

# BUILDING DREAMS

INTERIM  
FINANCIAL REPORT  
(UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED  
MARCH 31, 2020

**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

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

### AUDITORS

Fazal Mahmood & Company  
 Chartered Accountants

### LEGAL ADVISOR

H.M. Law Associates

### TAX ADVISORS

Akhhtar 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 nine months period ended March 31, 2020, the financial results of which are summarized below:

(Rs. in Millions)

	Nine months ended March 31,		Variation %
Financial highlights	2020	2019	
Sales	21,296.708	20,938.021	1.71%
Gross profit	1,987.717	2,435.661	(18.39%)
Profit before taxation	328.393	1,338.457	(75.46%)
Taxation	71.311	(263.744)	(127.04%)
Profit for the period	399.704	1,074.713	(62.81%)
Earnings per share – Basic & Diluted	1.59	4.27	(62.81%)

### Business, financial & operational Review

The country's macroeconomic indicators were slowly reverting to a steady trajectory with the stabilization policies and reforms agenda in place. However, with the unprecedented outbreak of the corona virus COVID-19 during the March quarter, steel demand started slowing down and eventually subsequent to the lock down measures taken by the provincial Governments the entire plant operations were closed with effect from last week of March 2020. The situation also led to further devaluation of PKR resulting in foreign currency retranslation losses. However, the Government reduced its policy rate by 225 bps to 11% from 13.25% with further decrease in April 2020.

During the nine months period ended March 31, 2020, the Company achieved net sales of Rs. 21.296 billion, with an increase of 1.71% as compared to corresponding period. However, gross profit declined from Rs. 2.435 billion to Rs. 1.987 billion down by 18.39%. Overall the decrease in gross margins during the nine months period was due to fall in sale rates and increase in raw material costs. However, gross margins witnessed improvement in March 2020 quarter as compared to December 2019 quarter as a result of decrease in average scrap consumption rate, decrease in electricity costs and slight increase in sale rates as compared to previous quarter. Further, Company's sales in month of March 2020 were also affected adversely due to lock down in last week.

Distribution costs decreased from Rs. 173.607 million to Rs. 104.763 million as compared to corresponding period resulting in decrease of 39.66%. The decrease was mainly due to decrease in freight costs and marketing budget. Administrative expenses increased from Rs. 259.411 million to Rs. 308.822 million as compared to corresponding period resulting in increase of 19.05%. The increase was mainly due to increase in human resource costs. Other charges decreased by 72.02% 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. 584.579 million to Rs. 1,251.410 million as compared to corresponding period, resulting in increase of 114.07%. The reason for increase was mainly due to significant increase in KIBOR rate as compared to corresponding period and increase in average outstanding borrowings. Further, finance cost for the March quarter was also adversely hit by exchange loss in respect of foreign currency short-term borrowings due to devaluation of Pak rupee resulting in foreign currency re-translation loss of Rs. 160.093 million, which played significant role in shrinking the profit for the March 2020 quarter. However, this was unrealized loss due to re-translation as at the end of the reporting period and not yet realized and expected to reduce due to revaluation of PKR in the month of April 2020.

Taxation for the period resulted in net income of Rs. 47.096 million as compared to net expense of Rs. 263.744 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. 220.211 million. Income tax expense for the period was Rs. 193.280 million.

Resultantly, profit for the period decreased to Rs. 399.704 million as compared to Rs. 1,074.713 million in corresponding period resulting in decrease of 62.81% mainly due to massive increase in finance cost. Earnings per share (EPS) for the current period stood at Rs 1.59 as compared to EPS of Rs. 4.27 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 March 31, 2020, however, the said timeline has now postponed till foreign commissioning agents are allowed to travel internationally. Inventories comprised of store, spare and loose tools, raw material and finished goods. Inventories increased by 38.57% from 5,620.331 million as at June 30, 2019 to Rs. 7,787.884 million as at March 31, 2020. Major increase was in raw material inventory which was due to the reason that less raw material inventory levels were maintained as at June 30, 2019. Further, increase was also due to inventory of in respect of copper ingot related operations. However, inventory levels were in line with the production requirements. Due from Government stood at Rs. 2,444.637 million as at March 31, 2020 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. During the period order was also passed by Commissioner Appeals (Punjab Revenue Authority) in favor of the Company against alleged sales tax liability amounting to Rs. 103.292 million created on the basis of non-withholding of sales tax in respect of various taxable services.

