



# BUILDING DREAMS

INTERIM  
FINANCIAL REPORT  
(UNAUDITED)

FOR THE HALF YEAR ENDED  
DECEMBER 31, 2019

**MUGHAL**  
STEEL

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mirza Javed Iqbal  
*Non-Executive Director - Chairman*  
 Abdul Rehman Qureshi  
*Non-Executive / Independent Director*  
 Shoaib Ahmad Khan  
*Non-Executive / Independent Director*  
 Mariam Khawar  
*Non-Executive / Independent Director*  
 Khurram Javaid  
*Executive Director / Chief Executive Officer*  
 Muhammad Mubeen Tariq Mughal  
*Executive Director*  
 Jamshed Iqbal  
*Executive Director*  
 Fazeel Bin Tariq  
*Non-Executive Director*  
 Fahad Javaid  
*Non-Executive Director*

### AUDIT COMMITTEE

Abdul Rehman Qureshi  
*Chairman*  
 Fazeel Bin Tariq  
*Member*  
 Fahad Javaid  
*Member*

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Abdul Rehman Qureshi  
*Chairman*  
 Mirza Javed Iqbal  
*Member*  
 Fazeel Bin Tariq  
*Member*

### CHIEF OPERATING OFFICER

Shakeel Ahmed  
 Tel: + 92-42-35960841 Ext:154  
 E-mail: Shakeel.ahmad@mughalsteel.com

### CHIEF FINANCIAL OFFICER

Muhammad Zafar Iqbal  
 Tel: + 92-42-35960841 Ext:138  
 E-mail: zafariqbal@mughalsteel.com

### COMPANY SECRETARY

Muhammad Fahad Hafeez  
 Tel: + 92-42-35960841 Ext:155  
 E-mail: fahadhafeez@mughalsteel.com

### STOCK EXCHANGE LISTING

Mughal Iron & Steel Industries Limited is a listed Company and its shares are traded on the Pakistan Stock Exchange Limited ("PSX"). The Company's shares are quoted in leading dailies under the Engineering Sector with symbol "MUGHAL".

### INVESTOR RELATIONS

Financial analysts, stock brokers, interested investors and financial media desiring information regarding the Company should contact Muhammad Fahad Hafeez at the Company's Registered Office, Lahore. Tel: + 92+ 42-35960841 Ext: 155  
 Email: fahadhafeez@mughalsteel.com



### SHARES REGISTRAR

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to:

THK Associates (Private) Limited  
 1st Floor, 40-C, Block 6, P.E.C.H.S. Karachi, Pakistan.  
 Tel: + 92+ 21-111-000-322  
 + 92+ 21-34168270  
 Email: sfc@thk.com.pk  
 Web: www.thk.com.pk

### SHAREHOLDER COMPLAINT HANDLING CELL

Incise of shareholder complaints/queries,  
 Please Contact: Usman Faiz  
 Tel : + 92+ 42-35960841Ext:136  
 Email: fahadhafeez@mughalsteel.com

### AUDITORS

Fazal Mahmood & Company  
 Chartered Accountants

### LEGAL ADVISOR

H.M. Law Associates

### TAX ADVISORS

Akhtar Ali Associates  
 Juris Counsel (Butt & Company)

### Credit Rating by Pakistan Credit Rating Agency

Long-term entity rating (A-)  
 Short-term entity rating (A2)

### BANKERS

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

### GEOGRAPHICAL PRESENCE

Registered / Corporate office  
 31 -A Shadman I  
 Lahore, Pakistan  
 Tel: + 92+ 42-35960841-3  
 Fax: + 92+ 42-35960846  
 Email: info@mughalsteel.com

### Sale centers and warehouse

Badami Bagh  
 Lahore, Pakistan

### Factory & warehouses

17-Km Sheikhpure Road  
 Lahore, Pakistan

### Company Website:

www.mughalsteel.com  
 Note: Company's Financial Statements are also available at the above website.

## COMPANY PROFILE

Mughal Iron & Steel Industries Limited ("Mughal Steel") was incorporated in 2010 as a public limited company. The Company took over the running business of a partnership concern by the name of "Mughal Steel" which had been in the steel business for over 50 years and was being run by the major sponsors of the Company. Today, the Company is one of the leading steel companies in Pakistan in the long rolled steel sector, equipped with depth of technical and managerial expertise, a reputation for reliability and a sharply defined business focus, which has forged the organization into a modern, highly competitive supplier of steel products. The management team is being led by Mr. Khurram Javaid, Director and CEO.

