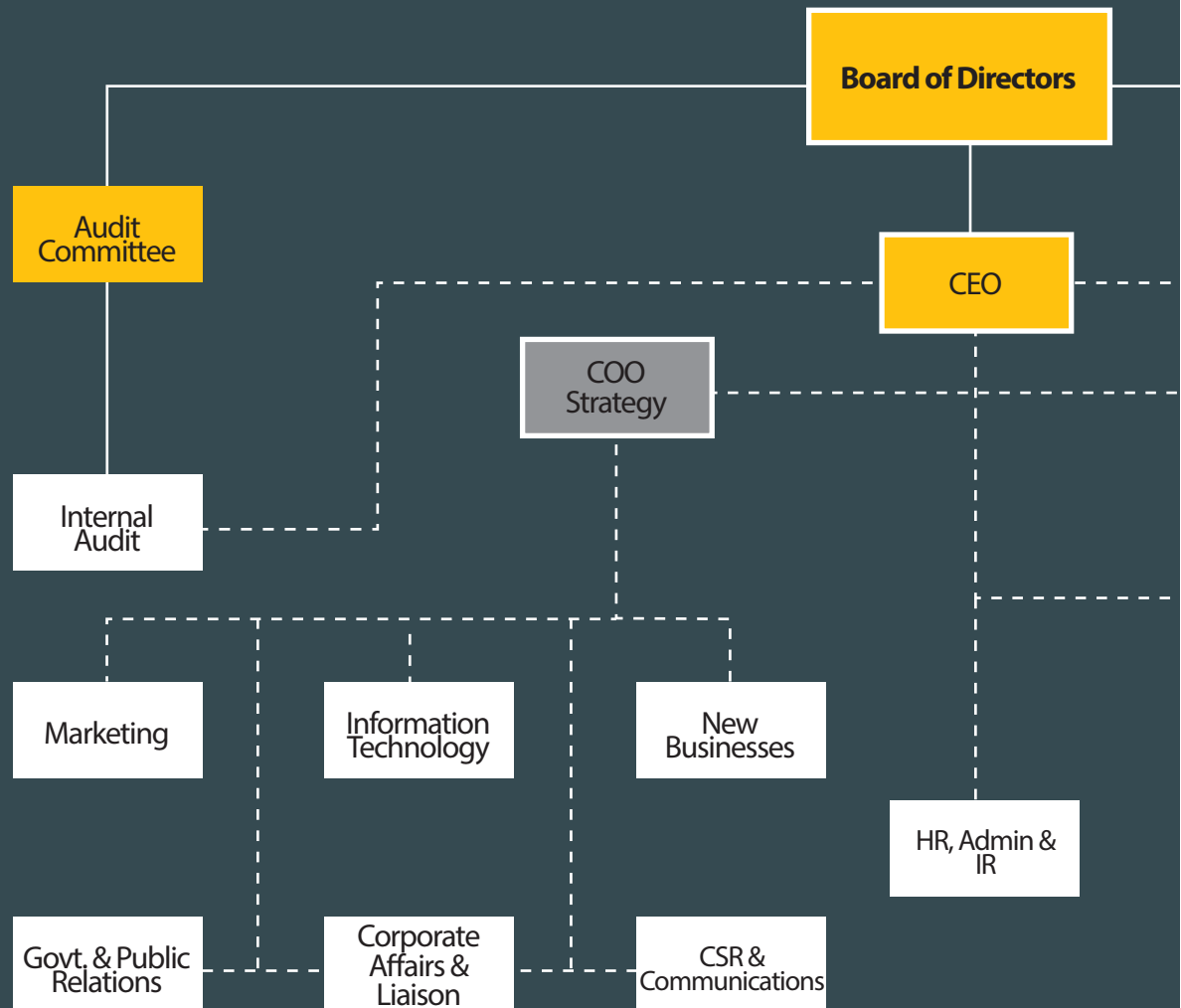
Some of the most significant strategic objectives of the Company are outlined as under:





- 
- Be the brand of choice for all stakeholders
  - Empower people
  - Continue to invest in state-of-the-art steel manufacturing and associated technologies
  - Achieve rebar sales in excess of 1.5 million tons annually
  - Attain the highest standards of health and safety
  - Ensure that business policies and targets are in conformity with the national goals
  - Contribute in meeting the country's demand for construction of steel products
  - Ensure customer satisfaction by providing best value, quality products and unmatched services
  - Target a reasonable return on the shareholders' existing and projected investments
  - To function at optimal efficiency in our business operations as a way to increase productivity
  - To introduce existing products into new markets and new products into new and existing markets
  - To have all products meet standards of excellence guidelines
  - To develop and implement a promotional plan to drive increased business
  - To develop the leadership abilities and potential of our team

# ORGANIZATIONAL STRUCTURE





COO  
Operations &  
CFO

HR&R  
Committee

Company  
Secretary

Quality  
Control

Plant  
Operations

Sales

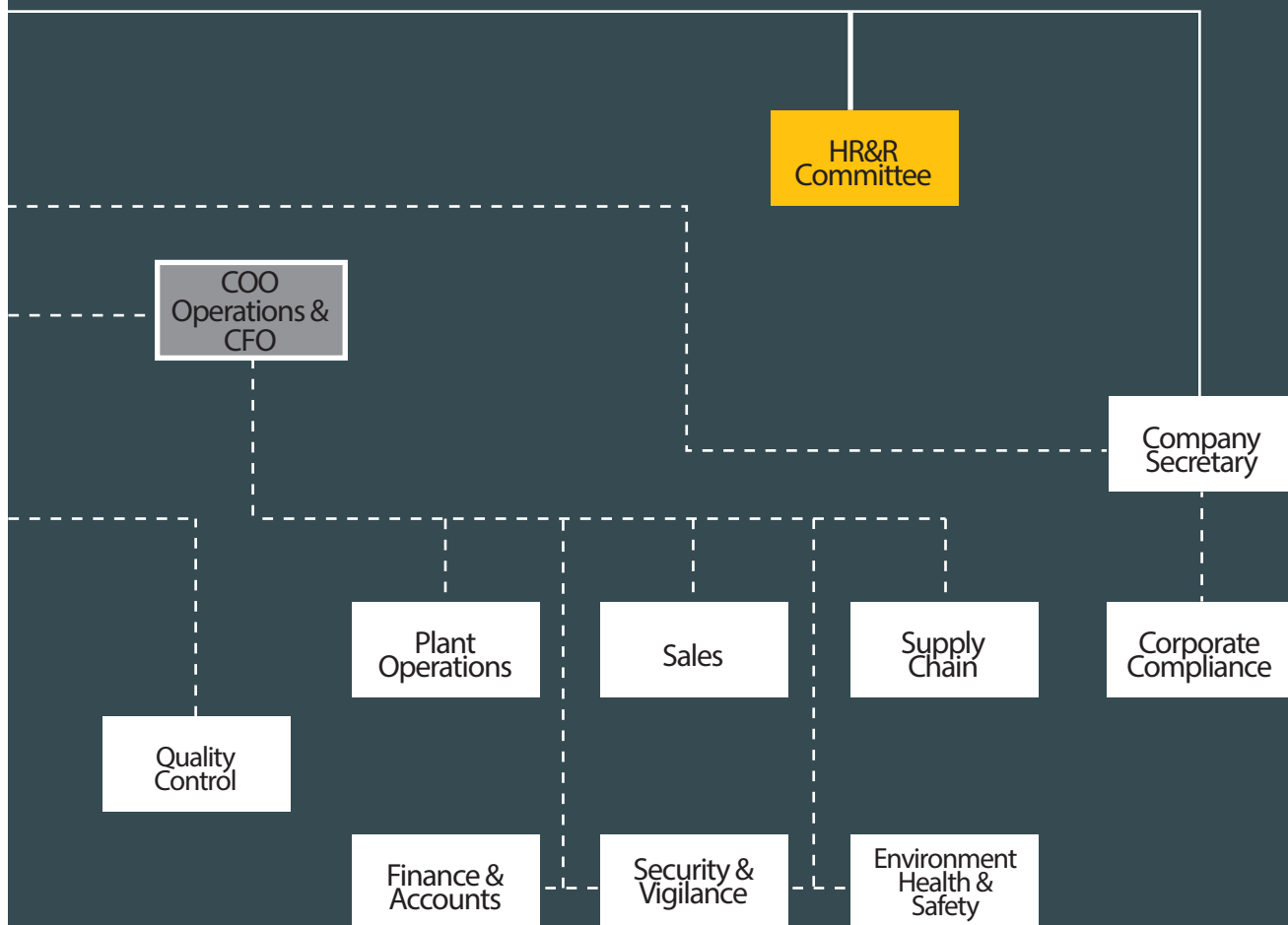
Supply  
Chain

Corporate  
Compliance

Finance &  
Accounts

Security &  
Vigilance

Environment  
Health &  
Safety



# BOARD OF DIRECTORS' PROFILE



## **Abbas Akberali**

Chairman  
Non-Executive Director

Mr. Abbas Akberali founded Amreli Steels in 1972 and since then has led the Company to see it become the largest and most well-known steel bar manufacturer in Pakistan. Mr. Akberali brings unparalleled experience with a metallurgical engineering background combined with an MBA from Columbia University, New York. He has played an influential role in driving reforms aimed towards the growth of Pakistan's steel industry. With a passion for increasing Pakistan's literacy rate, Mr. Akberali is also a founding member of the Hunar Foundation and serves on the Board of other notable non-profit organizations.

## **Shayan Akberali**

Chief Executive Officer

Mr. Shayan Akberali joined Amreli Steels in 2002 after completing a Bachelor's degree in Electrical Engineering from Northwestern University and working for Lehman Brothers in New York. Over the past decade, he has played an integral role in growing the Company by overseeing production enhancement, technical development, planning and expanding the retail sales footprint of the Amreli brand across Pakistan. He was instrumental in expanding the business operations by increasing the overall rebar production capacity of the Company upto 605,000 tons per annum. Mr. Shayan has built a strong team of professionals across all verticals that bring functional expertise as well as leadership to steer the Company towards higher growth.



## **Zafar Ahmed Taji**

Independent Director

Mr. Zafar Ahmed Taji started his career in 1971 after completing an MBA from IBA Karachi. Since then, he has spent 35 years with multinationals like Exxon Corp, Union Carbide of USA, British American Tobacco/Pakistan Tobacco and Interloop. Mr. Taji is also a Certified Corporate Governance professional from PICG. Presently he is a Special Advisor to Directors of Sapphire Fibers. He has the honor of being a member of Prime Minister Pay and Pension Commission, Advisor to NAB for developing and implementing its Change Management Programme, Advisor to Pakistan Air and the HR Advisor to PCB for a number of years. He has also served as Dean of Riphah University and Director General of NUST Business School.



## **Badar Kazmi**

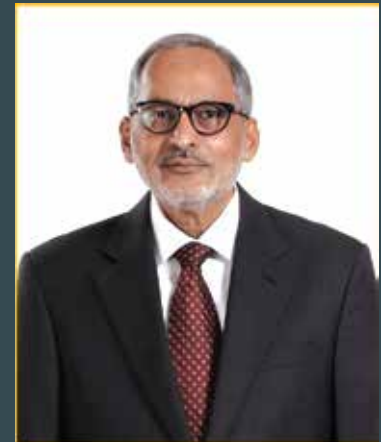
Independent Director

Mr. Badar Kazmi brings an experience spanning over 34 years including almost all facets of the banking industry in Pakistan, Middle East, South Asia and Africa. He started his career with BCCI in 1980 and worked for 11 years in Pakistan and the Middle Eastern Region. Mr. Kazmi then joined Standard Chartered Group (SCB) in 1991 and held various positions including Regional Head of Global Markets for MESA (Middle East and South Asia) and Africa. In 2003, he was appointed as the CEO of SCB Pakistan, a position he held till late 2010. In recognition for his services to banking in Pakistan, Mr. Kazmi was awarded the 'Sitara-e-Imtiaz' by the President of Pakistan.

## **Teizoon Kisan**

Independent Director

Mr. Teizoon Kisan is a Fellow Member of Institute of Chartered Accountants of Pakistan since 1986. He is also Associate Member of the Institute of Chartered Secretaries and Institute of Taxation & Management. Mr. Kisan possesses strong business and leadership record and has a deep understanding of business and financial sector of the country. He joined the leasing industry of Pakistan and has held many senior management positions in multiple business areas. He has more than 30 years of experience. During his 15 years association with ORIX Leasing Pakistan Limited (OLP), he spearheaded many initiatives that demonstrated his leadership, problem solving skills and ability to manage a strong team. He held senior positions including CEO at OLP. Mr. Kisan was also recognized amongst the 100 best performing Chief Executives of Pakistan.



## **Kinza Shayan**

Non-Executive Director

Ms. Kinza Shayan is a graduate in Management Sciences from SZABIST and is presently pursuing a diploma in Sports Nutrition. She is a respected writer for various publications, known for her expertise on fitness and nutrition. She is currently gearing up to start her own business in the field of Health Sciences.

## **Mariam Akberali**

Non-Executive Director

Ms. Mariam Akberali brings great diversity to the Board with significant experience in the food, restaurant, mental health, and education sectors of Pakistan. She has earned a degree in Psychology from Franklin & Marshall College, USA and is passionate about social entrepreneurship in Pakistan.



# COMPOSITION OF THE BOARD & REPRESENTATION OF FEMALE DIRECTORS

In line with the requirements of the Listed Companies Code of Corporate Governance Regulations, 2019 (CCG), the Company encourages representation of independent and non-executive directors, as well as gender diversity on its Board.

The current composition of the Board is as follows:

a)	Male :	05
b)	Female :	02
	<b>Total</b>	<b>07</b>

Composition:

a)	Number of Independent Directors :	03
b)	Number of Non-Executive Directors :	03
c)	Number of Executive Director :	01

The present Board of Amreli Steels Limited comprises a well-balanced mix of independent, non-executive and executive directors. The Chairman of the Board is non-executive director. The positions of the Chairman and the Chief Executive are held by separate individuals with clearly defined roles and responsibilities.

The Audit Committee and Human Resource and Remuneration Committee of the Board were established as required under CCG. Both the Committees have independent directors as the Chairman of the Committees. These committees are mainly composed of independent and non-executive directors.

## FEMALE DIRECTORS

The Company is committed to promoting gender diversity in the workplace and provides equal opportunities for all, based on merit and suitability. The Company's Code of Conduct and core values (Respect, Resilience, Integrity, Dynamism & Excellence) clearly inculcate these principles and are followed by everyone associated with the Company.

At Amreli, the Board and Management is committed towards championing growing demand of gender diversity at Board level and within workforce culture. Currently, there are two Female Non-Executive Directors (Ms. Kinza Shayan and Ms. Mariam Akberali) representing 28% of the composition of the Board.

The Management encourages females to be part of Company and provides healthy environment to all of its employees.

# COMMITTEES TO THE BOARD OF DIRECTORS

## Board's Audit Committee (BAC)

During the year, six (6) meetings of the BAC were held. All the meetings were held in Pakistan. The attendance by each Director in the BAC meetings is as follows:

Composition	Meetings Held on						Meetings Attended
	8-Aug-19	12-Sep-19	21-Oct-19	29-Jan-20	24-Feb-20	25-Apr-20	
Mr. Teizoon Kisat <i>Chairman</i>	✓	✓	✓	✓	✓	✓	6/6
Mr. Zafar Ahmed Taji <i>Member</i>	✓	✓	✓	✓	✓	✓	6/6
Mr. Badar Kazmi <i>Member</i>	—	—	—	—	—	✓	1/6
Ms. Kinza Shayan <i>Member</i>	✓	✓	✓	✓	✓	✓	6/6

## Terms of Reference

The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process (more particularly, the integrity of Company's financial statements), the system of internal controls, the audit processes, disclosure of systems and processes, and the Company's process for monitoring compliance with laws, regulations and the Code of Conduct of the Company.

The Audit Committee is, amongst other things, responsible for recommending to the Board of Directors the appointment of external auditors by Company's shareholders, considering any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service (permissible to be rendered to the Company) in addition to audit of its financial statements.

In addition to the generality of the Audit Committee functions that embrace all aspects impinging on the well-being of the Company, shareholders' interests, ethical standards and regulatory requirements, the Committee shall perform the following specific responsibilities.

### 1. Financial Statements

The Committee shall review quarterly, half yearly and annual financial statements with particular reference to compliance with applicable accounting policies, standards and practices. It shall focus on major judgmental areas, significant adjustments resulting from audit, going concern assumption, any change in accounting policies and practices, significant related party transactions and compliance with all statutory and regulatory requirements. It shall also review preliminary announcements of financial results prior to their publication and vet the Directors' report before its submission to the Board for consideration and approval.

## **2. Internal Controls**

The Committee shall review the Company's statement on internal control system before its submission to the Board and satisfy itself as to the adequacy and effectiveness of internal controls and measures to safeguard the Company's assets. Where necessary, it shall submit appropriate recommendations to the Board. It shall also consider major findings of internal investigations of cases of fraud, embezzlement and abuse of power.

## **3. Internal Audit**

Whether out-sourced or in-house, the Committee will ensure that the function is adequately resourced, functionally independent with no unreasonable limitations on its proper functioning and meets the quality assurance requirements, determined either through internal or external assessment. It shall review the audit reports, share them with the External Auditors and report matters of significance to the Board. Where it is decided to out-source the internal audit function, the Committee will recommend to the Board a professional services firm that has suitably qualified and experienced persons and is reasonably conversant with Company's policies and procedures. It will also provide for the Company's Head of Internal Audit to act as coordinator between the outsourced firm, the Committee and the Board.

## **4. External Audit**

The Committee shall ensure requisite functional autonomy to the external auditors, review assessment of their quality assurance and facilitate their coordination with internal auditors of the Company. It shall review the Management Letter and discuss with the external auditors any major findings and observations therein and where appropriate submit its recommendations to the Board.

## **5. Risk Management**

The Committee shall cause to have installed a viable risk management system in the Company and review assessment of risk and measures to avoid, share, mitigate and accept residual risks within the overall risk appetite determined by the Board.

## **6. Compliance**

The Committee shall have a system installed to determine and monitor on a periodic basis, compliance with all legal and regulatory requirements and best practices of corporate governance. The CEO shall be personally responsible to bring to the immediate notice of the Committee findings of any examination by regulatory agencies, major litigations or claims or significant tax issues for Committee's review. Further, except where directed otherwise by the Board, the Committee shall guide, review and monitor the formulation of significant policies as defined in the Code of Corporate Governance. It shall also examine all significant issues as defined in the Code of Corporate Governance dealing with controls and compliance before their submission to the Board.

## **7. Reporting and Other Responsibilities**

The Chairperson shall keep the Board fully informed on all material issues coming within the Committee's remit. The Committee shall act upon such directions as given by the Board and have such studies or investigations carried out as desired by the Board or that the Committee itself deems to be useful.



## Human Resource & Remuneration (HR&R) Committee

During the year, three (3) meetings of the HR&R Committee were held. All the meetings were held in Pakistan. The attendance by each Director in the HR&R Committee meetings is as follows:

Composition	Meetings Held on			Meetings Attended
	10 January 2020	26 February 2020	18 June 2020	
Mr. Zafar Ahmed Taji <i>Chairman</i>	✓	✓	✓	3/3
Mr. Teizoon Kisat <i>Member</i>	✓	✓	✓	3/3
Mr. Shayan Akberali <i>Member</i>	✓	✓	✓	3/3
*Ms. Mariam Akberali <i>Member</i>	—	N/A	N/A	0/1
* Ms. Kinza Shayan <i>Member</i>	N/A	✓	✓	2/2

\*Ms. Kinza Shayan added as a member to Board's HR&R Committee, with effect from 10 January 2020, in replacement of Ms. Mariam Akberali.

## Terms of Reference

The HR&R Committee is responsible for performing the duties set out below as well as any other duties that are otherwise required by applicable corporate laws or stock exchange rules and requirements as are delegated to the Committee by the Board –

- Recommending human resources management policies to the Board;
- Recommending to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors) and members of senior management;
- Annually undertaking a formal process of evaluation of performance of the Board as a whole and its Committees either directly by the Board or the Committee(s) or by engaging external independent consultant;
- Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) and succession planning of the CEO;
- Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit;
- Considering and approving on recommendation of CEO on such matters for key management positions who reports directly to CEO or COO;
- Reviewing and making recommendations to the Board for the appointment of Senior Executives and for determining terms of employment of their services;
- Reviewing succession planning and matters of compensation as well as such other matters the Committee may consider suitable;
- Any additional matters delegated to the Committee by the Board of the Company from time to time.

# MANAGEMENT COMMITTEES

Management Committees	Functions	Functions Frequency	Members	Designation
Price Setting Committee	<ol style="list-style-type: none"> <li>Analysing demand and supply</li> <li>Analysing movement in global and local scrap prices</li> <li>Analysing change in exchange rates</li> </ol>	As and when required	Shayan Akberali Mazhar Hussain Sheikh Fazal Ahmed	CEO Head of Sales COO (Operations) & CFO
Human Resource Steering Committee	<ol style="list-style-type: none"> <li>Oversee the Company's compensation and benefits policies generally</li> <li>Evaluate employee's performance and review the Company's management succession plan</li> <li>Hiring and disciplinary action policies</li> <li>Assessing departmental needs of human resource</li> <li>Evaluating overall / function wise organogram of the Company</li> </ol>	Monthly	Shayan Akberali Hadi Akberali Asif Zahoor Zoeb Salemwala Noman Sajjad Fazal Ahmed	CEO COO – Strategy Head of HR Head of Corporate Affairs Group Head of Plants & Production COO (Operations) & CFO
Scrap Planning Committee	<ol style="list-style-type: none"> <li>Obtaining sales forecast</li> <li>Production planning maintaining optimum inventory level</li> <li>Scrap procurement planning</li> </ol>	Monthly	Shayan Akberali Mazhar Hussain Sheikh Noman Sajjad Ansar Rizvi Ashfaq Vighio Danish Hassan Raj Khatri Taha Umer Fazal Ahmed	CEO Head of Sales Group Head of Plants & Production Head of S.I.T.E Rolling Mill Head of Supply Chain Manager Inventory Manager Commercial Financial Controller COO (Operations) & CFO
SAP Committee	<ol style="list-style-type: none"> <li>Designing and implementation of SAP for new projects</li> <li>Discuss issues faced and their solutions</li> <li>Discuss possibilities for induction of new modules</li> </ol>	Fortnightly	Javed Asghar Noman Sajjad Mazhar Hussain Sheikh Asif Zahoor Ashfaq Vighio Saima Naveed	Chief Information Officer Group Head of Plants & Production Head of Sales Head of HR Head of Supply Chain Head of Business Applications
IT Steering Committee	<ol style="list-style-type: none"> <li>Aligning the IT strategy with the business strategy</li> <li>Monitoring service levels of improvement</li> <li>Monitoring IT service delivery</li> <li>Monitoring projects</li> <li>Prioritization of IT-enabled investment</li> </ol>	Monthly	Hadi Akberali Javed Asghar Noman Sajjad Asif Zahoor Ashfaq Vighio Saima Naveed Mohtashim Ali Rizvi Fazal Ahmed	COO (Strategy) Chief Information Officer Group Head of Plants & Production Head of HR Head of Supply Chain Head of Business Applications Head of IT Infrastructure COO (Operations) & CFO



# SUSTAINABILITY AND GUIDING PRINCIPLES

Sustainability is an integral part of our business strategy and a key driver in all of our business activities. Our innovative technologies, operational experience and expertise enable us to minimize our environmental impact and successfully manage the social challenges and inherent risk that are present in our industry.

Our guiding principles for sustainability are as follows:

- Maintain highest degree of corporate governance practices.
  - Conduct business activities with the highest principles of honesty, integrity, truthfulness and honor.
  - Promote ethical business practices.
  - Respect the environment and communities in which we operate.
  - Assure equal employment opportunities.
  - Value diversity in the workplace.
  - Provide healthy and safe working environments.
  - Respect human rights and trade ethically.
  - Act in utmost good faith and exercise due care, diligence and integrity in performing the office duties.
  - Comply with all applicable laws and regulations.
  - Ensure that all business transactions are recorded in true, fair and timely fashion in accordance with the accounting and financial reporting standards, as applicable to the Company.
  - Deliver superior value for our shareholders – our intent is to outperform our competitors by delivering superior growth, margins and returns to our shareholders.
  - Lead the industry in innovation, technology development and conscientious stewardship of global resources – our intent is to develop technological solutions that give our customers economic access to high quality construction material with maximum use of scarce resources and maximize the value of their existing assets.
  - Enhance the economic and social well-being of our employees, their families and the communities in which we operate – our intent is to be a preferred employer and make a positive impact in the communities where we live and work.
  - Be transparent in reporting and validating our progress – our intent is to provide our stakeholders with thorough and timely information on our progress.
- 

# HEALTH, SAFETY AND ENVIRONMENT (HSE) POLICY

The Company is committed to developing, promoting and achieving the highest standard of HSE operations and it:

- Responds positively to environmental developments by reviewing such issues with the relevant authorities, local communities and others.
- Works effectively to encourage environmental awareness and identify and share best practices and new techniques to reduce environmental impact.
- Minimizes emissions and waste by evaluating operations and ensuring they are as efficient as possible.
- Reduces and where practical, eliminates hazardous and nuisance release to air, water and land.
- Inculcates sense of responsibility towards the environment among our employees.
- Periodically reviews the suitability, adequacy and effectiveness of the HSE management system.
- Educates, trains, encourages and motivates employees to carry out activities in a responsible manner in accordance with the requirements of generally accepted OHS & Environmental Management System. Applies technologies that are not harmful to our employees' health and are environment friendly.
- Sets objectives and targets, key performance indicators and programs for Occupational Health and Safety.
- Strives to prevent any accident and to achieve continual improvement of the HSE Management System and related performance.
- Consults with employees on matters affecting their health and safety.

## BUSINESS CONTINUITY PLAN

The objective of having a Business Continuity and Disaster Recovery Plan and associated controls is to ensure that the organization can still accomplish its mission and it would not lose the capability to process, retrieve and protect information maintained in the event of an interruption or disaster leading to temporary or permanent loss of computer facilities.

Amreli Steels has its production environment at Head Office with synchronized servers at Shershah location connected with replications through dark fiber. A tertiary warm site is being built up at Dhabeji. In case of any disaster, the company would be able to continue its operations smoothly. Amreli Steels is following the National Institute for Standards and Technology (NIST) Special Publication 800- 34, Contingency Planning for Information Technology Systems Disaster Recovery Plan which includes:

1. Development of the contingency planning policy statement.
2. Conducting the business impact analysis (BIA).
3. Identifying preventive controls.
4. Developing recovery strategies.
5. Developing an IT contingency plan.
6. Planning, testing, training and exercising.
7. Planning maintenance.

# CORPORATE SOCIAL RESPONSIBILITY

*Serving Today, Building a Better Tomorrow!*

Living by our Vision – “Committed to strengthen the economy and society” – Amreli Steels has always been dedicated to serve the unprivileged and to empower the community. Aligned with this aim, the Management directs its munificent efforts towards the areas of education, health care and the society in general.

## 1. **Women’s Foundation**

Amreli Steels laid the initiative of the Women’s Foundation in Dhabeji, with the aim of empowering women through vocational training. A class of 50 students at a time is trained quarterly, in the skills of sewing and stitching. The course extends up to 3 months. Towards the end, each graduate is awarded with a certificate and a personal sewing machine on need basis.

As a recent development and in response to popular demand, we have also sponsored 2 women from the Dhabeji area for training in Beauty Therapy at The Hunar Foundation.

## 2. **The Hunar Foundation (THF)**

Amreli Steels’ Chairman, Mr. Abbas Akberali, is one of the founding members and trustees of The Hunar Foundation. THF has grown exponentially since 2008, thanks to its focus on highly technical skills and state-of-the art learning. We continue to support THF annually through funding.

## 3. **The Citizens Foundation (TCF)**

The Citizen’s Foundation is considered as one of Pakistan’s leading organizations in the field of education for the underprivileged. Being a strong proponent of education for the youth, Amreli Steels funded TCF’s Achar Salar, Dhabeji Campus in 2010 and continues to cover its operational expenses. The campus provides classroom facilities for 142 students every year. As a recognition for the contributions, the campus had been named after the Akberali family. The organization has also installed solar panels at the TCF Akberali campus thereby reducing the school’s carbon footprint and reducing the pressure on fossil fuels.

## 4. **Khana Ghar**

Khana Ghar has been run for more than 15 years by Parveen Saeed – the lady who was dubbed as the 3 Rupee lady by the international media, because she offered food to the needy persons in Karachi at a cost of PKR 3 per head. Khana Ghar serves 2 meals to more than 4000 people in Karachi every day. Amreli Steels contributes to this noble cause through funding to ensure that over 500,000 meals are served every year.

## 5. **Sirat-ul-Jannah Orphanage**

The Sirat-ul-Jannah orphanage is a network of orphanages operating in Karachi, Islamabad, Muree and Khanewal with the aim of providing a home-like environment to needy orphan children. In addition to lodging and essentials, provision of educational and medical facilities are also being extended. Amreli Steels supplies the food monthly for children in the orphanage.

## 6. **COVID-19 Fund For Daily Wagers**

Amreli Steels formed the COVID-19 Relief Fund during lock-down period with the aim of addressing the basic financial needs of its workers and the community. The donations were generated primarily from the monetary contributions of the management staff. The generous contributions were utilized for the Ration Distribution Campaign in Ramadan. Subsequently further donations received through this fund were distributed among the workers on the festive occasions of Eid-ul-Fitr and Eid-ul-Azha.

# MARKETING EVENTS

Events	Dates
ACEP National Forum & Conference	24 July 2019
Plant Tour – Central and South Punjab Stockists	30 August 2019
Plant Tour – Armed Forces Contractors	19 October 2019
Business Partner Portal Launch Event – Karachi	29 November 2019
Vision, Mission and Values Launch	8 December 2019
1st Anniversary - Multan Office	24 December 2019
Business Partner Portal Launch Event – Hyderabad	3 January 2020
Inauguration of Islamabad Sales Office & Warehouse	17 January 2020
Transaction Banking MoU Signing with Meezan Bank	2 February 2020
Sharepoint Kickoff 2020	11 February 2020
15,000 Followers on LinkedIn Celebration	13 February 2020
Plant Tours – New and Existing Stockists – Karachi and Sindh	28 February 2020, 6 March 2020
International Women's Day	8 March 2020

## ACEP National Forum Conference

Amreli Steels participated in the first ever ACEP Conference as Platinum Sponsors. The conference took place at the Marriot Hotel and was based on "Procurement of Services, Works and Goods in the Construction Sector of Pakistan".

## Plant Tour – Central and South Punjab Stockists

Amreli Steels organized a grand plant tour at their Dhabeji facility for their esteemed stockists from Central & South Punjab.

## Plant Tour – Armed Forces Contractors

Amreli Steels organized a grand plant tour at their Dhabeji facility for their honourable business partners from the Armed Forces. Our chairman, Mr. Abbas Akberali graced the event with his presence.



## **Business Partner Portal Launch Event – Karachi**

Amreli Steels recently launched a mobile application named “Amreli Steels Business Partner Portal” for their business partners. The launch event was held at the Lal Qila restaurant where the retailers were given a hands-on demonstration of the application by CIO Syed Javed Asghar.

## **Vision, Mission and Values Launch**

Amreli Steels unveiled its new Vision, Mission and Values in a grand, first-of-its-kind launch event organized at the PC Hotel Karachi where more than 600 employees were under the same roof.

The theme of the event “ouR-RIDE to New Frontiers” was developed to capture the essence of this new beginning – where “ouR-RIDE” is the acronym made from our core values and the “New Frontiers” represents the latest iteration of our Vision and Mission.

The event was organized, executed and hosted by the VMV Committee members.

## **1st Anniversary - Multan Office**

Amreli Steels celebrated the 1st Anniversary of their Multan Office at Ramada Hotel, Multan. Guests in attendance included our retailers, contractors and representatives of the business community.

## **Business Partner Portal Launch - Hyderabad**

Amreli Steels launched a mobile application named “ Amreli Steels Business Partner Portal” for its retail business partners. The launch event was held at the Lal Qila restaurant in Hyderabad where the retailers were given a hands-on demonstration of the application by CIO Syed Javed Asghar.

## **Inauguration of Islamabad Sales Office & Warehouse**

Amreli Steels inaugurated its Islamabad Sales Office and Warehouse with a ceremony on 17th January 2020. A dinner was also organized for customers and key stakeholders in Margalla Hills Hotel later in the evening.

## **Transaction Banking MoU Signing with Meezan Bank**

Amreli Steels Limited and Meezan Bank signed a Transaction Banking Agreement for automated collections in February 2019. The MoU was signed by Mr. Taha Umer (Financial Controller – Amreli Steels) and Mr. Muhammad Saqib Ashraf (Executive Vice President & Head of Transaction Banking - Corporate & Institutional Banking).

## **Sharepoint Kickoff 2020**

With the aim to protect the environment by going paperless, Amreli Steels officially kicked off the implementation of Microsoft Sharepoint on 11th February 2020. The session was led by CIO, Syed Javed Asghar along with the Head of Business Applications, Ms. Saima Naveed and attended by all departmental heads.

## **15,000 Followers on LinkedIn Celebration**

Amreli Steels celebrated becoming the first steel rebar manufacturing company of Pakistan to reach 15,000 followers on LinkedIn.

## **Plant Tours – New and Existing Stockists – Karachi and Sindh**

Amreli Steels organized 2 Plant Tours for its new and existing business partners from Karachi and Sindh in February and March 2020.

## **International Women's Day**

Keeping the annual tradition of recognizing our Women of Steel, Amreli Steels celebrated International Women's Day on 5th March 2020. Guests of honour Mrs. Salsabil Akberali and Non-Executive Director Ms. Mariam Akberali stressed on the virtues of respect and treating women equally at every step. The female staff commemorated their special day through short speeches. Bouquets and gift cards were awarded to all the ladies by the company.





# HUMAN RESOURCES

*Bringing A Positive Change In The Lives Of Our Fellow Colleagues*

## Vision, Mission And Values – ouR- Ride To New Frontiers

Today, Amreli Steels Limited holds a prominent and leading position in the industry. This has been made possible by embracing the transformational opportunities in the ever changing business landscape. The transformation can be swift and effective, if businesses have a compelling “vision, mission and values” expressed in a well-articulated manner. Recognizing the importance, Amreli Steels Limited went through an extensive exercise to revisit its current vision and mission. Consequently, a historic milestone was achieved through the launch of our new Vision, Mission and Organizational Values. This journey was named “ouR-RIDE to New Frontiers” as it will lead the business to new horizons. The key event was held at renowned business location in the presence of around 600 management staff and executive leadership team. The collective enthusiasm of the participants was off the charts on that day. This is indeed a moment of great pride for the whole organization as well as a wonderful opportunity to capitalize on in the future.

## Organizational Design

Amreli Steels strongly believes that our employees are the most valuable assets of the company. Being an employee centric organization, it is our paramount objective to provide our employees the dynamic organizational and hierarchical structure. In this context, Amreli Steels is transforming its grading structure from broad-banding to narrow-banding which will provide its employees the opportunity to make their way upwards on their career ladder, as well as it will also offer the organization better ways of managing and engaging the internally available talent pool.

## Knowing the Pulse

The key to organization’s success is nurturing and sustaining a culture of employee happiness. Amreli Steels Limited follows the exercise of continuous Employee Feedback Sessions, which we call “Knowing the Pulse” across the organization. This venture, which had been initiated 2 years ago has yielded high success rates and Amreli intends to continue it with renewed zeal and commitment. The fundamental objective of “Knowing the Pulse” is to understand employee feelings and sentiments at workplace. This is captured using innovative platforms, such as feedback sessions, focused groups, 1-to-1 discussions and dialogues, resulting into a modernized culture and systems.

## Reflection of Our Values – ouR-RIDE during COVID-19

The COVID-19 lockdown brought the ever-moving and seemingly unstoppable rat-race of our lives to a standstill. The pandemic inconvenienced us all, though living our Vision – Committed to strengthen the economy and society – Amreli Steels stayed strong with its values and supported its employees in the best possible manner. This allowed the management to step back and take a holistic view of overall processes, deciding how to adapt the imposed conditions at best.

### **A Culture of Care:**

The biggest challenge posed by COVID-19 was psychological and economical. Amreli Steels demonstrated its generosity by keeping the jobs of its people secure and timely disbursement of salaries without any deductions and delays. Amreli Steels kept its promise by welcoming new members to the family even during the low-spirited times.

### **Digital Learning Platform:**

HR Department engaged the employees in self-development exercises by providing them the Digital Learning Platform where a number of training resources, webinars, e-Books, and reading material were made available to keep the employees motivated throughout the gloomy situation.

### **Enabling Remote Working:**

The employees were provided maximum flexibility to deliver their jobs while staying at home or otherwise.

# FROM BEING A GUIDING LIGHT TO CHANGING THE LANDSCAPE





# SHAREHOLDERS' INFORMATION

# NOTICE OF THE 36<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 36<sup>th</sup> Annual General Meeting (AGM) of the shareholders of Amreli Steels Limited (the Company) will be held on Tuesday, 27 October 2020 at 03:30 pm via video conference facility to transact the following businesses:

## Ordinary Business:

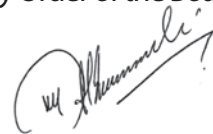
1. To receive, consider and adopt the annual audited financial statements of the Company for the year ended 30 June 2020, together with the Directors' and Auditors' reports thereon.
2. To appoint auditors of the Company for the financial year ending 30 June 2021 and to fix their remuneration. The Board of Directors of the Company has recommended the name of retiring auditors M/s. EY Ford Rhodes, Chartered Accountants, for their re-appointment as external auditors for the year ending 30 June 2021. The retiring auditors, being eligible, have offered themselves for re-appointment for the year ending 30 June 2021.

## Any Other Business:

3. To transact any other business as may be placed before the meeting with the permission of the Chair.

05 October 2020  
Karachi

By Order of the Board



Adnan Abdul Ghaffar  
Company Secretary

## Notes:

### 1. Participation in the AGM Proceeding via Video Conference Facility

In view of the recent outbreak of COVID-19, the steps taken by the Government to avoid large public gathering at one place and the circular No. 5 of 2020 notified by the Securities and Exchange Commission of Pakistan (SECP) dated 17 March 2020 and Pakistan Stock Exchange Limited (PSX) through its notice Ref: PSX/N-372 dated 19 March 2020 has advised companies to modify their usual planning for annual general meetings for the well-being of the shareholders and to avoid large gatherings by provision of video link facilities. Through Circular 25 of 2020 issued on 31 August 2020, the SECP has extended the applicability of Circular 05 of 2020 to AGM for the year ended 30 June 2020 to be held up till 31 October 2020.

Accordingly, considering any threat of COVID-19 in large public gatherings and SECP's directives, the AGM proceedings shall be held via video conference facility only.

The Members/Proxies interested to participate in the AGM are requested to share below information at [investor-relations@amrelisteels.com](mailto:investor-relations@amrelisteels.com) with subject "Registration for 36th AGM of Amreli Steels Limited" alongwith valid copy of CNIC (both sides) –

Shareholder Name	Folio/ CDC Number	CNIC Number	Cell Number	Registered Email Address

Video-link and login credentials will be shared with the Members/Proxies whose email containing all the above particulars are received at the given email address by the close of business on 25 October 2020.

The Members can also provide their comments and questions for the agenda items of the AGM on Whatsapp Number: 0331-1201504 and email: [investor-relations@amrelisteels.com](mailto:investor-relations@amrelisteels.com)

## **2. Closure of Share Transfer Books:**

The Share Transfer Books of the Company will remain closed from 17 October 2020 to 27 October 2020 (both days inclusive). Transfers received in order by our Share Registrar, M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi, by the close of business on 16 October 2020 will be considered in time for the determination of any entitlement, as recommended by the Board of Directors and attending the meeting.

## **3. Appointment of Proxies and Attending AGM:**

- A member entitled to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
- A blank instrument of proxy (in English and Urdu) is attached in the Annual Report. The form of proxy is also available at the Company's website.
- A duly completed instrument of proxy to be valid, must be deposited at the registered office not less than 48 hours before the time of the meeting. Attested copies of valid CNIC or the passport of the member and the Proxy shall be furnished with the Proxy Form.
- The instrument of proxy should be duly signed, stamped and witnessed by two persons with their names, addresses, CNIC numbers and signatures.
- Central Depository Company (CDC) account holders are also required to follow the guidelines as laid down in Circular No.1 dated 26 January 2000 issued by the SECP.
- In case of a corporate entity, the Board of Directors' resolution/Power of Attorney with specimen signature of the nominee shall be submitted at the registered office not less than 48 hours before the time of the meeting.

## **4. Change in Members Addresses:**

Members are requested to notify any change in their addresses immediately to the Share Registrar M/s. THK Associates (Pvt.) Limited.

## **5. Availability of Financial Statements and Reports on the Website:**

The Annual Report of the Company for the year ended 30 June 2020 has been placed on the Company's website.

## **6. Circulation of Annual Financial Statements for the year ended 30 June 2020 through DVD:**

Pursuant to the approval of shareholders in the 32<sup>nd</sup> Annual General Meeting held on 25 October 2016, the annual report of the Company for the year ended 30 June 2020 is being circulated to the members through DVD.

**7. Transmission of Annual Financial Statements and Notice of Meeting through email:**

In pursuance to S.R.O.787(I)/2014 dated 08 September 2014, the SECP has permitted companies to circulate annual audited financial statements along with notice of Annual General Meeting to its members through email. Accordingly, members who desire to receive annual financial statements and notices of the Company through email in future (instead of receiving them through CD/DVD/USB) are requested to submit their consent on the form duly filled to the Share Registrar of the Company. The consent form has been uploaded on the Company's website. Any change to such arrangement(s) should be communicated to the Company on standard request form.

**8. Consent for Video Conference Facility:**

In compliance with Section 134(1)(b) of the Companies Act, 2017 members of the Company may attend and participate in the AGM through video conference facility if member(s) residing in a city other than Karachi, collectively holding 10% or more shareholding, demand in writing, to participate in the AGM through video conference at least ten (10) days prior to the date of the AGM.

To avail such facility, please submit the following form with the requisite information at the Registered Office of the Company –

I/We _____ of _____ being a member of Amreli Steels limited, holder of _____ ordinary shares(s) as per Registered Folio/CDC Account No. _____ hereby opt for video conference facility at _____.	
_____ Name and Signature(s)	_____ Date

The Company will intimate members regarding venue of video conference facility at least five (05) days before the date of the AGM along with complete information necessary to enable them to access such facility.