Equity contribution from Directors and their relatives increased from Rs. 165.833 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. 3,222.123 million and mainly represented long-term financing obtained for Capex projects. Out of total long-term financing, amount of Rs. 796.906 million has been presented under current portion of long-term financing. Trade and other payables increased from Rs. 496.003 million to Rs. 781.897 million resulting in increase of 57.64%. The increase was mainly due to increase in foreign trade creditors, 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. 378.466 million as at March 31, 2020. The increase in markup was mainly due to increase in rate of markup and average outstanding long-term loans and short-term borrowings from banking companies. However, as at March 31, 2020 there was no major change in short-term borrowings from banking companies as compared with June 30, 2019 due to adjustments in month of March 2020.

Resultantly, balance sheet footing stood at Rs. 22,788.929 million as of March 31, 2020, compared to Rs. 22,641.009 million as of June 30, 2019. Breakup value per share increased to Rs. 32.61 as of March 31, 2020 from Rs. 29.82 as at June 30, 2019. Current ratio as at March 31, 2020 stood at 1.18:1 as compared to 1.23:1 in June 30, 2019.

### Future outlook

Amidst the prevailing COVID-19 pandemic, state of the economy and the industry remain highly uncertain. As a result of lock down imposed sale volumes are expected to be affected adversely in the last quarter due to closure of plant operations. However, the Company plans to manage its cash flows smartly while honoring suppliers and business partner commitments.

### Acknowledgement

The Board remains committed to managing the operations in these uncertain times with utmost ability. In this unprecedented event we all face the difficult challenge of responding to the Corona virus. Our hearts and thoughts are with the people who have been affected by this virus. We appreciate the healthcare workers and provincial and federal governments and all around the world who are in the front lines working to contain this Corona virus. 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 Javid  
(CEO/Director)

Date: April 30, 2020  
Place: Lahore

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

## AS AT MARCH 31, 2020

Rupees	Note	March 31, 2020 (Unaudited)	June 30, 2019 (Audited)
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	6.	9,317,091,916	8,584,311,799
Intangible asset		7,216,553	9,381,520
Long-term loans to employees		12,742,948	12,704,229
Long-term deposits		19,985,817	21,430,317
		<u>9,357,037,234</u>	<u>8,627,827,865</u>
<b>CURRENT ASSETS</b>			
Inventories		7,787,883,983	5,620,331,302
Trade debts		2,086,640,247	3,304,003,346
Loans and advances		423,568,261	373,905,875
Deposits, prepayments and other receivables		78,540,134	52,957,817
Due from the government		2,444,636,814	1,460,233,079
Cash and bank balances		610,622,250	3,201,749,851
		<u>13,431,891,689</u>	<u>14,013,181,270</u>
		<u>22,788,928,923</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	7.	2,515,996,500	2,515,996,500
Reserves		4,919,888,866	4,822,104,763
Equity contribution from Directors and their relatives		<u>770,000,000</u>	<u>165,832,548</u>
		<u>8,205,885,366</u>	<u>7,503,933,811</u>
<b>LIABILITIES</b>			
<b>NON - CURRENT LIABILITIES</b>			
Long-term financing	8.	2,425,217,861	2,808,581,748
Deferred taxation		500,514,328	720,725,124
Defined benefit obligation		251,775,725	218,601,201
Deferred liabilities		<u>37,356,778</u>	<u>33,348,645</u>
		<u>3,214,864,692</u>	<u>3,781,256,718</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		781,897,051	496,003,486
Unclaimed dividends		2,981,002	3,037,587
Unpaid dividends		3,339,455	2,624,330
Accrued profit / interest / mark-up		378,466,199	321,147,389
Short-term loans from banking companies - secured	9.	9,159,279,486	9,171,452,321
Short-term loans from Directors and their relatives - unsecured		245,309,984	830,180,982
Current portion of long-term financing	8.	<u>796,905,688</u>	<u>531,372,511</u>
		<u>11,368,178,865</u>	<u>11,355,818,606</u>
		<u>14,583,043,557</u>	<u>15,137,075,324</u>
		<u>22,788,928,923</u>	<u>22,641,009,135</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10.		

