



MUGHAL
STEEL

WEATHERING THE
STORM

**INTERIM
FINANCIAL REPORT
(UN-AUDITED)
FOR THE QUARTER
ENDED SEPTEMBER 30, 2020**

CONTENTS

COMPANY INFORMATION & MANAGEMENT REVIEW

Company Information	2
---------------------	---

Company Profile	3
-----------------	---

Directors' Review	4-5
-------------------	-----

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Condensed Interim Statement of Financial Position	6
---	---

Condensed Interim Statement of Profit or Loss & Other Comprehensive Income	7
---	---

Condensed Interim Statement of Changes in Equity	8
---	---

Condensed Interim Statement of Cash Flows	9
---	---

Selected Explanatory Notes to the Condensed Interim Financial Statements	10-16
---	-------

COMPANY INFORMATION

BOARD OF DIRECTORS

Mirza Javed Iqbal
Non-Executive Director - Chairman
 Abdul Rehman Qureshi
Non-Executive / Independent Director
 Shoab Ahmad Khan
Non-Executive / Independent Director
 Mariam Khawar
Non-Executive / Independent Director
 Khuram 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

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

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".

TAX ADVISORS

Akhtar Ali Associates
 Juris Counsel (Butt & Company)

CREDIT RATING

VIS Credit Rating company Limited

Long-term entity rating (A)
 Short-term entity rating (A2)
 Future Outlook: Stable

The Pakistan Credit Rating Agency Limited

Long-term entity rating (A)
 Short-term entity rating (A2)
 Future Outlook: Stable

BANKERS

Askari Bank Limited
 Allied Bank Limited
 Bank Alfalah Limited
 Banks 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
 Al Baraka Bank Pakistan 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. In addition, the Company also ventured into non-ferrous operations. 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 goal is to establish a diversified portfolio of quality, reliable and durable ferrous and non-ferrous products for supply into the local and international markets.

The Company principally operates in long-rolled steel industry and is involved in multidimensional activities from making billets to steel rebars and girders. 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 long rolled product in Pakistan and export Copper Ingots to various Countries.

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

- Steel re-bars (G60 / Mughal Supreme)
- Girders
- Billets
- Copper ingots

DIRECTORS' REVIEW

Dear Value 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 quarter ended September 30, 2020, the financial results of which are summarized below:

(Rs. in Millions)

	Quarter ended September 30,		Variation %
	2020	2019	
Financial highlights			
Net sales	7,734.115	6,677.856	15.82%
Gross profit	862.389	836.688	3.07%
Profit before taxation	405.816	306.306	32.49%
Taxation	(53.382)	(42.021)	27.04%
Profit for the period	352.434	264.285	33.35%
Earnings per share – Basic & Diluted	1.40	1.05	33.35%

Business, financial & operational Review

During the period under review, interest rates remained on lower side, while, there were no major variations in foreign exchange rates, which are positive indications for the economy as a whole and the Company as well.

Sales revenue increased from Rs. 6,677.856 million to Rs. 7,734.115 million as compared to corresponding period, with an increase of 15.82%. Increase in sales was due to increase in quantity of re-rolled products sold and also due to increase in exports of copper ingots during the period.

Gross margin also increased from Rs. 836.688 million to Rs. 862.389 million in the current period. Over all GP % was a mix of different segments of re-rolled products and copper ingots with different GP margins. However, margins of re-rolled steel operations decreased as compared to last year mainly due to fall in average sale prices. Further, export GP was around 9.19%.

Finance costs decreased from Rs. 402.441 million to Rs. 311.725 million as compared to corresponding period, resulting in decrease of 22.54%. The reason for decrease was mainly due to decrease in markup rates.

Taxation increased from Rs. 42.021 million to Rs. 53.382 million resulting in increase of 27.04%. Increase was due to increase in sales.

Resultantly, profit for the period increased to Rs. 352.434 million as compared to Rs. 264.285 million in corresponding period resulting in increase of 33.35%.