For any query/problem/information, members may contact our Share Registrar at the following address:

**THK Associates (Pvt) Ltd**

1st Floor, 40-C, Block-6, P.E.C.H.S. Karachi - 75400

UAN No: (021) 111-000-322

Direct No: (021) 34168266-8

Email: secretariat@thk.com.pk

اگر آپ اس سہولت کے خواہشمند ہیں تو آپ سے گزارش ہے کہ درج ذیل معلومات کمپنی کے رجسٹرڈ شدہ دفتر میں جمع کروادیں:

میں / ہم \_\_\_\_\_ ساکن / ساکنان \_\_\_\_\_ امریلی اسٹیلز لمیٹڈ  
\_\_\_\_\_ کے حصص داران ہونے کی حیثیت سے، حامل / حاملین \_\_\_\_\_ عام حصص بحوالہ رجسٹرڈ فولیو / سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_  
\_\_\_\_\_ بذریعہ ہذا بمقام \_\_\_\_\_ میں ویڈیو کانفرنس کی سہولت سے فائدہ اٹھانے کے خواہشمند ہیں۔  
\_\_\_\_\_ نام و دستخط نمبر (ممبران)  
\_\_\_\_\_ تاریخ

کمپنی کی جانب سے سالانہ اجلاس عام (بذریعہ ویڈیو کانفرنس) کے مقام کے بارے میں ممبران کو اجلاس کے انعقاد سے کم از کم پانچ (5) دن پہلے اطلاع فراہم کر دی جائے گی اور یہ بھی بتا دیا جائے گا کہ اس مقام تک رسائی کس طرح ممکن ہو سکتی ہے۔

کسی بھی مسئلے یا سوالات کی صورت میں / معلومات حاصل کرنے کیلئے ممبران درج ذیل پتے پر ہمارے حصص رجسٹرار سے رابطہ کر سکتے ہیں۔

ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

پبلی منزل، 40 - سی، بلاک - 6، پی ای سی ایچ ایس کراچی - 75400

UAN NO.(021)111-000-322

براہ راست نمبر: 8-34168266 (021)

Email:secretariat@thk.com.pk

v- سینٹرل ڈیپازٹری کمپنی (CDC) اکاؤنٹ کے حاملین سے گزارش ہے کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی جانب سے جاری کردہ سرکل نمبر 1 مؤرخہ 26 جنوری 2000 میں دی گئی ہدایات پر عمل کریں۔

vi- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی بمعہ نمونہ دستخط از نامزد شدہ افراد بھی رجسٹرڈ شدہ دفتر میں اجلاس شروع ہونے سے کم از کم 48 گھنٹے پہلے جمع کروانا ضروری ہے۔

#### 4- حصص داران کے پتے میں تبدیلی سے متعلق اطلاع:

کمپنی کے حصص داران سے گزارش ہے کہ اگر ان کے پتے میں کسی بھی قسم کی کوئی تبدیلی واقع ہوئی ہے تو اس تبدیلی کو فوری طور پر ہمارے رجسٹرار میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو مطلع کریں۔

#### 5- ویب سائٹ پر مالیاتی گوشواروں اور رپورٹس کی دستیابی:

کمپنی کی سالانہ رپورٹ برائے مالی سال 30 جون 2020 کو کمپنی کی ویب سائٹ پر فراہم کر دی گئی ہے۔

#### 6- سالانہ مالیاتی گوشوارے برائے مالی سال اختتامیہ 30 جون 2020 کی بذریعہ ڈی وی ڈی (DVD) فراہمی:

حصص داران کی جانب سے 32 ویں سالانہ اجلاس عام منعقدہ 25 اکتوبر 2016 میں منظوری کی بنیاد پر مالی سال اختتامیہ 30 جون 2020 سے متعلق آڈٹ شدہ مالیاتی گوشوارے کو بذریعہ ڈی وی ڈی (DVD) ارسال کئے جارہے ہیں۔

#### 7- سالانہ مالیاتی گوشوارے اور اجلاسوں سے متعلق اطلاعات کی بذریعہ ای میل فراہمی:

بحوالہ ایس آر انمبر 2014/787(1) مؤرخہ 8 ستمبر 2014، ایس ای سی پی کی جانب سے لسٹڈ کمپنیوں کو اس بات کی اجازت دی گئی ہے کہ وہ اپنی سالانہ آڈٹ شدہ مالیاتی گوشوارے بشمول نوٹس برائے سالانہ اجلاس عام سے متعلق اطلاعات کو بذریعہ ای میل اپنے ممبران کو بھیجوا سکتی ہیں۔ اسی مناسبت سے ہم ان ممبران کو سالانہ مالیاتی دستاویزات اور اطلاعات بذریعہ ای میل (بجائے سی ڈی/ڈی وی ڈی/یو ایس بی) حاصل کرنے کی سہولت کی پیشکش کرتے ہیں جو مستقبل میں بذریعہ ای میل کے ذریعے ان دستاویزات تک رسائی حاصل کرنا چاہتے ہیں۔ اس سلسلے میں درخواست فارم کمپنی کی ویب سائٹ پر فراہم کر دیا گیا ہے۔ اس سلسلے میں کسی بھی قسم کی تبدیلی سے متعلق کمپنی کو درخواست فارم کے ذریعے ہی آگاہ کیا جائے۔

#### 8- ویڈیو کانفرنس کی سہولت کے حصول کیلئے درخواست:

کمپنیز ایکٹ کے سیکشن (b)(1) 134 کے تحت اگر کراچی کے علاوہ کسی اور جغرافیائی محل وقوع پر کمپنی کے اوسطاً 10% یا اس سے زائد حصص داران کی جانب سے درخواست کی جائے کہ وہ سالانہ اجلاس عام میں بذریعہ ویڈیو کانفرنس شرکت کے خواہاں ہیں تو کمپنی کی جانب سے اس سہولت کا اہتمام کیا جاسکتا ہے بشرطیکہ یہ درخواست اجلاس منعقد ہونے سے کم از کم 10 دن پہلے موصول ہو۔

لہذا بڑے عوامی اجتماعات کی صورت میں COVID-19 کی وجہ سے پیدا ہونے والے ممکنہ خطرات اور ایس ای سی پی کی ہدایات کی روشنی میں سالانہ اجلاس عام میں شرکت اب صرف ویڈیولنک کے ذریعے کی جاسکے گی۔

سالانہ اجلاس عام میں شرکت کے خواہش مند ممبران /پراکسی سے گزارش ہے کہ investor-relations@amrelisteels.com پر زیر عنوان "امریلی اسٹیلز لمیٹڈ کے 36 ویں سالانہ اجلاس عام میں رجسٹریشن" درج ذیل معلومات فراہم کر کے اپنا اندراج کروائیں اور اس کے ساتھ کارآمد قومی شناختی کارڈ کی دونوں اطراف سے نقل بھی منسلک کر دیں۔

نام حصص دار	فولیو / سی ڈی سی نمبر	کمپیوٹرائزڈ قومی شناختی کارڈ نمبر	موبائل فون نمبر	رجسٹرڈ شدہ ای میل ایڈریس

ویڈیولنک اور آن لائن رابطے سے متعلق معلومات ان ممبران /پراکسی کو فراہم کر دی جائیں گی جن کی جانب سے مزکورہ بالا معلومات بمعہ ای میل ایڈریس کمپنی کے مندرجہ بالا ای میل ایڈریس پر 25 اکتوبر 2020 شام 5:00 بجے سے پہلے موصول ہو جائیں گی۔

ممبران اپنی آراء اور سالانہ اجلاس عام کے ایجنڈے سے متعلق سوالات کے لئے واٹس ایپ نمبر 0331-1201504 اور ای میل ایڈریس investor-relations@amrelisteels.com پر بھیج سکتے ہیں۔

## 2- حصص منتقلی کھاتوں کی بندش:

کمپنی کے حصص منتقلی کھاتے 17 اکتوبر 2020 سے 27 اکتوبر 2020 تک بند رہیں گے (دونوں ایام مزکورہ بھی اس میں شامل ہیں)۔ ہمارے رجسٹرار /منتقلی ایجنٹ میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پہلی منزل، 40-سی، پی ای سی ایچ ایس، کراچی کو دفتری اوقات کار کے دوران 16 اکتوبر 2020 تک موصول ہونے والی شنیرز کی منتقلی کی درخواستوں کو تسلیم کیا جائے گا اور وہ ممبران سالانہ اجلاس عام میں شرکت کے لئے اہل ہوں گے۔

## 3- اجلاس عام میں شرکت اور پراکسی کی نامزدگی:

- کمپنی کا ایک ایسا ممبر جو کہ اجلاس عام میں شرکت کرنے اور حق رائے دہی استعمال کرنے کا استحقاق رکھتا ہو اس بات کا مجاز ہوگا کہ اپنی جگہ کسی اور ممبر کو اجلاس عام میں شرکت اور حق رائے دہی کیلئے بطور پراکسی نامزد کر دے اور نامزد کردہ شخص بھی اجلاس عام میں شرکت کرنے، رائے دینے، تقرر کر کے اور حق رائے دہی استعمال کرنے کا مجاز ہوگا۔
- اجلاس عام میں شرکت کیلئے ایک غیر پرشدہ پراکسی فارم (انگریزی اور اردو) سالانہ رپورٹ کے ساتھ منسلک کیا جا رہا ہے۔ پراکسی فارم کمپنی کی ویب سائٹ پر بھی موجود ہے۔
- پراکسی کے کارآمد ہونے کیلئے ضروری ہے کہ پراکسی کی درخواست کمپنی کے رجسٹرڈ دفتر کو اجلاس منعقد ہونے سے کم از کم 48 گھنٹے پہلے موصول ہونا لازم ہے۔ ممبر اور پراکسی کے کارآمد قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل بھی پراکسی فارم کے ساتھ منسلک کرنا لازمی ہے۔
- پراکسی فارم کیلئے لازم ہے کہ باقاعدہ پرشدہ ہو، اس پر دستخط اور مہر ثبت ہو اور فارم پر دو گواہان کے نام، پتے، شناختی کارڈ نمبر اور ان کے دستخط درج ہوں۔

# اطلاع برائے 36 ویں سالانہ اجلاس عام

بذریعہ ہذا اطلاع دی جاتی ہے کہ امریلی اسٹیلز لمیٹڈ (کمپنی) کے حصص داران کا 36 واں سالانہ اجلاس عام مورخہ 27 اکتوبر 2020 سے پہر 3:30 بجے بذریعہ ویڈیو کانفرنس مندرجہ ذیل امور کی منظوری کے لئے منعقد ہوگا:

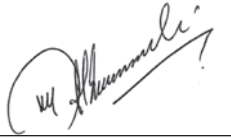
## عمومی امور:

1- کمپنی کے آڈٹ شدہ مالیاتی گوشوارے بابت مالی سال اختتامیہ 30 جون 2020 اور ان کے بارے میں ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی منظوری۔

2- آئندہ مالی سال اختتامیہ 30 جون 2021 کیلئے کمپنی کے آڈیٹرز کا انتخاب کرنا اور ان کے معاوضے کی منظوری۔ کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے تجویز دی گئی ہے کہ ریٹائر ہونے والے آڈیٹرز میسرز EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس، کو آئندہ مالی سال اختتامیہ 30 جون 2021 تک ایک مرتبہ پھر کمپنی کے بیرونی آڈیٹرز کے بطور تعینات کیا جائے۔ ریٹائر ہونے والے آڈیٹرز کی جانب سے اپنی اہلیت کی بنیاد پر ایک مرتبہ پھر مالی سال اختتامیہ 30 جون 2021 کیلئے اپنی خدمات پیش کی گئی ہیں۔

## اس کے علاوہ دیگر امور:

بحکم بورڈ



عدنان عبدالغفار

کمپنی سیکرٹری

3- ان کے علاوہ ایسے دیگر امور کو زیر غور لانا جنہیں پیش کرنے کی چیرمین کی جانب سے اجازت دی جائے۔

05 اکتوبر 2020

کراچی

نوٹس:

## 1- سالانہ اجلاس عام میں بذریعہ ویڈیو کانفرنس شرکت کی سہولت:

حال ہی میں COVID-19 کی وباء پھوٹنے کے پیش نظر حکومت پاکستان کی جانب سے ایک مقام پر بڑے عوامی اجتماعات کی حوصلہ شکنی کیلئے اٹھائے جانے والے اقدامات، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی جانب سے جاری کردہ سرکلر نمبر 5 بابت 2020 مورخہ 17 مارچ 2020 اور پاکستان اسٹاک ایکسچینج لمیٹڈ (PSX) کی جانب سے جاری کردہ نوٹس بحوالہ PSX/N-372 مورخہ 19 مارچ 2020 کے تحت کمپنیوں کو ہدایات دی گئی ہیں کہ اپنے سالانہ اجلاس عام کو معمول سے ہٹ کر ترتیب دیا جائے اور حصص داران کی فلاح کی خاطر عوامی اجتماعات سے بچنے کیلئے ویڈیو لنک کے ذریعے اجلاس میں شرکت کے مواقع فراہم کریں۔ سرکلر نمبر 25 بابت 2020 مورخہ 31 اگست 2020 کے ذریعے SECP کی جانب سے سرکلر نمبر 5 بابت 2020 کے اطلاق میں توسیع کردی گئی ہے اور اس کا اطلاق اب 31 اکتوبر 2020 تک منعقد ہونے والے تمام سالانہ اجلاس عام پر ہوگا۔



# PATTERN OF SHAREHOLDING WITH ADDITIONAL INFORMATION AS AT 30 JUNE 2020

Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
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## Directors and their Spouse(s) and Minor Children

Abbas Akberali	2	92,549,482	31.16
Shayan Akberali	1	35,694,840	12.02
Mariam Akberali	2	37,733,212	12.70
Kinza Shayan	1	1,746,383	0.59
Teizoon Kisat	1	500	0.00
Badar Kazmi	1	1,000	0.00
Zafar Ahmed Taji	1	19,500	0.01

## Associated Companies, Undertakings and Related Parties

Mahvash Akberali	1	55,732,930	18.76
Public Sector Companies and Corporations	-	-	-

## Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds

Banks, DFI & NBFIs	3	5,928,000	2.00
Insurance Companies	8	2,195,200	0.74
Modaraba	1	22,500	0.00
Mutual Funds	20	8,708,500	2.93

## General Public

Local	10,610	35,632,277	12.00
Foreign	341	2,477,403	0.84
Others	113	17,491,700	5.89
Foreign Companies	2	1,078,000	0.36
<b>Totals</b>	<b>11,108</b>	<b>297,011,427</b>	<b>100.00</b>

Shareholders holding 5% or more	Shares Held	Percentage
Abbas Akberali	91,294,723	30.74
Mahvash Akberali	55,732,930	18.76
Hadi Abbas Akberali	37,732,212	12.70
Shayan Akberali	35,694,840	12.02

## Details of purchase/sale of Shares by Directors, Executives and their Spouse(s)/minor children during the year 2019-20

Name	Date of Transaction	No. of Shares Purchased	Rate Per Share Rs.
Zafar Ahmed Taji	03 February 2020	5,000	33.96/-
Zafar Ahmed Taji	16 March 2020	2,000	31.98/-

# PATTERN OF SHAREHOLDING AS AT 30 JUNE 2020

Number of Shareholders	Number of Shareholders From To		Shares Held	Percentage
412	1	100	15,271	0.0051
5,909	101	500	2,907,868	0.9790
1,835	501	1,000	1,807,276	0.6085
1,955	1,001	5,000	5,204,713	1.7524
401	5,001	10,000	3,233,528	1.0887
134	10,001	15,000	1,731,283	0.5829
117	15,001	20,000	2,150,385	0.7240
70	20,001	25,000	1,644,813	0.5538
40	25,001	30,000	1,143,626	0.3850
22	30,001	35,000	729,900	0.2457
29	35,001	40,000	1,138,717	0.3834
10	40,001	45,000	440,500	0.1483
30	45,001	50,000	1,474,000	0.4963
7	50,001	55,000	371,700	0.1251
8	55,001	60,000	470,500	0.1584
4	60,001	65,000	248,500	0.0837
5	65,001	70,000	347,200	0.1169
8	70,001	75,000	591,000	0.1990
3	75,001	80,000	235,000	0.0791
5	80,001	85,000	419,400	0.1412
6	85,001	90,000	532,000	0.1791
3	90,001	95,000	282,500	0.0951
14	95,001	100,000	1,399,500	0.4712
6	100,001	105,000	611,500	0.2059
4	105,001	110,000	431,500	0.1453
2	110,001	115,000	227,500	0.0766
2	115,001	120,000	240,000	0.0808
5	120,001	125,000	613,000	0.2064
3	125,001	130,000	384,000	0.1293
1	140,001	145,000	145,000	0.0488
5	145,001	150,000	750,000	0.2525
1	150,001	155,000	155,000	0.0522
1	155,001	160,000	157,000	0.0529
2	180,001	185,000	366,000	0.1232
2	185,001	190,000	377,500	0.1271
1	190,001	195,000	191,000	0.0643
5	195,001	200,000	1,000,000	0.3367
1	200,001	205,000	201,000	0.0677
2	205,001	210,000	419,500	0.1412
1	220,001	225,000	223,500	0.0752
1	225,001	230,000	227,000	0.0764
1	230,001	235,000	230,500	0.0776

Number of Shareholders	Number of Shareholders From To		Shares Held	Percentage
1	245,001	250,000	250,000	0.0842
2	260,001	265,000	528,200	0.1778
1	270,001	275,000	274,000	0.0923
1	280,001	285,000	283,000	0.0953
1	295,001	300,000	299,500	0.1008
1	305,001	310,000	308,500	0.1039
1	345,001	350,000	350,000	0.1178
1	350,001	355,000	352,200	0.1186
1	365,001	370,000	368,000	0.1239
1	370,001	375,000	372,500	0.1254
1	375,001	380,000	376,500	0.1268
1	395,001	400,000	400,000	0.1347
1	425,001	430,000	425,500	0.1433
1	455,001	460,000	450,500	0.1517
1	460,001	465,000	461,500	0.1554
1	545,001	550,000	549,500	0.1850
1	640,001	645,000	644,500	0.2170
1	645,001	650,000	650,000	0.2188
1	925,001	930,000	928,000	0.3124
1	990,001	995,000	993,000	0.3343
1	1,140,001	1,145,000	1,144,759	0.3854
1	1,360,001	1,365,000	1,360,500	0.4581
1	1,710,001	1,715,000	1,711,000	0.5761
1	1,745,001	1,750,000	1,746,383	0.5880
1	1,965,001	1,970,000	1,966,500	0.6621
1	2,005,001	2,010,000	2,005,500	0.6752
1	2,095,001	2,100,000	2,100,000	0.7070
1	2,620,001	2,625,000	2,625,000	0.8838
1	3,495,001	3,500,000	3,500,000	1.1784
1	3,525,001	3,530,000	3,530,000	1.1885
1	4,880,001	4,885,000	4,882,500	1.6439
1	5,245,001	5,250,000	5,250,000	1.7676
1	35,690,001	35,695,000	35,694,840	12.0180
1	37,730,001	37,735,000	37,732,212	12.7040
1	55,730,001	55,735,000	55,732,930	18.7646
1	91,290,001	91,295,000	91,294,723	30.7378
<b>11,110</b>	<b>Total</b>		<b>297,011,427</b>	<b>100.0000</b>

# INVESTORS' GRIEVANCES POLICY

The Company believes in prompt provision of resolution to all grievances of our valued shareholders in accordance with the statutory guidelines and well-designed policy. The development of sustained stakeholder relationships is paramount to the performance of the Company. Investors' grievances are managed centrally by the Corporate Compliance Department of the Company through an effective grievance management mechanism for handling of investors' queries and complaints, through the following key measures –

- Increasing the investors' awareness relating to modes for filing of queries;
- Handling of investors' grievances in a timely manner;
- Handling of grievances honestly and in good faith without prejudice;
- Escalating grievances to the appropriate levels with full facts of the case requiring attention of the senior management or the Board, for judicious settlement of the grievance, if required;
- Carrying out investigations to inquire about the cause of the grievance;
- Taking appropriate remedial action immediately to facilitate the respected investors of the Company;

Investors can communicate their grievances through any of the following channels -

By calling at UAN: (+92-21) 111 - AMRELI (267354)

By writing to: The Company Secretary  
Amreli Steels Limited  
Plot No. A-18, S.I.T.E. Karachi, Pakistan

By sending an email: [adnan.ghafar@amrelisteels.com](mailto:adnan.ghafar@amrelisteels.com)  
[investor-relations@amrelisteels.com](mailto:investor-relations@amrelisteels.com)

By accessing website: <http://amrelisteels.com/investor-relations#Complaints>

DISCLAIMER: "In case investors' complaints are not properly redressed by the Company, investors may lodge their complaints with Securities and Exchange Commission of Pakistan ("the SECP"). However, SECP will entertain only those complaints which were at first directly requested to be redressed by the Company and the Company has failed to redress the same. Further, the complaints that are not relevant to SECP's regulatory domain/competence shall not be entertained by the SECP."

- By accessing SECP: <https://sdms.secp.gov.pk/>

## ISSUES RAISED IN LAST AGM & DECISIONS TAKEN

The Company conducted its last (35th) AGM on 26 October 2019 at the Auditorium Hall of the Institute of Chartered Accountants of Pakistan. Besides approval of annual audited accounts for the ended 30 June year 2019 and satisfactorily concluding other ordinary businesses of the said AGM, all the queries raised by the respected shareholders of the Company were responded upto their satisfaction by the Chair of the meeting, Directors, Chief Executive Officer and the Chief Financial Officer of the Company. Other than routine enquiries, no issues were raised by the shareholders which require decision or implementation thereof.

# STAKEHOLDERS' ENGAGEMENT PROCESS

STAKEHOLDERS	MANAGEMENT OF STAKEHOLDERS' ENGAGEMENT	EFFECT AND VALUE TO ASL
Institutional Investors / Shareholders	ASL acknowledges and honors the trust our investors have put in us by providing a steady return on their investment. We rigorously enforce a transparent relationship with all our stakeholders.	The providers of capital allow ASL the means to achieve its vision.
Customers & Suppliers	ASL has invested significantly over the years in customer relationship management. Our continuous and sustainable growth is also attributable to engaging reputed suppliers as business partners for supply of industrial inputs, equipment and machinery.	Our success and performance depends upon the loyalty of our customers, their preference and our supply chain management.
Banks and Other Lenders	Banks and other financial institutions are engaged by the Company on an on-going basis in relation to negotiation of rates, lending purposes, short term financing, deposits and investments. Banks are also consulted on issues linked with letters of credit and payments to suppliers, along with other disbursements of an operational nature.	Dealings with banks and lenders is key to ASL's performance in terms of the following: <ul style="list-style-type: none"> <li>• Access to funds</li> <li>• Better interest rates and loan terms</li> <li>• Minimal fees</li> <li>• Higher level of customer service</li> <li>• Effective planning for the future</li> </ul>
Media	Different communication mediums are used on need basis to apprise the general public about new developments, activities and philanthropic initiatives of ASL.	By informing the media of the developments and activities of ASL, effective awareness is created regarding the Company and the products and services offered, indirectly having a positive impact.
Regulators	ASL prides itself in being a responsible corporate citizen and abides by the laws and regulations of Pakistan. ASL consciously ensures that all the legal requirements of other countries are also fulfilled while conducting business outside Pakistan.  ASL has paid a total of Rs. 5.35 Billion (comprising in terms of income taxes, federal excise duties, sales taxes and custom duties) to Government Exchequer during the financial year under review and continues to be one of the highest taxpayers of Pakistan.	Laws and regulations, determination of prices and other factors controlled by the Government affect ASL and its performance.



STAKEHOLDERS	MANAGEMENT OF STAKEHOLDERS' ENGAGEMENT	EFFECT AND VALUE TO ASL
Analysts	In order to remain transparent and attract potential investors, ASL regularly engages with analysts on details of projects already disclosed to the regulators, with due regard to regulatory restrictions imposed on inside information and or trading, to avoid any negative impact on the Company's reputation or share price.	Providing all the required information to analysts on the historical performance of the Company, material announcement made during the period and help them understand the industry and its dynamics more clearly to create a positive investor environment.
Employees	ASL's commitment to its most valued resource, a dedicated and competent workforce, is at the core of its human resource strategy. ASL provides a nurturing and employee friendly environment while investing considerably in local and foreign employee trainings. Besides monetary compensations, ASL has also invested in health and fitness activities for its employees.	ASL's employees represent its biggest asset. They implement every strategic and operational decision and represent the Company in the industry and community.
Local Community and General Public	In addition to local communities near plant sites, ASL engages with general public at large through its CSR Activities. This engagement helps to identify needed interventions in the field of education, health and general economic uplift of the society.	The people of the Country provide the grounds for ASL to build its future on.

## ENCOURAGING MINORITY SHAREHOLDERS TO ATTEND GENERAL MEETINGS

The Company disseminates the notice of its general meetings to all registered shareholders along-with annual report containing financial statements of the Company. Besides this, the Company also publishes the notice of AGM in English and Urdu newspapers having circulation across the Country and shareholders are also informed by Company through timely updating the notice of AGM and other relevant information at the official website of the Company as well as designated web-portal of the Pakistan Stock Exchange.

Shareholders are also encouraged to avail the facility of video conferencing (as per the prescribed procedures) and getting notices by email addresses (as provided by shareholders) to encourage maximum attendance at the meetings. The Company always facilitates and ensures shareholders' presence while entertaining their requests if feasible and viable. It values and honors their inputs, records their concerns, prepositions, suggestions in minutes and keeps them abreast on the progress and subsequent actions. Shareholders can also actively participate during general meetings in discussions on operations, objectives and future strategy of the Company.

# SUMMARY OF CORPORATE AND ANALYSTS' BRIEFING HELD DURING THE YEAR 2019-2020

In addition of conducting mandatory Corporate Briefing Session (CBS), the Company conducted two Analyst Briefing Sessions during the financial year under review at premises easily accessible for better participation from analyst community by giving fair advance intimation to shareholders and analysts' community. The Chief Executive Officer and Chief Financial Officer of the Company gave presentation on financial and operational details of the Company during Corporate/Analyst Briefing Sessions pertaining to the respective periods covered. We also keep posting the presentations on the Company's website immediately after the Corporate/Analyst Briefing Sessions which can easily be viewed by all respected shareholders of the Company as well as the analysts. The same can be viewed by accessing Investors' Relations portion of the Company's website (i.e. <https://www.amrelisteels.com/investor-relations#investorInformation>). The CBS was also attended by Group Head of Plant and Production, Financial Controller and Company Secretary.

The Company has conducted the following Corporate/Analyst Briefing Sessions with the objective of ensuring timely and equitable distribution of information to the shareholders and analyst community -

1. Analysts' Briefing for the period ended 30 June 2019 held on 07 October 2019;
2. Corporate Briefing Session for the year ended 30 June 2019 held on 22 November 2019;
3. Analysts' Briefing for the period ended 31 December 2019 held on 04 March 2020.

# STRATEGY TO OVERCOME LIQUIDITY PROBLEM AND THE COMPANY'S PLAN TO MANAGE ITS REPAYMENT OF DEBTS AND RECOVER LOSSES, (IF ANY)

The Company operates an efficient treasury department which guarantees an effective cash flow management system, manages working capital and financing needs of the Company through forecasting cash flows and timely meeting all the financial liabilities as they fall due.

During the year under consideration, the Company has faced numerous macroeconomic challenges from the beginning of the year. The considerable decline in GDP, contraction of the economy, rupee devaluation and an overall negative business sentiment in the country has shrunk national consumption and the consumer purchasing power. Further, the change in sales tax regime has caused increase in prices by 17% for the end consumer, imposition of 1.5% minimum tax on retailers, restriction on sale to un-registered persons and imposition of CNIC conditions has further impacted sales & collection putting pressure on cash cycle.

To improve the ever tightening liquidity due to the spread of COVID-19 pandemic and measures taken by the government to control its spread, the company immediately availed the relaxation provided by the SBP to the business community, allowing it to defer its payment obligations towards the banks by a period of one year. On further offering of a term loan on a subsidised interest rates to pay for the salaries and wages of the employees and workers of the business units, the Company availed Rs. 400 million loan to help improve its liquidity.

The economic conditions and GDP growth are forecasted to remain slow in coming years. The Company is taking necessary steps to increase its plant capacity utilization, improve profitability, keep a check on its risk profile, and taking various other measures for the improvement of its financial health:

## **1) Increasing market share**

The Company has undertaken a detailed exercise of market sizing and share, the results of which are quite promising. There is still some room to take market share in South and penetrate North despite the limited growth in GDP. Targets has been set for next three years supported by comprehensive sales strategy for achieving those targets.

## **2) Triggering efficiencies within the organization**

Material savings can be achieved by consuming lesser electricity and gas units at the two plants at Dhabeji. Yield can be further improved by hot charging, reducing down time, and spreading fixed costs by maximum utilization of the installed capacities.

## **3) Credit monitoring and collection**

Reducing credit days, which will not only help the Company reduce financial charges but will also provide much needed liquidity to ease pressure on Company's cash flows. In this pursuit, a new and specialized department has already been developed titled "Credit Monitoring & Administration Department". To improve recovery, dedicated staff with focused approach for timely collection has been provided to the sales department.

## **4) Optimum inventory**

Maintaining optimum levels of inventory of scrap, billet and re-bars and by placing orders for scrap based on economic order quantities, liquidity can be freed up to improve cash flows and reduce financial charges and other holding costs.

# MAJOR EVENTS DURING THE FINANCIAL YEAR 2019-2020

## September 2019

Board of Directors' Meeting was held on 12 September 2019. The Board approved the annual audited financial statements of the Company for the year ended 30 June 2019 and the Directors' Report thereon.

## October 2019

- 35th Annual General Meeting (AGM) of the Company was held on 26 October 2019 at the Auditorium Hall of the Institute of Chartered Accountants of Pakistan, Block-8, Chartered Accountants Avenue, Clifton, Karachi where annual audited accounts for the year ended 30 June 2019 were approved.
- Board of Directors' Meeting was held on 30 October 2019. The Board approved the condensed interim financial statements for the first quarter ended 30 September 2019 along with the Directors' Report thereon.

## November 2019

The mandatory Corporate Briefing Session (CBS) for the year ended 30 June 2019 was held on 22 November 2019.

## February 2020

Board of Directors' Meeting was held on 26 February 2020. The Board approved the condensed interim financial statements for the half year ended 31 December 2019 along with the Directors' Report thereon.

## April 2020

Board of Directors' Meeting was held on 25 April 2020. The Board approved the condensed interim financial statements for the third quarter ended 31 March 2020 along with the Directors' Report thereon.

**FROM CAPPING EXCELLENCE  
TO ENSURING BRILLIANCE  
IN EVERY BIT**





# CORPORATE GOVERNANCE



# CORPORATE GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

The Company recognizes that Governance, Risk Management, and Compliance (GRC) are three pillars that work together for the purpose of assuring that the organization meets its objectives.

GRC is a discipline that aims to synchronize information and activity across governance, risk management and compliance in order to operate more efficiently, enable effective information sharing, more effectively report activities and avoid wasteful overlaps.

## Governance

Governance (i.e. Corporate Governance) is the combination of processes established and executed by the Board of Directors (the Board) that are reflected in the Company's structure and how it is managed and led toward achieving goals of the Company as a whole.

The corporate governance structure of the Company is based on statutory and regulatory compliance requirements that are applicable to companies listed on the Pakistan Stock Exchange Limited and Company's Articles of Association complemented by several internal procedures. These procedures include a risk assessment and control system, as well as a system of assurances on compliance with applicable laws, regulations and the Company's Code of Conduct.

## Major External Regulations

- Companies Act, 2017 (Formerly: Companies Ordinance, 1984) and Rules made thereunder
- Code of Corporate Governance Regulations, 2019
- Securities Act, 2015
- Listing Regulations of Pakistan Stock Exchange Limited
- Rule Book of Pakistan Stock Exchange Limited
- CDC Regulations
- All applicable Labour Laws
- All applicable Taxation Laws and Rules made thereunder
- Competition Act, 2010 and Rules made thereunder
- Other SECP Regulations, Circulars, Notifications and Guidelines issued from time to time
- Other local and International laws applicable directly or indirectly

## Major Internal Regulations

- The Memorandum and Articles of Association of the Company
- Code of Conduct
- Whistle Blowing Policy
- Other Significant policies formulated by the Company from time to time

The Board is responsible for governing the organization by establishing Board policies, setting the goals, objectives and strategies the Company is required to adopt, and formulating policies and guidelines for achieving the said goals and objectives. The Board is accountable to the shareholders for the discharge of its fiduciary function.

The management is responsible for implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board. In order to facilitate the smooth running of the day-to-day affairs of the Company, the Board entrusts the Chief Executive Officer (CEO) with necessary powers and responsibilities. The CEO is, in turn, assisted by various committees comprising of the Chief Operating Officers, Chief Financial Officer and the Heads of Businesses and Functions. The Board is also assisted by a number of sub-committees comprising mainly of independent/non-executive Directors.

## **Risk Management**

Risk management is predicting and managing risks that could hinder the Company to achieve its objectives. The Board has the overall responsibility of overseeing the risk management processes, which include both risk management and internal control procedures. The Company's processes, which are documented and regularly reviewed, are designed to safeguard assets and address risks that the business might face or that may impact business continuity. These are, in turn, reported to the Board and senior management for timely action where required, to ensure uninterrupted operations.

The Company maintains a clear organizational structure with a well-defined chain of authority. Senior management is responsible for implementing procedures, monitoring risk and assessing the effectiveness of various controls. The Company's overall risk management program focuses on the unpredictability of financial markets, regulatory levies and taxes, external factors affecting the marketability and profit margin of its products, internal factors that may compromise the Company's ability to meet its targets, and seeks to minimize potential adverse effects on the Company's financial performance.

## **Compliance**

Compliance at Amreli Steels means adherence with the applicable laws and regulations and the Company's policies and procedures. The Company considers strong and efficient governance as a key to the Company's success.

Due to the increasing number of regulations and need for operational transparency, the Company is increasingly adopting the use of consolidated and harmonized sets of compliance controls. This approach is used to ensure that all necessary governance requirements can be met without unnecessary duplication of efforts from resources to ensure effectiveness and efficiency.



# CORPORATE CALENDAR

Tentative Dates for the Financial Year 2020-21

- **Board Meeting**

For the First Quarter ending 30 September 2020  
Last week of October 2020

- **Corporate Briefing Session**

For the year ended 30 June 2020  
Third Week of November 2020

- **Board Meeting**

For the Half Year ending 31 December 2020  
Second week of February 2021

- **Board Meeting**

For the Third Quarter ending 31 March 2021  
Last week of April 2021

- **Board Meeting**

For the Year ending 30 June 2021  
Last week of August 2021

- **Annual General Meeting**

For the Year ending 30 June 2021  
Last week of October 2021

# RISK MANAGEMENT GOVERNANCE





# RISK MANAGEMENT PROCESS

The Board is responsible for maintaining and reviewing the effectiveness of our risk management activities from a strategic, financial, and operational perspective. These activities are designed to identify and manage, rather than eliminate, the risk of failure to achieve business objectives or to successfully deliver our business strategy. We follow the Three Lines of Defence approach to risk management. Risks are owned and managed within company and reviewed at least annually.

Step 1 Risk Identification	Step 2 Risk Assessment	Step 3 Risk Response	Step 4 Risk Reporting and Monitoring
<ul style="list-style-type: none"> <li>• Consider key business objectives</li> <li>• Identify principal risks</li> <li>• Identify key controls</li> </ul>	<ul style="list-style-type: none"> <li>• Assess controls</li> <li>• Estimate likelihood, And impact</li> <li>• Consider legal, reputation and conduct exposure</li> </ul>	<ul style="list-style-type: none"> <li>• Accept or remediate current risk and control environment</li> <li>• Determine corrective action if needed</li> </ul>	<ul style="list-style-type: none"> <li>• Business unit and Process level and ERM Steering Committee and Audit Committee</li> </ul>

## Three Lines of Defence



# RISK CATEGORIES

## Strategic risk

- R1 Change in government laws and policies
- R2 Economic factors, industry conditions, industry cyclicality
- R3 Reputation risk

## Financial risk

- R4 Interest rate risk
- R5 Foreign exchange risk
- R6 Liquidity risk
- R7 Counter-Party risk
- R8 Financial Reporting risk

## Operational risk

- R9 Cyber security
- R10 Unable to meet customers' demands
- R11 Business interruption due to power outages.
- R12 Technology failing to provide cost & quality competitiveness
- R13 Failure to maintain high potential human capital
- R14 Product competition
- R15 Health & safety
- R16 Supply chain management risk
- R17 Operational disruption
- R18 Environmental risk
- R19 Litigation & regulatory compliance risk

# IMPACTED CAPITAL

Health and Safety



Human Resource



Investor



Environment



Customers



Business operations







Business partners














Comunities








# PRINCIPAL RISKS & OPPORTUNITIES REPORT





Sr. No	Risk	Description	Source of Risk	Mitigation Strategy and Opportunities	Impacted Capital	Assessment
Strategic Risks						
1.	Change in government laws and policies	Regulatory changes may affect local steel industry due to ad-hoc tariff adjustments on imports or dumping in Pakistan. The political chaos may affect law and order situation which may hamper economic activity.	External	<ul style="list-style-type: none"> <li>• The management of Amreli steels continuously seeks dialogue with the policymakers at different forums to safeguard the interest and growth of the steel industry in Pakistan.</li> <li>• The Industry status for the construction sector will result in the growth of the industry.</li> <li>• The announced housing schemes and construction relief package 2020 will help the construction sector deal with challenges, especially after the covid19 pandemic.</li> </ul>		High
2.	Economic factors, industry conditions, industry cyclicity	The cyclic nature of steel industry may adversely affect our business. The construction is dependent on overall economic conditions of the country and any adverse effects on economy may directly impact steel Industry. The coronavirus (COVID-19) outbreak has caused major economic disruption with more severe impacts expected. The impacts of the virus on the construction business has proved to be extremely detrimental. The lower housing investment by the public and private sector and rupee depreciation further dampened the steel industry	External	<ul style="list-style-type: none"> <li>• The Company continuously tracks changes in the economic environment, pertaining to the steel industry in particular and overall in general and has aligned its strategy proactively to address risks arising out of it.</li> <li>• The announcement of mega projects in the public sector will help the industry to deal with current economic challenges and would help the construction sector to recover at a faster pace.</li> </ul>	 	High
3.	Reputation Risk	Risk of loss in revenues resulting from goods returned or bad publicity in press on quality and performance of the product.	Internal	<ul style="list-style-type: none"> <li>• Amreli Steels has established a formal management system conforming to ISO 9001: 2008. We are an ISO 9001:2008 Certified company.</li> <li>• All our products are also approved and certified by the Pakistan Standards Quality Control Authority (PSQCA).</li> <li>• The company maintains a modern testing laboratory where each heat produced is tested against International Standards (ASTM A-615 &amp; BS 4449:2005).</li> <li>• The staff of the testing facility is professionally trained by foreign experts.</li> </ul>		Low




Sr. No	Risk	Description	Source of Risk	Mitigation strategy and Opportunities	Impacted Capital	Assessment
<b>Financial Risks</b>						
4.	Interest rate risk	Changes in Interest rates can cause changes in the borrowing cost of the company. High interest rate till third quarter of FY2020 has a huge impact on overall finance cost which has affected our profits.	External	<ul style="list-style-type: none"> <li>The management is continuously taking steps to improve the working capital position.</li> <li>It is anticipated that the risk will be reduced because of reduced interest rates in the last quarter and the government's initiatives for the construction industry.</li> </ul>	 	Medium
5.	Foreign exchange risk	Devaluation of PKR against USD may result in costly inputs which in turn can cause adverse impact on our profitability and pricing	External	<ul style="list-style-type: none"> <li>Amreli steels treasury function controls it through proper planning based on the future outlook of FOREX rates and as well the arrangement of hedging if required.</li> <li>The risk is dealt with continuous monitoring of economic situations for informed decision-making and continuous engagement with external parties to assess their viewpoint.</li> </ul>		Medium
6.	Liquidity risk	Risk of default on financial commitments to other parties.	Internal	<ul style="list-style-type: none"> <li>The company maintains healthy relationship with different lenders to keep the availability of financing option.</li> <li>The Company is working on the improvement of working capital cycle.</li> <li>The company is negotiating longer payment terms with suppliers.</li> </ul>	 	Medium
7.	Counter-Party risk	Risk of default in payments by credit customers	External	<ul style="list-style-type: none"> <li>Credits are granted to the customers as per the credit policy of the Company.</li> <li>Credit worthiness of the customers are properly evaluated and documented in the customer's appraisal form.</li> <li>During the current financial year, the company has added a new segment of credit administration and control to strengthen receivable management in response to increased risk arising due to an increase in revenue.</li> </ul>	 	Medium
8.	Financial reporting risks	Risk of reporting issues with regulators and authorities.	Internal	<ul style="list-style-type: none"> <li>The Company complies with the best practices issued by the regulatory authorities of Pakistan.</li> <li>The Financial Statements conform to International Financial Reporting Standards.</li> </ul>		Very Low

Sr. No	Risk	Description	Source of Risk	Mitigation strategy and Opportunities	Impacted Capital	Assessment
<b>Financial risk</b>						
				<ul style="list-style-type: none"> <li>• Our accounts, finance, and compliance teams are well experienced and professional for the continuous monitoring and implementing changes in the legal or reporting framework.</li> <li>• With a well-reputed External audit firm, a strong Internal Audit function along with outsourced Internal Audit firm the risk is duly mitigated.</li> </ul>		
<b>Operational Risks</b>						
9.	Cyber security	Risk that IT security can be breached causing loss to the stored information.		<ul style="list-style-type: none"> <li>• The Company regularly monitors IT controls for the security of data and information flow by implementing secure connections, up-to-date antivirus and state of art firewalls.</li> <li>• The Company also maintains an appropriate data backup mechanism to ensure uninterrupted data availability by developing a comprehensive Disaster Recovery Strategy.</li> <li>• Back-up restoration testing also performed on regular intervals.</li> <li>• Cyber security awareness sessions/emails are being constantly conducted/sent to educate employees about cyber-attacks.</li> <li>• The Information Security is evaluated both internally and externally by competent independent experts.</li> </ul>		Low
10.	Unable to meet customers' demands	The company is unable to store/supply desired quantity to its customers.	Internal	<ul style="list-style-type: none"> <li>• The company have enough production capacity to meet any sudden rise in demand.</li> <li>• The Company has enhanced its Logistics facilities by increasing current warehouse capacity and increasing dispatch units (Warehouses) in different part of countries.</li> </ul>		Very Low
11.	Business interruption due to power outages.	Prolonged power outages will result in delayed production and which may result in loss of competitive advantage and reputation.	External	<ul style="list-style-type: none"> <li>• At Dhabeji plant, the Company is supplied with power by K-electric from the national grid at 132KV/11KV with the transformer rating of 50/63 MVA which is more than sufficient to cater to the requirement of Company's existing operations and expansion plans.</li> <li>• The company has laid one extra phase cable of 123KV to avoid a single point of failure. The Company has a dedicated bay at K-Electric's Dhabeji grid station, from which its dedicated power feeders transmit power at 132KV voltage to the grid station at the site.</li> </ul>		Low

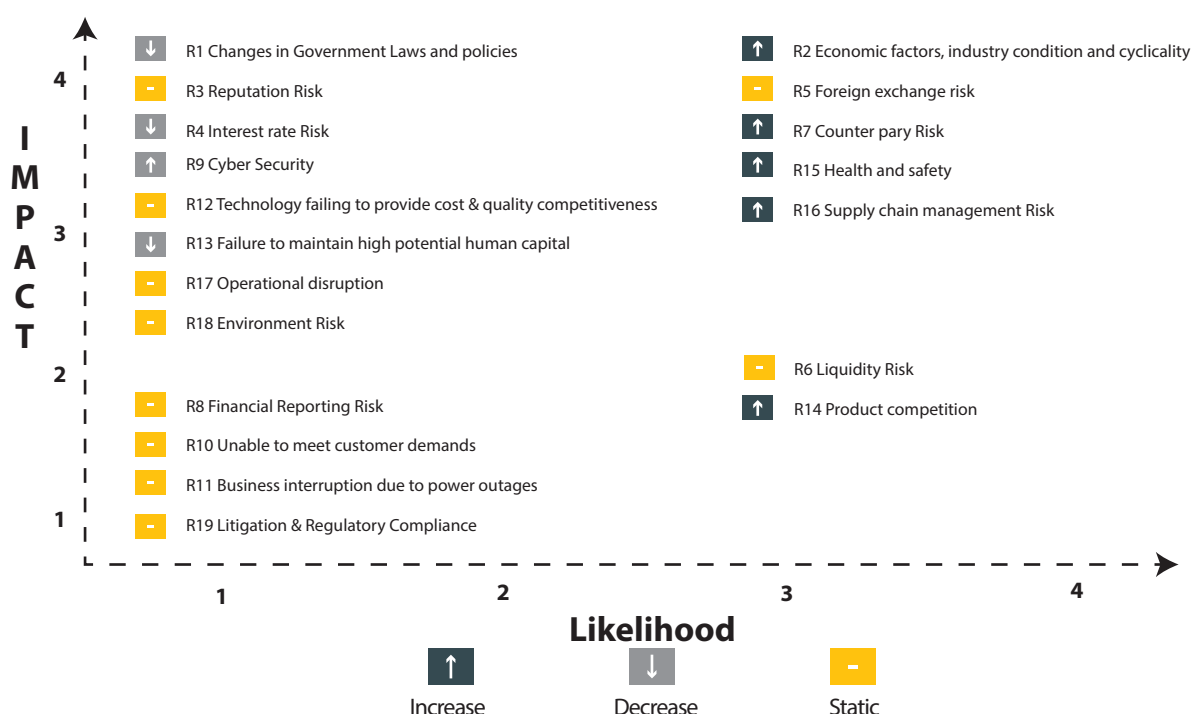


Sr. No	Risk	Description	Source of Risk	Mitigation strategy and Opportunities	Impacted Capital	Assessment
Operational Risks						
				<ul style="list-style-type: none"> <li>The Rolling Mill plant at SITE Karachi is supplied with power from two dedicated feeders of K-Electric supplying power at 11KV level one in line and other on standby. Each of these feeders originates at the K-Electric substation and terminates at the plant with no other customer of K-Electric drawing power from these lines.</li> </ul>		
12.	Technology failing to provide cost & quality competitiveness	Sacrificial loss in profitability due to outdated technology or failure in technology system.	Internal	<ul style="list-style-type: none"> <li>The Company have State-of-the-art equipment for melting and slit rolling which is contracted from an international conglomerate Primetals Technologies.</li> <li>This gives competitive edge in technological aspect that will help the Company in obtaining unparalleled cost &amp; quality benchmarks, which will translate into a better bottom line.</li> </ul>		Low
13.	Failure to maintain high potential human capital	Loss of high potential talent in the form of attrition, and retention may result in loss of ideas that give us competitive advantage.	Internal	<ul style="list-style-type: none"> <li>HR ensures vigorous Succession planning to identify, engage, and retain intellectual capital by offering a challenge-reward based conducive work environment.</li> <li>The Company offers competitive market based compensation and remuneration to the current and potential human resources.</li> <li>HR makes different strategies to invest, train and retain the right human capital mix for the Company.</li> </ul>	 	Low
14.	Product competition	Growing numbers of local players in the market and cheap quality of steel bar available in the market at uneconomical prices may seriously affect our market share.	External	<ul style="list-style-type: none"> <li>Market leadership in the rebar industry provides a competitive advantage to the company being the consumer's preferred brand.</li> <li>The company releases various publications through print and digital media about steel quality and the effect of low quality steel on construction.</li> <li>The company aims to provide quality steel bars at economical prices for which the cost and budget controlling function act as a control mechanism for day to day activities.</li> </ul>	 	Low

Sr. No	Risk	Description	Source of Risk	Mitigation strategy and Opportunities	Impacted Capital	Assessment
Operational Risks						
				<ul style="list-style-type: none"> <li>The installation of the fifth-generation plant gives the company the benefits of competitive conversion costs and economies of scale and production of high-quality products provide us a competitive advantage over other steel rebar manufacturers.</li> </ul>		
15.	Health & safety	Poor health & safety environment may become root cause of fatal work place accidents which can result in lowering of employees' motivation and which ultimately might cost the reputation of the Company.	Internal	<ul style="list-style-type: none"> <li>The Company has developed Health &amp; Safety department which regularly monitors the compliance of health and safety standards.</li> <li>The risk is reduced by educating the employees about workplace safety through continuous pieces of training and awareness programs.</li> <li>The company has adopted strict SOPs to counter the challenges of the covid19 pandemic.</li> </ul>	 	Medium
16.	Supply chain management risk	Prolonged production stoppages due to shortages of inputs may result in disruptions in overall business operations. Also variation in prices of raw material may adversely affect our profitability.	Internal/ External	<ul style="list-style-type: none"> <li>The Company maintains adequate stock levels to support smooth operations and has enough storage space to maintain safety stock at an appropriate level.</li> <li>The Company has strong commitments from its vendors in terms of quality and competitive prices of raw materials.</li> <li>In the case of over-dependence, the Company also has alternate vendors on our approved vendor list.</li> <li>To avoid disturbance in the production process, the Company optimizes the use of market intelligence and updates vendor performance.</li> </ul>		Medium
17.	Operational disruption	Operational disruption due to any conflict, miscommunication or unavailability of resources.	Internal	<ul style="list-style-type: none"> <li>The Company functions through a well-defined structure with a defined flow of information to avoid any conflict or communication gap.</li> <li>The Company has adequate human resources, and the operational workflow designs support succession planning.</li> <li>The Company has maintained storage with sufficient spares to reduce possible downtime in case of any potential breakdown.</li> </ul>		Low

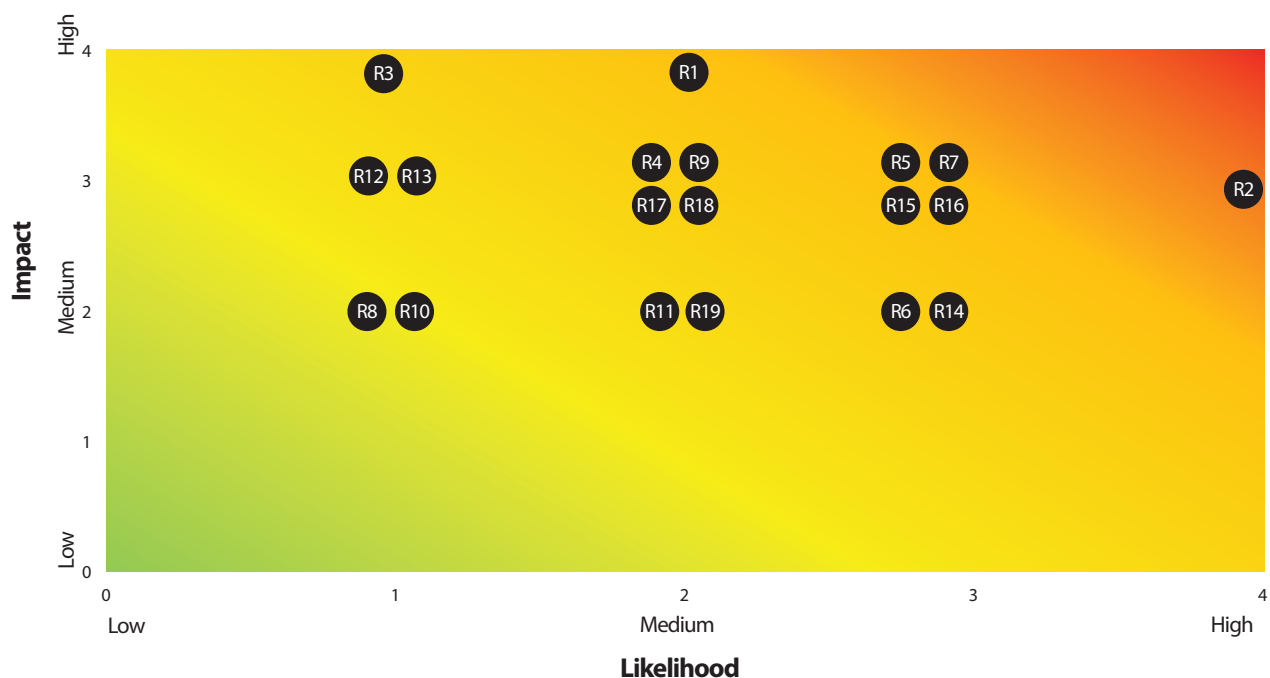
Sr. No	Risk	Description	Source of Risk	Mitigation strategy and Opportunities	Impacted Capital	Assessment
<b>Operational Risks</b>						
18.	Environmental risk	Actual or potential threat of adverse effects on environment arising out of company activities	External	<ul style="list-style-type: none"> <li>Amreli Steels' plant is installed with a PLC-based APC (Air Pollution Controller) which reduces the carbon footprint by capturing fumes and dust for safe disposal, instead of releasing them in the air.</li> <li>The Company has registered our plant under the Self-Monitoring and Reporting Program (SMART), monitored by Pakistan Environmental Protection Agency under the umbrella of the Ministry of Environment, Government of Pakistan.</li> </ul>	 	Low
19.	Litigation & regulatory compliance risk	New laws, regulations or other requirements may result in new Liability in the case of non-compliance		<ul style="list-style-type: none"> <li>The Company regularly monitors changes in the regulatory environment and proactively deals with the changes in the regulatory framework.</li> <li>We have an experienced team of professionals and advisors who focus on the evaluation of risks in all legal transactions.</li> <li>Training is also provided to our employees to remain up to date with the relevant regulations.</li> </ul>		Low

## RISK MIGRATION



Risk Factor		Likelihood	Impact
R1	Change in Government laws and position	2	4
R2	Economic factors, industry conditions, industry cyclicality	4	3
R3	Reputation Risk	1	4
R4	Interest Rate Risk	2	3
R5	Foreign Exchange Risk	3	3
R6	Liquidity Risk	3	2
R7	Counter Party Risk	3	3
R8	Financial Reporting Risk	1	2
R9	Cyber Security	2	3
R10	Unable to meet customers' demands	1	2
R11	Business interruption due to power outages	2	2
R12	Technology failing to provide cost & quality competitiveness	1	3
R13	Failure to maintain high potential human capital	1	3
R14	Product Competition	3	2
R15	Health & Safety	3	3
R16	Supply Chain Management Risk	3	3
R17	Operational Disruption	2	3
R18	Environmental Risk	2	3
R19	Litigation & Regulatory compliance risk	2	2
3 or below Very Low		4 to 7 Low	
8 to 11 Medium		12 to 16 High	

## RISK ASSESSMENT CHART



# INTERNAL CONTROL FRAMEWORK

Internal control is integral part of our activities. It consists of all measures taken by the company for the purpose of:

- Protecting its resources against waste, fraud, and inefficiency;
- Ensuring accuracy and reliability in accounting and operating data;
- Securing compliance with the organizational policies; and
- Evaluating the level of performance in all organizational units of the company.