The annexed notes from 1 to 19 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 NINE MONTHS PERIOD ENDED MARCH 31, 2020 (UNAUDITED)**

Rupees	Note	Quarter ended		Nine months period ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Sales	11.	7,218,042,531	6,861,743,410	21,296,708,271	20,938,021,329
Cost of sales	12.	(6,582,756,520)	(6,040,671,185)	(19,308,991,215)	(18,502,360,624)
<b>GROSS PROFIT</b>		<b>635,286,011</b>	<b>821,072,225</b>	<b>1,987,717,056</b>	<b>2,435,660,705</b>
Sales and marketing expenses		(40,490,482)	(75,849,691)	(104,762,688)	(173,607,317)
Administrative expenses		(112,440,879)	(88,799,710)	(308,821,902)	(259,410,886)
Other charges		1,286,229	(30,235,139)	(26,684,647)	(95,371,619)
Other income		7,272,036	5,815,536	32,355,090	15,764,859
Finance cost		(504,791,917)	(210,666,337)	(1,251,410,018)	(584,578,785)
		(649,165,013)	(399,735,341)	(1,659,324,165)	(1,097,203,748)
<b>LOSS / PROFIT BEFORE TAXATION</b>		<b>(13,879,002)</b>	<b>421,336,884</b>	<b>328,392,891</b>	<b>1,338,456,957</b>
Taxation		47,096,126	(59,623,450)	71,310,792	(263,744,081)
<b>PROFIT FOR THE PERIOD</b>		<b>33,217,124</b>	<b>361,713,434</b>	<b>399,703,683</b>	<b>1,074,712,876</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Other comprehensive income - net of tax		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>33,217,124</b>	<b>361,713,434</b>	<b>399,703,683</b>	<b>1,074,712,876</b>
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>	13.	<b>0.13</b>	<b>1.44</b>	<b>1.59</b>	<b>4.27</b>

The annexed notes from 1 to 19 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 CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 (UNAUDITED)

Rupees	Reserves						
	Capital reserves			Revenue reserve			
	Share capital	Share premium account	Contingency reserve	Un-appropriated profit	Sub- total	Equity Contribution from Directors & their relatives	Total Equity
BALANCE AS AT JULY 1, 2018	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	-	-	-	1,074,712,876	1,074,712,876	-	1,074,712,876
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,074,712,876	1,074,712,876	-	1,074,712,876
BALANCE AS AT MARCH 31, 2019	2,515,996,500	439,413,456	980,000,000	3,124,148,569	4,543,562,025	924,037,217	7,983,595,742
Profit for the period	-	-	-	298,218,303	298,218,303	-	298,218,303
Other comprehensive loss - net of tax	-	-	-	(19,675,565)	(19,675,565)	-	(19,675,565)
Total comprehensive income for the period	-	-	-	278,542,738	278,542,738	-	278,542,738
Transfer to short-term loans from Directors and their relatives	-	-	-	-	-	(758,204,669)	(758,204,669)
BALANCE AS AT JUNE 30, 2019	2,515,996,500	439,413,456	980,000,000	3,402,691,307	4,822,104,763	165,832,548	7,503,933,811
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	-	-	-	399,703,683	399,703,683	-	399,703,683
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	399,703,683	399,703,683	-	399,703,683
Transfer to Equity contribution from Directors & their relatives	-	-	-	-	-	604,167,452	604,167,452
BALANCE AS AT MARCH 31, 2020	2,515,996,500	439,413,456	980,000,000	3,500,475,410	4,919,888,866	770,000,000	8,205,885,366

The annexed notes from 1 to 19 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 CASH FLOWS  
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 (UNAUDITED)**