At Mughal Steel we work with passion and expertise to develop high-quality products and intelligent industrial processes that create sustainable infrastructures and promote efficient use of resources. We combine our innovative engineering capabilities with traditional strengths in materials. This means we create value for our customers and can successfully exploit the diverse opportunities in the markets of the future. The Company's ability to generate profits throughout the fluctuations of the steel industry cycle is testimony to the success of years of intensive business re-engineering and the cultivation of a continuous improvement culture that has embedded the Company's position amongst the highest quality and lowest cost producers of steel.

Our primary goal is to supply quality, reliable and durable steel products into the local and nearby markets.

The Company principally operates in long-rolled steel industry and is involved in multidimensional activities from making billets to steel rebars, girders and t-iron. The main markets of the Company are domestic housing sector market both in urban and rural areas and large infrastructure projects market. Currently we supply in Pakistan and export to Afghanistan.

The Company's product range comprises of the following products:

- Steel re-bars (G60 / Mughal Supreme)
- Girders
- T-Iron
- Billets

## DIRECTORS' REVIEW

### Dear valued shareholders,

On behalf of the Board of Directors of **MUGHAL IRON & STEEL INDUSTRIES LIMITED**, we are pleased to present the un-audited condensed interim financial statements of the Company for the half year ended December 31, 2019, the financial results of which are summarized below:

(Rs. in Millions)

	Half year ended December 31,		Variation %
	2019	2018	
<b>Financial highlights</b>			
Net sales	14,078.665	14,076.278	0.02%
Gross profit	1,352.431	1,614.588	(16.24%)
Profit before taxation	342.272	917.120	(62.68%)
Taxation	24.215	(204.121)	111.86%
Profit for the period	366.486	712.999	(48.60%)
Earnings per share – Basic & Diluted	1.46	2.83	(48.60%)

### Business, financial & operational Review

The country's macroeconomic indicators are slowly reverting to a steady trajectory with the stabilization policies and reforms agenda in place. In this process, however, the real GDP growth is expected to remain contained at 2.8%. Inflation has gradually risen and is expected to be around 12% in FY 19-20, highest in the past six years. This is largely explained by supply-side factors on account of upward adjustments in domestic energy prices and recent episodes of depreciation of Pak Rupee. Industrial output moderated on the back of a cut in PSDP outlays, amid monetary tightening, currency depreciation and imposition of regulatory measures.

During the half year ended December 31, 2019, the Company achieved net sales of Rs. 14.078 billion, a slight increase of 0.02% as compared to corresponding period. However, gross profit declined from Rs. 1.614 billion to Rs. 1.352 billion down by 16.24%. This was due to fall in scrap prices internationally due to which sale rates declined immediately in domestic markets by almost 5%, whereas, the impact on average scrap consumption rate due to low price scrap purchases was delayed due to timing difference between opening of LC on cheaper rates and availability of actual material for consumption due to which average scrap consumption remained higher during the December quarter. Further, electricity costs witnessed significant increase during the December quarter resulting in increase in conversion costs. In addition to the above other components of cost of productions were also impacted by the overall prevailing general inflation.

During the half year, the Company also started export of copper ingots which is expected to further diversify the product and market portfolio of the Company.

Sales and marketing expenses decreased from Rs. 97.758 million to Rs. 64.272 million as compared to corresponding period resulting in decrease of 34.25%. The decrease was mainly due to decrease in freight costs and marketing budget. Administrative expenses increased from Rs. 170.611 million to Rs. 196.381 million as compared to corresponding period resulting in increase of 15.10%. The increase was mainly due to increase in human resource costs. Other charges decreased by 57.06% and mainly comprised of workers profit participation fund and workers welfare fund. Other income increased due to increase in return on term-deposit receipts and gain recognized on disposal of property, plant & equipment.

Finance costs increased from Rs. 373.912 million to Rs. 746.618 million as compared to corresponding period, resulting in increase of 99.68%. The reason for increase was mainly due to significant increase in KIBOR rate as compared to corresponding period and increase in average outstanding borrowings.

Taxation for the period resulted in net income of Rs. 24.215 million as compared to net expense of Rs. 204.121 million in the corresponding period. This was mainly due to reversal of over provision of income tax charged in last year by Rs. 44.380 million and reversal of deferred taxation by Rs. 107.419 million. Income tax expense for the period was Rs. 127.584 million.

Resultantly, profit for the period decreased to Rs. 366.486 million as compared to Rs. 712.999 million in corresponding period resulting in decrease of 48.60% mainly due to massive increase in finance cost and fall in gross profit. Earnings per share (EPS) for the current period stood at Rs 1.46 as compared to EPS of Rs. 2.83 in the corresponding period.