We are in the process of adopting COSO framework to attain the objectives which are;

- Operational Objectives—these pertain to effectiveness and efficiency of the entity's operations, including operational and financial performance goals, and safeguarding assets against loss.
- Reporting Objectives—These pertain to internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the entity's policies.
- Compliance Objectives—these pertain to adherence to laws and regulations to which the entity is subject to.

The Board has overall responsibility for the company's system of internal control and for reviewing its effectiveness. The Board considers that strong internal controls are integral to the sound management of the organization, and it is committed to maintaining strict financial, operational, and risk management control over all its activities with formally defined lines of responsibility, delegated authorities, and clear operating processes. The systems that the Board has established are designed to safeguard both the shareholders' investment and the assets of the company.

Entity level controls are in place for the achievement of desired objectives. To ensure the effectiveness and reliability of internal control, ASL has both in-House internal audits as well as an outsourced function.

The systems, standard operating procedures, and controls are implemented by the executive leadership team and are reviewed by the internal audit team whose findings and recommendations are placed before the Audit Committee.

To maintain objectivity and independence, the Internal Audit function reports to the Audit Committee. The Internal Audit team develops an annual audit plan based on the risk profile of the business activities. The Internal Audit plan is approved by the Audit Committee, which also reviews compliance with the plan.

The Internal Audit team monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures, and policies at all locations of the Company. Based on the report of the internal audit function, process owners undertake corrective actions in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee.

The Audit Committee reviews the reports submitted by the Internal Auditors in each of its meetings. Also, the Audit Committee at semiannually has independent sessions with the external auditor and the Management to discuss the adequacy and effectiveness of internal financial controls.

## Internal Control Framework

### Control Environment

Management is keen to promote Integrity, ethical values and the commitment to competence.

Organogram is designed properly assigning the appropriate lines for reporting of each functional area.

Key Performance Indicators (KPIs) are established to monitor the performance of its departments against their stated objectives

### Risk

Amreli steels has ongoing process of identifying and analyzing risks. Mechanisms are developed to respond to the changing conditions. The identified risk are evaluated and prioritized in order to take appropriate action.

### Control Activities

The policies and procedures are developed in order to ensure management that management directives are carried out. All the necessary actions are taken to address risks to achievement of entity's objective. This includes range of activities such as approvals, authorizations, verifications, reconciliations, budgeting, security of assets, segregation of duties and reviews of operating performance.

### Information & Communication

We have defined formal mechanism of communication and sharing of information amongst the departments and stakeholders. All responsible personell have been given clear understanding of their roles in internal control system as well as how individual activities relate to the others.

### Monitoring

The internal control system is actively monitored. Ongoing monitoring occurs in the ordinary course of operations, and includes regular management and supervisory activities, and other actions personnel take in performing their duties that assess the quality of internal control system performance.





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## **Independent Auditors' Review Report**

### **To the members of Amreli Steels Limited**

### **Review Report on the Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations), prepared by the Board of Directors of Amreli Steels Limited (the Company) for the year ended 30 June 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks. The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2020.

**Chartered Accountants**

**Place:** Karachi

**Date:** 24 September 2020

# STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 FOR THE YEAR ENDED 30 JUNE 2020

Amreli Steels Limited ("the Company") has complied with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") in the following manner.

1. The total number of Directors of the Company are 07 as per the following:

Male	5
Female	2

2. The composition of Board is as follows:

Independent Directors	Mr. Badar Kazmi
	Mr. Zafar Ahmed Taji
	Mr. Teizoon Kisat
Non-Executive Director	Mr. Abbas Akberali
Female (Non-Executive Directors)	Ms. Kinza Shayan
	Ms. Mariam Akberali
Executive Director	Mr. Shayan Akberali

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a Vision and Mission statements, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ Shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and the Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations.
9. The Board remained fully compliant with the provision with regard to the Directors' Training Program. Five Directors of the Company have attended the Directors' Training Program conducted by the Pakistan Institute of Corporate Governance/ Institute of Chartered Accountants of Pakistan (ICAP) and the remaining two

Directors will acquire the required Directors' training within the time specified in the Regulations.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed following committees comprising of members given below:

a. Audit Committee	Name of Committee Members	Category
	Mr. Teizoon Kisat - Chairman	Independent Director
	Mr. Zafar Ahmed Taji	Independent Director
	Mr. Badar Kazmi	Independent Director
	Ms. Kinza Shayan	Non-Executive Director

b. Human Resource and Remuneration Committee	Name of Committee Members	Category
	Mr. Zafar Ahmed Taji - Chairman	Independent Director
	Mr. Teizoon Kisat	Independent Director
	Mr. Shayan Akberali	Executive Director
	Ms. Kinza Shayan	Non-Executive Director

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committees were as under –
  - a) Audit Committee – Six meetings during the financial year ended 30 June 2020
  - b) Human Resource and Remuneration Committee – Three meeting during the financial year ended 30 June 2020
15. The Board has outsourced the internal audit function to M/s. BDO Ebrahim & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

**For & on behalf of Board of Directors**



**Abbas Akberali**  
Chairman  
11 September 2020  
Karachi

# ROLE OF CHIEF EXECUTIVE OFFICER

The Chief Executive of the Company is responsible to manage the overall affairs and day to day operations of the Company and to improve the shareholders' wealth by way of maximizing the profits of the Company under the overall directions of the Board.

He develops strategies for implementation of decisions taken by the Board and its Committees. The CEO ensures that he develops adequate financial and operational plans and attains the targets set by the Board in the best interest of the Company.

He acts as a direct liaison between the Board and Management of the Company and communicates to the Board on behalf of Management. He ensures that all strategic and operational risks are appropriately managed to an acceptable level and that adequate system of internal controls is in place for all major operational and financial areas. He is also responsible for highest moral, ethical and professional values and good governance culture throughout the organization.

# ROLE OF CHAIRMAN OF THE BOARD

The Chairman is responsible for leadership of the Board and ensures that the Board plays an effective role in fulfilling its responsibilities in terms of formulating and implementing corporate direction and strategy. He plays a central role in encouraging effective relationships and communications between board members especially non-executive directors to promote constructive debate and effective decision-making

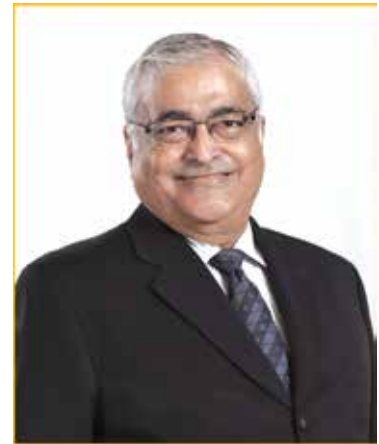
Besides effective operations of the Board, the Chairman ensures that its Committees operate in conformity with the highest standards of corporate governance and the committees are properly established, composed and operated as required under the applicable corporate laws. At the beginning of term of each Director, the Chairman ensures that each Director understands his/ her role, obligations, powers and responsibilities in accordance with the Companies Act and Company's Articles of Association. He reviews the Board's performance and suggests the training and development of Board Members on individual and collective basis.

The Chairman sets the agenda of the Board Meetings and ensures that all written notices and relevant material, including the agenda, of meetings be circulated amongst the Board Members prior to the meeting. He maintains highest moral, ethical and professional values and good governance throughout the Company.

# CHAIRMAN'S REVIEW

**Dear Shareholders,**

It is my pleasure to present the annual audited financial statements and my review on the performance of your Company for the outgoing financial year 2020 which posed historic challenges for the global and local economy. The unpredictable COVID-19 pandemic has caused a decline in economic growth, public health and created significant pressure on the service and manufacturing sectors (including the steel sector) due to significant devaluation of the Pakistani Rupee, change in sales tax regime, increased power tariff and disruptions in supply chain & public spending. The business sentiments have been shaken due to the 'hard landing' approach taken by the policy-makers that radically slowed demand, ultimately shrinking margins across many industries including steel.



Such challenging times are often an opportunity for re-birth. As such, the Board and management of your Company have revised the Vision and Mission Statement of your Company. The management competently rolled out the Vision, Mission and Values across the Company to motivate employees of all cadres to improve the efficiency in business and achieve desired goals set by the management within the boundaries of the Company's core Values. It was heart warming to see the passionate support of every member of the Amreli family in pursuing the revised Vision and Mission of your Company,

The Board of Directors, management and employees of your Company are committed to growth despite volatility in local and global economies over the years and are tirelessly executing strategies that have enabled your Company to produce high quality products. Increasing market share will continue to be a key milestone that the management strives towards, regardless of macro-economic imbalances.

I am very hopeful that demand for long steel will increase in the upcoming future due to mega projects announced by the government such as Diامر Bhasha Dam, Mohmand Dam, infrastructure development package for Karachi city and Naya Pakistan Housing projects. The Amreli team is focusing on increasing market share, efficiency in production, and reducing operational costs while ensuring a strong commitment to quality and service.

I praise the Board and the Management of your Company for developing strategies to ensure the safety & well-being of our employees & workers, and cope with the extra-ordinary circumstances created due to the outbreak of COVID-19. Most importantly, your company was able to retain every single person in the Amreli team without a single pay-cut during these difficult times.

Being Chairman of the Board, I confirm that we follow the best governance practices to ensure transparency, protect the interest of minority shareholders and comply with all applicable laws and regulations. The Board recognizes that well defined Corporate Governance processes are vital to enhancing corporate accountability and is committed to ensure high standards of Corporate Governance to preserve and maintain stakeholder value.

I would like to apprise you that a formal and effective self-assessment mechanism has been put in place to evaluate the overall performance of the Board, its members and sub-committees. The Board has performed its duties and responsibilities diligently and has contributed effectively in guiding the Company in its strategic affairs. The overall performance of the Board, its members and sub-committees has been assessed as 'Satisfactory'.

As the Chairman of the Board, I would like to extend my gratitude to all Board Members for their valuable participation, support and continued guidance. I would also like to thank all Amrelians for their extra-ordinary efforts, support and confidence.

A handwritten signature in black ink, reading 'Abbas Akberali'. The signature is written in a cursive style and is positioned above a horizontal line.

**Abbas Akberali**

Chairman

11 September 2020

سرمایہ کاری کی قدر میں اضافہ کیا جائے۔

میں اس بات پر آپ کو مبارکباد پیش کرنا چاہتا ہوں کہ خود احتسابی کیلئے ایک مؤثر اور مربوط نظام نافذ العمل ہے جس کے تحت بورڈ، اس کے ممبران اور ذیلی کمیٹیوں کی مجموعی کارکردگی کا جائزہ لیا جاتا ہے۔ بورڈ کی جانب سے اپنی ذمہ داریوں کو بخوبی واحسن نبھایا گیا ہے اور ان کی جانب سے کمپنی کی صحیح سمت میں رہنمائی کیلئے مؤثر کردار ادا کیا گیا ہے تاکہ کمپنی کی جانب سے مؤثر حکمت عملی بنائی جاسکے۔ بورڈ، اس کے ممبران اور ذیلی کمیٹیوں کی مجموعی کارکردگی کو "اطمینان بخش" قرار دیا گیا ہے۔

بطور چیئرمین، میں تمام بورڈ ممبران کا کمپنی کیلئے انکی گراں قدر خدمات اور رہنمائی فراہم کرنے کیلئے بے حد مشکور ہوں۔ میں اپنی جانب سے تمام امریلیٹیز کا تہہ دل سے مشکور ہوں کہ انہوں نے کمپنی کیلئے غیر معمولی خدمات پیش کیں اور کمپنی کو ان کی حمایت اور اعتماد حاصل رہا۔



عباس اکبر علی

چیئرمین

11 ستمبر 2020



# چئیرمین کا جائزہ

عزیز حصص داران،

یہ بات میرے لئے باعث مسرت ہے کہ میں آپ کی خدمت میں حالیہ ختم ہونے والے مالی سال 2020 کے آڈٹ شدہ مالیاتی گوشوارے اور دوران مالی سال کمپنی کی کارکردگی پر اپنی جائزہ رپورٹ پیش کر رہا ہوں۔ اختتامیہ مالی سال عالمی اور مقامی سطح پر بے تحاشہ مسائل سے لبریز تھا۔ غیر متوقع عالمی وباء (COVID-19) کی وجہ سے معیشت اور صحت عامہ پر انتہائی منفی اثرات مرتب ہوئے ہیں اور پاکستانی روپے کی قدر میں واضح کمی، سیلز ٹیکس رجیم میں تبدیلی، توانائی کی قیمتوں میں اضافے، سپلائی چین میں تعطل اور عوامی اخراجات میں عدم توازن کی وجہ سے خدمات اور صنعت سازی کے شعبے (بشمول اسٹیل کی صنعت) پر شدید باؤ کا شکار رہے۔ پالیسی سازوں کی جانب سے سخت حکمت عملی اپنانے کی وجہ سے کاروباری ماحول بری طرح متاثر ہوا ہے جس کی وجہ سے طلب میں واضح کمی آئی ہے اور بالآخر ان حالات کی وجہ سے تمام صنعتوں بشمول اسٹیل کی صنعت کے منافع میں بھی واضح کمی آئی ہے۔

مسائل سے دوچار ایسا وقت اکثر ایک نیا جنم لینے کا موقع بھی اپنے ساتھ لے کر آتا ہے۔ جیسا کہ آپ کی کمپنی نے اپنے نظریہ اور عزم بیانہ میں تبدیلی کی ہے۔ کمپنی کی انتظامیہ کی جانب سے نظریہ، عزم اور اقدار کا بھرپور پرچار کیا گیا ہے تاکہ کمپنی کے تمام ملازمین اور ہر سطح پر ذمہ داریاں ادا کرنے والے تمام افراد میں ایک نئی روح پھونکی جائے جس کے باعث کمپنی کے کاروباری افعال میں ہر فرد مستعدی کا مظاہرہ کرے اور اس کے ساتھ ساتھ کمپنی کے بنیادی اقدار کے دائرے کے اندر اندر انتظامیہ کی جانب سے طے شدہ اہداف کے حصول کو ممکن بنایا جاسکے۔ یہ بات ہمارے لئے باعث اطمینان ہے کہ امریلی فیملی کے ہر ممبر کی جانب سے کمپنی کے نظر ثانی شدہ نظریہ اور عزم کا تہہ دل سے خیر مقدم کیا گیا ہے۔

سالہا سال سے عالمی اور مقامی سطح پر شدید بحرانوں اور غیر یقینی صورتحال کے باوجود آپ کی کمپنی کے بورڈ آف ڈائریکٹرز، انتظامیہ اور تمام ملازمین کمپنی کی ترقی کیلئے پرعزم ہیں اور ایسی حکمت عملی بنانے میں ہمہ وقت مصروف رہتے ہیں جس کی بنیاد پر آپ کی کمپنی اعلیٰ معیار کی مصنوعات سازی کے قابل ہو۔ کلی معاشی اشاریوں میں منفی رجحانات کے باوجود آپ کی کمپنی کی انتظامیہ کی جانب سے مارکیٹ میں اپنے حصے میں اضافے کیلئے کوششیں جاری رہیں گی جس کا حصول کمپنی کیلئے ایک سنگ میل ثابت ہوگا۔

میں پر امید ہوں کہ اسٹیل کی طلب مستقبل قریب میں بڑھے گی جس کی وجہ حکومت کی جانب سے شروع کئے جانے والے بڑے بڑے پروجیکٹس ہیں جن میں دیا میر بھاشا ڈیم، مہمند ڈیم، کراچی کے بنیادی ڈھانچے کیلئے تعمیراتی کام کا اعلان اور نیا پاکستان ہاؤسنگ جیسے پروجیکٹس شامل ہیں۔ امریلی کی ٹیم کی توجہ مکمل طور پر اس جانب مبذول ہے کہ کمپنی کے مارکیٹ کے حصے اور پیداواری صلاحیت میں اضافہ کیا جائے اور اعلیٰ معیار اور خدمت پر سمجھوتہ کئے بغیر کاروباری افعال کی لاگت میں کمی لائی جائے۔

میں آپ کی کمپنی کے بورڈ آف ڈائریکٹرز اور انتظامیہ کو مبارکباد پیش کرنا چاہتا ہوں کہ ان کی جانب سے تمام ملازمین اور مزدوروں کی صحت اور فلاح و بہبود کیلئے حکمت عملی تیار کی گئی اور بالخصوص COVID-19 سے پیدا ہونے والی وبائی صورتحال سے نمٹنے کیلئے مؤثر اقدامات اٹھائے گئے۔ سب سے بڑھ کر یہ بات ہے کہ آپ کی کمپنی کی جانب سے اس مشکل وقت کے دوران نہ تو کسی فرد کو ملازمت سے فارغ کیا گیا اور نہ ہی انکی تنخواہ میں کوئی کٹوتی کی گئی۔

بورڈ کا چئیرمین ہونے کے ناطے میں اس بات کی تصدیق کرتا ہوں کہ ہم گورننس کے سنہرے اصولوں کی پاسداری کرتے ہیں تاکہ شفافیت کو ممکن بنایا جاسکے، اقلیتی حصص داران کے حقوق کی حفاظت کی جائے اور تمام مروجہ قوانین و ضوابط کی مکمل پاسداری کی جائے۔ بورڈ اس بات پر مکمل یقین رکھتا ہے کہ گورننس کے واضح طور پر وضع شدہ اصول اور ضوابط کارپوریٹ خود احتسابی پر عمل پیرا ہونے کیلئے از حد لازم ہے اور اس بات کیلئے پرعزم ہے کہ کارپوریٹ گورننس کے اعلیٰ اصولوں کی حفاظت کی جائے اور تمام شرائط داروں کی

# CEO's MESSAGE

**Dear Shareholders,**

The outgoing fiscal year will be remembered as one of the most challenging periods mankind has witnessed in the past many decades. With a collapsing economy and the onslaught of the COVID-19 pandemic, we were left scrambling to survive. With GDP in Pakistan contracting to sub-zero levels, your Company struggled with unutilized capacity resulting in increased overheads.

With all the challenges we faced during the last fiscal year, the pandemic truly brought out the best in Amreli Steels; 'resilience' and 'survival'. We worked tirelessly to identify inefficient business processes within the company and conducted a 'Business Process Re-engineering' exercise where all inefficient processes and operations were identified, and plans were chalked out for their gradual elimination.

Our revenue for the outgoing fiscal year decreased by 7.22% as compared to last year, whereas our gross margins declined by 18.48%. In quantity terms, sales volume of prime bars decreased by 1.81% YoY, from 277,416 tons to 272,382 tons. It is pertinent to mention that your company's operations were halted for almost two months due to the COVID-19 pandemic and government orders to keep all businesses shut. The financing cost of your Company increased by a massive 82.15% within the last year and with a PKR devaluation of 6.32%, our bottom line was adversely impacted. On the cost side, we saw astronomical increases in the cost of energy that was retrospectively passed onto the consumers of Karachi along with the depreciation of the PKR to the USD, and the increased cost of scrap. The company struggled to pass on these massive cost increases to the consumers keeping in mind the sluggish, highly volatile and unstable economic conditions.

Apart from the unprecedented challenges we faced in the outgoing year, there were a few proud achievements to celebrate during FY-20.

- Our culture of employee inclusivity and the respect for our manpower was keenly demonstrated by the fact that we did not terminate a single employee during the COVID-19 pandemic. For almost two months, our human resources were engaged and working tirelessly from home, contributing their efforts to drive the company forward.
- An EPC contract for a 4.2 MW Solar power plant was awarded to augment our efforts for producing sustainable energy and decreasing our carbon footprint.
- Your company successfully rolled out its Vision, Mission and Values statement across the organization.

Working within this difficult economic environment, we are vigorously forging ahead to optimize our operational efficiencies and excellence in various processes across the organization. To utilize our production capacity, we are focused to further enhance our sales channels across the country.

With the government having announced a massive construction package to boost the economy, we are optimistic and looking forward to the coming year, predicting an increased demand and a refreshed economic outlook. Moving forward, the execution of dams and the implementation of the Naya Pakistan Housing Scheme will provide the much needed impetus to the construction sector.

Needless to mention, I would like to thank the State Bank of Pakistan and the financial institutions for having introduced various refinance schemes along with BPRD-13 to support businesses across Pakistan during this pandemic.

I would like to recognize the efforts of our executive management team for their leadership and hard work during these difficult times. I would also like to thank you for your support and confidence in the Company and would like to thank the government, customers, vendors and financial institutions for their continued support along with our employees and the management team for their deep level of commitment to the Company.

Yours sincerely,



**Shayan Akberali**  
Chief Executive Officer  
11 September 2020



# DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors of the Company present the Annual Report and the annual audited financial results of the Company for the year ended 30 June 2020.

The Board of Directors of the Company as of 30 June 2020 consists of:

<b>Total Number of Directors</b>	<b>7</b>
Men	5
Women	2

The names and composition of the Board of Directors as of 30 June 2020 are as follows:

<b>Composition of Directors</b>	<b>Name of Directors</b>
a. Independent Directors	1. Mr. Badar Kazmi
	2. Mr. Zafar Ahmed Taji
	3. Mr. Teizoon Kisat
b. Non-Executive Director	4. Mr. Abbas Akberali
c. Female (Non-Executive Directors)	5. Ms. Kinza Shayan
	6. Ms. Mariam Akberali
d. Executive Director	7. Mr. Shayan Akberali

## Overview of Global and Local Economic Scenario

Financial year 2020 will go down in history as a period of great uncertainty where the entire globe witnessed an unprecedented crisis caused by the COVID-19 pandemic. It has changed the world, as we know it, completely. The meltdown in the global economy caused by COVID-19 pandemic was unparalleled. The entire world witnessed extraordinary depressed economies since the Second World War. The virus completely disturbed the spending pattern of people, contracted the global financial markets, disrupted the entire global supply chain, created an incomparable global health crisis and inflicted high volatility in commodity prices. Life as we know it came to a grinding halt. Schools, malls, markets, places of worship, parks, cinemas, and dining out places were all shut down and mankind was forced to remain inside their houses. Working remotely became a new norm in most parts of the world.

The first half of the year was marred by the ongoing economic spat between the United States and China on multiple fronts. Relations between OPEC continued to remain distressed and the oil markets witnessed a collapse which has never been seen in its history. The BREXIT finally happened in Jan 2020, with a transition period now in place until December 31, though, after which the real effects of it will unfold.

Pakistan's economy plummeted to negative 0.38 percent during the outgoing fiscal year recording 2.67, -2.64 and -0.59 percent growth in agricultural, industrial and services sectors, respectively. Thus the negative performance of both industrial and services' sectors overshadowed the growth in the agriculture sector. The negative GDP growth was mainly because of rapid spread of COVID-19 virus since February 2020 that brought economic activities to a near-halt. The economy witnessed sharp decline in domestic as well as global demand, down turn in trade, production, linkages, supply disruptions, tourism, business travels etc. The Large Scale Manufacturing (LSM) declined by 5.4 percent during July-March FY-2020 as compared to a negative growth of 2.34 percent during the same period last year.

## Overview of Local Steel Industry

Similar to the downward growth witnessed in almost all sectors of the economy, production and consumption of steel was no exception. The demand of steel remained muted with the economic activities coming to a grinding halt as a result of complete lockdown in an effort to taper down the spread of COVID-19. The LSM sector remained in recession and steel was a prominent participant in the slowdown. The depreciation of the Pakistani Rupee against the USD, change of sales tax regime to seventeen percent in the steel sector, increase in virtually all input costs of doing business, documentation drive initiated by the government, and efforts to increase the tax base by FBR (all at the same time) put a great pressure on the business activities in general, and construction in particular. High financing cost due to double digit interest rates with increasing spreads also dented the economy and industry very negatively. The overall negative economic scenario created a glut in the supply of steel putting pressure on pricing. Smuggling from Iran and misdeclaration of goods by importers to evade taxes, and anomalies in the tax structure also did not help the local industry. Despite contracting demand, some players who had already committed expansion in capacity and a couple of new entrants, having no choice, continued ahead with their investment plans. Some of them made entry into the market towards the end of the year, offering rebars at a substantial discount with long credit periods to establish their market.

## Pakistan Association of Large Steel Producers

With great and persistent efforts by key steel manufacturers of the north and south region, the Pakistan Association of Large Steel Producers (PALSP) has now been registered with the Directorate of Trade Organization - Ministry of Commerce, Government of Pakistan as a registered association to represent construction steel bars throughout Pakistan. The Board of your Company is thankful to the Government for the registration of the Association. The organized steel industry now has a platform to discuss key issues with the Government needing immediate attention.

## Performance of Amreli Steels Limited

A comparison of the key financial indicators of the Company for the year ended 30 June 2020 with the corresponding year is as under:

Particulars	30 June 2020	30 June 2019
	----- (Rupees in '000') -----	
<b>Sales Revenue</b>	26,532,144	28,595,976
<b>Gross Profit</b>	1,975,738	2,423,584
<b>Operating Profit</b>	518,808	1,195,142
<b>Loss Before Taxation</b>	(1,780,463)	(67,161)
<b>(Loss) / Profit After Taxation</b>	(1,126,617)	32,823
<b>(Loss) / Earnings Per Share – basic and diluted (in Rupees)</b>	(3.79)	0.11

The outgoing financial year 2019-20 was extremely challenging for the economy as well as your Company. The overall sales of the Company declined by Rs.2.06 billion during the financial year under review as compared to last financial year (2018-19). This drop in sales by 7.2%, and drop in overall cost of sales by 6.17% resulted in decline of gross profit by 18.48% during the financial year under review as compared to the corresponding financial year.

The annual distribution expense as a percentage to revenue decreased slightly due to decline in advertisement, sales and promotion expenses which were reduced by Rs.131 million, whereas administrative expenses increased by 8.9% mainly due to salaries. Other expenses increased by Rs.76.6 million during the year as compared to last year due to exchange losses recorded on foreign exchange loans. The operating profit was recorded at Rs.518.8 million as compared to Rs.1,195 million in the corresponding period last year.

The finance cost increased ominously by Rs.1.04 billion during the financial year under review, which was 82% more than last year, because of over a hundred percent increase in the policy rate and due to the increase in short and long term borrowings during the financial year. However, to reduce the adverse effects of pandemic

on the liquidity and to support continued employment in these challenging times, the SBP allowed companies and other businesses to defer their financing installments up to a period of one year from the date they were due to be paid. The SBP also provided a term loan at facility at a subsidised interest rates specifically to help employers pay salary and wages to their employees.

It is pertinent to mention here that the operations of the Company remained completely frozen for almost two months with no production activity taking place at either of its two plants situated at SITE and Dhabeji, due to a complete lock down imposed by the government owing to COVID-19. The fixed costs of the Company for two months, therefore, remained unabsorbed, decreasing already under the stressed gross margins. As a result of the shutdown, days inventory and days receivable both increased substantially which increased the use of working capital lines. While the Company continued to pay interest to the banks during the lock down period, there was simply no revenue during this period.

To add insult to injury, K-Electric dropped a bomb shell on Karachi based industries by way of extraordinary retrospective charges in the name of Fuel Charge Adjustment (FCA) for the past financial periods of 2016 to 2019 and the withdrawal of the Industrial Support Package Adjustment (ISPA) retrospectively from July 2019. The total sum charged by KE was Rs.466 million which put immense pressure on your Company's ability to pass on the ever escalating costs of doing business.

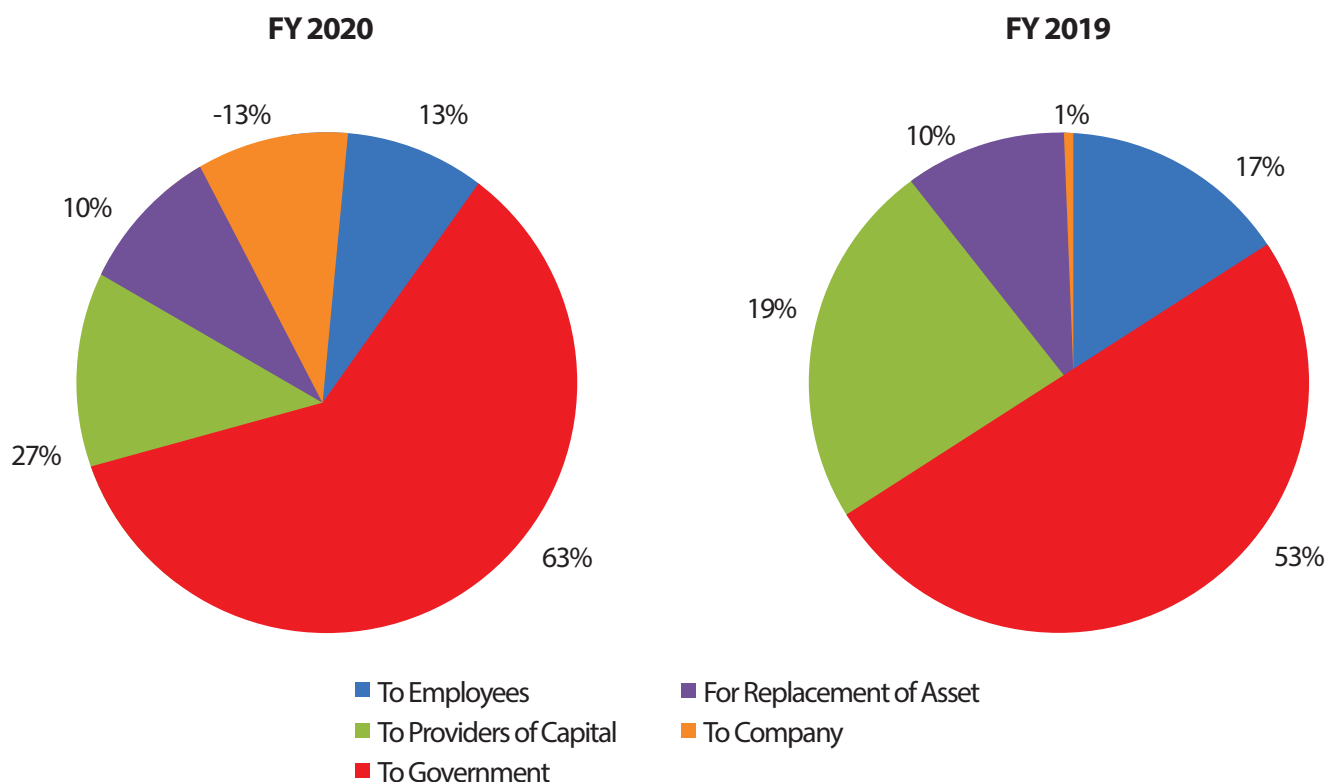
The change of sales tax regime from the "Special Sales Tax Procedures" to "Normal Sales Tax Procedure" also resulted in increase in sales price due to charging of 17% FED in sales tax mode, putting further pressure on the prices and demand of the product. The impact in distribution of wealth can be seen in the below 'Statement of Value Addition'. The Company's contribution towards duties and taxes in FY 20 increased by a staggering 56% (increase by Rs.1.923 billion) which increased the cost of rebars for the end consumer substantially, denting demand of construction rebars in a contracting economy. This made it very difficult for the company to pass through the increase in input costs thus impacting our margins negatively.

The key factors which dragged the profit and loss account to the negative can thus be attributable to the change of sales tax regime, introduction of 1.5% turnover tax on dealers and distributors of steel products, loss of business and unabsorbed fixed costs during the period of lock down due to the COVID-19 pandemic, exorbitant increase in interest rates resulting in colossal financial charges, and extraordinary charge by K-Electric on account of FCA and ISPA, which ultimately resulted in negative bottom line of Rs.1.13 billion as compared to profits of Rs.32.82 million in the last financial year.

## Statement of Value Addition & Wealth Distribution

	2020		2019	
	(Rupees in '000')	%	(Rupees in '000')	%
<b>Wealth Generated</b>				
Revenue from sales	26,532,144		28,595,976	
Revenue from other income	8,167		7,096	
Less: bought in material and services	(18,016,173)		(22,118,921)	
<b>Value added by Company</b>	<b>8,524,138</b>		<b>6,484,151</b>	
<b>Wealth Distributed</b>				
<b>To Employees:</b>				
Salaries, wages and other benefits	1,141,733	13%	1,076,630	17%
<b>To Government:</b>				
Duties and Taxes	5,350,399	63%	3,427,497	53%
<b>To Providers of capital:</b>				
Charges and markup	2,299,271	27%	1,262,303	19%
<b>For Replacement of assets:</b>				
Depreciation	859,352	10%	684,898	10%
<b>To Company:</b>				
(Loss) / Retained profit	(1,126,617)	-13%	32,823	1%
	<b>8,524,138</b>	<b>100%</b>	<b>6,484,151</b>	<b>100%</b>





## COVID-19

The COVID-19 pandemic caused an unprecedented curtailment in social and economic activities as a result of a shutdown period of almost two months on the directives of the government. The pandemic stressed the capacity of the public health system, resulted in loss of precious human lives, severe repercussions on small-medium and large sized businesses and more prominently the daily wagers who suffered badly during these times.

The Company, being a responsible citizen, complied with the directions of the government in letter and spirit by closing the production facilities and offices completely and resuming operations only upon the clear directions of the government. The Company has been strictly observing the SOPs issued by the provincial government intended to prevent the pandemic spread. Living our Vision of “committed to strengthen the economy and society”, Amreli did not lay off any of its work force including casual labor. Further there was no reduction in salary of any employee at Amreli. On a voluntarily basis, a pool of funds was established by certain employees of the Company led by the CEO which were handed over to our workers to support them during these hard times.

## Future Outlook

Despite the slowdown in coronavirus cases and withdrawal of lockdown orders in Pakistan, it is difficult to forecast growth in this economy with certainty. Though the Government has projected a GDP growth rate of 2.3 percent for the financial year 2020-21, the anticipated growth will largely depend on (a) the intensity and duration of the pandemic, God forbid we are hit with a second wave of the virus, (b) ability of the government to realize an ambitious tax revenue target of Rs.5.46 trillion and (c) generate non-tax revenue of Rs.1.1 trillion as envisaged in the annual budget 2020-21. A lot will also depend upon release of funds to meet development expenditures budgeted at Rs.949 billion, keep a control over inflation and in keeping the interest rates down for investments to take place. The expected growth requires a well thought-out and decisive policy response to ensure stability in these tough and uncertain times.

With the recently announced government stimulus for the construction sector as well as the Mega Projects of Rs.1,100 billion for the infrastructure development of Karachi, it is expected that steel demand will increase in the upcoming months since builders and developers have been allowed to avail numerous economic incentives of direct / indirect taxes, and exemption of capital gains. Substantial tax reductions for Naya Pakistan Housing Projects should also increase demand for steel in the local economy. Moreover, initiation of ground works for the construction of Bhasha and Mohmand Dam bodes well for an increased demand of steel. Considering the aforesaid announced development & relief packages coupled with boost in CPEC related activities, the management of your Company is hopeful that the steel sector in the near to medium term will benefit from the increased demand.



The decrease in interest rate by the State Bank of Pakistan will also support your Company in reducing its interest cost and to cope up with working capital requirements in the ongoing financial year. The management of your Company is putting tireless efforts to increase market share through wider participation especially in central and northern regions of Pakistan, and is taking all necessary steps to bring the Company on the path of recovery and prosperity by maintaining focus on producing and delivering best quality products at competitive prices.

### **Corporate Governance and Financial Reporting Framework**

The Board of Directors of your Company is dedicated towards maintaining high standards of good corporate governance. The Directors confirm compliance with the Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and the Code of Corporate Governance for the following matters:

- The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been duly followed in preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored. The process of monitoring the internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the Regulations of the Rule Book of the Pakistan Stock Exchange Limited.
- A summary of key operating and financial data of the Company is annexed.
- Information about taxes and levies is given in notes to the accounts.
- The Company has an unfunded defined gratuity scheme for all permanent employees who have completed the minimum qualifying years of service for entitlement of gratuity. The provision for gratuity is made in accordance with the independent actuarial valuation. The latest actuarial valuation was carried out as of 30 June 2020 using Projected Unit Credit Method. Being an unfunded gratuity scheme, no investment could have been made and hence the value of investments as at 30 June 2020 stands Nil.

### **Board of Directors and its Committees**

#### **The Board**

The governance at Amreli Steels is a combination of processes established and executed by the Board of Directors and the management of the Company, which is reflected in the Company's structure and how it is managed and led toward achieving its goals as a whole.

The corporate governance structure of the Company is based on statutory and regulatory compliance requirements that are applicable to companies listed on the Pakistan Stock Exchange Limited and Company's Articles of Association complemented by several internal procedures. These procedures include a risk assessment and control system, as well as a system of assurances on compliance with applicable laws, regulations and the Company's Code of Conduct.

The Board of Directors of your Company is highly engaged in maintaining long-term and sustainable value creation founded on durable ideologies of governance. The Board comprises of three Independent Directors, three Non-Executive Directors and one Executive Director.

During the year, seven (7) meetings of the Board of Directors were held. All the meetings were held in Pakistan. The attendance by each director in the meetings is as follows:

<b>Name of Directors</b>	<b>Number of meetings attended</b>
Abbas Akberali - Chairman	7
Teizoon Kisat	7
Badar Kazmi	5
Zafar Ahmed Taji	7
Shayan Akberali	7
Kinza Shayan	7
Mariam Akberali	4

### **Board's Audit Committee**

The Board's Audit Committee (BAC) monitors the Company's systems of internal controls and risk management process periodically, assists the Board in fulfilling its oversight responsibilities primarily in reviewing regulatory compliance risks and reporting financial and non-financial information to shareholders.

The BAC reviews and challenges, where necessary, the actions and judgments of management. The BAC has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer of the Company attends the BAC meetings by invitation to present the interim and annual accounts. After each meeting, the Chairman of the BAC reports to the Board.

During the year, six (6) meetings of the BAC were held. All the meetings were held in Pakistan. The attendance by each director in the BAC meetings is as follows:

<b>Name of Directors</b>	<b>Number of meetings attended</b>
Teizoon Kisat - Chairman	6
Badar Kazmi	1
Zafar Ahmed Taji	6
Kinza Shayan	6

### **Human Resource and Remuneration Committee**

The purpose of the Human Resources & Remuneration Committee (HR&R) is to assist the Board in fulfilling its oversight responsibilities in the field of Human Resources, their development, succession planning and compensation and to perform all such responsibilities as are assigned to the HR&R Committee by the Act and the Code of Corporate Governance Regulations. During the year, three (3) meetings of the HR&R Committee were held. The meetings were held in Pakistan. The CEO of the Company is a member of the Board's HR&R Committee. The Head of HR attended the HR&R Committee meeting by invitation. The attendance by each Director in the HR&R Committee meetings is as follows:

<b>Name of Directors</b>	<b>Number of meetings attended</b>
Zafar Ahmed Taji - Chairman	3
Teizoon Kisat	3
Shayan Akberali	3
Kinza Shayan*	2
Mariam Akberali*	N/A

\* Kinza Shayan added as a member to Board's HR&R Committee on 10 January 2020 in placement of Ms. Mariam Akberali.

Leave of absence was granted to the members of the Board who were unable to attend the meetings of the Board and both its Committees.

### **Annual Performance Evaluation of Board of Directors and Committees of the Board**

The Company ensures to evolve and follow the corporate governance guidelines and best practices sincerely to not just boost long term shareholders value but also to respect minority rights. The Company considers it as inherent responsibility to disclose timely and accurate information regarding financial performance as well as the leadership and governance of the Company. A report on annual performance evaluation of Board of Directors and its Committees is part of Chairman's Review which is annexed in this annual report.

### **Female Directors**

The Company is committed in promoting gender diversity in the workplace and equal opportunities for all, based on merit and suitability. Female Directors represent 28% of the composition of Board of Directors of the Company. By having female directors on Board, the Company also complies with section 154 of the Companies Act, 2017 and Code of Corporate Governance Regulations, 2019. The Board and management of the Company encourage females to join the organization.

### **Review of CEO's Performance**

The performance of the CEO is reviewed against pre-determined operational and strategic goals aligned with the Vision and Mission of the Company. The well-defined appraisal system includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

### **Directors' Remuneration**

The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and Code of Corporate Governance. The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in the proceedings of the Board Meetings in deciding his own remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. The Company's remuneration policies are structured in line with prevailing industry trends and business practices. The details of the Directors and CEO's remuneration are adequately disclosed in respective notes to the financial statements.

## **Directors' Training**

The orientation courses for Directors are arranged by the Board, as and when needed, to apprise them of their duties and responsibilities as envisaged in the Companies Act, 2017 and the Code of Corporate Governance. The Company ensures that incoming Director(s) are provided with appropriate briefing and orientation material to enable them to get first-hand knowledge on the operations of the Company.

Five Directors of the Company are certified Directors from the Pakistan Institute of Corporate Governance/ Institute of Chartered Accountants of Pakistan. The remaining two Directors will acquire the required directors' training within the time specified in the CCG. In order to keep Board Members aware about the changes in the Corporate Laws, the Company arranges refresher courses on a continuous basis.

## **External Auditors**

The present auditors, M/s. EY Ford Rhodes, Chartered Accountants are retiring at the conclusion of the annual general meeting being held on 27 October 2020 and offer themselves for re-appointment. The Board, upon recommendations of the Audit Committee, has endorsed the re-appointment of M/s. EY Ford Rhodes, Chartered Accountants as auditors of the Company for the year ending 30 June 2021.

## **Internal Audit**

The Board has outsourced the internal audit function of the Company to M/s. BDO Ebrahim & Co. (Chartered Accountants) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Company also has an independent Internal Audit function lead by the Head of Internal Audit who functionally reports to the Board's Audit Committee and administratively reports to the Chief Executive. The Head of Audit acts as a coordinator between the outsourced firm providing internal audit services and the Board.

The Board's Audit Committee has conducted its annual review of the affairs and operations of the Company for the year under review and has presented the same in the form of a "Report of Board's Audit Committee" which is annexed in this annual report.

## **Strategic Planning**

The Board of Directors regularly review the strategic direction of the Company in Board Meetings. The Board ensures that short term & long term business and operational strategies established by the management are in line with the Company's overall business objectives.

## **Material Changes Concerning the Nature of the Business**

During the financial year under review, there has been no material change concerning the nature of business of the Company.

## **Material Changes Between Balance Sheet Date and Reporting Date (Subsequent Events)**

There have been no material changes since 30 June 2020 to date of the report and the Company has not entered into any commitment during this period which would have an adverse impact on the financial position of the Company.

## **Pattern of Shareholding**

The Pattern of shareholdings as of 30 June 2020 is annexed with this annual report.

The details of the transaction in shares of the Company by the Directors, Substantial Shareholders, Executives and their spouses and minor children, if any, during the year have been duly and timely communicated to Pakistan Stock Exchange and SECP in accordance with the Code of Corporate Governance and the Securities Act, 2015.

"Executives mean Chief Executive Officer, Chief Operating Officer (Operations), Chief Operating Officer (Strategy), Chief Financial Officer, Company Secretary and Head of Internal Audit".

## **Communication with Shareholders**

The Company places high priority on timely communication with its shareholders. The annual and interim financial results are disseminated to all concerned immediately upon their approval by the Board of Directors as per the compliance requirements.