Rupees	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	14.	548,935,848	289,852,143
Net decrease / increase in long-term loans to employees		4,369,414	(860,363)
Defined benefits paid		(14,575,195)	(4,844,223)
Finance cost paid		(1,194,091,208)	(446,906,739)
Workers' profit participation fund paid		(73,986,000)	(46,140,000)
Income tax paid - net		(598,712,568)	(147,022,578)
<b>Net cash used in operating activities</b>		<b>(1,328,059,709)</b>	<b>(355,921,760)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant & equipment		(906,966,777)	(1,744,627,961)
Proceeds from disposal of tangible fixed assets		44,296,406	900,000
Profit received on term deposit receipts		11,570,610	3,503,838
<b>Net cash used in investing activities</b>		<b>(851,099,761)</b>	<b>(1,740,224,123)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net repayment / proceeds - long-term financing		(117,830,710)	1,571,118,112
Net proceeds from short-term loans from banking companies		123,914,895	929,213,997
Net proceeds from equity contribution from directors and their relatives		19,296,454	-
Dividends paid		(301,261,040)	(550,660,027)
<b>Net cash used in / generated from financing activities</b>		<b>(275,880,401)</b>	<b>1,949,672,082</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,455,039,871)</b>	<b>(146,473,801)</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>	15.	<b>607,453,848</b>	<b>1,104,697,671</b>

The annexed notes from 1 to 19 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

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 (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 NINE MONTHS PERIOD ENDED MARCH 31, 2020 (UNAUDITED)

Rupees	Note	March 31, 2020 (Unaudited)	June 30, 2019 (Audited)
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Tangible fixed assets	6.1	4,940,066,699	4,927,582,733
Capital work-in-progress	6.2	4,377,025,217	3,656,729,066
		<u>9,317,091,916</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		1,451,470	1,609,935
Grid station & electric installations		50,563,562	67,543,910
Furniture and fittings		1,342,300	282,169
Vehicles		23,584,718	26,909,545
Trucks and cranes		81,243,766	56,934,350
Computers		1,193,812	1,011,395
		<u>186,670,627</u>	<u>706,541,563</u>
Disposals during the period / year:			
Plant and machinery		(33,934,959)	-
Vehicles		(3,274,043)	(4,767,690)
Depreciation charged during the period / year		<u>(136,977,659)</u>	<u>(151,046,493)</u>
Closing net book value		<u>4,940,066,699</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		801,567,638	2,212,571,226
Transfers during the period / year		<u>(81,271,487)</u>	<u>(483,735,089)</u>
Closing balance		<u>4,377,025,217</u>	<u>3,656,729,066</u>
<b>7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
This represents 251,599,650 (June 30, 2019: 251,599,650) ordinary shares of Rs. 10/- each. 191.220 million ordinary shares (June 2019: 192.031 million) of Rs. 10/- each were held by major shareholders, key management personnel and their relatives.			
<b>8. LONG-TERM FINANCING</b>			
Bank Alfalah Limited		826,866,145	1,102,488,193
MCB Islamic Bank Limited		418,741,054	288,436,400
United Bank Limited		247,619,048	304,761,905
Faysal Bank Limited - Barkat Islamic Banking		330,316,200	412,895,250
Askari Bank Limited		284,375,000	350,000,000
Meezan Bank Limited		32,925,414	-
Habib Metropolitan Bank Limited		284,375,000	350,000,000
		<u>2,425,217,861</u>	<u>2,808,581,748</u>

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 (UNAUDITED)

### 8.1 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	-	(275,622,048)	1,194,362,210	(367,496,065)	826,866,145
MCB Islamic Bank Limited	329,548,401	219,806,400	(18,750,000)	530,604,801	(111,863,747)	418,741,054
United Bank Limited	400,000,000	-	(76,190,476)	323,809,524	(76,190,476)	247,619,048
Faysal Bank Limited	440,421,600	-	-	440,421,600	(110,105,400)	330,316,200
Askari Bank Limited	350,000,000	-	-	350,000,000	(65,625,000)	284,375,000
Meezan Bank Limited	-	32,925,414	-	32,925,414	-	32,925,414
Habib Metropolitan Bank Limited	350,000,000	-	-	350,000,000	(65,625,000)	284,375,000
March 31, 2020	<u>3,339,954,259</u>	<u>252,731,814</u>	<u>(370,562,524)</u>	<u>3,222,123,549</u>	<u>(796,905,688)</u>	<u>2,425,217,861</u>
June 30, 2019	829,000,000	2,510,954,259	-	3,339,954,259	(531,372,511)	2,808,581,748