Additions in property, plant & equipment mainly represented capital expenditure incurred on expansion projects approved by the Board comprising of BMR of steel rebar re-rolling mill project and installation of new furnaces related project. The steel re-bar re-rolling mill was expected to commence commercial production in December 31, 2019, however, the said timeline has now been extended till March 2020. Inventories comprised of stores, spares and loose tools, raw material and finished goods. Inventories increased by 57.99% from Rs. 5,620.331 million as at June 30, 2019 to Rs. 8,879.676 million as at December 31, 2019. The inventory levels were in line with the production requirements. Further, increase was also due to inventory of in respect of copper ingot related operations. Due from Government stood at Rs. 2,550.420 million as at December 31, 2019 as compared to Rs. 1,460.233 million as at June 30, 2019 and mainly represented income tax and sales tax, whereas, sales tax represented payments made on account of sales tax at import stage and local procurement.

Equity contribution from Directors and their relatives increased from Rs. 165.832 million to Rs. 770.000 million. This was due to additional loan received from directors and their relatives and transfer from Short-term loans from Directors and their relatives as well. The entire portion is repayable at the discretion of the Company. Resultantly, Short-term loans from Directors and their relatives also decreased during the period.

Long-term financing decreased from Rs. 3,339.954 million to Rs. 3,318.870 million and mainly represented long-term financing obtained for Capex projects. Out of total long-term financing, amount of Rs. 696.071 million has been presented under current portion of long-term financing. Trade and other payables increased from Rs. 496.003 million to Rs. 752.435 million resulting in increase of 51.70%. The increase was mainly due to increase in electricity expense and advances received from customers. Accrued profit/interest/mark-up increased from Rs. 321.147 million as at June 30, 2019 to Rs. 433.691 million as at December 31, 2019. The increase in markup was mainly due to increase in average outstanding long-term and short-term loans from banking companies. Short-term loans from banking companies increased from Rs. 9,171.452 million as at June 30, 2019 to Rs. 11,573.019 million as at December 31, 2019. The increase was in line with increase working capital related requirements.

Resultantly, balance sheet footing stood at Rs. 25,470.222 million as of December 31, 2019, compared to Rs. 22,641.009 million as of June 30, 2019. Breakup value per share increased to Rs. 32.48 as of December 31, 2019 from Rs. 29.82 as at June 30, 2019. Current ratio as at December 31, 2019 stood at 1.18:1 as compared to 1.23:1 in June 30, 2019.

### Future outlook

Going forward, the Company, in addition to maintaining and improving its girder and G60 rebar market share, will continue to further penetrate into the retail housing market for Mughal Supreme rebars and will continue to further strengthen its brand image and its value chain through backward vertical integration including increasing further reliance on self-manufactured billet. In addition to the above, the Company will further focus on strengthening its export operations including exploring further export avenues.

### Acknowledgement

The Board remains committed to provide sustained returns to our shareholders, in addition to maintaining our reputation for good governance. Lastly, we would like to thank all stakeholders for their patronage and look forward to their continued support.

For and on behalf of the Board of Directors



**Mirza Javed Iqbal**  
(Chairman of the Board)



**Khurram Javaid**  
(CEO/Director)

Date: February 21, 2020  
Place: Lahore

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**To the members of Mughal Iron & Steel Industries Limited**  
**Report on Review of Condensed Interim Financial Statements**



**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Mughal Iron & Steel Industries Limited as at December 31, 2019 and the related condensed interim statement of profit or loss & other comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, and selected explanatory notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the 'interim financial statements'). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2019 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

**Scope of Review**

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

**Conclusion**

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

The engagement partner on the review resulting in this independent auditor's review report is Imran Akhtar.