The Company also has a website ([www.amrelisteels.com](http://www.amrelisteels.com)) which, inter-alia, contains up-to-date information on the Company's activities, financial reports, notices and announcements.

The Company has a dedicated email ID (i.e. [investor-relations@amrelisteels.com](mailto:investor-relations@amrelisteels.com)) to address the queries of its shareholders which is given priority and appropriate measures are taken to resolve their grievances.

## **Safeguarding of Records**

The Company has a well-defined system for safeguarding of its assets in an effective manner. The Company puts ample importance on storage and the safe custody of its financial records. SAP as an ERP system is being used by the Company for recording its financial information. The access to electronic documentation has been secured through implementation of a comprehensive password protected authorization matrix in SAP-ERP system. As required by the Companies Act, 2017, records of all circular resolutions and minutes of Board Meetings are maintained in physical form for at least 10 years and for good in electronic form. Further, records of members' resolutions and minutes of general meetings are preserved both physically and in electronic form respectively for 20 years and permanently.

## **Principal Activities of the Company (Nature of Business)**

The Company is engaged in manufacturing and selling of steel bars and billets and is one of the largest manufactures of steel reinforcement bars in Pakistan. The Company's product portfolio includes high strength deformed bars as per American and British specifications. Amreli Steels is ISO 9001:2008 and PSQCA certified.

## **Principal Risk And Uncertainties**

The Company has setup an internal audit function within the Organization which operates under the Board approved charter and provides independent and objective evaluations and reports directly to the Audit Committee on the effectiveness of risk management and control processes. The identified risks and the respective control measures in terms of preventive, detective and corrective activities are regularly monitored and reported in a timely manner.

The Company has also formulated policies and procedures which are considered a vital part of the Company's risk governance framework which determines risks and develops strategies to mitigate those risks. A detailed description on risk and uncertainties is presented in the "Risk Management Report", which is part of this annual report.

## **Modification in the Audit Report**

The External Auditors of the Company have provided clean opinion on the state and affairs of the Company and the same is enclosed in this annual report; as such there has been no modification in the Auditors' Report for the year under review.

## **Holding Company**

The Company does not have any parent company nor a subsidiary company.

## **Payment Methodology**

The Company strongly believes in timely payments of its debts to all its stakeholders and has not defaulted on any payment during the outgoing financial year.

## **Internal Control Framework**

The Board acknowledges its responsibility towards the implementation of an effective internal control environment throughout the organization. Your Company has set up an efficient and effective internal audit function which rigorously monitors the control environment of the Company. A comprehensive report on internal controls of the Company is presented in this annual report.

## **Business Continuity Plan**

The Company's comprehensive Business Continuity Plan (BCP) is in place which includes activities required to keep the organization running without interruption of normal operations during a period of disaster. The report on BCP is annexed in this annual report.

## **Health, Safety and Environment - Impact of the Company's Business on the Environment**

The Company is committed to developing, promoting and achieving the highest standards of Health, Safety and Environment (HSE) to ensure the well-being of people who work with us as well as of the communities where we operate. The detailed policy of HSE is enclosed in this annual report.

## **Human Resource Management**

The Company employs motivated workforce that steers the organization towards its vision through professional development and motivation. The Company has been on a journey of Human Resource (HR) transformation. The HR strategy is constantly redefined to meet the needs and challenges of an organization operating in an evolving market. The HR Management Report is enclosed in this annual report.

## **Employees' Retirement Benefits**

The Company has an unfunded defined gratuity scheme for all permanent employees who have completed the minimum qualifying years of service for entitlement of gratuity. The provision for gratuity is made in accordance with the independent actuarial valuation. The latest actuarial valuation was carried out on 30 June 2020 using Projected Unit Credit Method.

## **Activities under Corporate Social Responsibility**

Contribution to the community has been at the core of Amreli Steels since its inception and the Company strongly believes in improving the standards of living of its employees and the community at large. A comprehensive report on CSR Activities of the Company is part of this annual report with the caption of "Corporate Social Responsibility".

## **The Corporate Governance Practices**

The Board of Directors of the Company is committed to the principles of good Corporate Governance. The corporate governance practice of the Company is based on statutory and regulatory compliance requirements that are applicable to companies listed on the Pakistan Stock Exchange Limited and Company's Articles of Association complemented by several internal procedures. The Board is responsible for governing the organization by setting strategies and objectives of the Company. The management is required to adopt and formulate policies and guidelines for achieving the said goals and objectives.

## **Dividend and Appropriations**

Based on these results, the Board recommends NIL final cash dividend for the year ended 30 June 2020.

## **Contribution to National Exchequer**

The Company contributed Rs.5.35 billion (FY 2019: Rs.3.43 billion) towards the National Exchequer on account of various government levies, taxes and import duties in the year under review up by 56.10% as against last year.



## Code of Conduct

The Code of Conduct of the Company defines what we stand for and believe in, documenting the uncompromisingly high ethical standards our Company has upheld since its foundation. Strong business ethics forms the basis for all of our relationships with employees, customers, competitors, suppliers and colleagues. It is a fundamental policy of the Company to conduct its business with honesty, integrity and in accordance with the highest ethical and legal standards.

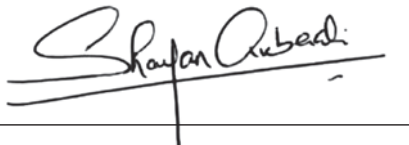
## Operating & Financial Data

Operating and financial data and key ratios of the Company for the last six years are annexed to this annual report.

## Acknowledgement

The Board expresses its gratitude to all the valued stakeholders including respected shareholders, valued customers, financial institutions and suppliers for their confidence and support. The Board would also like to thank the management and employees for their sincere contributions and 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

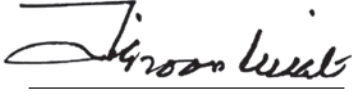
11 September 2020  
Karachi



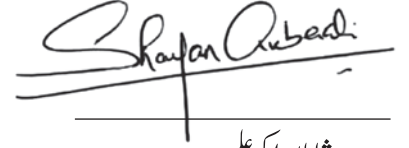
اظہار تشکر

بورڈ تمام گرامی قدر شراکت داروں بشمول معزز حصص داران، قابل قدر صارفین، مالیاتی اداروں اور ترسیل کاروں کا تہہ دل سے مشکور ہے کہ ان کا اعتماد اور انکی حمایت ہمیشہ ہمارے شامل حال رہی۔ بورڈ اس موقع پر کمپنی کی انتظامیہ اور تمام ملازمین کا بھی شکریہ ادا کرنا چاہتا ہے جن کی انتھک محنت اور گراں قدر خدمات کی وجہ سے کمپنی ترقی کی راہوں پر گامزن ہے۔

برائے ومنجانب بورڈ آف ڈائریکٹرز



تیزون کست  
ڈائریکٹر



شایان اکبر علی  
چیف ایگزیکٹو آفیسر

تاریخ: 11 ستمبر 2020

بمقام: کراچی

## کارپوریٹ معاشرتی ذمہ داریوں کے تحت اقدامات (Corporate Social Responsibility)

کمپنی کے آغاز سے ہی کمپنی کی جانب سے معاشرے کی فلاح و بہبود کے سلسلے میں اپنا کردار ادا کرنے کو بنیادی اہمیت دی جاتی رہی ہے اور کمپنی اس بات پر مصمم یقین رکھتی ہے کہ کمپنی کی جانب سے بالخصوص اپنے ملازمین اور بالعموم پورے معاشرے کے معیار زندگی کو بلند کرنے کیلئے کوششیں کی جائیں۔ CSR سے متعلق ایک تفصیلی رپورٹ کو زیر نظر سالانہ رپورٹ کے ساتھ بعنوان (Corporate Social Responsibility) منسلک کیا گیا ہے۔

### کارپوریٹ گورننس کی پاسداری

کمپنی کے بورڈ آف ڈائریکٹرز کارپوریٹ گورننس کی اچھی روایات پر کاربند رہنے سے متعلق پر عزم ہیں۔ کمپنی کی جانب سے کارپوریٹ گورننس کے اصولوں پر عمل درآمد کیا جانا ان قواعد اور ضوابط کی رو سے لازم ہے جن کا اطلاق پاکستان اسٹاک ایکسچینج میں لسٹڈ کمپنیوں پر ہوتا ہے اور ان اصولوں پر عمل درآمد کیلئے کمپنی اپنے آرٹیکلز آف ایسوسی ایشن اور بہت سے اندرونی ضوابط کے تحت بھی پابند ہے۔ بورڈ اس بات کا بھی ذمہ دار ہے کہ کمپنی کے امور کو چلانے کیلئے حکمت عملیاں بنائے اور اہداف مقرر کرے۔ انتظامیہ پر اس بات کی ذمہ داری عائد ہوتی ہے کہ ان اہداف اور مقاصد کے حصول کیلئے رہنما اصول پالیسیاں مرتب کرے۔

### منافع منقسمہ اور تخصیصات

مالیاتی نتائج کو مد نظر رکھتے ہوئے 30 جون 2020 کو ختم ہونے والے مالی سال کیلئے نقد منافع منقسمہ کا اعلان نہیں کیا گیا ہے۔

### قومی خزانے میں ادائیگی

کمپنی کی جانب سے سرکاری ٹیکسوں، لیویز اور درآمدی ڈیوٹیز کی مدت میں زیر نظر مالی سال کے دوران 5.35 ارب روپے قومی خزانے میں جمع کروائے گئے (بمطابق مالی سال 2019 یہ رقم 3.43 ارب روپے تھی) جو کہ گزشتہ مالی سال کے مقابلے میں 56.1 فیصد زائد ہے جس سے یہ اندازہ ہوتا ہے کہ کمپنی بطور ذمہ دار کارپوریٹ شہری کے قومی ترقی کے بارے میں ایک مثبت سوچ کی حامل ہے۔

### ضابطہ اخلاق

کمپنی کا ضابطہ اخلاق سے یہ بات صاف طور پر واضح ہوتی ہے کہ اپنے آغاز سے لے کر آج تک اعلیٰ اخلاقی روایات کا دامن تھامے ہوئے ہے ان روایات کی پاسداری پر کسی بھی قسم کا کوئی سمجھوتہ نہیں کرتی۔ اعلیٰ کاروباری اخلاقیات ہی وہ بنیادی اصول ہیں جن کی بنیاد پر ہمارے تعلقات ہمارے ملازمین، صارفین، مسابقت کاروں، ترسیل کاروں اور ہم عصروں سے استوار ہیں۔ یہ کمپنی کی بنیادی پالیسی کا لازمی حصہ ہے کہ کاروباری امور میں دیانت داری اور اعلیٰ اخلاقی اور قانونی اقدار کا دامن کبھی بھی ناچھوڑا جائے۔

### مالیاتی اور کاروباری معلومات

کمپنی سے متعلق مالیاتی اور کاروباری معلومات اور گزشتہ چھ سالوں سے متعلق اہم ترین تناسبات کو بھی رپورٹ ہذا کے ساتھ منسلک کیا گیا ہے۔

## ادائیگیوں کا طریقہ کار

کمپنی اپنے تمام قرض خواہوں اور شراکت داروں کو ان کے واجبات کی بروقت ادائیگی پر یقین رکھتی ہے اور ختم ہونے والے مالی سال کے دوران کسی بھی لحاظ سے نادہندہ نہیں رہی۔

## اندرونی کنٹرول کا نظام

بورڈ اندرونی کنٹرول کے نظام کو پوری کمپنی میں مؤثر انداز سے نافذ کرنے اور چلانے کے سلسلے میں اپنی ذمہ داریوں سے بخوبی واقف ہے۔ آپ کی کمپنی کی جانب سے ایک انتہائی مؤثر اور جامع اندرونی آڈٹ کا نظام قائم کیا گیا ہے جو انتہائی مستعدی اور سختی کے ساتھ کمپنی میں کنٹرول کی کڑی نگرانی کرتا ہے۔ کمپنی کے اندرونی کنٹرول سے متعلق ایک جامع رپورٹ "Internal Control Framework" سالانہ رپورٹ کے ساتھ منسلک کی گئی ہے۔

## کاروباری تسلسل کی منصوبہ بندی (Business Continuity Plan)

کمپنی کی جانب سے کاروبار میں تسلسل کیلئے بنائے جانے والا منصوبہ (BCP) نافذ العمل ہے جس کے اجزائے ترکیبی میں ایسے افعال کو شامل کیا گیا جن کے تحت خراب اور غیر معمولی حالات میں بھی کمپنی کے امور سرانجام دیئے جاسکتے ہیں۔ (BCP) سے متعلق معلومات کو رپورٹ ہذا کے ساتھ منسلک کیا گیا ہے۔

## صحت، حفاظت اور ماحولیات - کمپنی کے کاروباری افعال کے ماحول پر اثرات (HSE Policy)

کمپنی صحت، حفاظت اور ماحول کے سلسلے میں اعلیٰ معیارات کے حصول کیلئے پرعزم ہے تاکہ ان افراد کی فلاح و بہبود کو یقینی بنایا جاسکے جو ہمارے ساتھ کام کرتے ہیں اور اس کیونٹی کا خیال بھی رکھا جائے جس میں رہ کر ہم کام کرتے ہیں۔ "HSE Policy" کو رپورٹ ہذا کے ساتھ منسلک کیا گیا ہے۔

## ہیومن ریسورس مینجمنٹ

کمپنی کی جانب سے ایسے پرعزم افراد کو لیا جاتا ہے جو کمپنی کے وزن کے مطابق پیشہ ورانہ مہارتوں اور عزائم کے ساتھ کمپنی کو چلانے کے اہل ہوں۔ کمپنی اس وقت ہیومن ریسورس کے اصلاحی دور سے گزر رہی ہے۔ کمپنی کی ہیومن ریسورس پالیسیوں کو مستقل بنیادوں پر جانچا جاتا ہے تاکہ ابھرتی ہوئی مارکیٹ کے ماحول میں پیدا ہونے والی ضروریات اور چیلنجوں سے نبرد آزما ہوا جاسکے۔ ایچ آر مینجمنٹ رپورٹ ہذا سالانہ رپورٹ کے ساتھ منسلک ہے۔

## ریٹائرمنٹ پر ملازمین کیلئے سہولیات

کمپنی کی جانب سے ایسے تمام ملازمین کیلئے جو کہ ایک مقررہ مدت ملازمت پوری کر چکے ہیں ایک غیر منظور اور غیر فنڈ شدہ گریجویٹ اسکیم قائم کی گئی ہے۔ گریجویٹ کیلئے تخمینے بناتے وقت حقیقت سے قریب ترین قیاس پر مبنی مندرجات کو درج کیا جاتا ہے۔ تازہ ترین قیاسات 30 جون 2020 کے پیش کئے گئے تھے جن کیلئے پروجیکٹڈ یونٹ کریڈٹ میٹھ کو بنیاد بنایا گیا تھا۔

کمپنی کی جانب سے حصص داران کے مسائل اور سوالات کے حصول کیلئے ایک ای میل پتہ (investor-relations@amrelisteels.com) بھی فراہم کیا گیا ہے۔ اس کام کو ترجیحی بنیادوں پر کیا جاتا ہے اور ان کے مسائل کو حل کرنے کیلئے ہر ممکن کوشش کی جاتی ہے۔

## ریکارڈ کی حفاظت

کمپنی کی جانب سے اپنے تمام اثاثوں کی حفاظت کیلئے ایک واضح نظام وضع کیا گیا ہے۔ کمپنی اپنے مالیاتی ریکارڈ کو محفوظ رکھنے کے اقدامات کو بہت اہمیت دیتی ہے۔ اپنے مالیاتی مندرجات کے کھاتوں کو محفوظ بنانے کیلئے کمپنی کی جانب سے SAP کو ERP سسٹمز کے تحت استعمال میں لایا جاتا ہے۔ SAP اور ERP سسٹمز میں خفیہ کوڈ کے ذریعے ان دستاویزات تک محفوظ رسائی کو ممکن بنایا گیا ہے۔ کمپنیز ایکٹ 2017 کے قواعد کی رو سے تمام قردادوں کی اطلاعات اور بورڈ کے اجلاسوں کی کاروائی کو فزیکل طور پر کم از کم دس (10) سال کیلئے محفوظ رکھا جاتا ہے اور الیکٹرانکس ذرائع کے تحت یہ دستاویزات ہمیشہ کیلئے محفوظ ہوتی ہیں۔ مزید برآں، ممبران کی جانب سے پیش کی گئی قرار دادیں اور عام اجلاسوں کی کاروائیوں کو فزیکل اور الیکٹرانکس طریقے سے بیس (20) سال کی مدت کیلئے محفوظ رکھا جاتا ہے۔

## کمپنی کے اہم افعال (کاروبار کی نوعیت)

کمپنی بنیادی طور پر اسٹیل کے ہلٹس اور ریلرز کی پیداوار اور فروخت کے کاروبار سے منسلک ہے۔ کمپنی پاکستان میں اسٹیل کی پیداوار سے منسلک چند بڑی کمپنیوں میں سے ایک ہے۔ کمپنی کا پورٹ فولیو امریکی اور برطانوی معیار کے مطابق اعلیٰ معیار کے مضبوط ڈی فورڈ بارز پر مشتمل ہے اور کمپنی ISO 9001:2008 اور PSQCA جیسے سرٹیفیکیشن کی بھی حامل ہے۔

## کمپنی کو لاحق بنیادی خطرات اور غیر یقینی صورتحال

کمپنی کی جانب سے کمپنی کے اندر ایک اندرونی آڈٹ فنکشن قائم کیا گیا ہے جو بورڈ کی جانب سے منظور شدہ چارٹر کے تحت کام کرتا ہے اور کمپنی میں خطرات سے نمٹنے اور کنٹرول کے نظام پر آڈٹ کمیٹی کو براہ راست آزادانہ اور معروضی تجزیے اور رپورٹس پیش کرتا ہے۔ کمپنی کو لاحق خطرات کی بروقت نشاندہی کی جاتی ہے اور ان خطرات سے نمٹنے کی غرض سے اقدامی، دفاعی اور اصلاحی تدابیر کو باقاعدگی کے ساتھ بروقت اختیار کیا جاتا ہے۔

کمپنی کی جانب سے ایسی پالیسیاں اور ضوابط بھی وضع کئے گئے ہیں جو کہ کمپنی کو لاحق خطرات سے نمٹنے کی غرض سے بنائے جانے والے رسک گورننس فریم ورک کا لازمی جزو ہے اور ان کے تحت کمپنی کو لاحق خطرات کو کم از کم کرنے کی مسلسل کوششیں کی جاتی ہیں۔ کمپنی کو لاحق اہم خطرات اور غیر یقینی صورتحال سے متعلق "Risk Management Report" میں تمام تر تفصیلات مذكور ہیں جسے سالانہ رپورٹ سے منسلک کیا جا چکا ہے۔

## آڈٹ رپورٹ میں تبدیلیاں

کمپنی کے افعال سے متعلق کمپنی کے بیرونی آڈیٹرز کی جانب سے شفاف رپورٹ پیش کی گئی ہے جسے سالانہ رپورٹ کے ساتھ منسلک کیا جا چکا ہے اور زیر نظر مالی سال سے متعلق آڈیٹرز کی رپورٹ میں کوئی تبدیلی واقع نہیں ہوئی۔

## ہولڈنگ کمپنی

کمپنی کی ناکوئی سرپرست کمپنی ہے اور ناہی کوئی ذیلی کمپنی ہے۔

مناسب تجربے کے حامل ہیں اور انھیں کمپنی کی پالیسیوں اور ضوابط سے بھی پوری طرح آگاہی اور واقفیت ہے۔ اس کے علاوہ کمپنی کی جانب سے اندرونی طور پر بھی اندرونی آڈٹ کا ایک نظام وضع کیا گیا ہے جو کہ اندرونی آڈٹ کے سربراہ کے ماتحت کام کر رہا ہے۔ اندرونی آڈٹ کے سربراہ عملی طور پر بورڈ کی آڈٹ کمیٹی اور انتظامی طور پر چیف ایگزیکٹو کو رپورٹ کرتے ہیں۔ آڈٹ کے شعبے کے سربراہ بیرونی طور پر کمپنی کے اندرونی آڈٹ کرنے والی فرم اور بورڈ کے مابین ایک رابطے کا کام کرتے ہیں۔

بورڈ کی آڈٹ کمیٹی کی جانب سے زیر نظر مالی سال کیلئے کمپنی کے کاروباری افعال کا سالانہ جائزہ لینے کے بعد اسے "Audit Committee Report" کے عنوان سے پیش کیا گیا ہے جسے سالانہ رپورٹ ہذا کے ساتھ منسلک کیا گیا ہے۔

## کاروباری حکمت عملی

بورڈ آف ڈائریکٹرز کی جانب سے بورڈ کے اجلاسوں میں کمپنی کی حکمت عملی اور سمت کے تعین کا مسلسل جائزہ لیا جاتا ہے۔ بورڈ اس بات کو یقینی بناتا ہے کہ کمپنی کی انتظامیہ کی جانب سے کاروباری افعال کو سرانجام دینے کیلئے طویل المیعاد اور قلیل المیعاد حکمت عملیاں کمپنی کے مجموعی اہداف سے ہم آہنگ ہوں۔

## کاروباری نوعیت میں اہم تبدیلیاں

زیر نظر مالی سال کے دوران کمپنی کے کاروباری نوعیت کوئی اہم بنیادی تبدیلی واقع نہیں ہوئی ہے۔

## بیلنس شیٹ اور رپورٹنگ کی تاریخوں کے مابین اہم تبدیلیاں (مابعد واقعات)

30 جون 2020 سے رپورٹنگ کی تاریخ تک کوئی غیر معمولی واقعات پیش نہیں آئے اور نہ ہی کمپنی کی جانب سے کوئی ایسا معاہدہ ہوا ہے جس کی بنیاد پر کمپنی کے مالیاتی نتائج پر کوئی منفی اثرات مرتب ہوں۔

## ترتیب حصص داری

مالی سال اختتامیہ 30 جون 2020 سے متعلق کمپنی کی ترتیب حصص داری سالانہ رپورٹ کے ساتھ منسلک ہے۔

کمپنی کے ڈائریکٹرز، اہم حصص داران، انتظامی افسران اور ان کے ازواج یا نابالغ بچوں کی جانب سے اگر کمپنی کے حصص کے سلسلے میں کوئی خرید و فروخت ہوئی ہے تو کوڈ آف کارپوریٹ گورننس اور سکیورٹیز ایکٹ 2015 کے ضوابط کے مطابق اس کی باقاعدہ اور بروقت اطلاع پاکستان اسٹاک اینڈ ایکسچینج اور ایس ای سی پی کو دی جا چکی ہے۔

"ایگزیکٹو سے مراد چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر (آپریٹنرز)، چیف آپریٹنگ آفیسر (حکمت عملی)، چیف فنانشل آفیسر، کمپنی سیکرٹری اور اندرونی آڈٹ کے سربراہ ہیں۔"

## حصص داران سے روابط

کمپنی اپنے حصص داران کے ساتھ بروقت روابط کو ترجیح دیتی ہے۔ کوڈ کی پاسداری کرتے ہوئے تمام عبوری اور سالانہ مالیاتی دستاویزات کو بورڈ آف ڈائریکٹرز کی جانب سے منظور کئے جانے کے فوراً بعد متعلقہ افراد کو ارسال کر دیا جاتا ہے۔

کمپنی کی جانب سے ایک ویب سائٹ ([www.amrelisteels.com](http://www.amrelisteels.com)) بھی موجود ہے جس پر کمپنی کے تمام کاروباری افعال، مالیاتی نتائج، اطلاعات اور اعلانات کی مستقل اشاعت اور تجدید کی جاتی ہے۔



چیرمین جائزہ کا حصہ ہے۔

## خواتین ڈائریکٹرز

کمپنی اس بات کیلئے پرعزم ہے کہ کام کی جگہ مرد و خواتین کے امتزاج میں مزید بہتری پیدا کی جائے اور برابری کی بنیاد پر مواقع فراہم کئے جائیں جس کی بنیاد میرٹ اور مستقل مزاجی ہو۔ بورڈ کے ممبران میں 28 فیصد خواتین شامل ہیں۔ بورڈ میں خواتین ممبران کو شامل کئے جانے سے کمپنی کی جانب سے کمپنیز ایکٹ 2017 کے سیکشن 154 اور کوڈ آف کارپوریٹ گورننس ریگولیشنز 2019 پر بھی عمل کیا جا رہا ہے۔ بورڈ اور کمپنی انتظامیہ کی جانب سے خواتین کی حوصلہ افزائی کی جاتی ہے کہ وہ کمپنی میں شمولیت اختیار کریں۔

## سی ای او (CEO) کی کارکردگی کا جائزہ

چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ کمپنی کے وژن اور مشن کے مطابق متعین کردہ کاروباری اہداف اور وضع کی گئی حکمت عملیوں پر عملدرآمد کی روشنی میں کیا جاتا ہے۔ کارکردگی کی جانچ کا ایک جامع نظام موجود ہے جس کے تحت کاروباری کارکردگی، منافع سے متعلق اہداف کے حصول، تنظیم سازی، جانشینی کی منصوبہ بندی اور کارپوریٹ اہداف کے حصول کو مد نظر رکھا جاتا ہے۔

## ڈائریکٹرز کا معاوضہ

بورڈ کی جانب سے کمپنیز ایکٹ 2017 اور کوڈ آف کارپوریٹ گورننس کے مطابق ڈائریکٹروں کے معاوضے کے سلسلے میں ایک شفاف اور واضح پالیسی مرتب کی گئی ہے۔ بورڈ کے ممبران کے معاوضے کے سلسلے میں بذات خود بورڈ کی جانب سے ہی منظوری دی جاتی ہے۔ تاہم کوڈ آف کارپوریٹ گورننس کے ضوابط کے مطابق اس بات کو یقینی بنایا جاتا ہے کہ کوئی بھی ڈائریکٹر کسی ایسے اجلاس میں شرکت نہ کرے جس میں اس کا اپنا معاوضہ متعین کیا جا رہا ہو۔ کمپنی کی جانب سے غیر انتظامی ڈائریکٹرز کو معاوضہ ادا نہیں کیا جاتا۔ بجز اس کے کہ وہ اجلاسوں میں شرکت کیلئے تشریف لائیں تو انھیں اس شرکت کیلئے فیس ادا کی جاتی ہے۔ بہترین افرادی قوت کو یکجا رکھنے کی غرض سے کمپنی کی یہ پالیسی ہے کہ معاوضے کا تعین مارکیٹ اور کارپوریٹ دنیا کی بہترین روایات کے مطابق کیا جائے۔ ڈائریکٹرز اور (CEO) کے معاوضے سے متعلق تفصیلی معلومات کو مالیاتی دستاویزات سے منسلک متعلقہ نوٹس کا حصہ بنایا گیا ہے۔

## ڈائریکٹرز کی تربیت

ڈائریکٹرز کی تربیت سے متعلق بورڈ کی جانب سے تمام قواعد کی مکمل پاسداری کی گئی ہے۔ کمپنی کے پانچ ڈائریکٹرز نے پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (PICG) / انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کی جانب سے منعقد شدہ ڈائریکٹرز ٹریننگ پروگرام میں شرکت کی ہے۔ بقیہ دو ڈائریکٹر بھی قواعد میں مذکور مدت کے اندر اندر مطلوبہ تربیت حاصل کر لیں گے۔

## بیرونی آڈیٹرز

موجودہ بیرونی آڈیٹرز (M/s. EY Ford Rhodes Chartered Accountants) سالانہ اجلاس عام کے اختتام منعقدہ 27 اکتوبر 2020 کو ریٹائر ہو رہے ہیں، تاہم انکی جانب سے اپنی خدمات کو ایک مرتبہ پھر پیش کیا گیا ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ کی جانب سے (M/s. EY Ford Rhodes Chartered Accountants) کو مالی سال اختتامیہ 30 جون 2021 کیلئے ایک مرتبہ پھر تعینات کرنے کی توثیق کی ہے۔

## اندرونی آڈٹ

بورڈ کی جانب سے اندرونی آڈٹ کے کام کو (M/s. BDO Ebrahim & Co. Chartered Accountants) کے حوالے کر دیا گیا جو کہ اس کام کیلئے اہلیت اور

زیر نظر مالی سال کے دوران بورڈ کی آڈٹ کمیٹی کے چھ (6) اجلاس منعقد کئے گئے۔ تمام اجلاس پاکستان میں ہی منعقد کئے گئے۔ آڈٹ کمیٹی کے اجلاسوں میں ڈائریکٹرز کی حاضری سے متعلق تفصیلات درج ذیل ہیں:

ڈائریکٹرز کے نام	اجلاسوں میں شرکت اور حاضری
تیزون کست	6
بدر کاظمی	1
ظفر احمد تاجی	6
کنزہ شایان	6

### انسانی وسائل و ادائیگیوں کی کمیٹی (HR&R Committee)

انسانی وسائل و ادائیگیوں کی کمیٹی انسانی وسائل، انکی ترقی، جانشینی کی پالیسی اور معروضوں کے تعین جیسے مسائل کی نگرانی کے سلسلے میں بورڈ کی معاونت کرتی ہے اور اسی طرح انسانی وسائل و ادائیگیوں کی کمیٹی کو معروضی حالات اور کوڈ آف کارپوریٹ گورننس کے تحت ایسی تمام ذمہ داریاں سونپی جاتی ہیں۔

زیر نظر مالی سال کے دوران انسانی وسائل و ادائیگیوں کی کمیٹی کے تین (3) اجلاس منعقد کئے گئے۔ یہ اجلاس پاکستان میں منعقد کئے گئے۔ کمپنی کا چیف ایگزیکٹو آفیسر (CEO) انسانی وسائل و ادائیگیوں کی کمیٹی کا ممبر بھی ہے۔ HR ڈیپارٹمنٹ کے سربراہ نے مدعو کئے جانے پر انسانی وسائل و ادائیگیوں کی کمیٹی کے اجلاس میں شرکت کی۔ انسانی وسائل کی کمیٹی کے اجلاس میں ڈائریکٹرز کی حاضری سے متعلق تفصیلات درج ذیل ہیں:

ڈائریکٹرز کے نام	اجلاسوں میں حاضری کی تعداد
ظفر احمد تاجی	3
تیزون کست	3
شایان اکبر علی	3
کنزہ شایان *	2
مریم اکبر علی *	-

\* کنزہ شایان کو مریم اکبر علی کی جگہ 10 جنوری 2020 کو بورڈ کی انسانی وسائل و ادائیگیوں کی کمیٹی میں بطور ممبر شامل کیا گیا۔

\*\* (بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت ناکر سکنے والے ممبران کی رخصت منظور کر لی گئی تھی)

### بورڈ اور اس کی کمیٹیوں کی سالانہ کارکردگی کا جائزہ

کمپنی کی جانب سے اس بات کیلئے مخلصانہ کوششیں کی جاتی ہیں کہ کمپنی میں کارپوریٹ گورننس اور سنہرے اصولوں کی مکمل پاسداری کو ممکن بنایا جائے تاہم اس لئے کہ حصص داران کے سرمایہ کاری کی قدر میں طویل المیعاد اضافہ کیا جائے بلکہ اس لئے بھی اقلیتی حقوق کی حفاظت کو بھی ممکن بنایا جاسکے۔ کمپنی اس بات کو اپنی بنیادی ذمہ داری سمجھتی ہے کہ مالیاتی معلومات کو بروقت اور صحیح صحیح پیش کیا جائے اور کمپنی لیڈر شپ اور گورننس کو بھی منظر عام پر لایا جائے۔ بورڈ اور اس کی کمیٹیوں کی سالانہ کارکردگی

## بورڈ آف ڈائریکٹرز اور اس کی کمیٹیاں

### بورڈ

امریلی اسٹیلر لمیٹڈ میں گورنرس کا نظام بورڈ آف ڈائریکٹرز اور کمپنی کی انتظامیہ کی جانب سے ایک مسلسل عمل کا نتیجہ ہے۔ گورنرس کے اس نظام کی جھلک کمپنی کے انتظامی ڈھانچے میں بھی جھلکتی ہے اور اس بات کا اظہار بھی ہوتا ہے کہ کمپنی کے طے شدہ اہداف کے حصول کیلئے اس نظام کو کس انداز سے چلایا جاتا ہے۔

کمپنی کے کارپوریٹ گورنرس کے ڈھانچے کو وضع کرنے کے سلسلے میں ان تمام تر قوانین اور ضوابط کی مکمل پاسداری کی گئی ہے جو کہ پاکستان اسٹاک ایکسچینج میں لسٹڈ کمپنی پر لاگو ہوتے ہیں اور کمپنی کے اندرونی ضوابط کے لحاظ سے یہ ڈھانچہ کمپنی کے آرٹیکلز آف ایسوسی ایشن سے بھی ہم آہنگ ہے۔ اس طریقہ کار میں کمپنی کو لاحق خطرات کا تجزیہ اور کنٹرول کا نظام بھی شامل ہے اور اس بات کو یقینی بنایا جاتا ہے کہ قابل اطلاق قوانین و ضوابط اور کمپنی کے ضابطہ اخلاق کی مکمل پاسداری کو ممکن بنایا جاسکے۔

آپ کی کمپنی کا بورڈ طویل المیعاد اور مستقل بنیادوں پر سرمایہ کاری کی قدر میں اضافے کیلئے ہمہ وقت کوشاں رہتا ہے اور ان کوششوں کی بنیاد گورنرس کے قابل اعتماد نظریات پر ہوتی ہے۔ کمپنی کا بورڈ تین آزاد، تین غیر انتظامی اور ایک انتظامی ڈائریکٹر پر مشتمل ہے۔

زیر نظر مالی سال کے دوران بورڈ کے سات (7) اجلاس منعقد کئے گئے ہیں۔ بورڈ کے تمام اجلاس پاکستان کے اندر ہی منعقد کئے گئے۔ ان اجلاسوں اور ان میں شرکت کرنے والے ڈائریکٹرز کی حاضری سے متعلق تفصیلات درج ذیل ہیں:

ڈائریکٹرز کے نام	اجلاسوں میں حاضری کی تعداد
عباس اکبر علی	7
تیزون کست	7
بدر کاظمی	5
ظفر احمد تاجی	7
شایان اکبر علی	7
کنزہ شایان	7
مریم اکبر علی	4

### بورڈ کی آڈٹ کمیٹی (Audit Committee)

بورڈ کی آڈٹ کمیٹی کمپنی کے اندرونی کنٹرول کے نظام اور خطرات سے نمٹنے کے نظام کی مسلسل بنیادوں پر نگرانی کرتی ہے اور بورڈ کی جانب سے نگرانی کے عمل بالخصوص ضوابط کی پاسداری، مالیاتی اور غیر مالیاتی رپورٹنگ حصص داران تک پہنچانے کے عمل کے سلسلے میں بورڈ کی معاونت بھی کرتی ہے۔

جہاں کہیں بھی ضرورت محسوس ہو، آڈٹ کمیٹی انتظامیہ کی جانب سے لئے گئے اقدامات پر نظر ثانی کرنے کے ساتھ ساتھ انکی اصلاح کی کوششیں بھی کرتی ہے۔ آڈٹ کمیٹی انتظامیہ سے معلومات حاصل کرنے کیلئے خود مختار ہے اور ضرورت پڑنے پر بیرونی آڈیٹروں یا مشیروں سے براہ راست مشورہ بھی کر سکتی ہے۔ آڈٹ کمیٹی کے بلانے پر چیف فنانشل آفیسر باقاعدگی کے ساتھ آڈٹ کمیٹی کے اجلاسوں میں شرکت کرتے ہیں اور ان کے سامنے عبوری اور حتمی حسابات کا جائزہ پیش کرتے ہیں۔ ہر اجلاس کے بعد آڈٹ کمیٹی کا چیئرمین بورڈ کے سامنے اپنی رپورٹ پیش کرتا ہے۔

## کارپوریٹ گورننس اور فنانشل رپورٹنگ کا دائرہ کار

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کمپنی میں کوڈ آف گورننس کے اعلیٰ معیار کی پاسداری کیلئے پر عزم ہیں۔ ڈائریکٹرز اس بات کی تصدیق کرتے ہیں کہ کمپنی کی جانب سے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور کوڈ آف کارپوریٹ گورننس کی پاسداری کرتے ہوئے فنانشل رپورٹنگ کا ایک جامع نظام وضع کیا گیا ہے جس کی تفصیلات درج ذیل ہیں:

الف۔ کمپنی کی انتظامیہ کی جانب سے تیار شدہ مالیاتی گوشوارے کمپنی کے تمام امور، آپریشنز کے نتائج، ترسیل نقد رقوم اور حصص میں رد و بدل سے متعلق معاملات کی صحیح ترجمانی کرتی ہیں۔

ب۔ کمپنی کی جانب سے متعلقہ ریکارڈ کو باقاعدہ قواعد کے مطابق کھاتوں میں درج کیا گیا ہے۔

ج۔ تمام مالیاتی گوشواروں کی تیاری کے سلسلے میں مناسب محاسبی پالیسیوں پر عمل کیا گیا ہے، نیز تمام مالیاتی تخمینے معقول اور قرین قیاس ہیں۔

د۔ مالیاتی دستاویزات کی تیاری کے سلسلے میں پاکستان میں رائج بین الاقوامی محاسبی معیارات کی مکمل پاسداری کی گئی ہے۔

ه۔ اندرونی طور پر کنٹرول کا نظام انتہائی منظم اور جامع ہے اور اسے مؤثر انداز سے نافذ کیا گیا ہے اور اس پر مکمل نظر رکھی جاتی ہے۔ اندرونی کنٹرول کی کڑی نگرانی کا عمل ہمیشگی کی بنیاد پر جاری رہے گا جس کا بنیادی مقصد یہی ہے کہ کمپنی کے اندر کنٹرول کے نظام کو مزید مؤثر بنایا جائے۔

و۔ ایسی کوئی وجہ نظر نہیں آتی جس کی بنیاد پر کمپنی کو ختم کرنے سے متعلق کوئی سوال پیدا ہوتا ہو کہ کمپنی اپنا وجود برقرار رکھ پائے۔

ذ۔ کارپوریٹ گورننس کی بہترین روایات پر عمل پیرا ہونے سے کسی بھی قسم کی کوئی قابل ذکر روگردانی نہیں کی گئی جیسا کہ اس سلسلے میں پاکستان اسٹاک ایکسچینج لمیٹڈ کی رول بک میں ضوابط درج ہیں۔

ح۔ کمپنی کے کاروباری افعال اور مالیاتی نتائج کی اہم ترین جھلکیوں کو رپورٹ ہذا کے منسلک کیا گیا ہے۔

ط۔ اکاؤنٹس کے نوٹس میں ٹیکسوں اور لیویز سے متعلق معلومات کو بھی شامل کیا گیا ہے۔

ی۔ کمپنی کی جانب سے مستقل ملازمین کیلئے ایک غیر منظور شدہ اور غیر فنڈ شدہ گریجویٹ اسکیم قائم کی گئی ہے۔ اس اسکیم سے مستفید ہونے کا حق ان ملازمین کو ہے جو کہ اس اسکیم سے استفادہ حاصل کرنے کیلئے طے شدہ کم از کم عرصے تک ملازمت کر چکے ہوں۔ گریجویٹ کیلئے بنائے جانے والے تخمینے کا انحصار انتہائی محتاط اور آزاد اندازوں پر ہے۔ جدید ترین تخمینے 30 جون 2020 کو پروجیکٹڈ یونٹ کریڈٹ طریقے کے تحت بنایا گیا ہے۔ کیونکہ یہ ایک غیر فنڈ شدہ اسکیم ہے اس لئے اس سے کسی قسم کی کوئی سرمایہ کاری نہیں کی جاسکتی اس لئے بتاریخ 30 جون 2020 اس سلسلے میں سرمایہ کاری کی قدر صفر ہے۔

حکومت کی جانب سے COVID-19 کی وجہ سے پھیلنے والی وباء کے باعث تقریباً دو ماہ کیلئے لاک ڈاؤن لگا دیا گیا اور اس لاک ڈاؤن کی وجہ سے معاشرتی اور معاشی سرگرمیوں میں جو جمود طاری ہوا اس کی مثال ماضی میں کہیں نہیں ملتی۔ اس وباء کی وجہ سے صحت عامہ کا نظام شدید باؤ کا شکار رہا، قیمتی انسانی جانیں ضائع ہوئیں اور سخت حفاظتی اقدامات کی پابندیوں کی وجہ سے چھوٹے اور بڑے کاروبار اور بالخصوص دیہاڑی دار طبقہ بری طرح متاثر ہوا۔

ایک ذمہ دار شہری ہونے کے ناطے، کمپنی نے اپنی پیداواری صلاحیتوں اور جھلا دفاتر کو نہ صرف بند رکھا بلکہ انہیں صرف حکومتی ہدایت کے تحت ہی دوبارہ کھولا گیا۔ اس کے ساتھ ساتھ کمپنی کی جانب سے اس عالمی وباء کی روک تھام کیلئے صوبائی حکومت کی جانب سے جاری کئے جانے والے قواعد و ضوابط پر من و عن عمل درآمد کیا گیا۔ اپنے نظریے "معاشرے اور معیشت کے استحکام کیلئے پر عزم" پر عمل پیرا ہوتے ہوئے امریلی کی جانب سے اپنے کسی ملازم بشمول مزدوروں کو ملازمت سے فارغ نہیں کیا گیا۔ علاوہ ازیں امریلی کی جانب سے کسی بھی ملازم کی تنخواہ میں بھی کسی قسم کی کوئی کٹوتی نہیں کی گئی۔ رضا کارانہ طور پر کمپنی کے کچھ ملازمین کی جانب سے سی ای او کی رہنمائی میں ایک فنڈ تشکیل دیا گیا تھا اور اس فنڈ کو اس آزمائش کے وقت میں اپنے ملازمین کو سہارا دینے کیلئے استعمال کیا گیا۔

### مستقبل پر نظر

گوکہ کورونا وائرس کے مریضوں میں کمی آرہی ہے اور پاکستان میں لاک ڈاؤن بھی اٹھایا جا چکا ہے لیکن جس غیر یقینی صورتحال سے اس وقت ہماری معیشت گزر رہی ہے اس میں شرح نمو کے بارے میں کوئی پیشن گوئی کرنا بہت مشکل ہے۔ حالانکہ حکومت کی جانب سے مالی سال 2020-21 کیلئے جی ڈی پی کی شرح کا ہدف 2.3 فیصد مقرر کیا گیا ہے لیکن مقررہ ہدف کے حصول کا دارومدار (الف) عالمی وباء کی شدت اور طوالت اور خدائے خواستہ ہمارے ملک میں اس وباء کی دوسری لہر (ب) حکومت کی جانب سے بڑے پیمانے پر 5.46 ٹریلین روپے کا ٹیکس ہدف حاصل کرنے کی صلاحیت اور (ج) قومی بجٹ 2020-21 میں مزکورہ 1.1 ٹریلین روپے کی غیر ٹیکس شدہ آمدن کے حصول پر منحصر ہے۔ اس کا بہت حد تک انحصار ترقیاتی بجٹ کیلئے مختص 949 ارب روپے جاری کرنے، افراط زر پر قابو پانے اور شرح سود کو کم از کم سطح پر رکھنے پر بھی ہے تاکہ سرمایہ کاری کے مواقع پیدا ہوں۔ اس کڑے وقت اور غیر یقینی صورتحال میں طے شدہ شرح نمو کے اہداف کو حاصل کرنے کیلئے ایک دوراندیش اور فیصلہ کن پالیسی کی ضرورت ہے۔

حال ہی میں حکومت کی جانب سے تعمیرات کی صنعت کیلئے پیکیج کے اعلان اور کراچی میں انفراسٹرکچر کی تعمیر کیلئے 1,100 ارب روپے کے بڑے پیکیج کے اعلان بعد اس بات کی امید پیدا ہوئی ہے کہ آنے والے چند ماہ کے دوران اسٹیل طلب میں اضافہ ہوگا کیونکہ بلڈرز اور ڈیولپرز کو براہ راست اور بالواسطہ ٹیکسوں اور کیپٹل گین ٹیکس میں چھوٹ کی مراعات دی گئی ہیں۔ نیا پاکستان ہاؤسنگ پروجیکٹ کیلئے ٹیکسوں میں دی جانے والی بڑی چھوٹ کی وجہ سے بھی اسٹیل کی طلب میں اضافہ ہوگا۔ مزید برآں، بھاشا اور مہندڈیموں کی زمین پر تعمیراتی کاموں کے آغاز سے اسٹیل کی طلب پر مثبت اثرات مرتب ہونگے۔ مزکورہ بالا پروجیکٹس اور سی پیک پر کام کی رفتار کو بڑھانے کا عندیہ دیئے جانے کے بعد آپ کی کمپنی کی انتظامیہ اس بات سے پر امید ہے کہ متوسط مدت کے اندر اسٹیل کی طلب میں اضافے سے اسٹیل کی صنعت بھرپور فائدہ اٹھائے گی۔

اسٹیٹ بینک آف پاکستان کی جانب سے شرح سود میں کمی جانے والی کمی کے باعث بھی آپ کی کمپنی اس قابل ہوگی کہ اپنی تمویلی لاگت میں کمی لاکر سال رواں کے دوران ورکنگ کیپٹل کی ضروریات کو پورا کر سکے۔ آپ کی کمپنی کی انتظامیہ اپنے مارکیٹ کے حصے میں اضافے کیلئے انتھک محنت کر رہی ہے اور اس مقصد کیلئے ملک کے وسطی اور شمالی علاقوں میں بالخصوص کام کیا جا رہا ہے۔ کمپنی انتظامیہ کی توجہ مکمل طور پر اس جانب مبذول ہے کہ مناسب لاگت پر اعلیٰ معیار کی مصنوعات پیدا کر کے کمپنی کو بحالی اور خوشحالی کی راہ پر گامزن کیا جاسکے۔

سیلز ٹیکس رجیم کو "سپیشل سیلز ٹیکس پروسیجرز" سے "نارل سیلز ٹیکس پروسیجر" میں تبدیل کرنے سے بھی قیمت فروخت میں اضافہ ہوا ہے کیونکہ اب سیلز ٹیکس کی مد میں 17 فیصد ایف ای ڈی (FED) لگا ئی گئی جس کے باعث مصنوعات کی طلب اور قیمت مزید دباؤ کا شکار ہیں۔ دولت کی تقسیم کے اثرات کو درج ذیل "اسٹیٹمنٹ آف ویلیو ایڈیشن" سے دیکھا جاسکتا ہے۔ مالی سال 2020 میں کمپنی کی جانب سے ڈیوٹیز اور ٹیکسوں کی مد میں ادا کی جانے والی رقم میں 56 فیصد کا خاطر خواہ اضافہ ہوا ہے (اضافہ 1.923 ارب روپے ہے) اور اضافے کی وجہ سے صارفین تک پہنچتے پہنچتے ریلوے کی قیمت میں خاصہ اضافہ ہوا اور اس طرح پہلے ہی سے سیکڑتی معیشت میں تعمیرات کی صنعت میں ریلوے کی طلب میں مزید کمی محسوس کی گئی ہے۔ اس صورتحال میں کمپنی اس قابل نہ تھی کہ خام مال کی بڑھتی ہوئی قیمتوں کے اخراجات کو صارفین تک منتقل کر سکے لہذا اس اضافے کے منفی اثرات نے کمپنی کی منفعت کو بری طرح متاثر کیا۔