Rupees	Note	March 31, 2020 (Unaudited)	June 30, 2019 (Audited)
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### 9. SHORT-TERM LOANS FROM BANKING COMPANIES - SECURED

Short-term loans from banking companies comprise of:

- Murabaha finance	1,884,729,211	2,363,692,875
- Other short-term loans from:		
- Islamic banks	2,165,744,475	1,075,954,861
- Conventional banks	5,105,637,398	5,592,548,453
	<u>7,271,381,873</u>	<u>6,668,503,314</u>
	9,156,111,084	9,032,196,189
Temporary bank overdraft	3,168,402	139,256,132
	<u>9,159,279,486</u>	<u>9,171,452,321</u>

### 10. CONTINGENCIES AND COMMITMENTS

#### Contingencies

- 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, except as disclosed elsewhere in the interim financial report.
- Aggregate amount of guarantees issued by banks on behalf of the Company amounted to Rs. 905.913 million. (June 30, 2019: Rs. 985.442 million).

#### Commitments:

- Non-capital & Capital commitments 4,508,029,513 2,822,527,415
- The amount of future payments under operating leases and the period in which these payments will become due are as follows:

Within 1 year	2,169,600	8,527,200
More than 1 but less than 5 years	-	13,169,640
	<u>2,169,600</u>	<u>21,696,840</u>

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 (UNAUDITED)

Rupees	Note	Quarter ended		Nine months period ended	
		March 31,	March 31,	March 31,	March 31,
		2020	2019	2020	2019
		(un-audited)	(un-audited)	(un-audited)	(un-audited)
<b>11. SALES</b>					
Local sales		8,418,176,928	6,864,040,465	24,575,431,085	20,937,383,980
Local trading sales		20,025,298	-	77,576,335	-
		<u>8,438,202,226</u>	<u>6,864,040,465</u>	<u>24,653,007,420</u>	<u>20,937,383,980</u>
Commission		(435,959)	(2,297,055)	(7,243,059)	(2,297,055)
Sales tax		(2,909,658)	-	(11,271,775)	-
Federal excise duty		(1,220,013,339)	-	(3,566,996,343)	-
Sales return		(21,614,538)	-	(26,103,311)	-
		<u>(1,244,973,494)</u>	<u>(2,297,055)</u>	<u>(3,611,614,488)</u>	<u>(2,297,055)</u>
Net local sales		7,193,228,732	6,861,743,410	21,041,392,932	20,935,086,925
Export sales		24,813,799	-	255,315,339	2,934,404
		<u>7,218,042,531</u>	<u>6,861,743,410</u>	<u>21,296,708,271</u>	<u>20,938,021,329</u>
<b>12. COST OF SALES</b>					
Opening stock of finished goods		693,485,682	71,338,684	1,617,952,571	239,138,332
Cost of goods manufactured					
- Raw material consumed		5,709,844,633	4,406,955,871	15,019,316,174	13,395,265,124
- Salaries, wages and other benefits		191,200,137	163,408,158	534,408,969	474,755,604
- Stores, spares and loose tools consumed		202,721,838	247,921,898	570,970,983	724,447,318
- Fuel and power		874,324,371	1,111,194,191	2,666,247,418	3,534,187,459
- Repair and maintenance		4,231,400	7,060,668	5,599,629	20,750,740
- Other manufacturing expenses		13,854,958	29,047,142	36,048,924	51,958,618
- Depreciation		32,454,657	29,253,104	113,798,354	87,365,960
		<u>7,028,631,994</u>	<u>5,994,841,032</u>	<u>18,946,390,451</u>	<u>18,288,730,823</u>
Sales tax adjustment		-	-	(164,013,222)	-
Cost of goods sold - local trading sales		17,024,851	-	65,047,422	-
Closing stock of finished goods		(1,156,386,007)	(25,508,531)	(1,156,386,007)	(25,508,531)
		<u>6,582,756,520</u>	<u>6,040,671,185</u>	<u>19,308,991,215</u>	<u>18,502,360,624</u>
<b>13. EARNINGS PER SHARE - BASIC AND DILUTED</b>					
Profit for the period		33,217,124	361,713,434	399,703,683	1,074,712,876
Weighted average number of ordinary shares		251,599,650	251,599,650	251,599,650	251,599,650
Earnings per share - Basic		<u>0.13</u>	<u>1.44</u>	<u>1.59</u>	<u>4.27</u>