Earnings per share (EPS) for the current period stood at Rs. 1.40 as compared to EPS of Rs. 1.05 in the corresponding period.

Balance sheet footing stood at Rs. 32,838.452 million as of September 30, 2020, compared to Rs. 25,606.107 million as of June 30, 2020. Breakup value per share increased to Rs. 40.47 as of September 30, 2020 from Rs. 32.42 as at June 30, 2020.

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.

During the period, the Company carried out revaluation of certain items of property, plant and equipment comprising of freehold land, factory building on freehold land, plant and machinery and power plant by an independent valuer - M/s Tristar International Consultant (Private) Limited on August 31, 2020. Accordingly, revaluation surplus to the tune of Rs. 2.901 billion has been recognized in these condensed interim financial statements.

Inventories comprised of store, spares & loose tools, raw material and finished goods. Inventories increased by 52.21% from Rs. 8,120.224 million as at June 30, 2020 to Rs. 12,360.087 million as at September 30, 2020. Major increase was in raw material in-hand inventory of billets and raw material in transit inventory.

Long-term financing increased from Rs. 3,461.037 million as at June 30, 2020 to Rs. 3,807.451 million as at September 30, 2020. Out of the total outstanding financing, Rs. 902.342 million has been shown under current portion of long-term financing.

Trade and other payables increased by 124.53% from Rs. 1,191.427 million as at June 30, 2020 to Rs. 2,675.076 million as at September 30, 2020. The increase was mainly due to Opening of LCs on deferred basis.

Short-term loans from banking companies increased from Rs. 11,584.153 million as at June 30, 2020 to Rs. 13,791.801 million as at September 30, 2020. The increase was in line with increase in working capital related requirements, which was mainly due to increase in inventories.

Current ratio as at September 30, 2020 stood at 1.07:1 as compared to 1.12:1 in June 30, 2020.

Future outlook

Bar re-rolling mill expansion is expected to achieve CoD by the end of Calendar year 2020. Further, export of Copper Ingot is also expected to increase in upcoming quarter.

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: October 27, 2020
Place: Lahore

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020 (UNAUDITED)

Rupees	Note	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	6.	13,271,702,961	9,918,014,133
Intangible asset		5,773,241	6,494,897
Long-term loans to employees		25,265,190	21,551,435
Long-term deposits		19,745,317	19,745,317
		<u>13,322,486,709</u>	<u>9,965,805,782</u>
CURRENT ASSETS			
Inventories		12,360,087,474	8,120,223,635
Trade debts		2,240,922,850	2,182,004,268
Loans and advances		309,866,462	280,203,250
Deposits, prepayments and other receivables		48,320,950	54,867,473
Due from the government		2,745,823,009	2,626,213,020
Cash and bank balances		1,810,944,565	2,376,790,050
		<u>19,515,965,310</u>	<u>15,640,301,696</u>
		<u>32,838,452,019</u>	<u>25,606,107,478</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
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		5,498,247,531	5,141,577,076
Surplus on revaluation of property, plant and equipment	8.	2,168,550,392	-
Equity contribution from Directors and their relatives	9.	-	500,000,000
		<u>10,182,794,423</u>	<u>8,157,573,576</u>
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term financing		2,905,109,595	2,644,088,758
Deferred taxation	10.	1,202,550,156	490,052,917
Defined benefit obligation		267,645,766	250,575,305
Deferred liabilities		70,145,391	54,742,656
		<u>4,445,450,908</u>	<u>3,439,459,636</u>
CURRENT LIABILITIES			
Trade and other payables		2,675,076,422	1,191,426,866
Unclaimed dividends		2,992,679	2,992,760
Unpaid dividends		3,200,990	3,318,962
Accrued profit / interest / mark-up		353,608,663	355,511,559
Short-term loans from banking companies - secured	11.	13,791,800,677	11,584,153,072
Short-term loans from Directors and their relatives - unsecured		481,185,628	54,722,832
Current portion of long-term financing		902,341,629	816,948,215
		<u>18,210,206,688</u>	<u>14,009,074,266</u>
		<u>22,655,657,596</u>	<u>17,448,533,902</u>
		<u>32,838,452,019</u>	<u>25,606,107,478</u>

CONTINGENCIES AND COMMITMENTS

12.