چنانچہ وہ خاص عوامل جن کی وجہ سے کمپنی کی منفعت بری طرح متاثر ہوئی میں (۱) سیلز ٹیکس رجیم میں تبدیلی، (۲) اسٹیل سے وابستہ ڈیلروں اور ڈسٹریبیوٹروں پر کاروباری حجم کے لحاظ سے 1.5 فیصد کے ٹیکس کا متعارف کروایا جانا، (۳) کاروبار میں کمی اور COVID-19 کی وجہ سے لاک ڈاؤن کی صورتحال کے دوران مستقل اخراجات کا کاروباری افعال کم ہونے کی وجہ سے جذب نہ ہونا، (۴) شرح سود میں ہوشربا اضافہ اور اس کی وجہ سے تمویلی لاگت میں زبردست تیزی اور (۵) ایف سی اے (FCA) اور آئی ایس پی اے (ISPA) کی بنیاد پر کے الیکٹرک کی جانب سے بڑے پیمانے پر وصول کی جانے والی رقم، شامل ہیں۔ لہذا کمپنی زیر نظر مالی سال کے دوران 1.13 ارب روپے کے نقصان میں رہی جبکہ گزشتہ مالی سال کے دوران کمپنی کو 32.82 ملین روپے کا فائدہ ہوا تھا۔

### دولت میں اضافے اور دولت کی تقسیم کا بیان

تفصیلات	2020		2019	
	"000"	%	"000"	%
دولت کی پیداوار				
آمدن از فروخت	26,532,144		28,595,976	
آمدن از دیگر ذرائع	8,167		7,096	
منہا: خام مال اور خدمات کی خریداری	(18,016,173)		(22,118,921)	
کمپنی کی جانب سے قدر میں کیا جانے والا اضافہ	<b>8,524,138</b>		<b>6,484,151</b>	
دولت کی تقسیم				
برائے ملازمین	1,141,733	13%	1,076,630	17%
تنخواہیں، اجرتیں اور دیگر مراعات				
برائے حکومت	5,350,399	63%	3,427,497	53%
ڈیوٹیز و ٹیکس				
برائے سرمایہ کار	2,299,271	27%	1,262,303	19%
اخراجات و سود				
اثاثوں کی تبدیلی کی مد میں	859,352	10%	684,898	10%
فرسودگی				
برائے کمپنی	(1,126,617)	-13%	32,823	1%
(نقصان) / محفوظ شدہ منافع				
	<b>8,524,138</b>		<b>6,484,151</b>	



تفصیلات	30 جون 2020	30 جون 2019
	----- روپے ہزاروں میں -----	
آمدن از فروخت	26,532,144	28,595,976
خام منافع	1,975,738	2,423,584
کاروباری منافع	518,808	1,195,142
نقصان قبل از ٹیکس	(1,780,463)	(67,161)
(نقصان) / منافع بعد از ٹیکس	(1,126,617)	32,823
(نقصان) / آمدن فی حصص بنیادی و تحلیلی (روپوں میں)	(3.79)	0.11

زیر نظر مالی سال 2019-20 وطن عزیز کی معیشت اور آپ کی کمپنی کیلئے مسائل سے بھرپور سال تھا۔ مالی سال 2018-19 کے مقابلے میں زیر نظر مالی سال کے دوران آپ کی کمپنی کی فروخت میں مجموعی طور پر 2.06 ارب روپے کی کمی واقع ہوئی ہے۔ فروخت میں 7.2 فیصد اور لاگت برائے فروخت میں 6.17 فیصد کی کمی کی وجہ سے زیر نظر مالی سال کے دوران گزشتہ مالی سال کے مقابلے میں آپ کی کمپنی کے خام منافع میں 18.48 فیصد کی کمی درج کی گئی ہے۔

آمدن کی فیصد کے لحاظ سے مال کی ترسیل پر آنے والے سالانہ اخراجات میں معمولی سی کمی درج کی گئی ہے جس کی وجہ اشتہارات اور فروخت کو بڑھانے کیلئے کئے جانے والے اخراجات میں 131 ملین روپے کی کمی ہے۔ جبکہ دوسری جانب انتظامی امور کے اخراجات میں 8.9 فیصد کا اضافہ درج کیا گیا ہے جس کی بنیادی وجہ تنخواہوں کی ادائیگی ہے۔ دیگر اخراجات میں گزشتہ مالی سال کے مقابلے میں 76.6 ملین روپے کا اضافہ درج کیا گیا ہے جس کی وجہ غیر ملکی زرمبادلہ کے قرض ہیں جن میں شرح مبادلہ میں تبدیلی کی وجہ سے نقصان اٹھانا پڑا ہے۔ زیر نظر مالی سال کے دوران کاروباری منافع 518.8 ملین روپے رہا جو کہ گزشتہ مالی سال کے اسی عرصے کے دوران 1,195 ملین روپے تھا۔

زیر نظر مالی سال کے دوران معمولی لاگت میں 1.04 ارب روپے کا ہوشربا اضافہ ہوا ہے جو کہ گزشتہ مالی سال کے مقابلے میں 82 فیصد زائد ہے جسکی وجہ اسٹیٹ بینک آف پاکستان کی جانب سے پالیسی ریٹ میں سو فیصد سے بھی زائد اضافہ ہے اور دوران سال قلیل المیعاد اور طویل المیعاد قرضوں میں اضافہ بھی ہے۔ تاہم، اس مشکل وقت میں وبائی مرض کے مضر اثرات کو کم کرنے اور روزگار کا تسلسل برقرار رکھنے کے لیے، اسٹیٹ بینک آف پاکستان نے کمپنیوں اور دیگر کاروباری اداروں کو قرضوں کی ادائیگی کے لیے ایک سال کی مدت تک کی سہولت مہیا کی۔ اس کے علاوہ اسٹیٹ بینک آف پاکستان نے آجروں کو اپنے ملازمین کی تنخواہوں اور اجرت کی ادائیگی میں معاونت کے لیے کم شرح سود پر قرض کی سہولت بھی فراہم کی۔

یہاں یہ بات گوش گزار کرنا بھی ضروری ہے کہ تقریباً دو ماہ کیلئے مکمل طور پر کمپنی کے سائٹ اور دھانیجی دونوں ہی پلانٹس پر پیداواری عمل کو روکنا پڑا کیونکہ اس دوران حکومت پاکستان کی جانب سے COVID-19 سے نمٹنے کیلئے مکمل لاک ڈاؤن لگا دیا گیا تھا۔ کمپنی جو کہ پہلے ہی نقصان میں جا رہی تھی اس لاک ڈاؤن کی وجہ سے اپنے مستقل اخراجات کو بھی کاروباری افعال میں جذب نہ کر سکی۔ اس شٹ ڈاؤن کی وجہ سے کمپنی کی انوینٹری اور قرضوں کی وصولی کے دنوں میں بھی اضافہ ہوا جس کے باعث ورکنگ کیپٹل لائن بھی بڑھ گئی۔ جبکہ اس دوران کمپنی کی جانب سے بینکوں کو سود بھی ادا کیا جاتا رہا، حالانکہ اس عرصے کے دوران کوئی آمدن نہ تھی۔

کے الیکٹریک کی جانب سے کراچی کی صنعتوں پر ایک بم گرا دیا گیا اور فیول چارج ایڈجسٹمنٹ کی مدد میں ماضی کے کھاتوں یعنی 2016 سے 2019 کے عرصے کی بڑے پیمانے پر رقوم وصول کی گئیں اور اس کے ساتھ ساتھ انڈسٹریل سپورٹ ٹیک ایڈجسٹمنٹ کو بھی جولائی 2019 سے ختم کر دیا گیا جو زخموں پر نمک کے مترادف ہے۔ مجموعی طور پر کے الیکٹریک کی جانب سے 466 ملین روپے وصول کئے گئے جس کی وجہ سے آپ کی کمپنی نے اپنے کاروباری اخراجات کو منتقل کرنے کی اپنی صلاحیت پر بھی شدید دباؤ محسوس کیا۔

زیر نظر مالی سال کے دوران پاکستان کی معیشت منفی 0.38 فیصد تک گراوٹ کا شکار رہی اور زراعت، صنعت اور خدمات کے شعبوں میں شرح نمو بالترتیب 2.67، (-2.64) اور (-0.59) فیصد رہی۔ اس طرح صنعت اور خدمات کے شعبوں میں منفی شرح نمو کی وجہ سے زراعت کے شعبے کی مثبت شرح نمو کے اثرات بھی ماند پڑ گئے۔ فروری 2020 سے تیزی سے پھیلنے والی وباء COVID-19 کے باعث مجموعی مقامی معاشی پیداوار منفی رہی جس کی وجہ سے معیشت کا پھیلاؤ بالکل جام ہو کر رہ گیا۔ عالمی اور مقامی سطح پر معاشی طلب میں زبردست کمی ریکارڈ کی گئی، تجارت کا توازن منفی رہا اور پیداوار، روابط، سپلائی، سیاحت، کاروباری نقل و حمل اور دیگر شعبوں میں بھی شدید بحران دیکھا گیا۔ مالی سال جولائی تا مارچ 2020 میں بڑی پیداواری صنعتوں میں منفی 5.4 فیصد کمی درج کی گئی ہے جو کہ گزشتہ مالی سال کے اسی عرصے کے دوران منفی 2.34 درج کی گئی تھی۔

### مقامی اسٹیل کی صنعت کا جائزہ

جس طرح معیشت کے تمام دیگر شعبے منفی شرح نمو سے دوچار رہے بالکل اسی طرح اسٹیل کی صنعت بھی پیداوار اور طلب میں منفی رجحان سے متاثر رہی۔ تمام معاشی سرگرمیوں کو لاک ڈاؤن لگا کر بند کر دیا گیا تھا تا کہ COVID-19 کی وباء پر قابو پایا جاسکے۔ اس لاک ڈاؤن کے منفی اثرات نے اسٹیل کی طلب کو بھی بری طرح متاثر کیا۔ بڑی پیداواری صنعتیں بحران کا شکار رہیں اور اسٹیل کی صنعت واضح طور پر سست روی کا شکار رہی۔ پاکستانی روپے کی قدر میں تیزی سے آنے والی کمی، اسٹیل سیکٹر میں سیلز ٹیکس رجحیم کو تبدیل کر کے 17 فیصد سیلز ٹیکس کا لاگو ہونا، تقریباً تمام شعبوں میں خام مال کی قیمتوں میں اور کاروبار کرنے کی لاگت میں اضافہ، حکومت کی جانب سے تمام معاملات کو ایک نظام کے تحت لانے کیلئے شروع کی جانے والی مہم اور ایف بی آر کی جانب سے ٹیکس نیٹ کو بڑھانے کیلئے کی جانے والی کوششوں سے تمام کاروباری شعبوں اور بالخصوص تعمیرات کی صنعت پر شدید باؤ پڑا۔ دہرے عدد پر مبنی شرح سود کی وجہ سے تمویلی لاگت میں اضافہ معیشت اور بالخصوص اسٹیل کی صنعت کیلئے انتہائی تباہ کن ثابت ہوا۔ مجموعی طور پر معیشت میں پائے جانے والے منفی رجحان کی وجہ سے اسٹیل کی سپلائی پر بھی منفی اثرات مرتب ہوئے جس کے باعث اسٹیل کی قیمت بھی دباؤ کا شکار رہی۔ ایران سے اسمگلنگ، ٹیکس سے بچنے کیلئے درآمد کنندگان کی جانب سے درآمد شدہ اشیاء کے بارے میں معلومات کی غلط فراہمی اور ٹیکس کے ڈھانچے میں پائی جانے والی بے ضابطگیوں کی وجہ سے بھی مقامی صنعت دباؤ کا شکار رہی۔ طلب میں کمی کے باوجود کچھ ایسے صنعت کار بھی سامنے آئے جن کی جانب سے سرمایہ کاری کے عمل کو مزید آگے بڑھایا گیا کیونکہ وباء سے قبل وہ پیداواری صلاحیت میں اضافے کیلئے خاطر خواہ اقدامات اٹھا چکے تھے اور اب آگے بڑھنے کے سوا ان کے پاس اور کوئی حل نہ تھا اور یہی حال مارکیٹ میں داخل ہونے والے نئے کاروباری کھلاڑیوں کا بھی تھا۔ ان میں سے بعض نے سال کے آخر میں قدم رکھا اور طویل المیعاد قرضوں کی پالیسی کو اپناتے ہوئے زبردست رعایتی قیمتوں پر رپارز فراہم کئے تاکہ مارکیٹ میں وہ اپنا مقام پیدا کر سکیں۔

### پاکستان ایسوسی ایشن آف لارج اسٹیل پروڈیوسرز (PALSP)

شمالی اور جنوبی رجحان میں اسٹیل کے صنعت کاروں کی انتھک اور مستقل کوششوں کے باعث پاکستان ایسوسی ایشن آف لارج اسٹیل پروڈیوسرز (PALSP) کو اب ڈائریکٹریٹ آف ٹریڈ آرگنائزیشن، وزارت کامرس، حکومت پاکستان میں رجسٹرڈ کر لیا گیا ہے۔ اب PALSP پورے پاکستان میں بطور رجسٹرڈ شدہ ادارہ تعمیرات میں استعمال ہونے والی اسٹیل بارز کی صنعت کی نمائندگی کر سکے گی۔ آپ کی کمپنی کا بورڈ اس رجسٹریشن کیلئے حکومت وقت کا بے حد مشکور ہے۔ اب ایک منظم اسٹیل انڈسٹری کو ایک ایسا پلیٹ فارم فراہم ہو چکا ہے جہاں سے اس صنعت کے نمائندے حکومت سے اپنے مسائل اور ان کے فوری حل کیلئے مذاکرات کر سکتے ہیں۔

### امریلی اسٹیل لمیٹڈ کی کارکردگی

مالی سال اختتامیہ 30 جون 2020 سے متعلق کمپنی کی مالیاتی کارکردگی کی چند اہم جھلکیاں، بمقابلہ گزشتہ مالی سال ذیل میں پیش کی جا رہی ہیں:

## ڈائریکٹرز کی جائزہ رپورٹ برائے ممبران

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2020 کو ختم ہونے والے مالی سال سے متعلق کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے آپ کی خدمت میں پیش کر رہے ہیں۔

بتاریخ 30 جون 2020 کمپنی کے بورڈ آف ڈائریکٹرز درج ذیل افراد پر مشتمل ہیں:

ڈائریکٹرز کی کل تعداد	7
(i) حضرات	5
(ii) خواتین	2

بتاریخ 30 جون 2020 کمپنی کے بورڈ میں شامل تمام ڈائریکٹرز کے نام اور امتزاج ذیل میں درج ہیں:

ڈائریکٹر کا امتزاج	ڈائریکٹر کے نام
الف۔ غیر جانبدار ڈائریکٹر (Independent Directors)	1۔ بدر کاظمی
	2۔ ظفر احمد تاجی
	3۔ تیزون کست
ب۔ غیر انتظامی ڈائریکٹر (Non-Executive Director)	4۔ عباس کبر علی
ج۔ خواتین غیر انتظامی ڈائریکٹر (Female Non-Executive Director)	5۔ کنزہ شایان
	6۔ مریم اکبر علی
د۔ انتظامی ڈائریکٹر (Executive Director)	7۔ شایان اکبر علی

## عالمی اور مقامی معاشی منظر نامے کا جائزہ

تاریخ میں مالی سال 2020 کو ایک ایسے سال کے بطور یاد رکھا جائے گا جو انتہائی غیر یقینی صورتحال سے لبریز تھا اور اس سال کے دوران COVID-19 کی وباء کے باعث پوری دنیا ایک ایسے بحران کا شکار رہی جس کی ماضی میں نظیر نہیں ملتی۔ جس دنیا سے ہم واقف ہیں اس وباء نے اس دنیا کو بدل کر رکھ دیا۔ عالمی معیشت کو COVID-19 کی وجہ سے ایک ایسا جھٹکا لگا جو اس سے پہلے کبھی نہ لگا تھا۔ جنگ عظیم دوم کے بعد اب اس موقع پر پوری دنیا ایک عظیم معاشی زوال سے گزر رہی ہے۔ اس وائرس نے لوگوں کے پیسے خرچ کرنے کے انداز کو بدل ڈالا، عالمی مالیاتی مارکیٹیں سکڑ گئیں، عالمی سطح پر سپلائی چین کو متاثر کر دیا، پورے عالم پر صحت کے حوالے سے ایسا بحران پیدا کر دیا جس کی نظیر نہیں ملتی اور اشیاء کی قیمتیں غیر معمولی اتار چڑھاؤ کا شکار رہیں۔ زندگی کا پہیہ جام ہو کر رہ گیا، اسکولوں، شاپنگ مالز، مارکیٹوں، عبادت گاہوں، پارکوں، سینما گھروں اور ریستورانس کو تالے لگا دیئے گئے اور بنی نوع اپنے گھروں تک محدود رہنے پر مجبور ہو گئی۔ فاصلاتی خدمات کی فراہمی پوری دنیا میں عام ہو گئی۔

زیر نظر مالی سال کے پہلے نصف سال کے دوران امریکہ اور چین کے مابین کئی محاذوں پر معاشی رسہ کشی جاری رہی۔ تیل کی پیداوار سے وابستہ ممالک (OPEC) کے مابین تعلقات کشیدہ رہے اور تیل کی عالمی منڈی میں ایسا بحران پیدا ہوا کہ تاریخ میں اس کی مثال نہیں ملتی۔ بالآخر جنوری 2020 میں بریکزیت (BREXIT) معاہدہ بھی ہو گیا اور اس سلسلے میں اب 31 دسمبر تک عبوری دور چل رہا ہے جس کے بعد اس کے حقیقی اثرات سامنے آنا شروع ہوں گے۔

# AUDIT COMMITTEE REPORT

## Introduction

We are pleased to present annual Audit Committee Report which provides an insight into our work, the issues handled and the focus of the Audit Committee's deliberations during 2019-20. The Audit Committee assists the Board in fulfilling its oversight responsibilities in areas such as the integrity of financial reporting, the effectiveness of the risk management and internal control system and related compliance and governance matters. We are also responsible for making a recommendation to the Board on the appointment or reappointment of the external auditor.

## Audit Committee Members

The committee comprises of four Non-Executive Directors of which three are independent.  
Chair: Mr. Teizoon Kisat (Independent Non-Executive and financially-literate\* Director)

Members:

Mr. Zafar Ahmed Taji	(Independent Non-Executive Director)
Mr. Badar Kazmi	(Independent Non-Executive Director)
Ms. Kinza Shayan	(Non-Executive Director)

\*as defined in the Listed Companies (Code of Corporate Governance) Regulations, 2019, Chapter X, Regulation 28 (1)(C).

The members of the Audit Committee have the appropriate knowledge, skills and experience to carry out the tasks entrusted to the Committee by the Board. The approved minutes of Audit Committee are circulated to the Board for information and guidance.

## Audit Committee Attendance

During the current year, six (06) meetings were held and attendance was as tabled.

Name of Member	Number of Meetings Attended
Mr. Teizoon Kisat	6
Mr. Zafar Ahmed Taji	6
Mr. Badar Kazmi	1
Ms. Kinza Shayan	6

## Synopsis of Activities

### Financial Reporting

The Committee has a process to review the financial information of the Company when quarterly and annual financial statements and the reports are presented to the Committee by the CFO. The financial reporting was assessed to ensure that credible and reliable information should be timely reported. Annual and quarterly financial statements were reviewed prior to their approval by the Board of Directors.

Appropriate accounting policies have been consistently applied except for the changes, if any, which have been appropriately disclosed in the financial statements. Applicable International Financial Reporting Standards were followed in the preparation of financial statements of the Company on a going concern basis, for the financial year ended 30 June 2020, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company for the year under review.

Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017 and the external reporting is consistent with management processes and adequate for shareholders' needs.

## Review of related party transactions

The Audit Committee reviewed the statement of significant related party transactions, submitted by the management. Audit Committee ensured the disclosure of materially significant related party transactions. During the year 2019-20, the Company has entered into certain related party transactions as disclosed in the notes to the Financial Statements. The Audit Committee reviewed and confirmed that the transactions are in accordance with the applicable requirements.

## Effectiveness of Internal Control System

The Audit Committee reviewed, discussed and briefed the Board on the regular reports on risks, controls and assurance, in order to monitor the effectiveness of internal controls over financial reporting, compliances and operational matters.

The Audit Committee, on the basis of the internal audit reports, reviewed the adequacy of controls and compliance shortcomings in areas audited and discussed corrective actions in the light of management responses. This has ensured the continual evaluation of controls and improved compliances.

## External Auditor

The Audit Committee is responsible for monitoring the ongoing effectiveness & independence of the external auditors and making recommendations to the Board with respect to the re-appointment of external auditor.

The external auditors were allowed direct access to Audit Committee. The Audit Committee reviewed the Management Letter issued by external auditors and the management response thereto. Observations were discussed with the auditors and required actions recorded.

The audit committee met with the external auditors without the executive management during the year under review to discuss reservations, if any, arising from audit and any matter the external auditors may wish to discuss without the presence of management.

On 12 September 2019, the Audit Committee recommended to the Board re-appointment of external auditors along with fixing remuneration for the year ending 30 June 2020. The Shareholders approved the recommendation in Annual General Meeting held on 26 October 2019 and M/s. EY Ford Rhodes, Chartered Accountants were appointed as external auditor of the Company for the year ending 30 June 2020.

## Internal Auditor

The internal audit function is outsourced by the Company to M/s BDO Ebrahim & Co. The Company has appointed a fulltime employee as Head of Internal Audit holding equivalent qualification prescribed under the CCG Regulations 2019, to act as coordinator between firm providing internal audit services and the Board. The Committee met the Audit firm and Head of Internal Audit separately without executive management being present to discuss, among other matters, management's responsiveness to internal audit recommendations and the effectiveness of the internal audit process. The findings were carefully considered by the Committee, with management given direction to ensure that necessary steps were taken to mitigate any issues. Head of Internal Audit attends all Committee meetings, during which reports are considered and discussed in detail.



**Teizoon Kisat**  
Chairman of the Board Audit Committee  
12 September 2020

# CODE OF CONDUCT

The Code of Conduct (the Code) of the Company defines what we stand for and believe in, documenting the uncompromisingly high ethical standards, our Company has upheld since it was founded. Strong business ethics should form the basis for all of our relationships with employees, customers, competitors, suppliers and colleagues. It is a fundamental policy of the Company to conduct its business with honesty, integrity and in accordance with the highest ethical and legal standards.

Here we clearly state our business principles and show their impact on everyone involved with the company; from the Board, management and employees, to the consumers, suppliers and business partners.

Following are the salient features of the Code of Conduct, however the complete code of conduct can be viewed at the Company's website at the link <https://www.amrelisteels.com/investor-relations#codeOfConduct>

## Applicability

The Code applies to the following (collectively termed as "Company Personnel" for the purposes of this Code):

- Members of the Board of Directors
- Senior Management Personnel
- All employees of the Company

## Consequences of Non-Compliance of Code

Any breach of the Code, Terms of Appointment, Company's policies Rules and Regulations or any acts of misconduct and fraud or embezzlement will be viewed seriously and may invite disciplinary action, including the termination of employment and criminal prosecution, if required. For the said purpose, all Company's policies and rules will also be deemed to be an integral part of this Code.

## Conflicts of Interest

The Company expects that all personnel will perform their duties conscientiously, honestly and in accordance with the best interests of the Company. The Company personnel must not use their positions or the knowledge gained as a result of their positions for private or personal advantage.

Regardless of the circumstances, if directors/employees sense that a course of action they have pursued, or are presently pursuing, or are contemplating pursuing may involve them in a conflict of interest with their employer, they should immediately communicate all the facts to their supervisor or to the Board as the case may be.

## Inside Information

The Company personnel shall not use for their own financial gain or disclose for the use of others, inside information obtained as a result of their position within the Company.

The Company personnel may find themselves in violation of the applicable securities laws if they misuse information not generally known to the public and either trade or induce others to trade in the stock of the Company or in the stock of another Company. Specific confidential information would include financial information, information concerning acquisitions or dispositions of properties and proposed acquisition or mergers with other companies.

In case of this breach of confidentiality, the Company may be subjected to regulatory penalties and therefore, to prevent and address such instances, it may consider disciplinary and legal recourse.



## Health and Safety

We recognize the importance of health and safety within our business. We seek to provide a healthy, safe and clean working environment in line with local laws, regulations and industrial practice. We measure, appraise and report performance, as part of our commitment to the health and safety of our employees, contractors and everyone who works on or visits our sites.

We should take such steps as are reasonably practicable, to ensure that they meet our health and safety objectives. These are:

- To provide and maintain safe and healthy working places and systems of work in order to protect all company personnel and others, including visitors and the public, in so far as they come into contact with foreseeable work hazards.
- To provide and maintain a safe and healthy working environment for all Company personnel, taking into account individuals' needs and abilities.
- To develop safety awareness amongst all Company personnel to enable them to take reasonable care for their own health and safety and of other people who may be affected by their acts or omissions.

## Consumers

We are committed to providing consumers with high-quality, wholesome products which are marketed truthfully, labeled clearly, and, as a minimum, meet domestic and global quality and safety regulations.

## Suppliers

The Company is confident that its suppliers desire to operate in an environment that is free from influence due to unethical business practices. Therefore, suppliers are expected to conduct business in a manner that would not, in any way, compromise the ethical principles adopted by the Company. To ensure this, the Company may convey its ethics requirements to its suppliers directly and also hold trainings and orientations for this purpose.

## Integrity and Professionalism

The Company personnel should remember that they are a reflection on the Company and are constantly being judged or otherwise appraised by everyone they come in contact with. All Company Personnel should conduct themselves with the highest degree of integrity and professionalism in the workplace or any other location while on Company business.

## Community Activities

We recognize our responsibilities as a member of the communities in which we operate and commit resources to support community and social investment through national or locally targeted programs in partnership with others. We will also encourage and support employee efforts to be involved in and provide leadership in the educational and social fabric of the communities in which they live.

## Protection of the Environment

The Company personnel shall treat the protection of the environment as an integral factor in all decision making. The Company is committed to the protection of the environment. To comply with this commitment, the Company's policy is to meet or exceed all applicable governmental requirements. Employees must report to their superior all circumstances in which toxic substances are spilled or released into the environment.

Violations of environmental laws, even if unintentional, can carry severe penalties, and could result in the prosecution of the Company or the employees involved or both. Failure to comply with the Company's instructions for the protection of the environment may result in disciplinary actions.

# WHISTLE BLOWING POLICY

The Company is committed to the highest standards of transparency, honesty, openness and accountability. In order to ensure compliance with the best practices of the Corporate Governance, the Company has incorporated a Whistleblowing Policy ("the Policy") to detect, identify and report any activity which is not in line with the company policies, any misuse of company's properties or any breach of law which may affect the reputation of the Company.

The Policy applies to all employees, management and the Board and extends to every individual associated with the Company including contractors, suppliers, business partners and the shareholders who are encouraged to report serious concerns that could have a significant impact on the Organization, such as:

- unlawful civil or criminal offence;
- failure to comply with statutory obligations/requirements;
- financial or non-financial mismanagement, fraud and corruption, including bribery;
- violation of various corporate policies-governing business conduct;
- violation of Health, Safety & Environmental standards applicable to the business;
- harassment, discrimination or other unfair employment practices;
- attempt to conceal or suppress information relating to the above.

Open and candid communication is an important part of our culture. All concerns are to be made in writing to ensure a clear understanding of the issues being raised. Whistleblowers may report their concerns through the following methods:

E-mail – [whistleblowing@amrelisteels.com](mailto:whistleblowing@amrelisteels.com) which shall only be accessible to the Whistleblowing Unit Mail – Captioned 'Whistleblowing Unit' – Registered Office, A-18, S.I.T.E. Karachi.

The Whistleblowing Unit shall comprise of the CEO and such other senior officials of the Company nominated by the Board of Directors.

Every effort will be made to maintain the confidentiality of complainants and to protect them from any form of retaliation, reprisal or victimization for genuinely held concerns that are raised in good faith. At the same time, it should be noted that unfounded allegations made recklessly, maliciously or knowing that they were false can expose the complainant to disciplinary action.

It is expected that all complaints will be lodged with proper identification. Anonymous complaints will also be accepted, however, the decision to take them up lies with the Whistleblowing unit depending on their nature and urgency.

The Company undertakes that all complaints will be investigated confidentially by independent persons and feedback will be provided to the complainant. Deliberately making a false concern is also an allegation under this Policy and may lead to a disciplinary action against the complainant.

The Board reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever.

# **POLICY FRAMEWORK FOR DETERMINING REMUNERATION OF DIRECTORS**

Amreli Steels always strives to attract and retain professionals with high expertise to operate business with determination and dedication which creates value for its shareholders. The objective of the policy framework is to provide fair, transparent and sound remuneration policy that is aligned with business strategy, risk and responsibilities to ensure that shareholders remain informed, confident in the management of the Company and to support positive outcome across the economic and social context in which the Company operates.

The remuneration policy attracts, motivates and retains qualified members of the Board of Directors to align the interests of the Board of Directors with the interests of the shareholders in such a way that it does not impair the independence of the respective Board Members.

## **POLICY FOR RELATED PARTY TRANSACTIONS**

A complete and updated list of related parties has been maintained by the Company. All transactions with related parties are carried out on an unbiased and arm length basis as per policy approved by the Board of Directors of the Company. A complete list of all related party transactions is compiled and submitted to the Audit Committee every quarter. The Internal Audit Function ensures that all related party transactions are carried on an arm length basis. After review by the Audit Committee, the transactions are placed before the Board for their consideration and approval. All transactions with related parties are disclosed in financial statements.

## **POLICY OF SECURITY CLEARANCE OF FOREIGN DIRECTORS**

The Company is committed to the well-being of its Board and has in place various protocols and procedures to ensure the safety and security of its Board Members including Foreign Directors, however currently the Company does not have any Foreign Director at Board.

## **STATEMENT ON MECHANISM OF BOARD'S PERFORMANCE AND DELEGATION OF AUTHORITY TO MANAGEMENT BY BOARD**

The Directors are fully aware of the level of trust entrusted in them by the shareholders for managing the affairs of the Company and safeguarding their interests. Thereby, the Board exercises its powers and carries out its fiduciary duties with a sense of objective judgment and independence in the best interests of the Company. The Board participates actively in major decisions of the Company including but not limited to appointment of key management, reviewing the annual business plan, approval of budgets for capital expenditures, investments in new ventures, approval of related party transactions, review of matters recommended / reported by Board's Committees, review of status of any law suits and report on governance, risk management and compliance issues. The Board also monitors Company's operations by approval of interim and annual financial statements and dividend, review of internal and external audit observations regarding internal controls and their effectiveness.

The Board has constituted Committees of Directors and management with adequate delegation of powers to effectively focus on the issues and ensure expedient resolution. These Committees meet as often as required to oversee the performance in respective areas. Each Committee has its own charter with goals and responsibilities.

The Committees of the Board include Audit Committee and Human Resource & Remuneration Committee. The Management Committees include Price Setting Committee, Human Resource Steering Committee, Scrap Planning Committee, SAP Committee and IT Steering Committee. The Board meets at least once a quarter. The CEO, CFO and other members of the Executive Committee and/or other employees attend the meetings of the Board at the invitation of the Chairman for the purpose of reporting or imparting information. The Committees report on their activities and results to the Board. The Board has delegated the executive management of the Company to the CEO for smooth operation and day to day business affairs of Company.

# ANNUAL PERFORMANCE EVALUATION OF THE BOARD, ITS COMMITTEES, MEMBERS, THE CHAIRMAN AND THE CEO

Amreli Steels ensures to evolve and follow the corporate governance guidelines and best practices sincerely to not just boost long term shareholders value but also to respect minority rights. The Company considers it as inherent responsibility to disclose timely and accurate information regarding financial performance as well as the leadership and governance of the Company.

The Board of Directors at Amreli Steels has recognized that it would be imperative for them to continually assess how effectively the Board, its Committees, members and CEO are performing their roles against the objectives and the goals they have set with the assistance of the Human Resource & Remuneration Committees, as a critical structural tool for assessing Board's effectiveness and efficiency as required under the Code Of Corporate Governance, 2019.

The effectiveness and performance of the Board, its Committees, Members, Chairman, and CEO is evaluated on following factors –

- **Board Structure:** Its composition, constitution and diversity and that of its Committees, competencies of the members, Board and Committee charters, frequency of meetings, procedures;
- **Dynamics and Functioning of the Board:** Information availability, interactions and communication with CEO and senior executives, Board agenda, cohesiveness and the quality of participation in Board meetings;
- **Business Strategy Governance:** Board's role in Company strategy;
- **Financial Reporting Process, Internal Audit and Internal Controls:** The integrity and the robustness of the financial and other controls regarding related party transactions on arm's length basis;
- **Monitoring Role:** Monitoring of policies, strategy implementation and systems;
- **Supporting and Advisory Role;**
- **The Chairperson's Role;**
- **Relationship:** Assessment of quality of relationship between the Board and its Committees.

## HOW THE ORGANIZATION IMPLEMENTED GOVERNANCE PRACTICES EXCEEDING LEGAL REQUIREMENTS

The term "Governance" refers to a system of Company's management that focuses on responsibility, transparency and sustainable value creation. It encompasses the management and monitoring system of the Company, including its organization, business principles and guidelines, as well as internal and external controls and monitoring mechanisms.

At Amreli, the Board of Directors are committed towards the principles of good corporate governance across the Company through its top management. The Board and management of the Company always focus towards the stakeholders expectation that the Company is managed and supervised responsibly and proper internal controls and risk management policy and procedures are in place for efficient and effective operations of the Company, safeguarding of assets, compliance with laws and regulations and proper financial reporting in accordance with International Financial Reporting Standards and other applicable laws.

The Board encourages high standards of professionalism, ethical practices, accountability and transparency, in line with the global best practices and statutory requirements which are embedded in the Company's governance structure through implementation of sound internal controls, Code of Conduct and Whistle Blowing Policy of the Company to provide long-term benefits to all stakeholders. The Board being cognizant to its responsibility has established a robust governance mechanism surpassing the legal and regulatory requirements which regularly evaluate the processes to ensure growth in stakeholders' value besides safeguarding the interests of minority shareholders.

The Company conducts its operations in accordance with principles of good corporate governance and provides timely, regular and reliable information on its activities, structure, financial situation and performance to all shareholders. The Company continuously strives towards improving sound governance, best management and CSR practices in day-to-day business activities.

# **PRESENCE OF THE CHAIRMAN OF THE BOARD AUDIT COMMITTEE (BAC) AT THE ANNUAL GENERAL MEETING (AGM)**

The 35th AGM of the Company was held on 26 October 2019 at the Auditorium Hall of the Institute of Chartered Accountants of Pakistan (ICAP), Block-8, Chartered Accountants Avenue, Clifton, Karachi. The Chairman of Board Audit Committee Mr. Teizoon Kisat (an Independent, Non-Executive Director) was present in the meeting to answer questions on the Audit Committee's activities and matters within the scope of the Board's Audit Committee. All queries raised by shareholders at the AGM were duly answered by the Chairman, Directors, CEO and CFO present in the meeting upto satisfaction of the shareholders.

## **STATEMENT ON THE MANAGEMENT'S AND BOARD OF DIRECTORS' RESPONSIBILITY TOWARDS THE PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS**

- Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting Standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so;
- The Board of Directors are responsible for overseeing the Company's financial reporting process.

## **CORPORATE GOVERNANCE AND FINANCIAL REPORTING FRAMEWORK**

The Board of Directors of the Company are dedicated in maintaining high standards of good corporate governance. The Directors confirm compliance with the Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and the Code of Corporate Governance for the following matters:

- a) The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts have been maintained by the Company.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been duly followed in preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring the internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- f) There are no doubts upon the Company's ability to continue as going concern.
- g) There has been no material departure from the best practices of Corporate Governance, as detailed in the Regulations of the Rule Book of the Pakistan Stock Exchange Limited.
- h) A summary of key operating and financial data of the Company is annexed in this Annual Report.
- i) Information about taxes and levies is given in notes to the accounts.
- j) The Company has an unfunded defined gratuity scheme for all permanent employees who have completed the minimum qualifying years of service for entitlement of gratuity. The provision for gratuity is made in accordance with the independent actuarial valuation. The latest actuarial valuation was carried out as of 30 June 2020 using Projected Unit Credit Method. Being an unfunded gratuity scheme, no investment could have been made and hence the value of investments as at 30 June 2020 stands Nil.



# FROM RAISING THE BAR TO BRIDGING THE GAPS





# FINANCIAL HIGHLIGHTS

# SIX YEARS AT A GLANCE

## FINANCIAL POSITION

	2020	2019	(Re-Stated) 2018	(Re-Stated) 2017	(Re-Stated) 2016	2015
	----- (Rupees in Million) -----					
<b>Assets Employed</b>						
Property, plant and equipment	17,651	16,966	15,529	12,253	8,442	7,504
Right of use asset	72	-	-	-	-	-
Intangible assets	24	32	28	20	27	24
Long term investments	15	15	15	15	15	15
Long term deposit	135	138	136	129	131	130
Current assets	17,572	12,460	10,935	5,791	8,150	4,589
<b>Total Assets</b>	<b>35,469</b>	<b>29,611</b>	<b>26,643</b>	<b>18,209</b>	<b>16,765</b>	<b>12,262</b>
<b>Financed By</b>						
Shareholders' equity	11,113	12,244	12,880	11,146	10,690	5,871
<b>Long-term liabilities</b>						
Long term finance	5,430	1,507	2,204	712	525	1,150
Current portion of long term finance	812	1,187	775	310	484	952
	6,241	2,693	2,980	1,022	1,008	2,102
Non-current and deferred liabilities	911	1,386	1,162	1,222	1,212	1,005
Current liabilities	18,015	14,475	10,396	5,129	4,339	4,236
Current portion of long term finance	(812)	(1,187)	(775)	(310)	(484)	(952)
	17,204	13,288	9,621	4,819	3,856	3,284
<b>Total Funds Invested</b>	<b>35,469</b>	<b>29,611</b>	<b>26,643</b>	<b>18,209</b>	<b>16,765</b>	<b>12,262</b>

## OPERATIONS

Turnover	26,532	28,596	15,501	13,284	12,400	14,414
Gross profit	1,976	2,424	2,758	2,468	2,792	2,514
Operating profit	519	1,195	1,871	1,697	2,085	1,940
EBITDA	1,391	1,892	2,305	2,025	2,437	2,233
(Loss) / profit before tax	(1,780)	(67)	1,394	1,445	1,749	1,272
(Loss) / profit after tax	(1,127)	33	1,585	1,074	1,279	1,011
Total comprehensive (loss) / income	(1,130)	17	2,328	1,050	1,288	1,003
Capital expenditures (addition during the year)	1,369	2,122	2,916	4,133	1,292	192
Loss per share / Earning per share	(3.79)	0.11	5.34	3.62	4.81	4.54

## CASH FLOW SUMMARY

	2020	2019	2018	2017	2016	2015
Net cash generated from / (used in) operating activities	(1,935)	749	(2,219)	3,649	(987)	1,089
Net cash generated from / (used in) investing activities	(1,361)	(2,137)	(2,924)	(4,133)	(1,293)	(206)
Net cash generated from / (used in) financing activities	3,757	1,404	5,204	172	2,582	(867)
Increase / (decrease) in cash and cash equivalents	462	16	62	(312)	301	16
Cash and cash equivalents at end of the year	(1,144)	147	131	70	381	80

# HORIZONTAL ANALYSIS

## STATEMENT OF FINANCIAL POSITION

	2020 vs 2019	2019 vs 2018	2018 vs 2017	2017 vs 2016	2016 vs 2015	2015 vs 2014
<b>EQUITY AND LIABILITIES</b>						
<b>Share Capital and Reserves</b>						
Issued, subscribed & paid up share capital	0.00%	0.00%	0.00%	0.00%	3.16%	13.18%
Capital reserves	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%
Revenue reserves - accumulated profit	-25.22%	-11.58%	29.07%	17.84%	188.24%	223.63%
Actuarial gain / (loss) on gratuity fund	6.70%	39.48%	31.21%	386.02%	25.95%	-343.05%
Revaluation surplus on property, plant and equipment	-3.07%	-3.01%	38.71%	-4.08%	-4.65%	-2.08%
	-9.23%	-4.94%	15.56%	4.26%	82.08%	21.34%
<b>Non Current Liabilities</b>						
Long term financing	260.34%	-31.64%	209.57%	35.76%	-54.40%	-43.86%
Finance lease	0.00%	0.00%	0.00%	0.00%	0.00%	-100.00%
Loan from related party	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Deferred liabilities	24.01%	31.95%	33.12%	62.02%	7.47%	44.68%
Deferred taxation	-72.91%	-10.58%	-8.89%	-3.03%	22.53%	12.86%
Right of use	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Government grant	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other financial liability	0.00%	0.00%	0.00%	0.00%	-100.00%	178.58%
	119.23%	-14.08%	74.09%	11.39%	-19.44%	-27.69%
<b>Current Liabilities</b>						
Trade & other payables	4.81%	62.68%	128.41%	-0.26%	31.79%	-11.16%
Contract liabilities	242.89%	16.78%	51.55%	31.87%	-53.81%	382.35%
Unclaimed dividend	-8.95%	111.54%	75.37%	100.00%	0.00%	0.00%
Interest / mark-up accrued	63.76%	160.07%	140.66%	16.89%	-41.70%	-16.56%
Short term borrowings	31.08%	28.85%	94.43%	33.06%	23.27%	27.62%
Current portion of long term financing	-31.61%	53.06%	149.89%	-35.85%	-49.21%	73.07%
Current portion of finance lease - right of use	0.00%	0.00%	0.00%	0.00%	0.00%	-100.00%
Current portion of government grant	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Taxation - net	0.00%	0.00%	-100.00%	100.00%	0.00%	0.00%
	24.46%	39.23%	102.67%	18.21%	2.43%	28.07%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19.79%</b>	<b>11.14%</b>	<b>46.32%</b>	<b>8.61%</b>	<b>36.72%</b>	<b>10.21%</b>
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant, equipment & other assets	4.04%	9.25%	26.73%	45.15%	12.49%	-0.82%
Intangibles	-23.99%	14.48%	36.70%	-23.71%	9.85%	5955.97%
Long term investment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Right of use assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long term deposits	-2.02%	1.58%	4.81%	-1.54%	1.21%	-2.35%
	4.36%	9.19%	26.49%	44.15%	12.27%	-0.54%
<b>Current Assets</b>						
Stores & spares	25.83%	53.82%	40.46%	3.22%	18.74%	13.57%
Stock in trade	22.07%	-11.70%	119.11%	-22.81%	93.86%	45.32%
Trade debts	44.01%	90.34%	22.85%	-29.72%	78.79%	24.53%
Loan and advances	53.82%	-19.59%	5.21%	-82.31%	43.65%	223.53%
Other receivables	314.40%	-43.92%	28.69%	-58.75%	28.35%	186.94%
Sort term investment	0.00%	0.00%	0.00%	-100.00%	100.00%	0.00%
Trade deposits & short term prepayments	1688.80%	-18.75%	0.65%	-10.10%	0.42%	-61.71%
Taxation - net	54.05%	104.52%	100.00%	-100.00%	-14.76%	-26.35%
Cash and bank balances	246.41%	12.18%	88.44%	-14.26%	1.76%	25.61%
	41.02%	13.94%	88.84%	-28.95%	77.62%	34.51%
<b>TOTAL ASSETS</b>	<b>19.79%</b>	<b>11.14%</b>	<b>46.32%</b>	<b>8.61%</b>	<b>36.72%</b>	<b>10.21%</b>



# HORIZONTAL ANALYSIS

## STATEMENT OF PROFIT OR LOSS

	2020 vs 2019	2019 vs 2018	2018 vs 2017	2017 vs 2016	2016 vs 2015	2015 vs 2014
Turnover - net	-7.22%	84.48%	16.69%	7.13%	-13.97%	20.46%
Cost of sales	-6.17%	105.40%	17.81%	12.57%	-19.25%	12.37%
<b>Gross profit</b>	<b>-18.48%</b>	<b>-12.14%</b>	<b>11.76%</b>	<b>-11.60%</b>	<b>11.05%</b>	<b>82.76%</b>
Distribution cost	-4.80%	85.75%	14.37%	-1.19%	21.47%	44.62%
Administrative cost	9.02%	32.25%	21.40%	38.02%	-8.96%	42.98%
Allowance for expected credit loss	367.75%	-24.23%	40.35%	370.49%	0.00%	0.00%
Other operating income	15.09%	-68.52%	206.39%	-52.22%	-55.75%	72.28%
Other charges	433.15%	-85.61%	5.58%	-29.37%	65.73%	230.40%
<b>Operating profit / (loss)</b>	<b>-56.59%</b>	<b>-36.11%</b>	<b>10.25%</b>	<b>-18.60%</b>	<b>7.48%</b>	<b>91.78%</b>
Finance cost	82.15%	165.01%	89.33%	-25.02%	-49.75%	5.75%
<b>Profit/(loss) before taxation</b>	<b>2551.04%</b>	<b>-104.82%</b>	<b>-3.52%</b>	<b>-17.37%</b>	<b>37.53%</b>	<b>234.75%</b>
Taxation	553.95%	-47.60%	-151.39%	-21.08%	80.49%	104.37%
<b>Profit/(loss) after taxation</b>	<b>-3532.35%</b>	<b>-97.93%</b>	<b>47.59%</b>	<b>-16.01%</b>	<b>26.46%</b>	<b>300.62%</b>
Other comprehensive income	-76.32%	-102.15%	-3135.90%	-371.22%	-207.07%	-182.16%
<b>Total comprehensive income</b>	<b>-6805.72%</b>	<b>-99.28%</b>	<b>121.85%</b>	<b>-18.50%</b>	<b>28.42%</b>	<b>281.77%</b>

# VERTICAL ANALYSIS

## STATEMENT OF PROFIT OR LOSS

	2020	2019	2018	2017	2016	2015
Turnover - net	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	-92.55%	-91.52%	-82.20%	-81.42%	-77.48%	-82.56%
<b>Gross profit</b>	<b>7.45%</b>	<b>8.48%</b>	<b>17.80%</b>	<b>18.58%</b>	<b>22.52%</b>	<b>17.44%</b>
Distribution cost	-2.57%	-2.51%	-2.49%	-2.54%	-2.75%	-1.95%
Administrative cost	-1.90%	-1.61%	-2.25%	-2.16%	-1.68%	-1.59%
Allowance for expected credit loss	-0.70%	-0.14%	-0.34%	-0.28%	-0.06%	0.00%
Other operating income	0.03%	0.02%	0.15%	0.06%	0.12%	0.24%
Other charges	-0.36%	-0.06%	-0.79%	-0.88%	-1.33%	-0.69%
<b>Operating profit / (loss)</b>	<b>1.96%</b>	<b>4.18%</b>	<b>12.07%</b>	<b>12.77%</b>	<b>16.81%</b>	<b>13.46%</b>
Finance cost	-8.67%	-4.41%	-3.07%	-1.89%	-2.71%	-4.63%
<b>Profit/(loss) before taxation</b>	<b>-6.71%</b>	<b>-0.23%</b>	<b>9.00%</b>	<b>10.88%</b>	<b>14.11%</b>	<b>8.82%</b>
Taxation	2.46%	0.35%	1.23%	-2.79%	-3.79%	-1.81%
<b>Profit/(loss) after taxation</b>	<b>-4.25%</b>	<b>0.11%</b>	<b>10.23%</b>	<b>8.09%</b>	<b>10.31%</b>	<b>7.02%</b>
Other comprehensive income	-0.01%	-0.06%	4.79%	-0.18%	0.07%	-0.06%
<b>Total comprehensive income</b>	<b>-4.26%</b>	<b>0.06%</b>	<b>15.02%</b>	<b>7.90%</b>	<b>10.39%</b>	<b>6.96%</b>

# HORIZONTAL ANALYSIS

## CASH FLOW

	2020 vs 2019	2019 vs 2018	2018 vs 2017	2017 vs 2016	2016 vs 2015	2015 vs 2014
Net cash generated from / (used in) operating activities	-358%	-134%	-161%	-470%	-191%	-37%
Net cash generated from / (used in) investing activities	-36%	-27%	-29%	220%	528%	114%
Net cash generated from / (used in) financing activities	168%	-73%	2924%	-93%	-398%	-47%
Increase / (decrease) in cash and cash equivalents	2791%	-74%	-120%	-203%	1755%	-216%

# VERTICAL ANALYSIS

## CASH FLOW

	2020	2019	2018	2017	2016	2015
Net cash generated from / (used in) operating activities	-419%	4692%	-3607%	-1171%	-328%	6702%
Net cash generated from / (used in) investing activities	-295%	-13384%	-4753%	1327%	-429%	-1266%
Net cash generated from / (used in) financing activities	814%	8791%	8459%	-55%	857%	-5336%
Increase / (decrease) in cash and cash equivalents	100%	100%	100%	100%	100%	100%



# ANALYSIS OF FINANCIAL STATEMENTS

## Statement of financial position

### Shareholders' equity:

The shareholders' equity of the Company faced variations during the last six years due to mix of factors. During FY-15 to FY 18, the overall reserves increased from Rs. 5.8 billion to Rs. 12.88 billion due to increase in revenue reserves and share premium reserves created from initial public offering in FY 16. However, during the financial year 2019 and 2020, the shareholders' equity reduced due to payment of dividend and posting of loss after tax.