*Fazal Mahmood & Co.*  
**Fazal Mahmood & Company**  
Chartered Accountants

Lahore  
Dated: February 21, 2020

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2019 (UNAUDITED)**

Rupees	Note	December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	6.	9,216,734,641	8,584,311,799
Intangible asset		7,938,208	9,381,520
Long-term loans to employees		13,855,263	12,704,229
Long-term deposits		<u>19,745,317</u>	<u>21,430,317</u>
		<u>9,258,273,429</u>	<u>8,627,827,865</u>
<b>CURRENT ASSETS</b>			
Inventories	7.	8,879,675,642	5,620,331,302
Trade debts		2,442,649,111	3,304,003,346
Loans and advances		347,016,088	373,905,875
Deposits, prepayments and other receivables		63,689,112	52,957,817
Due from the government		2,550,420,381	1,460,233,079
Cash and bank balances		<u>1,928,498,581</u>	<u>3,201,749,851</u>
		<u>16,211,948,915</u>	<u>14,013,181,270</u>
		<u>25,470,222,344</u>	<u>22,641,009,135</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital		<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued, subscribed and paid-up capital	8.	2,515,996,500	2,515,996,500
Reserves		4,886,671,742	4,822,104,763
Equity contribution from Directors and their relatives		<u>770,000,000</u>	<u>165,832,548</u>
		<u>8,172,668,242</u>	<u>7,503,933,811</u>
<b>LIABILITIES</b>			
<b>NON - CURRENT LIABILITIES</b>			
Long-term financing	9.	2,622,798,627	2,808,581,748
Deferred taxation		613,305,872	720,725,124
Defined benefit obligation		237,550,162	218,601,201
Deferred liabilities		<u>38,398,645</u>	<u>33,348,645</u>
		<u>3,512,053,306</u>	<u>3,781,256,718</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		752,435,348	496,003,486
Unclaimed dividends		3,034,461	3,037,587
Unpaid dividends		3,931,964	2,624,330
Accrued profit / interest / mark-up		433,691,289	321,147,389
Short-term loans from banking companies - secured	10.	11,573,019,221	9,171,452,321
Short-term loans from Directors and their relatives - unsecured		323,317,370	830,180,982
Current portion of long-term financing	9.	696,071,143	531,372,511
		<u>13,785,500,796</u>	<u>11,355,818,606</u>
		<u>17,297,554,102</u>	<u>15,137,075,324</u>
		<u>25,470,222,344</u>	<u>22,641,009,135</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11.		

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

**Khurram Javaid**  
Chief Executive Officer

**Muhammad Zafar Iqbal**  
Chief Financial Officer

**Muhammad Mubeen Tariq Mughal**  
Director



**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS  
& OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

Rupees	Note	Quarter ended		Half year ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Sales	12.	7,400,809,603	8,059,879,568	14,078,665,740	14,076,277,919
Cost of sales	13.	(6,885,067,052)	(7,178,761,448)	(12,726,234,695)	(12,461,689,439)
<b>GROSS PROFIT</b>		<b>515,742,551</b>	<b>881,118,120</b>	<b>1,352,431,045</b>	<b>1,614,588,480</b>
Sales and marketing expenses		(38,029,911)	(56,511,971)	(64,272,206)	(97,757,626)
Administrative expenses		(105,001,533)	(85,078,835)	(196,381,023)	(170,611,176)
Other charges		(4,567,641)	(35,067,292)	(27,970,876)	(65,136,480)
Other income		11,998,952	6,666,524	25,083,054	9,949,323
Finance cost		(344,176,601)	(210,366,227)	(746,618,101)	(373,912,448)
<b>PROFIT BEFORE TAXATION</b>		<b>35,965,817</b>	<b>500,760,319</b>	<b>342,271,893</b>	<b>917,120,073</b>
Taxation		66,235,653	(139,858,681)	24,214,666	(204,120,631)
<b>PROFIT FOR THE PERIOD</b>		<b>102,201,470</b>	<b>360,901,638</b>	<b>366,486,559</b>	<b>712,999,442</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Other comprehensive income - net of tax		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>102,201,470</b>	<b>360,901,638</b>	<b>366,486,559</b>	<b>712,999,442</b>
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>	14.	<b>0.41</b>	<b>1.43</b>	<b>1.46</b>	<b>2.83</b>

The annexed notes from 1 to 20 form an integral part of this condensed Interim financial statements



**Khurram Javaid**  
Chief Executive Officer



**Muhammad Zafar Iqbal**  
Chief Financial Officer



**Muhammad Mubeen Tariq Mughal**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

Rupees	Reserves						Total Equity
	Capital reserves			Revenue reserve		Equity Contribution from Directors & their relatives	
	Share capital	Share premium account	Contingency reserve	Un-appropriated profit	Sub- total		
<b>BALANCE AS AT JULY 1, 2018</b>	2,515,996,500	439,413,456	980,000,000	2,602,954,923	4,022,368,379	924,037,217	7,462,402,096
Final cash dividend paid for the year ended June 30, 2018 @ Rs. 2.20 per ordinary share i.e. 22%	-	-	-	(553,519,230)	(553,519,230)	-	(553,519,230)
Profit for the period	-	-	-	712,999,442	712,999,442	-	712,999,442
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	712,999,442	712,999,442	-	712,999,442
<b>BALANCE AS AT DECEMBER 31, 2018</b>	<b>2,515,996,500</b>	<b>439,413,456</b>	<b>980,000,000</b>	<b>2,762,435,135</b>	<b>4,181,848,591</b>	<b>924,037,217</b>	<b>7,621,882,308</b>
Profit for the period	-	-	-	659,931,737	659,931,737	-	659,931,737
Other comprehensive loss - net of tax	-	-	-	(19,675,565)	(19,675,565)	-	(19,675,565)
Total comprehensive income for the period	-	-	-	640,256,172	640,256,172	-	640,256,172
Transfer to short-term loans from Directors and their relatives	-	-	-	-	-	(758,204,669)	(758,204,669)
<b>BALANCE AS AT JUNE 30, 2019</b>	<b>2,515,996,500</b>	<b>439,413,456</b>	<b>980,000,000</b>	<b>3,402,691,307</b>	<b>4,822,104,763</b>	<b>165,832,548</b>	<b>7,503,933,811</b>
Final cash dividend paid for the year ended June 30, 2019 @ Rs. 1.20 per ordinary share i.e. 12%	-	-	-	(301,919,580)	(301,919,580)	-	(301,919,580)
Profit for the period	-	-	-	366,486,559	366,486,559	-	366,486,559
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	366,486,559	366,486,559	-	366,486,559
Transfer to Equity contribution from Directors & their relatives	-	-	-	-	-	604,167,452	604,167,452
<b>BALANCE AS AT DECEMBER 31, 2019</b>	<b>2,515,996,500</b>	<b>439,413,456</b>	<b>980,000,000</b>	<b>3,467,258,286</b>	<b>4,886,671,742</b>	<b>770,000,000</b>	<b>8,172,668,242</b>