The annexed notes from 1 to 21 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 QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)**

Rupees	Note	2020	2019
Sales	13.	7,734,114,663	6,677,856,137
Cost of sales	14.	(6,871,725,366)	(5,841,167,643)
GROSS PROFIT		862,389,297	836,688,494
Sales and marketing expenses		(28,673,485)	(26,242,295)
Administrative expenses		(116,935,490)	(91,379,490)
Other charges		(30,326,617)	(23,403,235)
Other income		31,087,937	13,084,102
Finance cost		(311,725,258)	(402,441,500)
		(456,572,913)	(530,382,418)
PROFIT BEFORE TAXATION		405,816,384	306,306,076
Taxation		(53,382,469)	(42,020,987)
PROFIT FOR THE PERIOD		352,433,915	264,285,089
OTHER COMPREHENSIVE INCOME			
Items that will not be subsequently reclassified to profit or loss:			
Surplus on revaluation of property, plant and equipment		2,900,692,158	-
Related deferred tax		(727,905,226)	-
Other comprehensive income - net of tax		2,172,786,932	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,525,220,847	264,285,089
EARNINGS PER SHARE - BASIC AND DILUTED	15.	1.40	1.05

The annexed notes from 1 to 21 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 QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)

Rupees	Reserves							Total Equity
	Capital reserve			Revenue reserve		Surplus on revaluation of property, plant and equipment	Equity Contribution from Directors & their relatives	
	Issued subscribed and paid-up capital	Share premium account	Contingency reserve	Un-appropriated profit	Sub- total			
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
Profit for the period	-	-	-	264,285,089	264,285,089	-	-	264,285,089
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	264,285,089	264,285,089	-	-	264,285,089
Transfer to short-term loans from Directors and their relatives	-	-	-	-	-	-	(165,832,548)	(165,832,548)
BALANCE AS AT SEPTEMBER 30, 2019	<u>2,515,996,500</u>	<u>439,413,456</u>	<u>980,000,000</u>	<u>3,666,976,396</u>	<u>5,086,389,852</u>	<u>-</u>	<u>-</u>	<u>7,602,386,352</u>
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	-	-	-	328,586,976	328,586,976	-	-	328,586,976
Other comprehensive income - net of tax	-	-	-	28,519,828	28,519,828	-	-	28,519,828
Total comprehensive income for the period	-	-	-	357,106,804	357,106,804	-	-	357,106,804
Transfer to short-term loans from Directors and their relatives	-	-	-	-	-	-	500,000,000	500,000,000
BALANCE AS AT JUNE 30, 2020	<u>2,515,996,500</u>	<u>439,413,456</u>	<u>980,000,000</u>	<u>3,722,163,620</u>	<u>5,141,577,076</u>	<u>-</u>	<u>500,000,000</u>	<u>8,157,573,576</u>
Profit for the period	-	-	-	352,433,915	352,433,915	-	-	352,433,915
Other comprehensive income - net of tax	-	-	-	-	-	2,172,786,932	-	2,172,786,932
Total comprehensive income for the period	-	-	-	352,433,915	352,433,915	2,172,786,932	-	2,525,220,847
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	-	-	4,236,540	4,236,540	(4,236,540)	-	-
Transfer to Equity contribution from Directors & their relatives	-	-	-	-	-	-	(500,000,000)	(500,000,000)
BALANCE AS AT SEPTEMBER 30, 2020	<u>2,515,996,500</u>	<u>439,413,456</u>	<u>980,000,000</u>	<u>4,078,834,075</u>	<u>5,498,247,531</u>	<u>2,168,550,392</u>	<u>-</u>	<u>10,182,794,423</u>

The annexed notes from 1 to 21 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 QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)**