### Non - current liabilities:

Non – current liabilities include long term borrowings, finance lease, deferred liabilities, deferred taxation, and other financial liabilities. From FY 15 to FY 18, the non-current liabilities increased by 56% due to availing of term loans for capital expenditure. However, during the year FY 20 non-current liabilities were increased due to availing of syndicate term finance facility amounting to Rs. 4.0 billion to finance permanent working capital.

### Current liabilities:

Current liabilities comprise of short term borrowings, trade and other payables, unclaimed dividend, current portion of long term borrowing. The reasons for increase in current liabilities are attributable to short-term borrowings and trade and other payables which includes financing from Islamic banks i.e. Murabaha. The increase in short term borrowing reflects the increased working capital requirement due to increased capacity utilization of re-bars and billets.

### Assets

#### Non – current assets:

This represents property, plant and equipment, long term deposits and intangible assets. Property, plant and equipment has witnessed increase since FY 16 which includes acquisition and installation of brand new Dhabeji rolling mill of 425,000 metric ton capacity, expansion in billet name plate capacity from 200,000 tons to 600,000 tons and acquisition and construction of Lahore and Islamabad warehouses.

#### Current assets:

The stock in trade witnessed a rise from Rs. 2.2 billion to Rs. 8.04 billion from FY 15 to FY 20. The reason for the increase in stock is the rise in demand of reinforcement bars over the years which is evident from the topline of the Company and also due to rupee devaluation and other inflationary increase in input costs. The trade debts surged from Rs. 1.1 billion to Rs. 4.9 billion from FY 15 to FY 20 which is mostly in line with the increase in sales revenue.

## Profit or loss Statement

### Turnover and cost of sales

The Company recorded sales revenue net of sales tax of Rupees 26.5 billion in FY 20 which is 7% less than the revenue recorded in FY 19 (inclusive of sales tax) which is also due to loss of sale due to Covid-19 related lockdown. The compounded annual growth in revenue from FY 15 to FY 20 is 12.98% which is largely attributable to increased sale volumes.

The Company recorded an year on year increase in cost of sales since FY 15 which is in line with the increase in the increase in sales revenue. However, the cost of sales drastically increased in FY 19 due to significant rupee devaluation and cost pushed inflation. The weakening of rupee continued during FY 20 resulting in increased cost of doing business. The costs further increased with the withdrawal of Industrial Support Package Adjustment on electricity and retrospective charge of Fuel Charge Adjustment by K-Electric. Further, due to loss of sales and production during the period of lock down fixed costs for two months could not be absorbed and were charged to profit or loss statement.

# ANALYSIS OF FINANCIAL STATEMENTS

## Gross profit

The gross profit has plunged from 17.8% to 7.45% from FY 18 to FY 20. The anomalous rupee devaluation and other factors discussed above during FY 19 and FY 20 substantially increased the cost of production making it hard to pass on the increased cost to customers due to continued economic downturn in the economy and contraction of demand.

## Distribution cost

Distribution cost increased from Rs. 281 million to Rs. 682 million from FY 15 to FY 20. This increase is in line with the increase in topline of the Company and represents 2.57% of sales for FY 20 as compared to 1.95% in FY 15. The increase in distribution cost to sales ratio reflects significant cost incurred on advertisement, sales promotions and increase in human capital, besides other inflationary effects.

## Administration cost

Administration cost increased from Rs. 229 million to Rs. 503 million from FY 15 to FY 20. This increase represents the inflationary increase in cost over the period, increase in Company's operational cost due to increased production capacities including significant increase in number of employee's to support its extended operations.

## Finance cost

The Company has witnessed an increase in finance cost from FY 15 to FY 20. This increase represents funding of working capital requirement due to increase in demand of rebars and utilization of production capacities and also includes financing of capital expenditures. The major increase in finance cost is observed in FY 19 and FY 20 due to a significant increase in interest rates and increase in borrowing levels to support working capital requirement of the Company.

## Taxation

Taxation expense varied over time with the variation in profits. However, from FY 18 to FY 20, tax reversal was due to tax credit available to Company on its investment in newly installed rolling mill and expansion in billet capacity at Dhabeji, under section 65(B) and 65(E) of Income tax ordinance 2001 and recognition of deferred tax asset on taxable loss and excess minimum tax over current tax liability under section 113 of the Income tax ordinance 2001.

## Net profit

The net profit increased from Rs. 1.01 billion to Rs. 1.585 billion in FY 15 to FY 18. The increase was due to increase in sales volume, stable margins and high demand of the company's product in the market due to a consistent growth of 5%+ in GDP. The net profit for the year FY 19 significantly declined to Rs. 32 million due to contracting economy, abrupt rupee devaluation, increase in finance cost due to double digit interest rate and contraction in demand. The trend continued in FY 20 further effecting the overall confidence of business community. During the FY 20, the paradigm shift in sale tax regime from special sales tax procedure to normal sales tax procedure resulted in increase in sale price by 17% for end consumer. The first half of the fiscal year was flawed by inflationary pressure, increase in monetary policy rates and austerity measures on account of fiscal and taxation reforms, leading to suppressed economic activity in the country. Further, retrospective charge of fuel charge adjustment by K-Electric and withdrawal of Industrial support package adjustment has significantly increased the net loss of the Company. The situation was further exacerbated by the COVID-19 pandemic. The complete lockdown brought the whole economy to a standstill resulting in huge sale loss of more than 50 days playing a significant role in increasing the net loss.

# ANALYSIS OF FINANCIAL STATEMENTS

## Cash flow statement

### Cash flow from operating activities

Investment in working capital and payment of income taxes resulted in negative balance in FY 16. Increase in sales, improved control on trade debt helped in generating a positive cash flow from operations in FY 17. In FY 18, the company purchased substantial quantities of steel scrap to produce additional billet quantities to fulfill the additional requirement created due to the commencement of operations of new rolling mill at Dhabeji which resulted in a negative cash flow. In FY 19, the company generated a positive cash flow from operations supported by a better control on trade debts and maintaining optimum stock quantities. However, in FY 20 due to contraction of economy, macro-economic imbalances, and a number of factors which have been mentioned above including Covid-19 impact resulted in negative cash flow from operations.

### Cash flow from investing activities

The cash flow from investing activities mainly consist of investment in property, plant and equipment. Since FY 17, the Company has invested heavily in the enhancement of production capacities of both Steel Billets and Rebars by adding two Induction Furnaces of 200,000 tons each and installation of state of art modern new Rolling mill of 425,000 tons at Dhabeji. During FY 20, besides other capital expenditures, the Company inaugurated its warehouse in Islamabad after unveiling of Lahore warehouse in last quarter of FY19 to increase its sales foot print across the country.

### Cash flow from financing activities

The cash flow from financing activities consist of dividend payments, movement in short and long term financing and finance cost payments. In FY 14 and FY 15, the Company used cash generated from operations to pay its financial obligations. In FY 16, the Company got listed on Pakistan Stock Exchange (PSX) and raised Rs. 3.8 billion by issuance of fresh shares to set up new rolling mill and increase billet capacity at Dhabeji. In FY 18 and FY 19, the Company obtained both short-term and long-term financing to support increased working capital needs and to fund capital expenditures respectively. In FY 20, the company obtained a syndicated long term finance of Rs. 4.0 billion for its permanent working capital needs.

# RATIO ANALYSIS

	UoM	2020	2019	2018	2017	2016	2015
<b>Profitability Ratios</b>							
Gross profit ratio	Percentage	7.45%	8.48%	17.80%	18.58%	22.52%	17.44%
Net profit / (loss) to sales ratio	Percentage	-4.25%	0.11%	10.23%	8.09%	10.31%	7.02%
Return on equity	Percentage	-10.14%	0.27%	12.31%	9.64%	11.96%	17.22%
Return on capital employed	Percentage	-7.44%	0.23%	11.77%	9.31%	14.02%	14.54%
Operating leverage	Percentage	784.10%	-42.75%	61.40%	-261.07%	-53.58%	448.55%
EBITDA margin to sales	Percentage	5.24%	6.62%	14.87%	15.24%	19.65%	15.49%
<b>Liquidity Ratios</b>							
Current ratio	Times	0.98:1	0.86:1	1.05:1	1.13:1	1.88:1	1.08:1
Quick / acid test ratio	Times	0.53:1	0.41:1	0.33:1	0.47:1	0.86:1	0.55:1
Cash to current liability	Times	-0.06:1	0.01:1	0.01:1	0.01:1	0.09:1	0.02:1
Cash flow from operations to sales	Times	-0.07:1	0.03:1	-0.14:1	0.27:1	-0.08:1	0.08:1
<b>Activity / Turnover Ratios</b>							
Inventory turnover	Times	3.4	3.7	2.3	2.8	2.9	6.2
No. of days in inventory	Days	109	98	156	132	127	59
Debtor turnover	Times	5.5	8.7	7.0	5.2	5.9	10.1
No. of days in receivables	Days	66	42	52	71	62	36
Creditor turnover	Times	74.9	149.8	122.6	93.1	92.3	149.1
No. of days in payables	Days	5	2	3	4	4	2
Operating cycle	Days	170	137	205	199	185	93
Total asset turnover	Times	0.7	1.0	0.6	0.7	0.7	1.2
Fixed asset turnover	Times	1.5	1.7	1.0	1.1	1.5	1.9
<b>Investment / Market Ratios</b>							
Loss per share / Earning per share - basic & diluted	Rupees	(3.79)	0.11	5.34	3.62	4.81	4.54
P/E ratio	Times	(8.61)	223.14	13.21	31.20	9.78	—N/A—
Dividend yield ratio	Percent	0.00%	0.00%	3.12%	1.77%	4.25%	—N/A—
Dividend payout ratio	Percent	0.00%	0.00%	41.20%	55.25%	41.58%	—N/A—
Dividend coverage ratio	Times	-	-	2.43	1.81	2.41	—N/A—
Cash dividend per share	Rupees	-	-	2.20	2.00	2.00	—N/A—
Price to book ratio	Times	3.26	2.47	7.05	11.29	4.70	—N/A—
Stock dividend per share	Percent	-	-	-	-	-	-
Market value per share							
- Year End	Rupees	32.64	24.66	70.55	112.95	47.02	—N/A—
- Highest	Rupees	41.61	79.41	119.48	137.97	78.20	—N/A—
- Lowest	Rupees	15.83	21.57	64.34	46.90	42.65	—N/A—
Break value per share with surplus on revaluation	Rupees	37.42	41.22	43.37	37.53	35.99	20.39
Break value per share without surplus on revaluation	Rupees	29.71	33.27	35.17	31.62	29.83	13.73
<b>Capital Structure Ratios</b>							
Debt / equity ratio	Times	0.49:1	0.12:1	0.17:1	0.06:1	0.05:1	0.20:1
Weighted average cost of debt	Percentage	13.34%	9.80%	5.57%	5.13%	7.24%	13.00%
Financial leverage ratio	Times	0.56:1	0.22:1	0.23:1	0.09:1	0.09:1	0.36:1
Debt service ratio	Times	0.40:1	0.93:1	2.93:1	2.75:1	1.89:1	1.76:1
Interest cover	Times	0.23	0.95	3.93	6.74	6.21	2.90

# COMMENT ON RATIO ANALYSIS

## Profitability ratios

The Company has recorded a cumulative annual sales growth of 13% in FY 20. With the increase in sales revenue, the Company's gross profit steadily increased from FY 15 to FY 16, from 17.44% to 22.5%.

The gross profit margin started to dwindle from FY 17 due to increase in cost of production. In FY 19, the Company gross profit margin dropped to 8.48% due to abnormal rupee devaluation, decrease in national consumption and other macro-economic factors including declined GDP. The trend continued in FY 20 as well, the economy of the country shrank massively and eruption of COVID-19 pandemic further worsened the situation. As a result, the gross profit margin dropped further by 1.03% in FY 20 to 7.45%. The net profit margin kept rising from FY 15 to FY 18, however remained under pressure in FY 19 and turned into a loss in FY 20 due to reasons mentioned above.

## Liquidity and working capital ratios

Current ratio of 1.08 dropped to 1.05 in between FY 15 to FY 18, however, it slipped to 0.86 in FY 19 due to lower margins, increased utilization of short term borrowing and current maturities of long term finance. During FY 20, the Company raised syndicate term loan of Rs. 4 billion for its permanent working capital needs and swapped it with short term borrowings. This improved the current ratio to 0.98 from 0.86 in FY 20.

The inventory days remained between 59 to 109 days from FY 15 to FY 20. The Company installed new rolling mill in Dhabeji in FY 18 with a capacity of 425,000 metric tons annually, with this added capacity Company required extra raw material inventory to cater the increased demand. In this anticipation Company stockpiled the raw material which resulted in higher inventory days of 156 days in FY 18. In FY 19, the Company produced 59% and sold 61% excess quantity when compared to FY 18, this resulted in an improvement in inventory days to 98 in FY 19. The Company inaugurated new warehouses in Lahore and Islamabad. However, due to overall depressed demand condition in the country as discussed earlier, and eruption of COVID-19 pandemic and imposition of lockdown in the country halted the sales and production which resulted in increase in inventory days by 11 days to 109 days in FY 20. The creditors days remained in line with the trend.

The Company's debtor's days' ranged between 36 days to 66 days from FY 15 to FY 20. The Company is committed to reduce its debtor's days and has established a dedicated sales and credit administration department to administer and chase receivables from customers. However, due to COVID-19 lockdown which halted sales, production and collection, FY 20 remained a challenging year for the Company and debtor's day increased to 66 days in FY 20 when compared to 42 days of FY 19.

## Investment ratios

The earning per share of 0.11 dropped to a loss per share 3.79 per share in FY 20 due to the massive loss recorded in FY 20 the reasons for which has been discussed under profitability heading.

The Company's shares were traded at Pakistan stock exchange between a price range of Rs. 15.83 to Rs. 41.61 during the year and Rs. 32.64 being the year end price compared to Rs. 24.66 in FY 19.

The breakup value per share improved from Rs. 20.39 to Rs. 43.37 during FY 15 to FY 18 due to improvement in Company's performance. However, reduced slightly to Rs. 41.22 and Rs. 37.42 in FY 19 and FY 20 due to reason mentioned in profitability ratios.

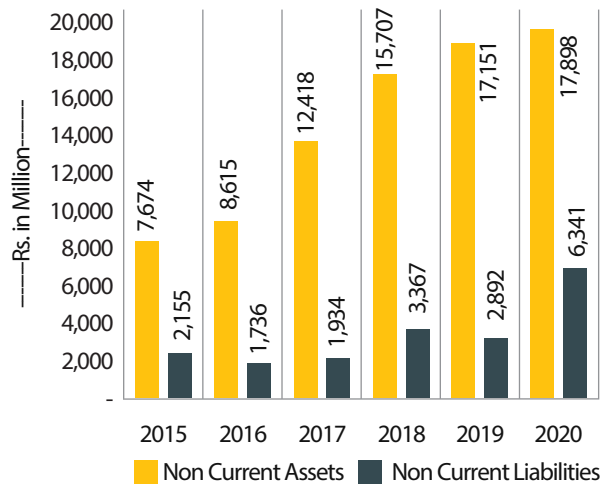
## Capital structure ratio

Debt equity ratio increased to 0.49 when compared to 0.12 of FY 19. This was due to increase in long term debts for permanent working capital needs. Debt service ratio and interest cover ratio fell in FY 20 due to higher policy rates, increased level of borrowings and Covid-19 impact as compared to previous years. Weighted average cost of debt increased to 13.34% in FY 20 as compared to 9.8% in FY 19 due to increase in interest rates.

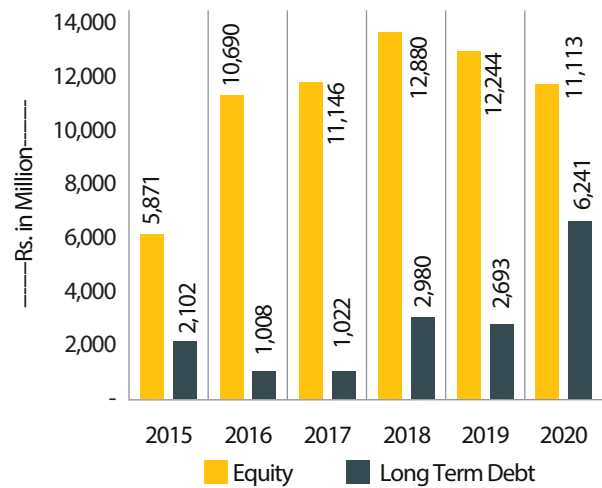
# GRAPHICAL PRESENTATION

## FINANCIAL POSITION & PROFIT OR LOSS

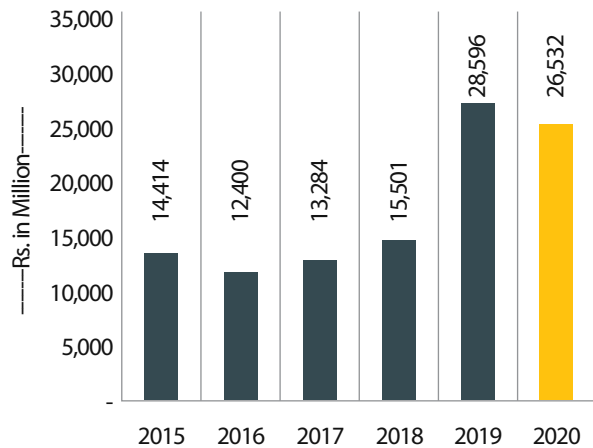
### Non-Current Assets & Liabilities



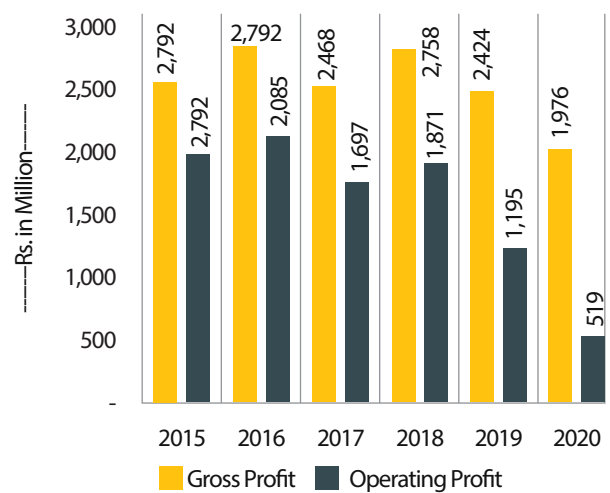
### Equity & Long Term Liabilities



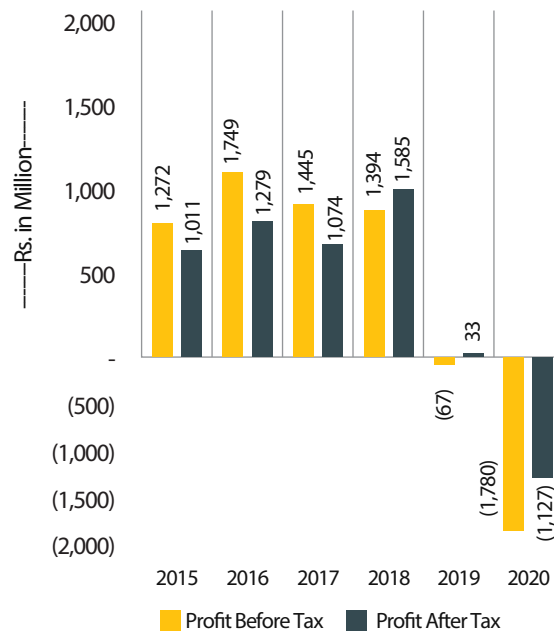
### Sales



### Operating & Gross Profit



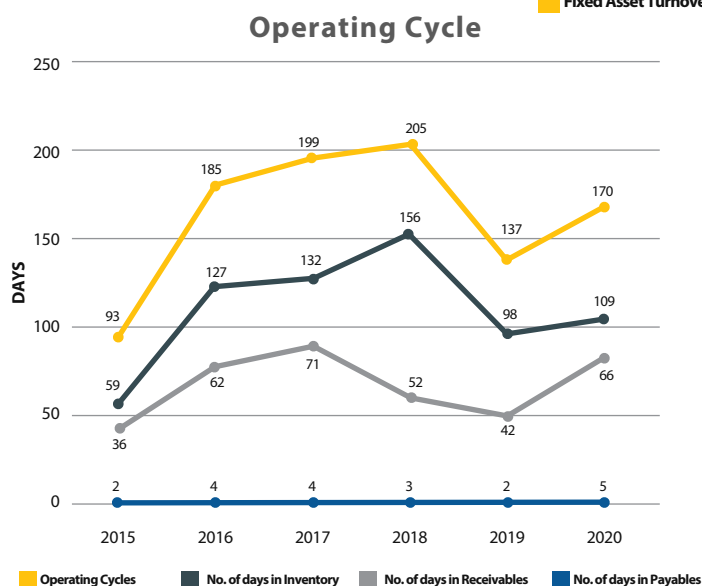
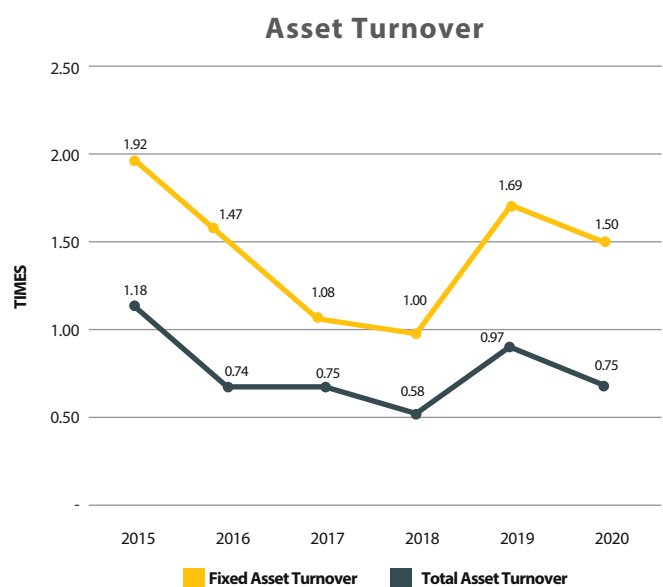
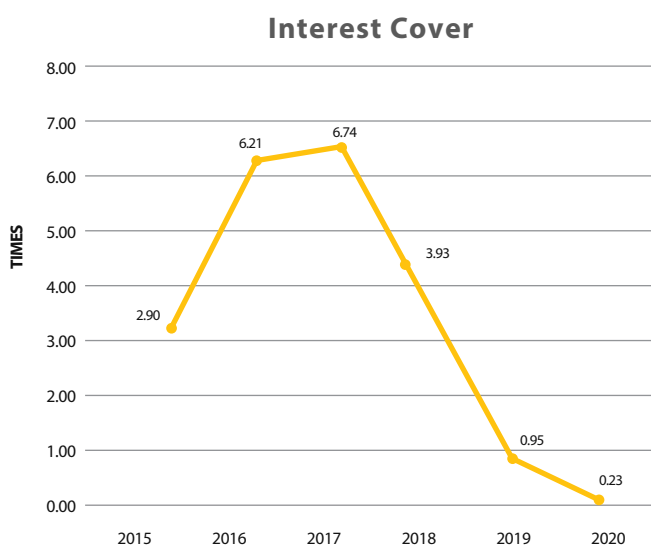
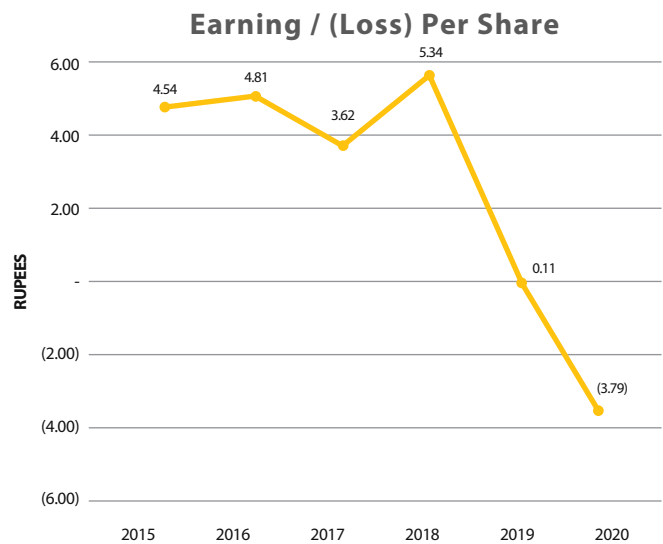
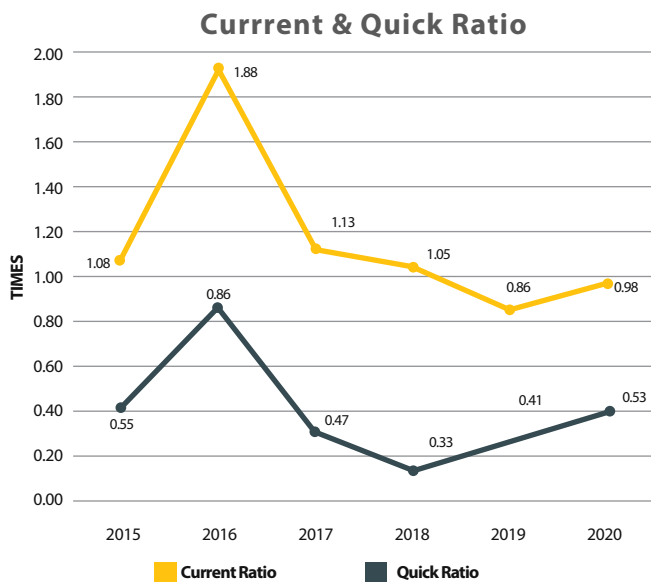
### Profit before tax & Profit after tax





# GRAPHICAL PRESENTATION

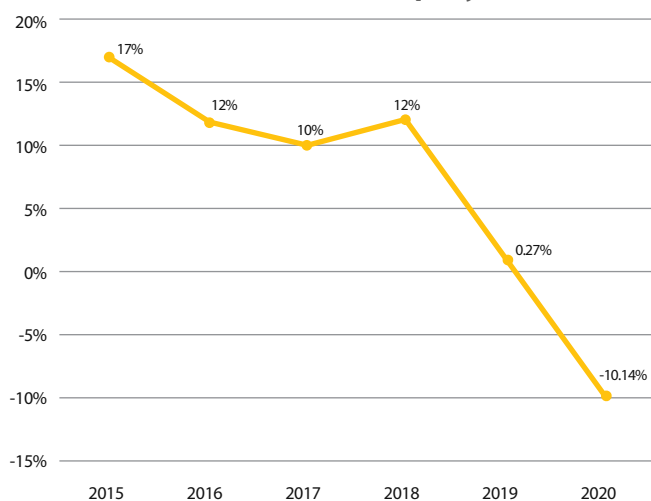
## RATIO ANALYSIS



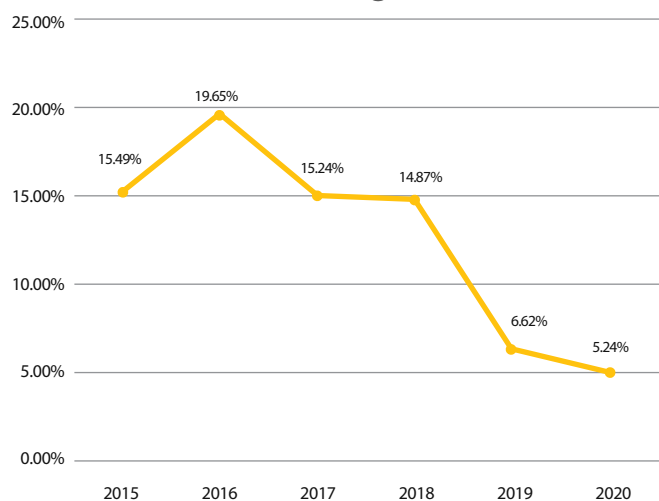
# GRAPHICAL PRESENTATION

## RATIO ANALYSIS

### Return On Equity

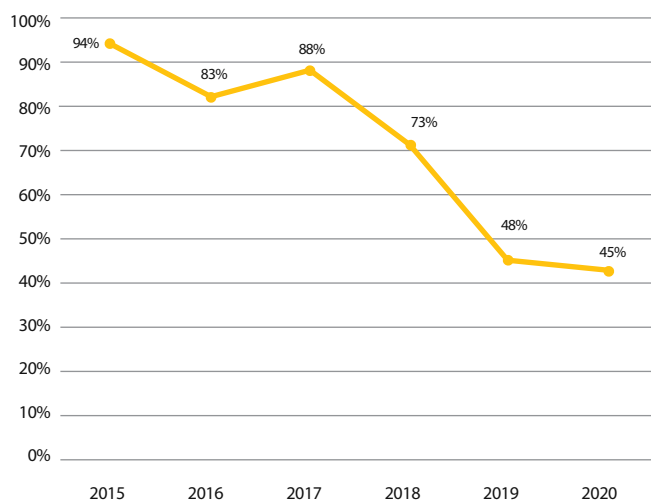


### EBITDA Margin To Sales

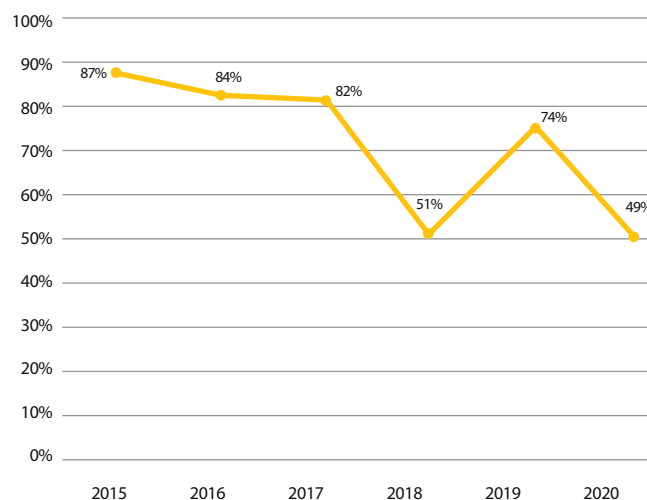


## PRODUCTION ANALYSIS

### Capacity Utilization - Rolling

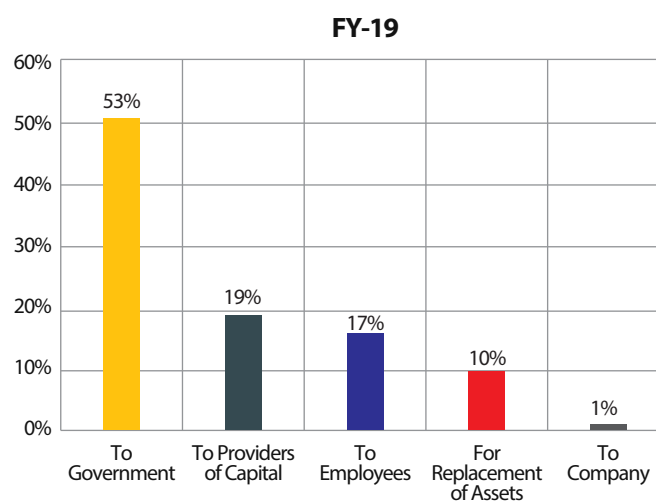
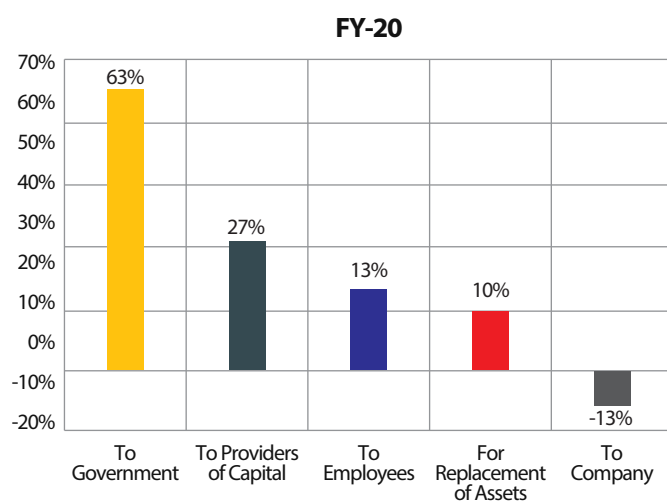


### Capacity Utilization - Melting



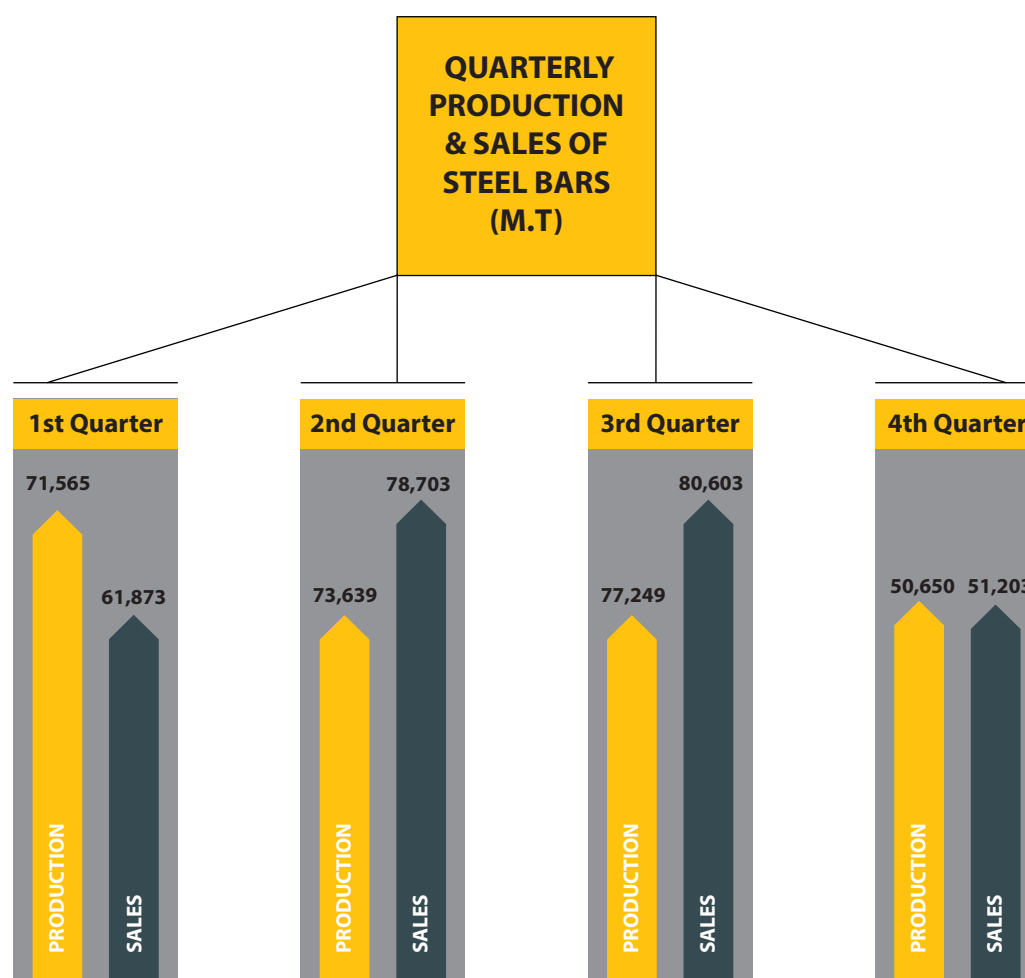
# STATEMENT OF VALUE ADDITION & WEALTH DISTRIBUTION

	2020		2019	
	'000'	%	'000'	%
<b>Wealth Generated</b>				
Revenue from sales	26,532,144		28,595,976	
Revenue from other income	8,167		7,096	
Less: bought in material and services	(18,016,173)		(22,118,921)	
Value added by Company	8,524,138		6,484,151	
<b>Wealth Distributed</b>				
<b>To Government:</b>				
Duties and Taxes	5,350,399	63%	3,427,497	53%
<b>To Providers of capital:</b>				
Charges and markup	2,299,271	27%	1,262,303	19%
<b>To Employees:</b>				
Salaries, wages and other benefits	1,141,733	13%	1,076,630	17%
<b>For Replacement of assets:</b>				
Depreciation	859,352	10%	684,898	10%
<b>To Company:</b>				
(Loss) / Retained profit	(1,126,617)	-13%	32,823	1%
	8,524,138	100%	6,484,151	100%



# QUARTERLY ANALYSIS

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
-----Amount in Rs. '000'-----					
Sales	6,086,982	7,555,356	7,747,928	5,141,878	26,532,144
Cost of Sales	(5,417,748)	(6,960,699)	(7,251,658)	(4,926,301)	(24,556,406)
<b>Gross Profit</b>	<b>669,234</b>	<b>594,657</b>	<b>496,270</b>	<b>215,577</b>	<b>1,975,738</b>
Gross Profit %	10.99%	7.87%	6.41%	4.19%	7.45%
Administrative Expenses	(109,734)	(131,133)	(122,187)	(140,334)	(503,388)
Allowance for Expected Credit Loss	(21,333)	(47,825)	(30,359)	(85,726)	(185,243)
Distribution Expenses	(170,912)	(156,570)	(213,474)	(141,122)	(682,078)
Other Expenses	(3,681)	(6,605)	(128,979)	44,877	(94,388)
Other Income	7,175	1,465	(2,736)	2,263	8,167
<b>Operating Profit / (Loss)</b>	<b>370,749</b>	<b>253,989</b>	<b>(1,465)</b>	<b>(104,465)</b>	<b>518,808</b>
Operating Profit / (Loss) %	6.09%	3.36%	-0.02%	-2.03%	1.96%
Finance Cost	(546,698)	(667,141)	(582,990)	(502,442)	(2,299,271)
Profit / (loss) Before Taxation	(175,949)	(413,152)	(584,455)	(606,907)	(1,780,463)
Taxation	94,892	180,732	209,889	168,333	653,846
<b>Net Profit / (Loss)</b>	<b>(81,057)</b>	<b>(232,420)</b>	<b>(374,566)</b>	<b>(438,574)</b>	<b>(1,126,617)</b>
Net (Loss) / Profit %	-1.33%	-3.08%	-4.83%	-8.53%	-4.25%



# COMMENT ON QUARTERLY ANALYSIS WITH CORRESPONDING QUARTER

## First Quarter:

The net sales increased by 3% in the first quarter when compared to the same period last year. The increase in sales revenue is mainly due to increase in sales quantity by 10% when compared to corresponding quarter of preceding financial year.

The gross profit margin declined by 4.6% when compared to same quarter of preceding financial year. This reduction is due to increase in raw materials prices contributed by devaluation of Rupee against Dollar. Further, the revocation of special sales tax procedure and imposition of normal sales tax regime of 17% exerted immense pressure on product pricing. Moreover, imposition of minimum tax of 1.5% on retailers and CNIC requirement together with increase in other input costs dented the profitability badly as all such increases could not be passed through to the end consumer owing to overall poor economic conditions and depleting demand.

The operating profit of the Company decreased by 4.53% as compared to corresponding quarter predominantly due to reduction in gross profit margin and a slight increase in distribution and administrative expenses due to inflationary increase in prices.

The net profit for the quarter turned into net loss due to decrease in gross profit and operating profit margins and increase in finance cost by 162% mainly due to increase in KIBOR and also due to the economic downturn in the country. The Company's cash conversion cycle went under stress and hence increased the reliance on short term sources of finance for working capital needs.

## Second Quarter:

The net sales increased by 18% in second quarter when compared to similar period last year. The increase in sales revenue is mainly due to increase in sales quantity by 28%. The gross profit declined by 4% in second quarter for the reasons mentioned above.

The operating profit declined by 1.78% as compared to same corresponding quarter of last year predominantly due to increase in administrative expenses by 40%. The administrative expenses increased due to recording of provision for bad debts which was nil in corresponding quarter last year. The distribution cost also increase by 21% when compared to same corresponding period, the increase is in line with the increase in sales quantity by 28%.

The net profit margin of 1.68% for the quarter turned into a loss margin of 3.08% due to the factors discussed above and also due to increase in finance cost due to availing of syndicate term finance facility at the end of 2nd quarter FY 20.

## Third Quarter:

The net sales revenue increased by 21% in the third quarter which is mainly due to increase in sales quantity by 29% when compared to corresponding quarter of previous financial year. The gross profit margin increased by 1.5% when compared to corresponding quarter of same period, this increase is resulted due to consumption of cheaper raw material (steel scrap). However, the decline in gross profit margin from previous quarter is due to retrospective charge of Fuel charges adjustment and withdrawal of industrial support package adjustment.

The operating performance of the Company in the third quarter remained low despite the improvement in gross profit margin when compared to the same corresponding quarter of last year. Rise in distribution cost which is mainly due increase in advertisement expenses, cartage and transport, administrative expenses and recording of exchange loss on FE-25 loans resulted in an operating loss margin of 0.02%.

The bottom line for the quarter remained almost identical when compared to the corresponding quarter of the last year. The net loss margin increased by 0.26% in the current quarter when compared to same corresponding quarter.

## Fourth Quarter:

The net sales revenue and sales quantity decreased by 47% in fourth quarter when compared to corresponding quarter of previous financial year. This reduction is mainly due to the spread of global pandemic COVID-19 which lead to a complete lockdown of commercial and manufacturing activities and the whole economy was brought to a standstill position in the Country. Resultantly, the Company faced sales loss of more than 50 days and hence contribution loss.

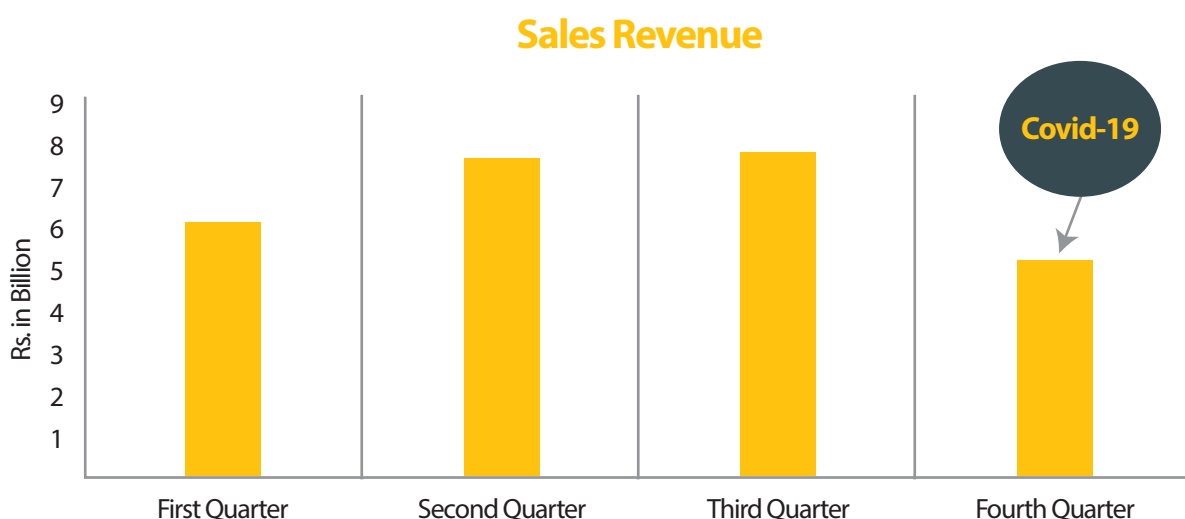
The operating performance also remained low due to COVID-19 pandemic, the company missed its sales and receivable targets in this quarter resulting in increased provision for receivables and hence coupled with reduced gross profit margin, turning the operating profit of 2% to operating of loss 2% when compared to same corresponding quarter preceding year.

The net loss margin increased by 6.6% in this quarter when compared to same corresponding quarter of last year mainly due to the factor discussed above.