The annexed notes from 1 to 20 form an integral part of this condensed Interim financial statements



**Khurram Javaid**  
Chief Executive Officer



**Muhammad Zafar Iqbal**  
Chief Financial Officer



**Muhammad Mubeen Tariq Mughal**  
Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

Rupees	Note	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in / generated from operations	15.	(1,536,906,667)	855,624,185
Net decrease in long-term loans to employees		4,298,966	3,545,302
Net decrease in long-term deposits		-	400,000
Defined benefits paid		(6,300,757)	(2,687,611)
Finance cost paid		(634,074,201)	(299,965,729)
Workers' profit participation fund paid		(73,986,000)	(46,140,000)
Income tax paid - net		(492,270,792)	(205,900,359)
<b>Net cash used in / generated from operating activities</b>		<b>(2,739,239,451)</b>	<b>304,875,788</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant & equipment		(762,753,082)	(1,077,867,153)
Proceeds from disposal of tangible fixed assets		40,000,000	900,002
Profit received on term deposit receipts		11,570,084	1,452,154
<b>Net cash used in investing activities</b>		<b>(711,182,998)</b>	<b>(1,075,514,997)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net repayment / proceeds - long-term financing		(21,084,489)	1,088,954,409
Net proceeds from short-term loans from banking companies		2,505,713,017	211,504,410
Net proceeds from equity contribution from directors and their relatives		97,303,840	-
Dividends paid		(300,615,072)	(547,549,661)
<b>Net cash generated from financing activities</b>		<b>2,281,317,296</b>	<b>752,909,158</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,169,105,153)</b>	<b>(17,730,051)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>3,062,493,719</b>	<b>1,251,171,472</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	16.	<b>1,893,388,566</b>	<b>1,233,441,421</b>

The annexed notes from 1 to 20 form an integral part of this condensed Interim financial statements

**Khurram Javaid**  
Chief Executive Officer

**Muhammad Zafar Iqbal**  
Chief Financial Officer

**Muhammad Mubeen Tariq Mughal**  
Director

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

### 1. THE COMPANY AND ITS OPERATIONS

Mughal Iron & Steel Industries Limited (the Company) was incorporated in Pakistan as a public limited company on February 16, 2010 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange Limited (PSX). The principal activity of the Company is manufacturing and sale of mild steel products. The Company is domiciled in Lahore.

The geographical locations and addresses of the Company's business units including plants are as follows:

Business unit:	Geographical location / address:
- Registered office	31-A Shadman-1, Lahore
- Manufacturing plants	17-KM Sheikhpura Road, Lahore
- Warehouses	17-KM Sheikhpura Road, Lahore and Badami Bagh, Lahore
- Sales centres	Badami Bagh, Lahore

### 2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 3. FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements are presented in Pakistani Rupees (Rs.), which is the functional currency of the Company.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2019, except detailed below. These condensed interim financial statements do not include all the information and disclosures as are required for annual audited financial statements, and therefore, should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2019.

During the period, new standard IFRS 16 'Leases' and certain amendments / interpretations became effective and were adopted by the Company. IFRS 16 affects primarily the accounting by lessees and results in the recognition of almost all leases on statement of financial position. The standard removes the distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. Management has assessed the changes laid down by the new standard / amendments / interpretations that became effective during the period and determined that they do not have any significant impact on these condensed interim financial statements.

Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected annual profit or loss. Actuarial valuations are carried out on annual basis. The last actuarial valuation was carried out on June 30, 2019. The impact of remeasurement of retirement benefit plan has not been incorporated in the condensed interim financial statements.