Rupees	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	16.	(2,226,429,837)	(2,221,868,897)
Net increase / decrease in long-term loans to employees		(4,334,710)	143,243
Defined benefits paid		(3,929,539)	(349,964)
Finance cost paid		(313,628,154)	(262,087,635)
Income tax paid - net		(12,774,744)	(361,428,912)
Net cash used in operating activities		(2,561,096,984)	(2,845,592,165)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(503,843,788)	(444,344,399)
Proceeds from disposal of tangible fixed assets		2,664,999	40,000,000
Profit received on term deposit receipts		-	11,570,085
Net cash used in investing activities		(501,178,789)	(392,774,314)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from long-term financing		346,414,251	89,837,146
Net proceeds from deferred grant		16,023,690	-
Net proceeds from short-term loans from banking companies		2,168,567,743	1,137,298,638
Net repayment of short-term loans from Directors and their relatives		(73,537,204)	(89,090,130)
Dividends paid		(118,053)	(165,478)
Net cash generated from financing activities		2,457,350,427	1,137,880,176
NET DECREASE IN CASH AND CASH EQUIVALENTS		(604,925,347)	(2,100,486,303)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2,340,364,332	3,062,493,719
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17.	1,735,438,985	962,007,416

The annexed notes from 1 to 21 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 QUARTER ENDED SEPTEMBER 30, 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, 2020, 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, 2020.

During the period, certain amendments / interpretations became effective and were adopted by the Company. Management has assessed the changes laid down by the 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, 2020. 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, 2020, except as disclosed otherwise in respective notes.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)**

Rupees	Note	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
6. PROPERTY, PLANT AND EQUIPMENT			
Tangible fixed assets	6.1	7,716,781,715	4,863,299,225
Capital work-in-progress	6.2	<u>5,554,921,246</u>	<u>5,054,714,908</u>
		<u>13,271,702,961</u>	<u>9,918,014,133</u>
6.1 Following is the movement in tangible fixed assets:			
Opening net book value		4,863,299,225	4,927,582,733
Additions during the period / year:			
Plant and machinery		-	31,921,083
Office equipment		-	387,470
Grid station & electric installations		266,860	5,025,387
Furniture and fittings		-	1,342,300
Vehicles		3,370,590	31,772,173
Trucks and cranes		-	84,943,766
Computers		-	820,164
		<u>3,637,450</u>	<u>156,212,343</u>
Disposals during the period / year:			
Plant and machinery		-	(33,939,031)
Vehicles		(1,523,393)	(4,357,342)
Depreciation charged during the period / year		(49,323,725)	(182,199,478)
Surplus on revaluation of property, plant and equipment		<u>2,900,692,158</u>	-
Closing net book value		<u>7,716,781,715</u>	<u>4,863,299,225</u>
6.1.1 During the period, the Company carried out revaluation of certain items of property, plant and equipment comprising of freehold land, factory building on freehold land, plant and machinery and power plant by an independent valuer - M/s Tristar International Consultant (Private) Limited on August 31, 2020 on the basis of information from various real estate agents of present market values of similar property in the vicinity for freehold land, replacement values of similar types of buildings based on present cost of construction for factory building on freehold land and valuations of plant and machinery and power plant based on the estimated gross replacement cost, depreciated to reflect the residual service potential of the assets taking account age, condition, location, design, adverse factors, threats and opportunities and obsolescence etc.			
6.1.2 Had there been no revaluation the book value of freehold land, factory building on freehold land, plant and machinery and power plant would have been Rs. 363.326 million, Rs. 59.080 million, Rs. 3,528.109 million and Rs. 576.342 million, respectively.			
6.2 Following is the movement in capital work-in-progress:			
Opening balance		5,054,264,908	3,656,729,066
Additions during the period / year		500,656,338	1,479,257,329
Transfers during the period / year		-	(81,721,487)
Closing balance		<u>5,554,921,246</u>	<u>5,054,264,908</u>
7. This represents 251,599,650 (June 30, 2020: 251,599,650) ordinary shares of Rs. 10/- each. 189.221 million ordinary shares (June 30, 2020: 189.195 million) of Rs. 10/- each were held by major shareholders, key management personnel and their relatives.			
8. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT			
Surplus on revaluation of property, plant and equipment - net	8.1	<u>2,168,550,392</u>	-
		<u>2,168,550,392</u>	-