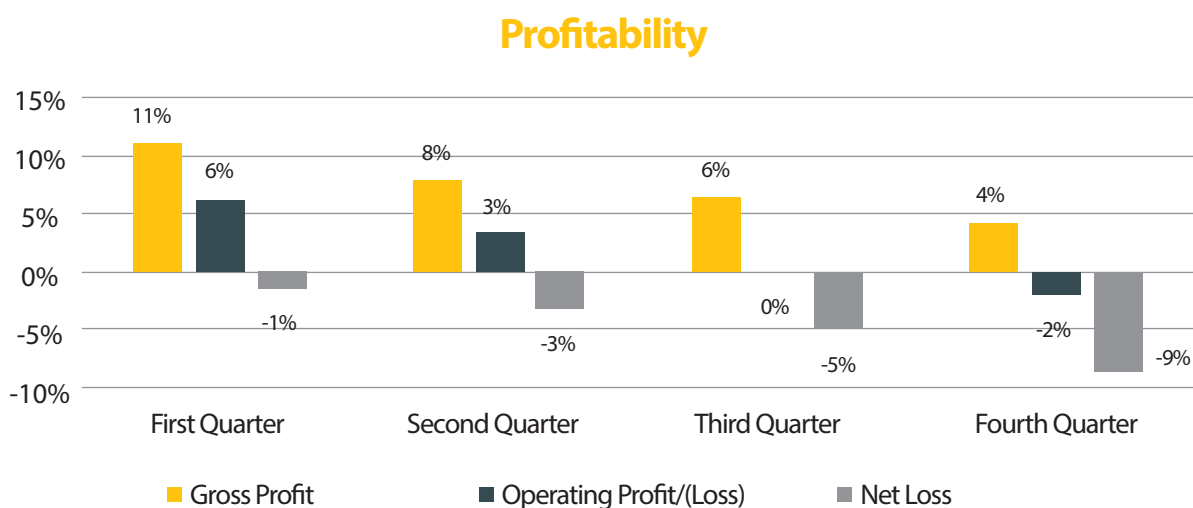


# ANALYSIS OF VARIATION IN INTERIM RESULTS REPORTED WITH ANNUAL RESULTS

The sales revenue increased during the first three quarters of FY 2020 primarily due to increase in sales quantities. However, the fourth quarter was marred by the eruption of “COVID-19” global pandemic as a result of which country-wide lockdown was imposed that massively disrupted the production and sales.



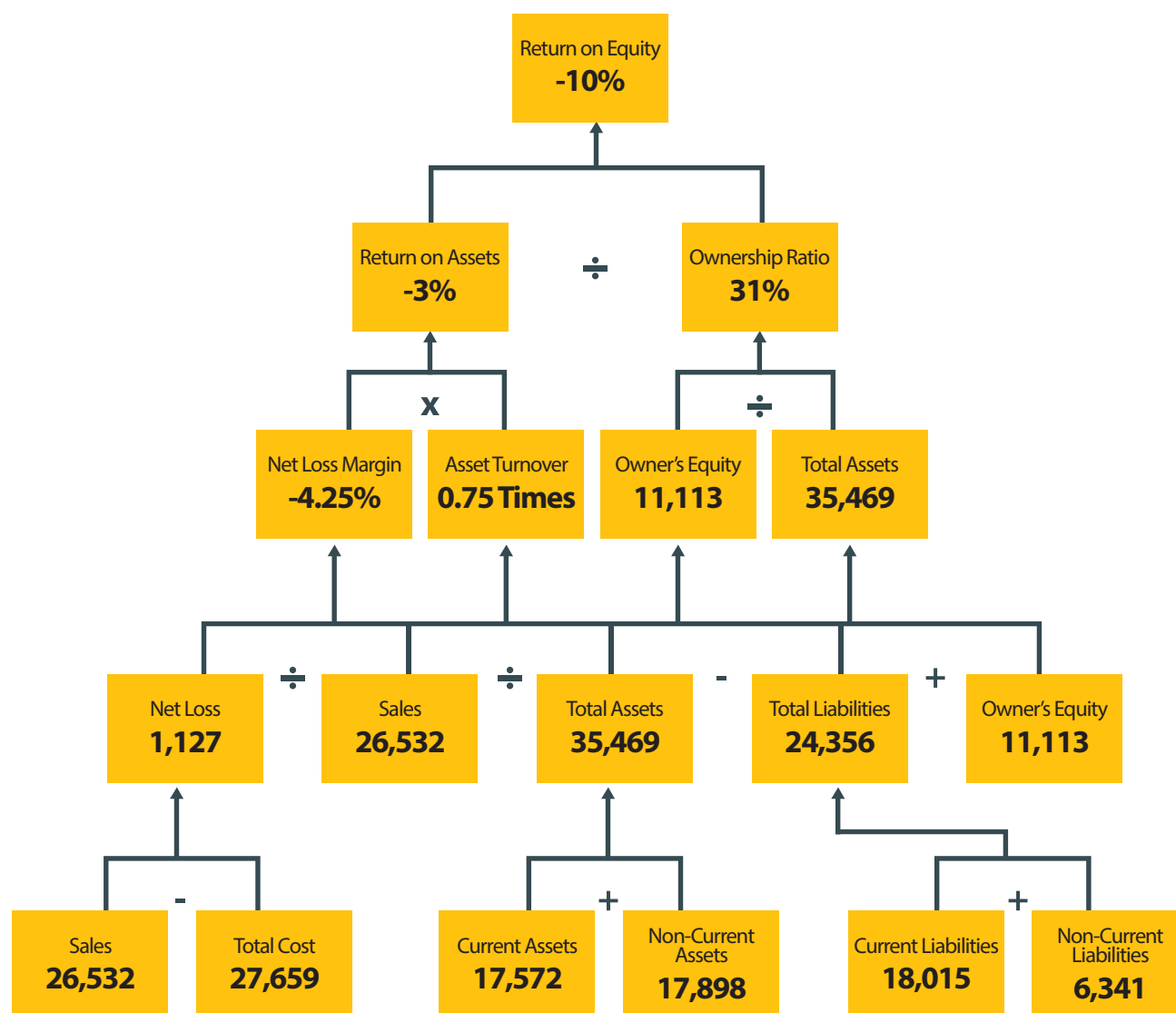
The gross profit declined during the year from 11% to 4% from 1st quarter to 4th quarter of FY 2020. The reason behind this sharp decline is caused due to a number of factors including but not limited to change of sales tax regime from “Special sales tax procedure” to “Normal sales tax procedure” resulting in significant increase in price for end consumer due to charging of 17% sales tax, imposition of turnover tax on retailers, requirement of CNIC. During the 3rd quarter retrospective charge by K. Electric on account of Fuel Charges Adjustment amounting to Rs. 192 million and withdrawal of Industrial Support Package Adjustment amounting to Rs. 272 million resulted in decrease in gross margin. The input cost of imported materials also increased due to rupee devaluation which further increased the cost of production during the year and due to high elasticity of price and demand the increase in costs could not be passed through. As the economy and related industries were finding ways to improve business performance, the outbreak of Covid-19 pandemic forced the Government to lockdown the entire Country to avoid its spread resulting in substantial sales loss, increase in days sales outstanding and un-absorbed fixed cost, increased interest expense without any income during the period of lock down in the 4th quarter.



The operating profit margin remained consistent with the decrease in gross profit margin starting from 6% in the 1st quarter to an operating loss of 2% in 4th quarter. Apart from the reasons mentioned above for decline in gross margins, the other cause for depleting operating profit margin was the implementation of axle load rules by National Highway Authority which resulted in increase in transportation costs. Further, exchange loss recorded on FE-25 financing during the 3rd quarter was also a drag on profitability.

The net loss margin increased from 1% in 1st quarter to 9% in 4th quarter. The increase in net loss margin was consistent with the decrease in operating profit margin followed by decline in gross margin. In addition to the above, the net loss also increased due to substantial increase in finance cost as a result of rising interest rates and increase in long-term financing at the end of 2nd quarter. During the 4th quarter, the State Bank of Pakistan introduced various incentives to stimulate the economy including deferment of outstanding principal by one year for business community to survive the shock of Covid-19. The Company timely availed the said facility and deferred it's both short-term and long-term maturities to manage its cash flow. Resultantly, the short-term borrowings increased in the 4th quarter due to deferment of maturities and retirement of working capital related LCs.

## DUPONT ANALYSIS



\*All figures are in PKR million

# CASH FLOW STATEMENT – DIRECT METHOD

	2020	2019
	-----Rupees-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from the customers	24,849,290	26,941,356
Cash paid to suppliers and employees	(26,335,438)	(25,770,000)
Cash (used)/generated from operations	(1,486,148)	1,171,356
Income tax paid	(435,303)	(410,786)
Long term deposits - Net	2,784	(2,147)
Gratuity paid	(16,284)	(9,314)
Net cash (used) in/generated from operating activities	(1,934,951)	749,109
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,369,105)	(2,122,365)
Purchase of intangible assets	(5,243)	(15,740)
Proceeds from disposal of operating assets	13,407	1,427
Net cash used in investing activities	(1,360,941)	(2,136,678)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term borrowings received	2,406,822	2,654,682
Long-term financing – net	3,559,860	(286,166)
Loan from director	(126,667)	280,000
Finance cost paid	(2,067,971)	(1,045,164)
Lease rental paid	(14,002)	-
Dividend paid	(590)	(649,956)
<b>Net cash generated from financing activities</b>	<b>3,757,452</b>	<b>953,396</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>461,560</b>	<b>(434,173)</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>(1,605,777)</b>	<b>(1,171,604)</b>
<b>Cash and cash equivalents at the end of period</b>	<b>(1,144,217)</b>	<b>(1,605,777)</b>
Cash and cash equivalent comprise the following:		
Cash and bank balances	509,361	147,039
Running finance	(1,653,578)	(1,752,816)
Cash and cash equivalents at the end of period	(1,144,217)	(1,605,777)

# FROM STRENGTHENING FOUNDATIONS TO REACHING NEWER HEIGHTS



# FINANCIAL STATEMENTS

## INDEPENDENT AUDITORS' REPORT

### To the members of Amreli Steels Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Amreli Steels Limited (the Company), which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the profit or loss and other comprehensive income or loss, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Following are the Key audit matters:**

Key audit matter	How our audit addressed the key audit matter
<p><b>1. Impact of COVID-19</b></p> <p>As disclosed in note 1.2 to the financial statements, the COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities during the period from March to May 2020 in line with the directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan.</p> <p>The Company's operations were disrupted due to the circumstances arising from COVID-19 including the suspension of production, sales and operations.</p> <p>In view of the unique nature of these events and its possible impacts on the business operations and financial reporting we considered this area as a key audit matter due to the potential impact on our audit strategy.</p>	<p>Our audit procedures, amongst others, included discussions with the senior management about the impacts of COVID-19 related events on the business operations, financial condition, liquidity and operating performance of the Company. We obtained an overall understanding of the changes in financial reporting process and underlying controls in order to determine the appropriate audit strategy.</p> <p>We identified key financial statement items which may require additional audit considerations due to the COVID-19 related conditions that prevailed during the latter part of the year. In this regard, we considered the recoverability of asset values impacted by the lockdowns imposed by the Government including the fixed assets, inventories and trade receivables.</p> <p>With regards to the fixed asset values we considered the projected revenue and profitability of the individual plants and correlated the same with the book values of the relevant fixed assets.</p> <p>We checked the sale of the inventories subsequent to the year end to evaluate the realizability of inventory values held at the June 30, 2020. We assessed the adequacy of allowances for net realizable value made in respect of the inventory held for sale.</p> <p>We checked the computations for expected credit losses as determined by the management in accordance with the requirements of IFRS-9 'Financial Instruments'. We evaluated the assumptions used by the management for such estimates including their reasonableness and the supporting economic and historical data used in this regard.</p>

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Key audit matter	How our audit addressed the key audit matter
<b>1. Impact of COVID-19</b>	
	<p>We evaluated the appropriateness of the components on which the Company has recognized deferred tax asset in light of the requirements of the Income Tax Ordinance, 2001, considering factors including age and the expiry of the deferred tax asset and tax rate enacted. We also evaluated the Company's assumptions and estimates in relation to the likelihood of generating future taxable income, principally by performing sensitivity analysis and testing the key assumptions used by the management.</p> <p>We reviewed the adequacy of the disclosures made by the Company under the applicable financial reporting framework.</p>
<b>2. Expected credit losses on trade debts</b>	
<p>As disclosed in note 13, the Company has recognized expected credit loss amounting to Rs. 351.993 million (including Rs. 185.243 million charged during the year) on trade receivable as of 30 June 2020.</p> <p>Assessment of provision for ECL against trade debts requires significant judgement, estimates and assumptions applied by the management including historical credit loss experience adjusted with forward-looking information.</p> <p>Given the significance of the judgments related particularly to the estimation of ECL, we have considered this as a key audit matter.</p>	<p>In order to assess the appropriateness of the management's judgement and estimate, our key audit procedures included, among others, review of the methodology applied by the Company to estimate the ECL in relation to trade debts.</p> <p>We considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimate including the reasonableness of forward-looking factors under the COVID-19 situation used by management in preparing ECL model.</p> <p>Further, we assessed the integrity and quality of the data used for ECL computation by matching the same with the accounting records and information system of the Company. We also checked the mathematical accuracy of the ECL computation on a sample basis.</p> <p>In addition to the above, we assessed the adequacy of disclosures in the accompanying financial statements of the Company as per the requirements of IFRS 9.</p>



Key audit matter	How our audit addressed the key audit matter
<b>3. Long term financing for managing working capital</b>	
<p>As disclosed in note 20 and note 21 to the accompanying financial statements, the Company has aggregate long term borrowings amounting to Rs. 6,241 million from commercial banks and Rs. 341.332 million from related parties (including loans amounting to Rs. 4,590.608 million and Rs. 248 million obtained during the year from commercial banks and related parties respectively).</p> <p>The Company's key operating / performance indicators including liquidity, gearing and finance costs are directly influenced by the additions to its portfolio of borrowings. Further, financing arrangements entail financial and non-financial covenants that the Company is subject to compliance.</p> <p>The significance of new financings obtained during the year, along with the sensitivity of the compliance with underlying loan covenants, are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.</p>	<p>We obtained and reviewed the financing agreements executed during the year. We inquired from the management with respect to the future compliance of the covenants and tested controls related to such compliance.</p> <p>We circularized confirmations to the financing banks with outstanding loan balances at the year end. We also reviewed the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities.</p> <p>Further, we assessed the adequacy of the related disclosures in accordance with the applicable financial reporting standards.</p>
<b>4. Existence and valuation of stock-in-trade</b>	
<p>As disclosed in note 12 to the accompanying financial statements, the stock in trade balance constitutes 23% of total assets of the Company. This comprise of Raw scrap, billets and rebars.</p> <p>We have identified existence and valuation of stock in trade as a key audit matter as it forms a significant portion of Company's total assets.</p>	<p>Our audit procedures, amongst others, included obtaining an understanding of controls over purchases and valuation of stock-in-trade and tested, on a sample basis, their design, implementation and operating effectiveness.</p> <p>We performed observation of inventory counts for billets and rebars virtually and involved an external expert to perform physical inspection of raw scrap held at Companies' premises as well as bonded warehouse under custody of Customs Authorities.</p> <p>We assessed net realizable value (NRV) by comparing management's estimation of future selling prices for the products with the selling prices achieved subsequent to the reporting period. We also compared the NRV of stock-in-trade on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.</p>

### **Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



**Chartered Accountants**

**Place:** Karachi

**Date:** 24 September 2020

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 ----- (Rupees in '000') -----	2019
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	17,650,951	16,965,602
Right-of-use-asset	8	72,455	-
Intangible assets	9	24,266	31,926
Long-term investments	10	15,289	15,289
Long-term deposits	11	134,962	137,746
		17,897,923	17,150,563
<b>CURRENT ASSETS</b>			
Stores and spares		1,683,504	1,337,910
Stock-in-trade	12	8,040,331	6,586,598
Trade debts	13	4,900,333	3,402,722
Loans and advances	14	28,916	18,798
Trade deposits and short-term prepayments	15	642,890	35,940
Other receivables	16	527,960	127,402
Taxation – net		1,238,228	803,803
Cash and bank balances	17	509,361	147,039
		17,571,523	12,460,212
<b>TOTAL ASSETS</b>		<b>35,469,446</b>	<b>29,610,775</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	18	2,970,114	2,970,114
Capital reserve		2,788,742	2,788,742
Revenue reserves – accumulated profit		3,125,905	4,179,934
Actuarial loss on gratuity fund		(60,186)	(56,406)
Revaluation surplus on property, plant and equipment	19	2,288,611	2,361,200
		11,113,186	12,243,584
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	20	5,429,984	1,506,914
Loan from related parties	21	341,333	280,000
Deferred taxation	22	243,874	900,142
Deferred liability	23	254,748	205,420
Lease liabilities	24	63,600	-
Government grant	25	7,627	-
		6,341,166	2,892,476
<b>CURRENT LIABILITIES</b>			
Trade and other payables	26	3,731,308	3,560,081
Contract liabilities		962,783	280,783
Interest / markup accrued	27	577,719	352,787
Short-term borrowings	28	11,912,828	9,087,930
Current portion of long-term financing	20	811,503	1,186,554
Current portion of lease liabilities	24	8,748	-
Current portion of government grant	25	4,215	-
Unclaimed dividend		5,990	6,580
		18,015,094	14,474,715
<b>CONTINGENCIES AND COMMITMENTS</b>	29		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35,469,446</b>	<b>29,610,775</b>

The annexed notes 1 to 49 form an integral part of these financial statements.

  
Chief Executive

  
Director

  
Chief Financial Officer



# STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2020

	Note	2020 ----- (Rupees in '000') -----	2019 ----- (Rupees) -----
Sales	30	26,532,144	28,595,976
Cost of sales	31	(24,556,406)	(26,172,392)
<b>Gross profit</b>		1,975,738	2,423,584
Distribution costs	32	(682,078)	(716,485)
Administrative expenses	33	(503,388)	(461,746)
Allowance for expected credit losses	13.1	(185,243)	(39,603)
Other expenses	34	(94,388)	(17,704)
Other income	35	8,167	7,096
<b>Operating profit</b>		518,808	1,195,142
Finance costs	36	(2,299,271)	(1,262,303)
<b>Loss before taxation</b>		(1,780,463)	(67,161)
Taxation	37	653,846	99,984
<b>(Loss) / profit after taxation</b>		<u>(1,126,617)</u>	<u>32,823</u>
		----- (Rupees) -----	
<b>(Loss) / earnings per share – basic and diluted</b>	38	<u>(3.79)</u>	<u>0.11</u>

The annexed notes 1 to 49 form an integral part of these financial statements

  
Chief Executive

  
Director

  
Chief Financial Officer

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	2020	2019
	----- (Rupees in '000') -----	
<b>(Loss) / profit for the year</b>	(1,126,617)	32,823
<b>Other comprehensive loss</b>		
<b>Items that may not be reclassified subsequently to statement of profit or loss:</b>		
Actuarial loss on gratuity fund – net of tax	(3,781)	(15,966)
<b>Total comprehensive (loss) / income for the year</b>	<u>(1,130,398)</u>	<u>16,857</u>

The annexed notes 1 to 49 form an integral part of these financial statements.

  
Chief Executive

  
Director

  
Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Issued, subscribed and paid-up capital	Capital Reserve  Share premium	Revenue Reserve  Accumulated profit	Actuarial loss on gratuity fund	Revaluation surplus on property, plant and equipment	Total
----- (Rupees in '000') -----						
<b>Balance as at 30 June 2018</b>	2,970,114	2,788,742	4,727,294	(40,439)	2,434,441	12,880,152
Final dividend @ Rs.2 per Ordinary share of Rs. 10 each for the year ended 30 June 2018	-	-	(653,425)	-	-	(653,425)
Net profit for the year			32,823			32,823
Other comprehensive loss for the year	-	-	-	(15,966)	-	(15,966)
Total comprehensive income for the year	-	-	32,823	(15,966)	-	16,857
Incremental depreciation relating to revaluation surplus on property, plant and equipment – net of tax	-	-	73,241	-	(73,241)	-
<b>Balance as at 30 June 2019</b>	2,970,114	2,788,742	4,179,933	(56,405)	2,361,200	12,243,584
Loss for the year	-	-	(1,126,617)	-	-	(1,126,617)
Other comprehensive loss for the year	-	-	-	(3,781)	-	(3,781)
Total comprehensive loss for the year	-	-	(1,126,617)	(3,781)	-	(1,130,398)
Incremental depreciation relating to revaluation surplus on property, plant and equipment – net of tax	-	-	72,589	-	72,589	-
<b>Balance as at 30 June 2020</b>	2,970,114	2,788,742	3,125,905	(60,186)	2,288,611	11,113,186

The annexed notes 1 to 49 form an integral part of these financial statements.

  
Chief Executive

  
Director

  
Chief Financial Officer

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

## CASH FLOWS FROM OPERATING ACTIVITIES

Cash (used in) / generated from operations	40
Income taxes paid	
Gratuity paid	
Long-term deposits – net	
<b>Net cash (used in) / generated from operating activities</b>	

**2020**  
----- (Rupees in '000') -----

(1,486,148)	1,171,356
(435,303)	(410,786)
(16,284)	(9,314)
2,784	(2,147)
(1,934,951)	749,109

## CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	
Additions to intangible assets	
Proceeds from disposal of operating fixed assets	
<b>Net cash used in investing activities</b>	

(1,369,105)	(2,122,365)
(5,243)	(15,740)
13,407	1,427
(1,360,941)	(2,136,678)

## CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid	
Short-term borrowings – net	
Long-term financing – net	
Loan from director	
Lease rentals paid	
Finance costs paid	
<b>Net cash generated from financing activities</b>	

(590)	(649,956)
2,406,822	2,654,682
3,559,860	(286,166)
(126,667)	280,000
(14,002)	-
(2,067,971)	(1,045,164)
3,757,452	953,396

<b>Net increase in cash and cash equivalents</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	
<b>Cash and cash equivalents at the end of the year</b>	41

461,560	(434,173)
(1,605,777)	(1,171,604)
(1,144,217)	(1,605,777)

The annexed notes 1 to 49 form an integral part of these financial statements.

  
Chief Executive

  
Director

  
Chief Financial Officer

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 1. THE COMPANY AND ITS OPERATIONS

- 1.1 Amreli Steels Limited (the Company) was incorporated in 1984 as a private limited company and converted into a public unquoted company in 2009 under the repealed Companies Ordinance, 1984 (the Ordinance). The Company enlisted on Pakistan Stock Exchange in 2015. The Company is engaged in manufacture and sale of steel bars and billets. The geographical location and addresses of the Company's business units / immovable assets are as under:

Business Unit	Address
Registered office and warehouse	Plot No. A-18, S.I.T.E Karachi (Land measuring area 2.490 Acres)
Production plant	Plot No. D-89 Shershah Karachi (Land measuring area 2.220 Acres)
	Plot No. D-90/B Shershah Karachi (Land measuring area 1.05 Acres)
Production plant and warehouse	Industrial Land, Deh Gharo, Tapo Gharo, Taluka Mirpur Sakro, District Thatta, Sind (Land measuring area 65.00 Acres )
	Industrial Land, Deh Gharo, Tapo Gharo, Taluka Mirpur Sakro, District Thatta, Sind (Land measuring area 12.5 Acres )
Warehouses	Plot # F-295 S.I.T.E Karachi (Land measuring area 0.50 Acres)
	Noor Road Badami Bagh Lahore (Land measuring 0.79 Acres)
	Plot # 392 sector I-9/3 industrial area Islamabad (Land measuring (0.50 Acres)

### Impact of COVID-19 on the financial statements

- 1.2 The COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities during the period from March 2020 in line with the directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan. Complying with the lockdown, the Company temporarily suspended operations.

The lockdown was subsequently relaxed from May 13, 2020, and the Company resumed operations, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees. The management has ensured all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity.

The Company's operations were disrupted due to the circumstances arising from COVID-19 including the suspension of production, sales and operations resulting in loss of revenue and accordingly gross and operating profits. This also resulted in a liquidity scarcity which resulted in enhanced borrowings of the Company. Due to this, the management has assessed the accounting implications of these developments on these financial statements, including but not limited to expected credit losses and modification of financial liability under IFRS 9, 'Financial Instruments', the impairment of tangible and intangible assets under IAS 36, 'Impairment of non-financial assets', the net realisable value of inventory under IAS 2, 'Inventories', deferred tax assets in accordance with IAS 12, 'Income taxes', provisions and contingent liabilities under IAS 37.

According to management's assessment, there are no material implications of COVID-19 that require specific disclosure in these financial statements except for charge of expected credit loss as disclosed in note 13.1 of these financial statements.

## 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

Where provisions of and directives issued under the Act differ from the requirements of IFRSs, the provisions of and directives issued under the Act have been followed.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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. NEW STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS EFFECTIVE DURING THE YEAR

The Company has adopted the following standards, amendments, interpretation and improvements to International Financial Reporting Standards (IFRSs) which became effective for the current years:

### 4.1 New and amended standards

- IFRS 9 – Prepayment Features with Negative Compensation (Amendments)
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 16 – Leases
- IFRS 16 – COVID 19 Related Rent Concessions (Amendments)
- IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)
- IAS 28 – Long-term Interests in Associates and Joint Ventures (Amendments)
- IFRIC 23 – Uncertainty over income tax treatments

### Improvements to Accounting Standards Issued by the IASB (2015-2017 cycle)

- 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, interpretations and improvements to the accounting standards did not have any material effect on the Company's financial statements except for IFRS 16. The impact of adoption of IFRS 16 are described below:

### 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 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

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

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

The impact of adoption of IFRS 16 for the year ended 30 June 2020 is as follows:

<b>Statement of profit or loss</b>	
Depreciation charge on right-of-use assets	10,816
Interest expense on lease liabilities	6,368
Deferred tax expense on right-of-use assets and corresponding lease liabilities – net	<u>31</u>

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

The following standards, amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards or Interpretations	Effective date (annual periods beginning on after)
IFRS 3	Definition of a Business (Amendments)
IFRS 3	Reference to the Conceptual Framework (Amendments)
IFRS 9 / IAS 39 / IFRS 7	Interest Rate Benchmark Reform (Amendments)
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)
IAS 1 / IAS 8	Definition of Material (Amendments)
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)
IAS 16	Proceeds before Intended Use (Amendments)
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)
	01 January 2020
	01 January 2022
	01 January 2020
	Not yet finalized
	01 January 2020
	01 January 2022*
	01 January 2022
	01 January 2022

\*The IASB has issued an exposure draft proposing to defer the effective date of the Amendments to IAS 1 to 01 January 2023.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

	Effective date (annual periods beginning on after)
IFRS 9 - Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
IAS 41 - Agriculture – Taxation in fair value measurements	01 January 2022

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB effective date (annual periods beginning on or after)
IFRS 1 - First Time adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2023

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Property, plant and equipment

#### Operating fixed assets

These are initially stated at cost. Subsequently, these are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except for leasehold land, building on leasehold land and plant and machinery which are stated at revalued amounts less impairment, if any. Depreciation is charged to statement of profit or loss applying the reducing balance method except for plant and machinery, computers and vehicles which are depreciated on straight line basis and / or unit of production method at the rates disclosed in note 7 to the financial statements. Depreciation is charged from the month in which an asset is available for use, while no depreciation is charged for the month in which asset is disposed.

Maintenance and repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of an asset is recognized in the statement of profit or loss in the period of disposal.

The assets residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

The carrying values of property, plant and equipment are reviewed at each statement of financial position date for impairment when events or changes in circumstances indicate that carrying values may not be recoverable. If such indication exists where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

A revaluation surplus is recorded in other comprehensive income (OCI) and credited to the asset revaluation surplus in equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognised in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to unappropriated profit.

## **Capital work in progress**

These are stated at cost less impairment if any, and represent expenditures incurred and advances made in respect of specific assets during the construction / erection year. These are transferred to specific assets as and when assets are available for use.

## **5.2 Right-of-use assets**

The Company recognises a right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

## **5.3 Intangibles**

These are carried at cost less accumulated amortization and accumulated impairment loss, if any.

Amortization is charged to statement of profit or loss on straight line basis over its economic useful life at the rate given in note 8 to these financial statements. Amortization on additions is charged from the month in which an intangible asset is available for use while no amortization is charged for the month in which an intangible asset is disposed.

The gain or loss on disposal or retirement of an intangible asset represented by the difference between the sale proceeds and the carrying amount is recognized in the statement of profit or loss in the period of disposal.

An intangible asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5.4 Stores and spares

These are valued at lower of cost, determined using moving average method and Net Realisable Value (NRV), less provision for obsolete items (if any). Items in transit are valued at cost comprising invoice value plus other charges incurred thereon upto the reporting date. Provision is made for items which are obsolete and slow moving and is determined based on management estimate regarding their future usability.

## 5.5 Stock-in-trade

These are valued at the lower of cost and NRV.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Raw materials		- First-In-First-Out (FIFO)
Work-in-process		- Weighted average cost
Finished goods	- Manufactured	- Weighted average cost
	- Trading	- First-In-First-Out (FIFO)
Stock-in-transit		- Invoice value plus other charges paid thereon up to the reporting date

NRV signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessarily to be incurred to make the sale.

## 5.6 Deposits, advances, prepayments and other receivables excluding financial assets

These are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

## 5.7 Investments at amortised cost

These are investments which meet the following criteria:

- these are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These are initially recognized at fair value which is equal to amount of consideration paid at the time of acquisition and subsequently carried at amortised cost.

## 5.8 Cash and cash equivalents

These are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand, bank balances and short term running finance.

## 5.9 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### 5.10.1 Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term lease. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5.102 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable (if any), variable lease payments that depend on an index or a rate (if any), and amounts expected to be paid under residual value guarantees (if any). The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company (if any) and payments of penalties for terminating the lease (if any), if the termination option is reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments at the lease commencement date, the Company uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

## 5.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### i) Financial assets

#### Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## **Financial assets at amortised cost (debt instruments)**

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

## **Financial assets designated at FVOCI (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

## **Financial assets at FVPL**

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in statement of profit or loss and other comprehensive income.

This category also includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

The Company has not designated any financial asset at FVPL.

## **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

## **ii) Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

### **Subsequent measurement**

#### **Financial liabilities at FVPL**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

#### **Financial liabilities at amortized cost**

After initial recognition, borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in statement of profit or loss and other comprehensive income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

## **5.12 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## **5.13 Impairment**

### **Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

ECLs 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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

At each reporting date, the Company assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Company uses the standard's simplified approach and calculates ECL based on life time ECL on its financial assets. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

### **Impairment of non-financial assets**

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in statement of profit or loss and other comprehensive income. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in statement of profit or loss and other comprehensive income.

## 5.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

The amount recognized as provision is the best estimate of consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation.

## 5.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year in which they occur. Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 5.16 Foreign currency transactions and translations

Transactions in foreign currencies are accounted for in Pakistan Rupees at the rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange which approximate those prevailing at the statement of financial position date. Exchange differences are recognized in the statement of profit or loss.

## 5.17 Unclaimed dividend

Dividend declared and remain unpaid from the date it is due and payable.

## 5.18 Staff retirement benefits - Gratuity

The Company operates an un-approved and unfunded defined benefit plan for all permanent employees who have completed the minimum qualifying year of service for entitlement of gratuity. Gratuity is based on employees' last drawn salary. Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method.

Actuarial gain or loss (remeasurements) are immediately recognised in 'Other Comprehensive Income' as they occur. The amount recognised in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of the plan assets. Current service costs and any past service costs together with net interest cost are charged to profit or loss.

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under the Plan.

## 5.19 Ijarah contracts

Leases under Shariah compliant Ijarah contracts, where significant portion of the risk and reward of ownership is retained by the lessor, are classified as Ijarah. Rentals under these arrangements are charged to statement of profit or loss on straight line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5.20 Taxation

### Current

Provision for current tax is based in accordance with Income Tax Ordinance, 2001.

### Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognized on a proportionate basis in accordance with TR 27 issued by the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the statement of financial position date. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income.

## 5.21 Revenue recognition

Revenue is recognised at amounts that reflect the consideration that the Company expects to be entitled to in exchange for transferring goods or services to a customer. Revenue is measured at the fair value of the consideration received or receivable, and is recognised when performance obligation is fulfilled, at a point in time, when control of goods have been transferred to a customer. Generally, the normal credit term is 30 to 60 days upon delivery.

### 5.21.1 Other income

- Return on short-term deposits and investments at amortised cost are accounted for using the effective interest rate method.
- Scrap sales is recognized on receipt basis.

## 5.22 Dividend and appropriation to / from reserves

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved. However, if these are approved after the reporting period but before the financial statement are authorised for issue, disclosure is made in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 5.23 Contingent liabilities

Contingent liability is disclosed when: -

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measure with sufficient reliability.

## 5.24 Operating segments

For management purposes, the activities of the Company are organized into one reportable operating segment. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organizational and management structure, and internal financial reporting systems. Accordingly, the figures reported in the financial statements are related to the Company's only reportable segment.

## 5.25 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

## 5.26 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 5.27 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 5.28 Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. As the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards 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 historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

### **Residual value and useful life of property, plant and equipment**

The Company reviews the appropriateness of the rate of depreciation, depreciation method, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in estimates in future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effect on the depreciation charge and impairment.

### **Surplus on revaluation of property, plant and equipment**

The Company reviews the appropriateness of the revaluation of certain assets periodically for the purpose of ensuring that the carrying amount of the same does not differ materially from its fair value. In making this assessment, the Company uses the technical resources available with the Company. Any change in assessment in future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effect on revaluation surplus of property, plant and equipment.

### **Impairment financial assets**

The Company uses a provision matrix to calculate ECLs for trade debts and other receivables. The provision rates are based on days past due for Company's various customer that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's financial assets exposed to credit risk is disclosed in note 42.2 to these financial statements.

### **Determination of the lease term for lease contracts with extension and termination options**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

## Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

## Defined Benefit Plan

Certain actuarial assumptions have been adopted as disclosed in note 23 to the financial statements for the valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years.

## Taxation

Significant judgment is required in determining the provision for income taxes and deferred tax asset and liability. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due taking into account decisions/judgement of appellate authorities on similar tax issues in the past. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made. The recognition of deferred tax is also made taking into these judgements and the best estimate of future results of the Company.

## Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

## 7. PROPERTY, PLANT AND EQUIPMENT

		2020	2019
	Note	----- (Rupees in '000') -----	
Operating fixed assets	7.1	14,930,576	14,729,718
Capital work-in-progress	7.2	2,720,375	2,235,884
		<u>17,650,951</u>	<u>16,965,602</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020		Note	Leasehold Land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office Equipment	Vehicles*	Computers	Total
	7.1.2 & 7.1.7	7.1.2					(Rupees in '000)				
Cost / revaluation as at 30 June 2019	1,496,759	1,963,377									
Additions	188,000	5,839									
Disposals	-	-									
Transfers from capital work-in-progress	222,153	113,543									
Cost / revaluation as at 30 June 2020	1,906,912	2,082,759									
Accumulated depreciation as at 30 June 2019	-	804,766									
Depreciation charge for the year	-	120,993									
Disposals	-	-									
Accumulated depreciation as at 30 June 2020	-	925,759									
Book value as at 30 June 2020	1,906,912	1,157,000									
Annual rate of depreciation (%)	-	10									

\* Include assets costing Rs. 21.4 million under common ownership under diminishing musharaka arrangement.

	2019		Note	Leasehold Land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office Equipment	Vehicles*	Computers	Total
	7.1.2	7.1.2					(Rupees in '000)				
Cost / revaluation as at 30 June 2018	1,371,000	1,875,489									
Additions	-	4,334									
Disposals	-	-									
Transfers from capital work-in-progress	125,759	83,554									
Cost / revaluation as at 30 June 2019	1,496,759	1,963,377									
Accumulated depreciation as at 30 June 2018	-	682,891									
Depreciation charge for the year	-	121,875									
Disposals	-	-									
Accumulated depreciation as at 30 June 2019	-	804,766									
Book value as at 30 June 2019	1,496,759	1,158,611									
Annual rate of depreciation (%)	-	10									

\* Include assets costing Rs. 32.116 million under common ownership under diminishing musharaka arrangement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

7.1.1 Operating fixed assets include items having an aggregate cost of Rs. 151.927 million (2019: Rs. 109.320 million) which have been fully depreciated and are still in use of the Company

7.1.2 Company's leasehold land, building on leasehold land and plant and machinery were revalued by an independent valuer - M/s MYK Associates (Private) Limited on 30 June, 2018 on the basis of present market values for similar sized plots in the vicinity for land and replacement values of similar type of buildings based on present cost of construction (level 2) (refer note 40.5) and valuations for plant and machinery and building were based on the estimated gross replacement cost, depreciated to reflect the residual service potential of the assets taking account of the age, condition and obsolescence.

7.1.3 Had there been no revaluation, the book value of leasehold land, buildings on leasehold land and plant and machinery would have been Rs. 946.694 (2019: Rs. 536.541) million, Rs. 822.258 (2019: Rs. 786.668) million and Rs. 9,976.362 (2019: Rs 10,115.041) million, respectively.

7.1.4 Forced sale value as per the last revaluation report as of June 30, 2018 of land, buildings and plant and machinery is Rs. 1,096.8 million, Rs 967.139 million and Rs.7,484.97 million, respectively.

7.1.5	Description	Cost	Book value	Sale proceeds	Gain/loss	Mode of disposal	Particulars of buyers
----- (Rupees in '000') -----							
	Suzuki cultus VXR	1,433	1,218	1,500	282	Employee car scheme	Mr. Waseem
	Toyota Corolla XLI	789	789	861	72	Employee car scheme	Mr. Nasir Ali
	Toyota Corolla XLI	579	579	615	36	Employee car scheme	Mr. Mohsin Sadiq
	Toyota Corolla XLI	582	582	617	35	Employee car scheme	Mr. Minhaj Junaidi
	Toyota Corolla XLI	860	860	860	-	Employee car scheme	Mr. Latif Bano
	Suzuki Cultus VXR	728	728	758	30	Employee car scheme	Mr. Farrukh Jawed
	Suzuki Swift	801	801	834	33	Employee car scheme	Mr. Asif Majeed
	Suzuki Cultus VXR	750	750	780	30	Employee car scheme	Mr. Irfan Khan
	Suzuki Swift	1,485	916	845	(71)	Employee car scheme	Mr. Danish Hasan
	Suzuki Swift	1,618	1,213	1,132	(81)	Employee car scheme	Mr. Asif Ali
	Suzuki Swift	1,613	1,263	1,189	(74)	Employee car scheme	Mr. Jamshed
		11,238	9,699	9,991	292		
	Assets having book value less than Rs. 500,000	13,848	2,705	3,416	710		
		<b>25,086</b>	<b>12,404</b>	<b>13,407</b>	<b>1,002</b>		
	<b>2019</b>	<b>4,892</b>	<b>519</b>	<b>1,428</b>	<b>909</b>		

7.1.6 Depreciation charge for the year has been allocated as under:

Note	2020	2019
---- (Rupees in '000') ----		
31.1	459,099	383,449
31.1.1	354,908	269,893
32	25,764	10,305
33	19,581	21,251
	<b>859,352</b>	<b>684,898</b>

7.1.7 Represents land purchased from a related party with the title in process of being transferred in the name of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 7.2 Capital work-in-progress

	2020			2019
	Leasehold land	Civil works	Plant and machinery (Note 7.2.1)	Total
	(Rupees in '000')			
Opening balance	229,618	937,981	1,068,285	2,235,884
Additions during the year	-	40,180	1,268,206	2,017,791
Transfer to operating fixed assets	(222,153)	(115,423)	(463,579)	(2,060,033)
Refund of advance payment	(500)	-	-	(6,890)
Research expenses	-	-	(22,240)	-
Closing balance	6,965	862,738	1,850,672	2,235,884

7.2.1 During the year borrowing costs have been capitalized amounting to Rs. 3.4 million (2019: 79.628 million) by using capitalization rate of 8.69% (2019: 10%).

## 8. Right-of-use-assets

	Note	2020	2019
As at July 01, 2019		----	----
		(Rupees in '000')	(Rupees in '000')
Cost (Impact of initial application of IFRS 16)	4	33,333	-
Accumulated depreciation		-	-
Net book value		33,333	-
Year ended June 30, 2020			
Opening net book value		33,333	-
Additions		49,938	-
Less: Depreciation charge for the year		(10,816)	-
Closing net book value		72,455	-
As at June 30, 2020			
Cost		83,271	-
Accumulated depreciation		(10,816)	-
Net book value		72,455	-

8.1 Depreciation charge for the year on right-of-use-assets has been allocated as follows:

	Note	2020	2019
		----	----
		(Rupees in '000')	(Rupees in '000')
Distribution costs	32	5,791	-
Administrative expenses	33	5,025	-
		10,816	-

The right-of-use-assets comprise of office premises acquired on lease by the Company for its operations.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 9. INTANGIBLE ASSETS

	Note	2020	2019
		---- (Rupees in '000') ----	
<b>Computer software</b>			
<b>Net carrying value</b>			
Balance at the beginning of the year		31,926	27,889
Additions during the year		5,243	15,740
Amortisation for the year	33	(12,903)	(11,703)
Balance at the end of the year		<u>24,266</u>	<u>31,926</u>
<b>Gross carrying value</b>			
Cost		63,183	47,443
Additions during the year		5,243	15,740
Accumulated amortization		(44,160)	(31,257)
Balance at the end of the year		<u>24,266</u>	<u>31,926</u>
		Years	
Useful life		3 to 5	3 to 5

9.1 Intangible assets include items having an aggregate cost of Rs. 25.455 million (2019: nil ) which have been fully amortised and are still in use of the Company.

## 10. LONG-TERM INVESTMENTS

Represents term deposits receipts held with Islamic and conventional banks as a lien for guarantee issued on behalf of the Company and carry profit rates ranging from 6.17% to 9.75% (2019: 5.22% to 9.7%) per annum having maturity in June 2024.

## 11. LONG-TERM DEPOSITS – interest free

	Note	2020	2019
		---- (Rupees in '000') ----	
Margin against guarantees		28,255	29,155
Utilities		76,237	76,237
Ijarah / Diminishing Musharaka		17,955	27,989
Container deposits		6,000	2,000
Rent		3,816	666
Others		2,699	1,699
		<u>134,962</u>	<u>137,746</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 12. STOCK-IN-TRADE

	Note	2020	2019
		---- (Rupees in '000') ----	
Raw materials			
- In hand		1,349,086	1,974,244
In transit	12.1	3,376,081	1,489,037
		<u>4,725,167</u>	<u>3,463,281</u>
Work-in-process		1,023,943	746,594
Finished goods			
- Manufactured		2,291,221	2,374,173
- Trading		-	2,550
		<u>2,291,221</u>	<u>2,376,723</u>
		<u>8,040,331</u>	<u>6,586,598</u>

12.1 This represents imported raw scrap under the custody of Custom Authorities.

## 13. TRADE DEBTS – unsecured

	Note	2020	2019
		---- (Rupees in '000') ----	
Considered good		4,900,333	3,402,722
Considered doubtful		351,993	166,750
	13.3	<u>5,252,326</u>	<u>3,569,472</u>
Allowance for expected credit loss	13.1	(351,993)	(166,750)
		<u>4,900,333</u>	<u>3,402,722</u>
<b>13.1 Movement of allowance for expected credit loss</b>			
Opening balance		166,750	127,147
Charge for the year		185,243	39,603
Closing balance		<u>351,993</u>	<u>166,750</u>

13.2 The ageing of trade debts is as follows:

	Total	Neither past due nor impaired	1-90 Days	Past due but not impaired 91-180 Days	Over 180 Days
	----- (Rupees in '000') -----				
2020	<u>5,252,326</u>	<u>2,673,884</u>	<u>1,469,707</u>	<u>811,367*</u>	<u>297,368</u>
2019	<u>3,569,472</u>	<u>1,672,058</u>	<u>1,606,316*</u>	<u>110,779</u>	<u>180,319</u>

\*includes amount receivable from related party



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

13.3 Includes amount receivable from the Hunar Foundation – a related party amounting to Rs. 0.593 million (2019: 0.258 million).

13.4 The maximum amount due from related party at the end of any month during the year was Rs. 1.036 million (2019: 1.091 million). The Company has recognized an allowance for expected credit loss amounting to Rs. 0.14 million (2019: 0.008 million) as of 30 June 2020.

## 14. LOANS AND ADVANCES – unsecured

	Note	2020 ---- (Rupees in '000') ----	2019
<b>Loans – considered good</b>			
Executives	14.1	1,633	733
Employees	14.2	14,023	3,844
		15,656	4,577
<b>Advances</b>			
<b>Considered good</b>			
Suppliers		12,955	11,458
Employees		305	2,763
	14.3	13,260	14,221
<b>Considered doubtful</b>			
Less: provision for doubtful advances		1,376 (1,376)	1,376 (1,376)
		-	-
		13,260	14,221
		28,916	18,798

14.1 The maximum amount outstanding at any time during the year calculated by reference to month end balances are as follows

Note	2020 ---- (Rupees in '000') ----	2019
	2,340	1,617

14.2 Represents interest free loans to employees in accordance with the Company policy. These are recoverable in twelve equal monthly installments.

14.3 Represents interest free advances.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 15. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2020 ---- (Rupees in '000') ----	2019
<b>Trade deposits</b>			
<b>Considered good</b>			
Security deposits	15.1	15,605	10,403
Call deposit receipts	15.2	617,421	-
<b>Considered doubtful</b>			
Less: provision for doubtful deposits		12,750 (12,750)	12,750 (12,750)
		-	-
		633,026	10,403
<b>Short term prepayments</b>			
- Advertising		-	3,585
- Insurance		3,129	2,287
- Software maintenance		4,662	5,277
- Rent		-	3,290
- Others		2,073	11,098
		9,864	25,537
		642,890	35,940

15.1 Represents interest free deposits.

15.2 This represents call deposit receipts issued in the favor of Government of Pakistan Directorate of Procurement (Navy) as a guarantee for the supply of steel bars.