### 5. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

The preparation of condensed interim financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied to the annual audited financial statements of the Company for year ended June 30, 2019, except as disclosed otherwise in respective notes.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

Rupees	Note	December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Tangible fixed assets	6.1	4,973,863,831	4,927,582,733
Capital work-in-progress	6.2	<u>4,242,870,810</u>	<u>3,656,729,066</u>
		<u>9,216,734,641</u>	<u>8,584,311,799</u>
6.1 Following is the movement in tangible fixed assets:			
Opening net book value		4,927,582,733	4,376,855,353
Additions during the period / year:			
Plant and machinery		27,290,999	552,250,259
Office equipment		116,470	1,609,935
Grid station & electric installations		49,899,579	67,543,910
Furniture and fittings		1,342,300	282,169
Vehicles		15,950,228	26,909,545
Trucks and cranes		81,243,766	56,934,350
Computers		767,996	1,011,395
		176,611,338	706,541,563
Disposals during the period / year:			
Plant and machinery		(33,934,959)	-
Vehicles		-	(4,767,690)
Depreciation charged during the period / year		<u>(96,395,281)</u>	<u>(151,046,493)</u>
Closing net book value		<u>4,973,863,831</u>	<u>4,927,582,733</u>
6.2 Following is the movement in capital work-in-progress:			
Opening balance		3,656,729,066	1,927,892,929
Additions during the period / year		586,141,744	2,212,571,226
Transferred during the period / year		-	(483,735,089)
Closing balance		<u>4,242,870,810</u>	<u>3,656,729,066</u>
<b>7. INVENTORIES</b>			
Stores, spares and loose tools			
- in-hand		1,413,542,710	964,734,964
- in-transit		17,403,768	4,625,266
		1,430,946,478	969,360,230
Raw material			
- in hand		5,449,347,517	1,553,471,953
- in-transit		1,305,895,965	1,479,546,548
		6,755,243,482	3,033,018,501
Finished goods		<u>693,485,682</u>	<u>1,617,952,571</u>
		<u>8,879,675,642</u>	<u>5,620,331,302</u>
<b>8. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
This represents 251,599,650 (June 30, 2019: 251,599,650) ordinary shares of Rs. 10/- each. 192.026 million ordinary shares (June 2019: 192.031 million) of Rs. 10/- each were held by major shareholders, key management personnel and their relatives.			

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

Rupees	Note	December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
<b>9. LONG-TERM FINANCING</b>			
Bank Alfalah Limited		918,740,161	1,102,488,193
MCB Islamic Bank Limited		467,049,249	288,436,400
United Bank Limited		266,666,667	304,761,905
Faysal Bank Limited - Barkat Islamic Banking		357,842,550	412,895,250
Askari Bank Limited		306,250,000	350,000,000
Habib Metropolitan Bank Limited		306,250,000	350,000,000
		<u>2,622,798,627</u>	<u>2,808,581,748</u>

9.1 Movement in long-term financing is as follows:

Rupees	Opening balance	Availed	Repaid	Closing balance	Current portion	Long-term portion
Bank Alfalah Limited	1,469,984,258	-	(183,748,032)	1,286,236,226	(367,496,065)	918,740,161
MCB Islamic Bank Limited	329,548,401	219,806,400	-	549,354,801	(82,305,552)	467,049,249
United Bank Limited	400,000,000	-	(57,142,857)	342,857,143	(76,190,476)	266,666,667
Faysal Bank Limited	440,421,600	-	-	440,421,600	(82,579,050)	357,842,550
Askari Bank Limited	350,000,000	-	-	350,000,000	(43,750,000)	306,250,000
Habib Metropolitan Bank Limited	350,000,000	-	-	350,000,000	(43,750,000)	306,250,000
<b>December 31, 2019</b>	<u>3,339,954,259</u>	<u>219,806,400</u>	<u>(240,890,889)</u>	<u>3,318,869,770</u>	<u>(696,071,143)</u>	<u>2,622,798,627</u>
June 30, 2019	829,000,000	2,510,954,259	-	3,339,954,259	(531,372,511)	2,808,581,748

### 10. SHORT-TERM LOANS FROM BANKING COMPANIES - SECURED

Short-term loans from banking companies comprise of:

- Murabaha finance	1,471,708,244	2,363,692,875
- Other short-term loans from:		
- Islamic banks	2,254,617,266	1,075,954,861
- Conventional banks	7,811,583,696	5,592,548,453
	<u>10,066,200,962</u>	<u>6,668,503,314</u>
Temporary bank overdraft	11,537,909,206	9,032,196,189
	<u>35,110,015</u>	<u>139,256,132</u>
	<u>11,573,019,221</u>	<u>9,171,452,321</u>

### 11. CONTINGENCIES AND COMMITMENTS

#### Contingencies

- i) There has been no significant change in the status of contingencies as reported in the annual audited financial statements of the Company for the year ended June 30, 2019.
- ii) Aggregate amount of guarantees issued by banks on behalf of the Company amounted to Rs. 894.042 million. (June 30, 2019: Rs. 985.442 million).