13.1 There were no dilutive potential ordinary shares outstanding.



## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 (UNAUDITED)

Rupees	Note	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
<b>14. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		328,392,891	1,338,456,957
Adjustments:			
Depreciation		136,977,659	110,320,921
Amortization		2,164,967	2,164,967
Finance cost		1,251,410,018	584,578,785
Defined benefit charge		47,749,719	39,000,000
Gain on disposal of tangible fixed assets		(7,087,404)	(245,469)
Profit on term deposit receipts		(17,919,940)	(5,764,716)
Provision for workers' profit participation fund		17,709,127	71,629,468
Provision for workers' welfare fund		4,545,248	22,502,926
		<u>1,435,549,394</u>	<u>824,186,882</u>
Profit before working capital changes		1,763,942,285	2,162,643,839
Effect on cash flow due to working capital changes (Increase) / decrease in current assets:			
Inventories		(2,167,552,681)	(1,833,524,007)
Trade debts		1,217,363,099	(558,452,728)
Loans and advances		(49,662,386)	(74,608,719)
Deposits, prepayments and other receivables		(17,788,487)	(17,117,805)
Due from the Government		(582,876,834)	562,844,866
		<u>(1,600,517,289)</u>	<u>(1,920,858,393)</u>
Increase / (Decrease) in current liabilities:			
Trade and other payables		385,510,852	48,066,697
		<u>548,935,848</u>	<u>289,852,143</u>

## 15. 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	610,622,250	1,201,064,841
Temporary bank overdrawn	(3,168,402)	(96,367,170)
	<u>607,453,848</u>	<u>1,104,697,671</u>

## 16. 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 NINE MONTHS PERIOD ENDED MARCH 31, 2020 (UNAUDITED)

Rupees	Note	Nine months period ended		As at	
		March 31, 2020	March 31, 2019	March 31, 2020	June 30, 2019
		(un-audited)	(un-audited)	(un-audited)	(audited)
		Transactions		Outstanding Balances	
17.	<b>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	1,800,000	1,800,000	-	-
	- Rent expense	2,830,000	1,800,000	-	-
	<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	1,188,000	1,116,000	-	-
	<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	990,000	1,200,000	-	-
	<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	-	-	81,500	50,000
	Detail of transactions				
	Major shareholders, Directors and their relatives				
	- Remuneration				
	- Executive Directors	28,800,000	28,800,000	-	-
	- Non-Executive Directors	9,285,000	9,939,515	-	-
	- Rent expense	810,000	-	-	-
	- Proceeds from equity contribution from directors and their relatives	19,296,454	-	-	-
	- Meeting fee	825,000	550,000	-	-
	- Dividend	229,604,238	416,214,403	-	-
	Key management personnel (other than Directors) and their relatives				
	- Salaries and benefits	20,025,000	17,791,501	-	-
	- Dividend	842,340	11,990	-	-

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2020 (UNAUDITED)

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

### 18. DATE OF AUTHORIZATION

These condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 30, 2020.

### 19. 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.

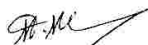
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed statement of financial position as at end of the current interim reporting period has been compared with the statement of financial position as of the end of the immediately 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.



**Khurram Javaid**  
Chief Executive Officer



**Muhammad Zafar Iqbal**  
Chief Financial Officer



**Muhammad Mubeen Tariq Mughal**  
Director



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