## 16. OTHER RECEIVABLES

	Note	2020 ---- (Rupees in '000') ----	2019
Sales tax refundable	16.1	527,112	127,055
Others		848	347
		527,960	127,402

16.1 Includes Rs. 460.462 million pertaining 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.

## 17. CASH AND BANK BALANCES

	Note	2020 ---- (Rupees in '000') ----	2019
<b>Cash in hand</b>		38,128	47,031
<b>Bank balances</b>			
Current accounts		467,668	99,865
Saving accounts	17.1	3,565	143
		471,233	100,008
		509,361	147,039

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

17.1 These carry profit at rates ranging from 2.5% to 3% (2019: 2.5% to 3.5%) per annum.

## 18. SHARE CAPITAL

### 18.1 Authorized capital

Number of shares		Note	2020	2019
2020	2019		---- (Rupees in '000') ----	
420,000,000	420,000,000	Ordinary shares of Rs. 10/- each	4,200,000	4,200,000
80,000,000	80,000,000	Cumulative preference shares of Rs. 10/-each	800,000	800,000
500,000,000	500,000,000		5,000,000	5,000,000

### 18.2 Issued, subscribed and paid-up capital

263,883,930	263,883,930	Ordinary shares of Rs. 10/- each	2,638,839	2,638,839
33,127,497	33,127,497	Issued for cash	331,275	331,275
297,011,427	297,011,427	Issued for consideration other than cash	2,970,114	2,970,114

### 18.3 Following is the detail of shares held by the related parties:

Mr. Abbas Akberali	91,294,723	91,294,723
Ms. Mahvash Akberali	55,732,930	55,732,930
Mr. Hadi Abbas Akberali	37,732,212	37,732,212
Mr. Shayan Akberali	35,694,840	35,694,840
Ms. Kinza Shayan	1,746,383	1,746,383
Ms. Salsabil Akberali	1,254,759	1,254,759
Mr. Badar Kazmi	1,000	1,000
Ms. Mariam Akberali	1,000	1,000
Mr. Teizoon Kisat	500	500
Mr. Zafar Ahmed Taji	19,500	12,500
	223,477,847	223,470,847

18.4 Includes 952,497 ordinary shares issued to various shareholders of the Company against plant and machinery and 32,175,000 ordinary shares of the Company against purchase of other fixed assets.

18.5 Voting rights, Board selection, right of first refusal and block voting are in proportion to the shareholding.

## 19. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	Note	2020	2019
		---- (Rupees in '000') ----	
Opening balance		3,147,941	3,251,097
Transfer to unappropriated profit in respect of incremental depreciation charged during the year		(102,238)	(103,156)
		3,045,703	3,147,941
Related deferred tax liability			
Opening balance		(786,741)	(816,656)
Incremental depreciation charged during the year		29,649	29,915
		(757,092)	(786,741)
	19.1	2,288,611	2,361,200

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

19.1 Breakup of revaluation surplus net of deferred tax is as follows:

Leasehold land	960,218	960,218
Buildings on leasehold land	203,005	229,418
Plant and machinery	1,125,388	1,171,564
	<u>2,288,611</u>	<u>2,361,200</u>

## 20. LONG-TERM FINANCING – secured

	Note	2020			2019		
		Total	Current	Long-Term	Total	Current	Long-Term
		(Rupees in '000')			(Rupees in '000')		
Diminishing Musharaka	20.1	15,447	4,815	10,632	20,930	5,395	15,535
Term finance facilities	20.2 &	6,226,040	806,688	5,419,352	2,672,538	1,181,159	1,491,379
Total	20.3	<u>6,241,487</u>	<u>811,503</u>	<u>5,429,984</u>	<u>2,693,468</u>	<u>1,186,554</u>	<u>1,506,914</u>

20.1 Represents Diminishing Musharaka facility obtained from Islamic financial institution. The facility is repayable in equal monthly installments latest by August 2023. This carry markup rate of 6 month KIBOR + 0.75% per annum (2019: 3 month KIBOR + 0.50% to 6 month KIBOR + 0.75% per annum). The facility is secured by title over Diminishing Musharaka asset.

20.2 Represents term finance facilities obtained from commercial banks. These facilities are repayable in quarterly / semi-annual installments latest by December 2029. These carry markup rate ranging from 2.5% to 1 month KIBOR + 1.15% per annum (2019: 3 month KIBOR + 0.35% to 6 month KIBOR + 1.75% per annum). These facilities are secured by way of first equitable mortgage over land and building, lien over selected accounts, first pari passu charge on all present and future fixed assets of the Company with 25% margin over the facility amount.

20.3 Includes a long-term financing obtained from a conventional bank under the Refinance Scheme for Payment of Wages and Salaries by State Bank of Pakistan. It carries mark-up at the rate of 2.5% however, the loan has been recognised at the present value. The loan is repayable in 8 equal quarterly installments commencing from January 2021 discounted at the effective rate of interest. The differential mark-up has been recognised as government grant (as mentioned in note 25) which will be amortised to interest income over the period of facility. These facilities are secured by way of first pari passu over on fixed assets of the Company with 25% margin over the facility amount.

20.4 As of the statement of financial position date, the Company has unutilized portion for Diminishing Musharaka and term finance facilities amounting to Rs. 34.55 million and Rs. 427.345 million (2019: Rs. 29.05 million and Rs. 173.295 million) respectively.

## 21. LOAN FROM RELATED PARTIES – unsecured

Represents loans obtained from related parties amounting to Rs. 248 million during the year at a rate of 3 month KIBOR repayable as of September 30, 2023.

## 22. DEFERRED TAXATION

Deductible temporary differences arising in respect of:

Provisions

Unused tax credits

Note	2020	2019
	---- (Rupees in '000') ----	
	(287,464)	(183,927)
22.1	<u>(1,807,444)</u>	<u>(1,195,444)</u>
	<u>(2,094,908)</u>	<u>(1,379,371)</u>

Taxable temporary differences arising in respect of:

Accelerated tax depreciation / amortization

Right-of-use-assets

Surplus on revaluation of property, plant and equipment

1,560,679	1,492,773
21,012	-
757,091	786,740
<u>2,338,782</u>	<u>2,279,513</u>
<u>243,874</u>	<u>900,142</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

- 22.1 Deferred tax asset is recognised for tax losses, minimum tax, alternative corporate tax, and depreciation available for carry forward to the extent of the realization of the related tax benefit through future taxable profits, based on the projections, is probable.

## 23. DEFERRED LIABILITY

	Note	2020 ---- (Rupees in '000') ----	2019
Defined benefit obligation – gratuity scheme	23.1	254,748	205,420

### 23.1 Amount recognised in statement of financial position

Opening balance		205,420	155,677
Charge for the year	23.2	60,288	36,569
Recognised in other comprehensive income		5,324	22,487
Benefits paid		(16,284)	(9,313)
Closing balance		254,748	205,420

### 23.2 Movement in the present value of defined benefit obligation

Current service cost		33,235	23,023
Interest cost		27,053	13,546
		60,288	36,569

### 23.3 Historical information for defined benefit plans

	2020	2019	2018	2017	2016
	----- (Rupees in '000') -----				
Present value of defined benefit obligations	254,748	205,420	155,678	116,943	72,176
Experience adjustment on plan liabilities	5,325	22,488	13,546	34,971	(5,665)

### 23.4 Principal actuarial assumptions

	Note	2020 ---- (Rupees in '000') ----	2019
Expected rate of increase in salary level		7.5%	6.25%
Valuation discount rate		8.5%	13.25%
Average expected remaining working life of employees		7.2 years	8 years
Normal retirement age of employees		60 years	60 years
Expected mortality rate		SLIC 2001-2005 Setback 1 Year Age-Based (per appendix)	SLIC 2001-2005 Setback 1 Year Age-Based (per appendix)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020	2019
23.5 Charge for the year has been allocated as follows:		----	----
		(Rupees in '000')	
Cost of sales – production of bars	31.1.2	16,290	11,753
Cost of sales – production of billets	31.1.1.1	12,282	7,339
Distribution costs	32.1	9,152	4,847
Administrative expenses	33.1	22,564	12,630
		<u>60,288</u>	<u>36,569</u>

## 23.6 Sensitivity analysis

	2020			
	Discount rate		Salary increase	
	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
	----- (Rupees in '000) -----			
Present value of defined benefit obligations	220,078	265,472	265,908	219,328
	2019			
	Discount rate		Salary increase	
	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
	----- (Rupees in '000) -----			
Present value of defined benefit obligations	188,512	222,969	223,310	187,944

23.7 As of 30 June 2020, a total of 631 employees have been covered under the above scheme.

23.8 As per the recommendation of the actuary, the charge for the year ending June 30, 2021 amounts to Rs. 56.270 million.

## 24. LEASE LIABILITIES

	Note	2020	2019
		----	----
		(Rupees in '000')	
Lease liabilities		72,348	-
Current portion of lease liability		(8,748)	-
		<u>63,600</u>	<u>-</u>

## 24.1 Reconciliation of the carrying amount is as follows:

Initial application of IFRS-16 on July 1, 2019	30,043	-
Additions during the year	49,939	-
Accretion of interest	6,368	-
Lease rental payments made during the year	(14,002)	-
Lease Liability as at June 30	72,348	-
Current portion of lease liabilities	(8,748)	-
Long-term lease liability as at June 30	<u>63,600</u>	<u>-</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

24.2 Maturity analysis	Note	2020	2019
		---- (Rupees in '000') ----	
Gross lease liabilities - minimum lease payments:			
Not later than 1 year		16,854	-
Later than 1 year but not later than 5 years		45,272	-
Later than 5 years		72,245	-
		134,371	-
Future finance charge		(62,023)	-
Present value of finance lease liabilities		72,348	-

## 25. Government Grant

Opening balance	-	-
Received during the year	12,600	-
Released to the statement of profit or loss	(758)	-
Closing balance	11,842	-
Current portion of government grant	4,215	-
Non Current portion of government grant	7,627	-
	11,842	-

25.1 Government grants have been recorded against reduced rate loan obtained from a conventional bank pursuant to a refinance scheme introduced by state bank of Pakistan to provide working capital loan at concessional mark-up rates for businesses to finance salary expense during the COVID-19 outbreak. The grant is conditional upon the fact that the Company would not terminate any employee, due/owing to cash flow limitations, for a period of six months from the date of receipt of the first tranche.

26. TRADE AND OTHER PAYABLES	Note	2020	2019
		---- (Rupees in '000') ----	
Creditors		413,625	241,853
Murabaha	26.1	1,905,028	2,415,765
Accrued liabilities	26.2 & 26.3	1,273,526	766,382
Ijarah rentals payable		719	719
Workers' Welfare Fund	26.4	128,024	128,024
Withholding tax payable		10,386	7,338
		3,731,308	3,560,081

26.1 Represent Murabaha facilities amounting to Rs. 4,700 (2019: Rs. 5,150) million obtained from Islamic banks for purchase of raw material. These carry profit at the rates ranging from relevant KIBOR + 0.5% to 3 month KIBOR + 1.5% per annum (2019: 6 month KIBOR + 0.25% to 6 month KIBOR + 1% per annum). These facilities are secured by joint hypothecation charge over present and future current assets of the Company with 25% margin.

26.2 Includes Rs. 317.460 million (2019: Rs. 280.355) million in respect of gas related accruals on account of Gas Infrastructure Development Cess (GIDC), tariff differences and other related matters.

26.3 Includes Rs. 272.670 and Rs. 67 million in respect of retrospective charge by K-electric due to withdrawal of Industrial Support Package Adjustment (ISPA) and Fuel Charge Adjustment, respectively. The retrospective charges levied on the Company related to ISPA have been challenged in the Sindh High Court. The Company, based on the opinion of the legal advisor, recognized the said amount of provision in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

26.4 Represents amount of Workers Welfare Fund (WWF) pertaining to financial years ending 30 June 2015 to 30 June 2018. The amount is still outstanding as the matter is still pending adjudication at the Honourable High Court of Sindh due to the 18th amendment in the Constitution of Pakistan.

## 27. INTEREST / MARK-UP ACCRUED

	Note	2020 ---- (Rupees in '000') ----	2019
Long-term financing		170,067	39,274
Short-term borrowings		352,928	225,467
Murabaha		46,507	77,974
		<u>569,502</u>	<u>342,715</u>
Loan from related parties	21	8,217	10,072
		<u>577,719</u>	<u>352,787</u>

## 28. SHORT-TERM BORROWINGS – secured

Cash finance	28.1	1,057,657	1,977,925
Running finance	28.2	1,653,578	1,752,816
Istisna	28.3	2,345,668	1,000,000
Finance against trust receipts	28.4	6,431,925	4,157,189
Short term loan	28.5	424,000	200,000
	28.6	<u>11,912,828</u>	<u>9,087,930</u>

28.1 Represents working capital facilities availed from various Islamic and conventional banks carrying markup/profit ranging from 1 month KIBOR + 0.75% to 3 month KIBOR + 1.5% per annum. (2019: 1 month KIBOR + 0.40% to 6 month KIBOR + 0.75% per annum).

28.2 Represents working capital facilities availed from various Islamic and conventional banks carrying markup/profit ranging from 3 month KIBOR + 0.60% to 1 month KIBOR + 1.15% per annum (2019: 1 month KIBOR + 0.20% to 3 month KIBOR + 0.75% per annum).

28.3 Represents working capital facilities availed from various Islamic banks carrying profit ranging from 6 month KIBOR + 0.5% to 6 months KIBOR + 1% per annum (2019 : 3 month KIBOR + 0.25% to 6 month KIBOR + 0.90%).

28.4 Represents working capital facilities availed from various Islamic and conventional banks carrying markup/profit ranging from 1 month KIBOR + 0.50% to 1 month KIBOR + 1.25% per annum (2019: 1 month KIBOR + 0.20% to 6 month KIBOR + 0.50% per annum).

28.5 Represents working capital facility availed from a bank carrying markup at 1 month KIBOR + 0.50% per annum (2019: 1 month KIBOR + 0.85% per annum).

28.6 As of the statement of financial position date, the Company has unutilized facilities for short term borrowings from Islamic and conventional banks amounting to Rs. 1,533 million and Rs. 716 million (2019: Rs. 2,397 million and Rs. 1,714 million) respectively. These facilities are secured by way of joint hypothecation charge over present and future current assets of the Company with 25% margin.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 29. CONTINGENCIES AND COMMITMENTS

### Contingencies

- 29.1 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 (the Court). During the preceding financial year, the ATIR has decided the case in favour of the Company. During the year, the Federal Board of Revenue filed reference application before the Court 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 financial statements.
- 29.2 The Federal Board of Revenue issued Sales Tax General Order (STGO) No.18 of 2016 on 14 March 2017 and STGO No.119/2017 on 18 August 2017, whereby the procedure for payments and claiming adjustments of advance sales tax was amended. Before the STGOs, sales tax was being paid by the Company on the basis of Rules 58(H) of the Sales Tax Special Procedures Rule 2007 of Sales Tax Act, 1990 (the Rules). The Company has challenged both the STGOs before the Court restraining the tax department to calculate the sales tax liability on the basis of the said STGOs and requesting continuation of the procedure of payment and adjustment of advance tax on the basis of the Rules. The Court granted stay against both the said STGOs with the direction that impugned STGOs shall remain suspended and the Company shall be entitled for claiming adjustment of advance sales tax on the basis of the Rules. The financial exposure of the Company up to 30 June 2020 is Rs. 1,166.03 million (2019: Rs. 1,166.03 million). The management based on a legal advice is confident that the outcome will be in favour of the Company. Accordingly, no provision has been made in these financial statements.
- 29.3 During the year, the DCIR, LTU, Karachi issued show-cause notice under Section 11(2) of the Sales Tax Act, 1990 for alleged non-charging of further tax on the supplies made to unregistered persons and raised an alleged demand of Rs.305 million for the tax periods July 2015 to June 2017. The Company had filed a Constitutional Petition before the Court which issued an interim order, restraining any coercive action against the Company. The stay will remain in field until further directions from the Court. The management, based on legal advice, is confident that the eventual outcome will be in favour of the Company. Accordingly, no provision has been made in this respect in these financial statements.

	Note	2020	2019
		---- (Rupees in '000') ----	
29.4 Outstanding letters of credit		953,766	3,153,847
Outstanding letters of guarantee		546,927	490,541
29.5 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		38,223	56,834
Later than one year but not later than five years		47,472	85,184

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 30. SALES – net

	Note	2020 ---- (Rupees in '000') ----	2019
<b>Local</b>			
Manufactured stock		30,994,340	28,493,701
Trading stock		-	30,499
		<u>30,994,340</u>	<u>28,524,200</u>
<b>Less: sales tax</b>			
Manufactured stock		(4,507,739)	-
Trading stock		-	(4,432)
<b>Less: trade discounts</b>			
Manufactured stock		(40,958)	(3,327)
		<u>26,445,643</u>	<u>28,516,441</u>
<b>Export sales</b>		86,501	79,535
		<u>26,532,144</u>	<u>28,595,976</u>

## 31. COST OF SALES

Manufactured stock	31.1	24,556,406	26,146,243
Trading stock	31.2	-	26,149
		<u>24,556,406</u>	<u>26,172,392</u>

### 31.1 Cost of sales – manufactured goods

Opening stock – work in progress	12	746,594	1,000,057
Adjustment due to change in sales tax regime		(102,662)	-
Cost of billets manufactured internally	31.1.1	22,778,901	24,613,180
Purchases		-	-
Closing stock – work in progress	12	(1,023,943)	(746,594)
		<u>22,398,890</u>	<u>24,866,643</u>
<b>Manufacturing overheads</b>			
Stores and spares consumed		256,384	209,226
Salaries, wages and other benefits	31.1.2	305,577	312,378
Cartage and transport		215,364	81,518
Fuel, power and water		1,097,475	1,398,928
Depreciation	7.1.6	459,099	383,449
Ijarah rentals		7,131	10,312
Repairs and maintenance		25,807	45,835
Insurance		4,136	2,983
Rent, rates and taxes		611	440
Consultancy charges		9,231	293,342
Vehicle running expense		7,273	7,195
Conveyance and travelling		16,575	23,819
Entertainment expenses		12,344	11,735
Others		5,924	4,603
		<u>2,422,931</u>	<u>2,785,763</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 ---- (Rupees in '000') ----	2019
<b>Cost of goods manufactured</b>		24,821,821	27,652,406
Cost of bars used for own use		(22,329)	(273,960)
		<u>24,799,492</u>	<u>27,378,446</u>
<b>Finished goods</b>			
Opening stock	12	2,374,173	1,141,970
Adjustment due to change in sales tax regime		(326,038)	-
Closing stock	12	(2,291,221)	(2,374,173)
		<u>(243,086)</u>	<u>(1,232,203)</u>
		<u>24,556,406</u>	<u>26,146,243</u>
<b>31.1.1 Cost of billets manufactured internally</b>			
<b>Raw material consumed</b>			
Opening stock	12	1,974,244	3,926,398
Purchases		16,299,896	15,408,233
		<u>18,274,140</u>	<u>19,334,631</u>
Closing stock	12	(1,349,086)	(1,974,244)
		<u>16,925,054</u>	<u>17,360,387</u>
<b>Manufacturing overheads</b>			
Stores and spares consumed		1,941,933	1,888,154
Salaries, wages and other benefits	31.1.1.1	385,580	363,392
Depreciation	7.1.6	354,908	269,893
Fuel and power		3,033,895	4,597,383
Ijarah rentals		18,953	22,239
Cartage		52,166	45,642
Repairs and maintenance		14,434	14,422
Rent, rates and taxes		678	3,461
Insurance		3,706	5,598
Conveyance and travelling		27,037	23,870
Entertainment expenses		8,050	5,534
Vehicle running expense		6,806	6,899
Others		5,701	6,306
		<u>5,853,847</u>	<u>7,252,793</u>
		<u>22,778,901</u>	<u>24,613,180</u>
31.1.1.1 Includes Rs. 12.282 million (2019: Rs.7.339 million) in respect of staff retirement benefits.			
31.1.2 Includes Rs. 16.290 million (2019: Rs. 11.753 million) in respect of staff retirement benefits.			
<b>31.2 Cost of sales – trading</b>			
Opening stock		2,550	2,090
Purchases		-	26,609
Cost of bars used for own use		(2,550)	-
Closing stock	12	-	(2,550)
		<u>-</u>	<u>26,149</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 32. DISTRIBUTION COSTS

	Note	2020	2019
		---- (Rupees in '000') ----	
Salaries, allowances and other benefits	32.1	135,077	111,659
Carriage and transport		268,052	246,774
Advertisement and sales promotion		121,809	253,324
Depreciation	7.1.6 & 8.1	31,555	10,305
Utilities		5,739	6,886
Bundling and special order charges		52,803	42,923
Rent, rates and taxes		1,334	3,827
Vehicle running expense		4,915	3,858
Travelling and conveyance		8,904	5,736
Packing material		27,558	12,361
Repair and maintenance		17,178	11,473
Entertainment		1,446	1,345
Others		5,708	6,014
		<u>682,078</u>	<u>716,485</u>

32.1 Includes Rs. 9.152 million (2019: 4.847 million) in respect of staff retirement benefits.

## 33. ADMINISTRATIVE EXPENSES

	Note	2020	2019
		---- (Rupees in '000') ----	
Salaries, allowances and other benefits	33.1	315,498	289,201
Depreciation	7.1.6 & 8.1	24,606	21,251
Amortisation	9	12,903	11,703
Travelling and conveyance		6,538	5,944
Legal and professional charges		30,730	27,035
Research expenses	7.2	22,240	-
Vehicles running expenses		11,972	12,329
Entertainment		7,187	10,426
Security guard expenses		4,498	4,023
Insurance		1,537	1,894
Computer consumables		25,212	21,792
Rent, rates and taxes		888	7,174
Communication charges		5,888	8,738
Printing and stationery		4,309	4,149
Utilities		4,928	7,564
Auditors' remuneration	33.2	2,721	2,505
Repairs and maintenance		10,120	14,679
Ijarah rentals		10,298	8,791
Others		1,315	2,548
		<u>503,388</u>	<u>461,746</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

33.1 Include Rs. 22.564 million (2019: 12.630 million) in respect of staff retirement benefits.

	Note	2020	2019
		---- (Rupees in '000') ----	
<b>33.2 Auditors' remuneration</b>			
Audit fee		1,675	1,525
Review of half yearly financial statements and other certifications		600	540
Out of pocket expenses		446	440
		<u>2,721</u>	<u>2,505</u>

## 34. OTHER EXPENSES

Exchange loss		77,923	5,807
Donations	34.1	16,465	11,897
		<u>94,388</u>	<u>17,704</u>

34.1 Donations include the following donees to whom donations exceed 10% of total donation or 1 million whichever is higher:

Saylani Welfare International		2,262	-
Sina Health ,Education and Welfare		1,200	-
The Citizen Foundation		2,800	3,350
Khana Ghar		1,644	1,414
		<u>7,906</u>	<u>4,764</u>

34.2 Recipients of donations do not include any donee in which any director or his spouse had any interest except for donation paid to Hunar Foundation. Mr. Abbas Akber Ali – a non-executive director is also a trustee of the said Foundation.

## 35. OTHER INCOME

	Note	2020	2019
		---- (Rupees in '000') ----	
<b>Income from financial assets</b>			
- Profit on saving accounts		200	897
- Profit on TDRs		1,860	836
		<u>2,060</u>	<u>1,733</u>
<b>Income from non-financial assets</b>			
- Gain on disposal of property, plant and equipment		1,002	909
- Scrap sales		4,347	4,454
- Government grant		758	-
		<u>6,107</u>	<u>5,363</u>
		<u>8,167</u>	<u>7,096</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 36. FINANCE COSTS

	Note	2020	2019
		---- (Rupees in '000') ----	
<b>Markup / interest</b>			
Long-term borrowings		660,129	206,035
Short-term borrowings		1,386,164	835,590
Murabaha		206,479	184,513
Loan from a director		26,410	18,072
Right-of-use-assets		6,368	-
Markup on Worker's Profit Participation Fund		-	9,150
		<u>2,285,550</u>	<u>1,253,360</u>
Bank charges		13,721	8,943
		<u>2,299,271</u>	<u>1,262,303</u>

## 37. TAXATION

Current tax	37.1	397,563	-
Deferred		(1,051,409)	(99,984)
		<u>(653,846)</u>	<u>(99,984)</u>

37.1 The return of income for the tax year 2019 has been filed by the Company. The said return, as per the provisions of Section 120 of the Income Tax Ordinance, 2001 has been deemed to be an assessment order passed by the Commissioner of Inland Revenue. During the year, provision for current tax is based on minimum tax and final tax regime. Accordingly, tax reconciliation has not been presented in these financial statements.

## 38. BASIC AND DILUTED EARNINGS PER SHARE

	Note	2020	2019
		---- (Rupees in '000') ----	
Net (loss)/profit for the year		<u>(1,126,617)</u>	<u>32,823</u>
		-----Number of shares-----	
Weighted average number of ordinary shares of Rs. 10/- each		<u>297,011,427</u>	<u>297,011,427</u>
		----- (Rupees) -----	
Basic and diluted earnings per share		<u>(3.79)</u>	<u>0.11</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Note	2020		
		Chief Executive	Executives	Total
		(Rupees in '000)		
Managerial remuneration		10,800	88,624	99,424
Housing allowance		4,860	39,880	44,740
Utilities & conveyance		4,860	39,880	44,740
Medical		1,080	8,862	9,942
Gratuity		1,800	16,488	18,288
Others	39.3	-	15,446	15,446
		23,400	209,180	232,580
Number		1	31	32

	Note	2019		
		Chief Executive	Executives	Total
		(Rupees in '000)		
Managerial remuneration		10,800	72,938	83,738
Housing allowance		4,860	32,813	37,673
Utilities & conveyance		4,860	32,733	37,593
Medical		1,080	5,964	7,044
Bonus		-	14,464	14,464
Gratuity	39.3	1,800	10,327	12,127
Others		-	11,023	11,023
		23,400	180,262	203,662
Number		1	31	32

39.1 The Chief Executive and the Chairman are provided with free use of Company maintained cars and club memberships with certain reimbursements pertaining to business purposes in accordance with their entitlements.

39.2 The aggregate amount paid to the Six Non-Executive Directors (2019: Six Non-Executive Directors) as a fee for attending the meetings is Rs.4.675 million (2019: Rs. 2.35 million).

39.3 Other includes payment against car benefit allowance, drivers salaries, Mobile allowance, achievement of KPI and career merit points etc.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 40. CASH (USED IN) / GENERATED FROM OPERATIONS

	Note	2020	2019
		---- (Rupees in '000') ----	
<b>Cash flows from operating activities</b>			
<b>Loss before taxation</b>		(1,780,463)	(67,161)
<b>Adjustments for:</b>			
Depreciation – operating fixed assets	7.1.4	859,352	684,898
Depreciation – right-of-use-asset	8.1	10,816	-
Amortization		12,903	11,703
Unrealised exchange loss		7,677	5,807
Allowance for expected credit loss	13.1	185,243	39,603
Provision for gratuity	23	60,288	36,569
Gain on disposal of operating fixed assets	35	(1,002)	(909)
Finance costs	36	2,299,271	1,262,303
		3,434,548	2,039,974
Operating profit before working capital changes		1,654,085	1,972,813
<b>(Increase) / decrease in current assets:</b>			
Stores and spares		(345,595)	(468,144)
Stock-in-trade		(1,453,733)	872,470
Trade debts		(1,682,854)	(1,654,620)
Loans and advances		(10,118)	4,579
Trade deposits and short-term prepayments		(610,240)	8,294
Other receivables		(400,558)	99,787
		(4,503,098)	(1,137,634)
<b>Increase in current liabilities:</b>			
Trade and other payables		680,865	295,833
Contract liabilities		682,000	40,344
		1,362,865	336,177
<b>Cash (used in) / generated from operations</b>		<u>(1,486,148)</u>	<u>1,171,356</u>

## 41. CASH AND CASH EQUIVALENTS

	Note	2020	2019
		---- (Rupees in '000') ----	
Cash and bank balances	17	509,361	147,039
Running finance	28	(1,653,578)	(1,752,816)
		<u>(1,144,217)</u>	<u>(1,605,777)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk, credit risk, liquidity risk and operational risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. COVID-19 has adversely impacted the company as explained in detail in note 1 of these financial statements. The Company's risk management function continues to monitor the developing situation and proactively manage any risk arising thereof.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

### 42.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. There has been no change in the Company's exposure to market risk or the manner in which this risk is managed and measured. Under market risk the Company is exposed to interest rate risk, currency risk and other price risk (equity price risk).

#### 42.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company mitigates its risk against exposure by maintaining adequate bank balances. The Company interest rate risk arises from long-term financing, short-term borrowings, murabaha and term deposit receipts having floating rates. Change in benchmark interest rate by 1% may have a positive or negative impact of approximately Rs. 204 million (2019: 144.77 million) in statement of profit or loss. The analysis is made based on the assumption that all other variables remain constant.

#### 42.1.2 Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It mainly arises where receivables and payables exist due to transactions in foreign currency. The Company's exposure to the risk of changes in foreign exchange rates relate primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

	2020		2019	
	US Dollar	Euro	US Dollar	Euro
Trade and other payables	-	112,242	74,848	300,584
Short-term borrowings	526,200	-	-	-

The following significant exchange rates have been applied at the reporting dates:

	————(Rupees)————		————(Rupees)————	
Closing exchange rates	168.75	189.73	164.5	184.52

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonable possible change in the US Dollar and Euro exchange rate, with all other variables held constant, of the company's profit before taxation:

	Change in US Dollar rate (%)	Effect on profit before tax	Change in Euro rate (%)	Effect on profit before tax
	-----Rupees in '000'-----			
30 June 2020	+10	8,880	+10	2,130
	-10	(8,880)	-10	(2,130)
30 June 2019	+10	1,231	+10	5,546
	-10	(1,231)	-10	(5,546)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / loss for the year and assets and liabilities of the Company

## 42.1.3 Equity price risk

Price risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk as currently the Company has no investments in equity securities.

## 42.2 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Risk Management function is regularly conducting detailed analysis on Sectors/Industries and identify the degree by which the Companies' customers and their businesses have impacted amid COVID-19. Keeping in view short term and long-term outlook of each sector, management has taken into consideration the factors while calculating expected credit losses against trade debts and other receivables.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 ---- (Rupees in '000') ----	2019
Investments	10	15,289	15,289
Trade debts	13	4,900,333	3,402,722
Loans	14	15,656	4,577
Security deposits	15	633,026	10,403
Other receivables	16	848	347
Bank balances	17	471,233	100,008
		<u>6,036,385</u>	<u>3,533,346</u>

## 42.2.1 Credit quality of financial assets

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as shown below:

### Trade debts

The ageing of trade debts at the statement of financial position date was:

	Note	2020 ---- (Rupees in '000') ----	2019
<b>Neither past due nor impaired</b>		2,673,884	1,672,058
Past due 1 to 90 days		1,469,707	1,606,316
Past due 91 to 180 days		811,367	110,779
More than 180 days		297,368	180,319
		<u>5,252,326</u>	<u>3,569,472</u>
<b>Bank balances</b>			
Ratings			
A1+		455,942	59,222
A-1		9,461	32,741
A-2		1,592	3,925
A-3		4,238	4,120
	17	<u>471,233</u>	<u>100,008</u>
<b>Investments</b>			
Ratings			
AAA		1,000	1,000
A+		14,289	14,289
	10	<u>15,289</u>	<u>15,289</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 42.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with the financial instruments. Due to COVID-19 outbreak company's customers and their businesses have been adversely impacted. The management is closely monitoring the Company's liquidity and cash flow position through its treasury function and ensures availability of funds by maintaining credit facilities available from financial institutions. The liquidity management also involves monitoring of liquidity ratios and maintaining debt financing plans.

Table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

2020	Less than 3 months	3 to 12 Months	1 to 5 Years	More than 5 years	Total
	(Rupees in '000')				
Long-term financing	37,548	1,319,985	5,241,568	158,249	6,757,350
Loan from director	-	20,148	405,212	-	425,360
Trade and other payables	2,519,331	1,073,568	-	-	3,592,899
Contract liabilities	962,783	-	-	-	962,783
Accrued mark-up	392,520	185,199	-	-	577,719
Short-term borrowings	5,121,934	6,790,894	-	-	11,912,828
	<u>9,034,116</u>	<u>9,389,794</u>	<u>5,646,780</u>	<u>158,249</u>	<u>24,228,939</u>
2019	Less than 3 months	3 to 12 Months	1 to 5 Years	More than 5 years	Total
	(Rupees in '000')				
Long-term financing	331,116	855,438	1,506,914	-	2,693,468
Loan from director	-	-	280,000	-	280,000
Trade and other payables	2,491,459	933,259	-	-	3,424,718
Contract liabilities	280,783	-	-	-	280,783
Accrued mark-up	313,356	39,432	-	-	352,788
Short-term borrowings	4,334,589	4,753,342	-	-	9,087,931
	<u>7,751,303</u>	<u>6,581,471</u>	<u>1,786,914</u>	<u>-</u>	<u>16,119,688</u>

## 42.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the Company. This responsibility encompasses the controls in the following areas:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

COVID-19 pandemic has created an unprecedented challenge for company in terms of Business Continuity Management. The company is closely monitoring the situation and has invoked required actions to ensure the safety and security of company's staff and uninterrupted service to customers.

Business Continuity Plans for respective areas are in place and tested. Work-from-Home capabilities have been enabled for staff where required, while ensuring adequate controls to ensure that company's information assets are adequately protected from emerging cyber threats.

## 42.5 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern, maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

During the year, the Company's strategy was to minimize leveraged gearing. The Company finances its expansion projects through borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. As of the date of statement of financial position, the Company was financed through equity and debt.

	Note	2020	2019
		---- (Rupees in '000') ----	
<b>Gearing ratio</b>			
Long-term financing	20	6,241,487	2,693,468
Trade and other payables	26	3,731,308	3,560,081
Contract liabilities		962,783	280,783
Lease liabilities	24	63,600	-
Accrued mark-up	27	577,719	352,787
Short-term borrowings	28	11,912,828	9,087,930
Total debt		<u>23,489,725</u>	<u>15,975,048</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	Note	2020 ---- (Rupees in '000') ----	2019
Cash and bank balances	17	(509,361)	(147,039)
<b>Net debt</b>		<b>22,980,364</b>	<b>15,828,010</b>
Share capital	18	2,970,114	2,970,114
Reserves		5,854,461	6,912,270
Surplus on revaluation of property, plant and equipment	19	2,288,611	2,361,200
<b>Total equity</b>		<b>11,113,186</b>	<b>12,243,585</b>
<b>Equity and net debt</b>		<b>34,093,550</b>	<b>28,071,594</b>
<b>Gearing ratio</b>		<b>67%</b>	<b>56%</b>

## 42.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate fair values.

The following table shows assets recognized at fair value, analyzed between those whose fair value is based on:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Those involving Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

	2020			2019
	Level 1	Level 2	Level 3	Total
	(Rupees in '000')			
Property, plant and equipment	-	14,791,015	-	14,791,015
				14,586,191

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 43. FINANCIAL INSTRUMENTS BY CATEGORY

Note                      2020                      2019  
---- (Rupees in '000') ----

### 43.1 Financial assets as per statement of financial position

#### At amortised cost

Term deposit receipt	10	15,289	15,289
Trade debts	13	4,900,333	3,402,722
Loans	14	15,656	4,577
Accrued profit on term deposits receipts		848	347
Bank balances	17	471,233	100,008

### 43.2 Financial liabilities as per statement of financial position

#### At amortised cost

Long term financing	20	6,241,488	2,693,468
Loan from related party	21	341,333	280,000
Trade payable	26	3,592,898	3,424,718
Interest / mark up accrued	27	577,719	352,787
Short term borrowing	28	11,912,828	9,087,930
Unclaimed dividend		5,990	6,580

## 44. TRANSACTIONS WITH RELATED PARTIES

Related parties include comprise associated companies, directors and key management personnel of the Company. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

44.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

Nature of transactions                      Note                      2020                      2019  
---- (Rupees in '000') ----

#### Transaction with directors

- Loan from non-executive director		188,000	298,072
- Repayment of loan to director		(214,932)	-

#### Transactions with associates

- Purchase of bakery items from Hobnob Bakeries		195	-
- Sale of bars to The Hunar Foundation		1,112	1,321
- Donation to The Hunar Foundation		873	200

#### Transactions with shareholder

- Loan received during the year		60,000	-
---------------------------------	--	--------	---

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

44.1.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

S.No	Company Name	Basis of association	Aggregate % of shareholding
1	Paramount Steel Company	Associate (common directorship)	-
2	Shershah Industries (Private) Limited	Associate (common directorship)	-
3	Hobnob Bakeries	Associate (common directorship)	-
4	Amreli Holding (Private) Limited	Associate (common directorship)	-
5	Hi-Tech Metals Special Economic Zone (Private) Limited	Associate (common directorship)	-
6	The Hunar Foundation	Associate (common directorship)	-
7	Caravan of Life Trust	Associate (common directorship)	-
8	Amreli Global Enterprises ( Private ) Limited	Associate (common directorship)	-
9	Mr. Hadi Abbas Akberali	Shareholder	12.70%
10	Ms. Kinza Shayan	Director	0.59%
11	Mr. Abbas Akberali	Director	30.74%

44.1.2 None of the key management personnel had any arrangements with the Company other than the employment contract.

## 45. PLANT CAPACITY AND ACTUAL PRODUCTION

	Note	2020 ---- (Metric Ton) ----	2019
<b>45.1 Billets</b>			
Plant – Nameplate capacity		600,000	600,000
Actual production		294,882	297,283
<b>45.2 Bars</b>			
Plant – Nameplate capacity		605,000	605,000
Actual production		273,103	290,892

45.3 Production decreased due to closure of plant for one and half months due to COVID-19 pandemic and contraction of economy.

## 46. OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment. Total sales of the Company relating to customers in Pakistan were 99.67% during the year ended June 30, 2019 (June 30, 2019: 99.72%).

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

Sales to twenty major customers of the Company are around 32% during the year ended June 30, 2020 (June 30, 2019: 32%).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 46.1 Geographical information

The Company's gross revenue from external customers by geographical location is detailed below:

	Note	2020	2019
		---- (Rupees in '000') ----	
Domestic sales		30,994,340	28,524,200
Export sales		86,501	79,535
46.1.1 Region wise export sales are as under:			
China		-	16,350
Korea		86,501	63,185
		<u>86,501</u>	<u>79,535</u>

## 47. NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

		---- (Numbers) ----	
Total number of employees' as at 30 June 2020		<u>1,398</u>	<u>1,388</u>
Average number of employees' during the year		<u>1,393</u>	<u>1,345</u>

## 48. GENERAL

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

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

## 49. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 11 September 2020 by the Board of Directors of the Company.

  
Chief Executive

  
Director

  
Chief Financial Officer

# **FROM SOWING THE SEEDS OF SUCCESS TO REAPING A RAPPORT**



**OTHER  
INFORMATION**

# INVESTORS' EDUCATION

In pursuance of SRO 924(1)/2015 dated, 9th September 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following information message has been reproduced to educate investors.

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\*Mobile apps are also available for download for android and ios devices.



# STANDARD REQUEST FORM FOR TRANSMISSION OF ANNUAL AUDITED ACCOUNTS AND NOTICE OF ANNUAL GENERAL MEETINGS

The Company Secretary  
Amreli Steels Limited  
A-18, S.I.T.E.  
Karachi, Pakistan

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO 787(I)/2014 dated September 8, 2014 and SRO 470(1)/2016 dated May 31, 2016 whereby the companies are allowed to circulate their Annual Audited Accounts (i.e. Annual Balance Sheet, Profit and Loss Account, Statements of Comprehensive Income, Cash Flow Statement, Notes to the Financial Statements, Auditor's and Director's Report) alongwith Notice of the Annual General Meetings to its members either through email at their registered e-mail address "OR" hard copy at their registered mailing addresses.

Shareholders who wish to receive the Annual Audited Accounts alongwith Notice of the Annual General Meetings through e-mail or hardcopy shall have to fill the below details and send the duly filled form to the Company Secretary at the Company's Registered Office.

I/We, being member(s) of Amreli Steels Limited, desires and hereby consent either for Option-1 "or" Option-2 to receive the Annual Audited Accounts alongwith Notice of the Annual General Meeting(s) of Amreli Steels Limited either through e-mail or hardcopy, in pursuance of the aforesaid two SROs.

## Option-1 – Via Email

Name of the Member: \_\_\_\_\_

CNIC No. / Passport No: \_\_\_\_\_

Folio / CDC Participant ID/ Sub Investor Account Number: \_\_\_\_\_

Valid Email Address: \_\_\_\_\_

(to receive Annual Audited Accounts and Notice of General Meeting(s) through email instead of hard copy/CD /DVD/USB)

## Option-2 – Hard Copy

Name of the Member: \_\_\_\_\_

CNIC No. / Passport No: \_\_\_\_\_

Folio / CDC Participant ID/ Sub Investor Account Number: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

(to receive Annual Audited Accounts and Notice of General Meeting(s) through hard copy instead of email/CD /DVD/USB)

I/We hereby confirm that the above mentioned information is correct and in case of any change therein, I/we, undertake to immediately intimate to the Company through revised Request Form.

\_\_\_\_\_  
Member's Signature

Date: \_\_\_\_\_

**AFFIX  
CORRECT  
POSTAGE**

The Company Secretary  
**Amreli Steels Limited**  
A-18, S.I.T.E, Karachi, Pakistan  
UAN: 111-267-354  
Fax: +92-21-32587240, 38798328  
URL: [www.amrelisteels.com](http://www.amrelisteels.com)

# E-DIVIDEND MANDATE FORM

## MANDATORY CREDIT OF DIVIDEND INTO BANK ACCOUNT

To: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

**Dear Sir/Madam,**

The undersigned being member of **AMRELI STEELS LIMITED** (the Company), hereby authorize the Company that all my cash dividend amounts declared by the Company, from time to time, be credited into the bank account as per following details:

(i) Shareholder's Details	
Name of the shareholder	
Folio No. / CDC Participants ID & Sub Acc. No./CDC IAS Account	
CNIC/NICOP No. (Please attach copy)	
Passport No.[in case of Foreign Shareholder] (Please attach copy)	
Land Line Phone No.	
Cellphone No.	
Email Address.	
(ii) Shareholder's Bank Details	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
International Bank Account Number (IBAN) (24 digit)	

It is stated that the above mentioned information is correct that I will intimate the change in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

\_\_\_\_\_  
Signature of the member/shareholder  
(Please affix company stamp in case of corporate entity)

### NOTE:

1. Please provide complete IBAN after consultation with your bank branch. In case of any error or omission in given IBAN, the Company will not be held responsible in any manner for any loss or delay in your cash dividend payment.
2. In case of physical shares, a duly filled-in e-Dividend Mandate Form shall be submitted with the Company's Share Registrar. While for shares held in CDC, E-Dividend Mandate Form shall be submitted directly to member's broker/participant/CDC as required by the Central Depository Company of Pakistan Limited vide its Circular No. 16 of 2017 issued on August 31, 2017.



**AFFIX  
CORRECT  
POSTAGE**

The Company Secretary  
**Amreli Steels Limited**  
A-18, S.I.T.E, Karachi, Pakistan  
UAN: 111-267-354  
Fax: +92-21-32587240, 38798328  
URL: [www.amrelisteels.com](http://www.amrelisteels.com)

# PROXY FORM

The Company Secretary  
Amreli Steels Limited  
A-18, S.I.T.E, Karachi.

We \_\_\_\_\_ S/o, W/o \_\_\_\_\_, being member(s) of Steels Limited (the Company), holding \_\_\_\_\_ ordinary shares as per Registered Folio No. / CDC Participant I.D No. \_\_\_\_\_ and Sub Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ S/o, W/o \_\_\_\_\_ as my / our proxy to attend, act and vote on my / our behalf at the 36th Annual General Meeting of the Company to be held on 27th day of October 2020 Karachi and at any adjournment thereof.

Signed this \_\_\_\_ day of \_\_\_\_\_ 2020.

Affix  
Revenue  
Stamp

\_\_\_\_\_  
Signature of Shareholder

## WITNESS:

-1)

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

CNIC / Passport No. \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

-2)

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

CNIC / Passport No. \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

## NOTE:

1. The proxy form, duly completed and signed, must be received at the Registered Office of the Company, A-18, S.I.T.E. Karachi, not less than 48 hours before the time of holding the meeting.
2. All members are entitled to attend and vote at the Meeting.
3. If a member appoints more than one proxy for the annual general meeting and more than one instruments of proxy are deposited by the member with the Company, all such instruments of proxy shall be rendered invalid.
4. Members are requested to notify any changes in their address immediately.

**AFFIX  
CORRECT  
POSTAGE**

The Company Secretary  
**Amreli Steels Limited**  
A-18, S.I.T.E, Karachi, Pakistan  
UAN: 111-267-354  
Fax: +92-21-32587240, 38798328  
URL: [www.amrelisteels.com](http://www.amrelisteels.com)

# پراکسی فارم

کمپنی سیکرٹری

امریلی اسٹیلو لمیٹڈ

A-18، سائٹ، کراچی۔

میں / ہم \_\_\_\_\_ سکشن / ساکنان \_\_\_\_\_ بطور ممبر \_\_\_\_\_  
(ممبران) امریلی اسٹیلو لمیٹڈ حامل / حاملین \_\_\_\_\_ عام حصص بحوالہ فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_  
اور ذیلی اکاؤنٹ نمبر \_\_\_\_\_ بذریعہ ہذا جناب / محترمہ \_\_\_\_\_ سکشن / ساکنان \_\_\_\_\_  
کو اپنا / ہمارا پراکسی مقرر کرتا / کرتی ہوں / کرتے ہیں تاکہ وہ میری / ہماری جانب سے کمپنی کے 36 ویں سالانہ  
اجلاس عام مورخہ 27 اکتوبر 2020 دن 03:30 بجے بمقام کراچی میں شرکت کرے اور حق رائے دہی استعمال کرے، یا مذکورہ اجلاس منسوخ ہونے کی صورت میں اس کی جگہ  
ہونے والے دیگر اجلاس میں شریک ہو۔

دستخط شدہ بروز \_\_\_\_\_ مورخہ \_\_\_\_\_ 2020۔

ریونیو ممبر  
یہاں چسپاں  
کر کریں

دستخط حامل / حاملین حصص

گواہ نمبر 1	گواہ نمبر 2
دستخط: _____	دستخط: _____
نام: _____	نام: _____
پتہ: _____	پتہ: _____
قومی شناختی کارڈ / ماسپیورٹ نمبر: _____	قومی شناختی کارڈ / ماسپیورٹ نمبر: _____

## اہم نکات:

- 1۔ باقاعدہ پرشدہ اور دستخط شدہ پراکسی فارم کمپنی کے رجسٹرڈ شدہ دفتر A-18 سائٹ کراچی میں اجلاس منعقد ہونے سے کم از کم 48 گھنٹے قبل موصول ہو جانے چاہئیں۔
- 2۔ تمام ممبران اجلاس میں شرکت کرنے اور ووٹ ڈالنے کا استحقاق رکھتے ہیں۔
- 3۔ اگر کسی ممبر کی جانب سے سالانہ اجلاس عام میں شرکت کیلئے ایک سے زائد پراکسی کا انتخاب کیا جاتا ہے اور اس سلسلے میں ایک سے زائد پراکسی فارم کمپنی کے پاس جمع کروائے جاتے ہیں تو ایسے تمام فارم مسٹر دکرئیے جائیں گے۔
- 4۔ اگر ممبران کے پتے میں کسی بھی قسم کی کوئی تبدیلی واقع ہوئی ہے تو اس سے فوری طور پر مطلع کریں۔

صحیح مہر  
چسپاں  
شکرین

کمپنی سیکرٹری  
امریلی اسٹیل ملز لمیٹڈ  
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