#### Commitments:

- i) Non-capital & Capital commitments

	2,736,550,803	2,822,527,415
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- ii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

Within 1 year	4,315,200	8,527,200
More than 1 but less than 5 years	-	13,169,640
	<u>4,315,200</u>	<u>21,696,840</u>

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

Rupees	Note	Quarter ended		Half year ended	
		December 31,	December 31,	December 31,	December 31,
		2019	2018	2019	2018
		(un-audited)	(un-audited)	(un-audited)	(un-audited)
<b>12. SALES</b>					
Local sales		8,353,288,681	8,059,879,568	16,157,254,157	14,073,343,515
Local trading sales		57,551,037	-	57,551,037	-
		<u>8,410,839,718</u>	<u>8,059,879,568</u>	<u>16,214,805,194</u>	<u>14,073,343,515</u>
Commission		(420,747)	-	(6,807,100)	-
Sales tax		(8,362,117)	-	(8,362,117)	-
Federal excise duty		(1,213,079,613)	-	(2,346,983,004)	-
Sales return		(4,446,634)	-	(4,488,773)	-
		<u>(1,226,309,111)</u>	<u>-</u>	<u>(2,366,640,994)</u>	<u>-</u>
Net local sales		7,184,530,607	8,059,879,568	13,848,164,200	14,073,343,515
Export sales		216,278,996	-	230,501,540	2,934,404
		<u>7,400,809,603</u>	<u>8,059,879,568</u>	<u>14,078,665,740</u>	<u>14,076,277,919</u>
<b>13. COST OF SALES</b>					
Opening stock of finished goods		1,278,946,986	126,894,942	1,617,952,571	239,138,332
Cost of goods manufactured					
- Raw material consumed		4,744,570,130	5,293,266,081	9,309,471,541	8,988,309,253
- Salaries, wages and other benefits		180,215,841	160,831,815	343,208,832	311,347,446
- Stores, spares and loose tools consumed		202,570,258	245,430,115	368,249,145	476,525,420
- Fuel and power		1,069,160,189	1,370,791,329	1,791,923,047	2,422,993,268
- Repair and maintenance		625,831	6,497,435	1,368,229	13,690,072
- Other manufacturing expenses		12,590,689	12,562,098	22,193,966	22,911,476
- Depreciation		41,850,239	33,826,317	81,343,697	58,112,856
		<u>6,251,583,177</u>	<u>7,123,205,190</u>	<u>11,917,758,457</u>	<u>12,293,889,791</u>
Sales tax adjustment		-	-	(164,013,222)	-
Cost of goods sold - local trading sales		48,022,571	-	48,022,571	-
Closing stock of finished goods		(693,485,682)	(71,338,684)	(693,485,682)	(71,338,684)
		<u>6,885,067,052</u>	<u>7,178,761,448</u>	<u>12,726,234,695</u>	<u>12,461,689,439</u>
<b>14. EARNINGS PER SHARE - BASIC AND DILUTED</b>					
Profit for the period		102,201,470	360,901,638	366,486,559	712,999,442
Weighted average number of ordinary shares		251,599,650	251,599,650	251,599,650	251,599,650
Earnings per share - Basic		0.41	1.43	1.46	2.83

14.1 There were no dilutive potential ordinary shares outstanding.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

Rupees	Note	December 31, 2019 (Unaudited)	December 31, 2018 (Unaudited)
<b>15. CASH USED IN / GENERATED FROM OPERATIONS</b>			
Profit before taxation		342,271,893	917,120,073
Adjustments:			
Depreciation		96,395,281	73,181,068
Amortization		1,443,312	1,443,311
Finance cost		746,618,101	373,912,448
Defined benefit charge		25,249,718	16,000,000
Gain on disposal of tangible fixed assets		(6,065,041)	(245,469)
Profit on term deposit receipts		(13,373,444)	(2,832,963)
Provision for workers' profit participation fund		18,479,888	49,063,366
Provision for workers' welfare fund		5,061,721	15,083,889
		<u>873,809,536</u>	<u>525,605,650</u>
Profit before working capital changes		1,216,081,429	1,442,725,723
Effect on cash flow due to working capital changes <i>(Increase) / decrease in current assets:</i>			
Inventories		(3,259,344,340)	(987,693,824)
Trade debts		861,354,235	(83,364,954)
Loans and advances		26,889,787	45,671,988
Deposits, prepayments and other receivables		(7,242,935)	(29,667,671)
Due from the Government		(729,406,758)	458,025,213
		<u>(3,107,750,011)</u>	<u>(597,029,248)</u>
<i>Increase / (Decrease) in current liabilities:</i>			
Trade and other payables		354,761,915	9,927,710
		<u>(1,536,906,667)</u>	<u>855,624,185</u>

**16. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**

Cash and cash equivalents included in the statement of cash flows comprise of the following:

Cash and bank balances	1,928,498,581	1,233,441,421
Temporary bank overdrawn	(35,110,015)	-
	<u>1,893,388,566</u>	<u>1,233,441,421</u>

**17. FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company as at and for the year ended June 30, 2019.



## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

Rupees	Note	Half year ended		As at	
		December 31,	December 31,	December 31,	June 30,
		2019 (un-audited)	2018 (un-audited)	2019 (un-audited)	2019 (audited)
		Transactions		Outstanding Balances	
<b>18. RELATED PARTY DISCLOSURES</b>					
	Details of outstanding balances / transactions with related parties, not otherwise disclosed elsewhere, are as follows:				
	<b>Entities</b>				
	<b>Mughal Steel Metallurgies Corporation Limited</b>				
	Relationship			Common directorship	
	Percentage of shareholding			Nil	
	Detail of outstanding balance				
	Deferred liabilities				
	- Security deposit payable against rent	-	-	-	400,000
	Trade and other payables				
	- Security deposit payable against rent	-	-	400,000	-
	Long-term deposits	-	-	-	400,000
	Deposits prepayments and other receivables				
	- Security deposits	-	-	850,000	-
	Detail of transactions				
	- Billet casting	-	7,234,900	-	-
	- Rental income	1,200,000	1,200,000	-	-
	- Rent expense	2,020,000	1,200,000	-	-
	<b>Al-Bashir (Private) Limited</b>				
	Relationship			Common directorship	
	Percentage of shareholding			Nil	
	Detail of outstanding balance				
	Long-term deposits	-	-	-	500,000
	Deposits prepayments and other receivables				
	- Security deposits	-	-	500,000	-
	Detail of transactions				
	- Rent expense	792,000	720,000	-	-
	<b>Indus Engineering (AoP)</b>				
	Relationship			Common management	
	Percentage of shareholding			N/A	
	Detail of outstanding balance				
	Long-term deposits	-	-	-	200,000
	Deposits prepayments and other receivables				
	- Security deposits	-	-	200,000	-
	Detail of transactions				
	- Rent expense	660,000	600,000	-	-
	<b>Major shareholders, key management personnel and their relatives</b>				
	Detail of outstanding balance				
	Deposits prepayments and other receivables				
	- Security deposits	-	-	135,000	-
	Loans and advances				
	- Key management personnel (other than Directors) and their relatives	-	-	141,500	50,000
	Detail of transactions				
	Major shareholders, Directors and their relatives				
	- Remuneration				
	- Executive Directors	19,200,000	19,200,000	-	-
	- Non-Executive Directors	6,390,000	6,690,000	-	-
	- Rent expense	540,000	-	-	-
	- Proceeds from equity contribution from directors and their relatives	97,303,840	-	-	-
	- Meeting fee	637,500	350,000	-	-
	- Dividend	229,604,238	416,214,403	-	-
	Key management personnel (other than Directors) and their relatives				
	- Salaries and benefits	13,350,000	7,760,000	-	-
	- Dividend	842,340	11,990	-	-

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

There are no transactions with key management personnel other than under the terms of employment and otherwise disclosed, if any.

### 19. DATE OF AUTHORIZATION

These condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 21, 2020.

### 20. GENERAL

The figures have been rounded off to the nearest rupee.

The corresponding figures have been rearranged or reclassified, wherever necessary, for the purpose of comparison, however, no material significant reclassification have been made.

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed statement of financial position as at end of the current interim reporting period has been compared with the statement of financial position as of the end of the immediately preceding financial year, whereas, the condensed statement of profit or loss & other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows have been compared with the relevant statements of comparable interim periods (current and year-to-date) of the immediately preceding financial year.

The cumulative figures for the half year ended December 31, 2019 presented in these condensed interim financial statements have been subjected to limited scope review by the statutory auditors of the Company, as required under section 237 of the Companies Act, 2017.



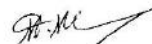
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**Khurram Javaid**  
Chief Executive Officer



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**Muhammad Zafar Iqbal**  
Chief Financial Officer



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**Muhammad Mubeen Tariq Mughal**  
Director

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






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