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)

Rupees	Note	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
8.1	Surplus on revaluation of property, plant and equipment:		
	Opening balance	-	-
	Surplus on revaluation recognized during the period	2,900,692,158	
	Transfer to unappropriated profit in respect of incremental depreciation	(5,966,957)	-
		2,894,725,201	-
	Related deferred tax liability in respect of:		
	Opening balance	-	-
	Surplus on revaluation recognized during the period	(727,905,226)	
	Incremental depreciation charged during the period	1,730,417	-
		(726,174,809)	-
		2,168,550,392	-
9.	This represented interest-free and unsecured loan provided by Directors and their relatives. During the period, the entire outstanding loan was classified as payable upon discretion of the lenders and accordingly transferred to current liabilities.		
10.	DEFERRED TAXATION		
	Net deferred tax liability is recognized in respect of following temporary differences:		
	- Accelerated tax depreciation	827,708,879	833,932,755
	- Surplus on revaluation of property, plant and equipment	727,905,226	-
		1,555,614,105	833,932,755
	- Defined benefit obligation	(75,288,754)	(71,761,513)
	- Impairment loss on trade debts	(3,073,254)	(3,073,254)
	- Minimum tax	(274,701,941)	(269,045,071)
		(353,063,949)	(343,879,838)
		1,202,550,156	490,052,917
11.	SHORT-TERM LOANS FROM BANKING COMPANIES - SECURED		
	Short-term loans from banking companies comprise of:		
	- Murabaha finance	2,676,265,258	1,756,014,794
	- Other short-term loans from:		
	- Islamic banks	2,500,188,909	2,669,670,560
	- Conventional banks	8,539,840,930	7,122,042,000
		11,040,029,839	9,791,712,560
		13,716,295,097	11,547,727,354
	Temporary bank overdraft	75,505,580	36,425,718
		13,791,800,677	11,584,153,072
12.	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, 2020, except as disclosed elsewhere in the interim financial report.		
	ii) Aggregate amount of guarantees issued by banks on behalf of the Company amounted to Rs. 1,252.776 million. (June 30, 2020: Rs. 1,134.458 million).		

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)

Rupees	Note	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Commitments:			
i)	Non-capital & capital commitments	2,839,310,257	4,741,421,784
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	5,418,000	7,946,400

Rupees	Note	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
--------	------	--------------------------------------	--------------------------------------

13. SALES

Local sales	13.1	7,180,083,315	6,663,633,593
Export sales		554,031,348	14,222,544
		<u>7,734,114,663</u>	<u>6,677,856,137</u>
13.1	Local sales		
	- Manufacturing	8,387,470,653	7,803,965,476
	- Trading	13,820,976	-
		<u>8,401,291,629</u>	<u>7,803,965,476</u>
	- Commission	(505,402)	(5,998,844)
	- Sales tax	(71,231,867)	-
	- Federal excise duty	(1,149,471,045)	(1,134,297,023)
	- Sales return	-	(36,016)
		<u>(1,221,208,314)</u>	<u>(1,140,331,883)</u>
		<u>7,180,083,315</u>	<u>6,663,633,593</u>

14. COST OF SALES

Opening stock of finished goods		976,126,840	1,617,952,571
Cost of goods manufactured			
- Raw material consumed		5,243,107,533	4,564,901,411
- Salaries, wages and other benefits		225,080,394	162,992,991
- Stores, spares and loose tools consumed		221,405,776	165,678,887
- Fuel and power		1,062,803,684	722,762,858
- Repair and maintenance		4,843,015	742,398
- Other manufacturing expenses		20,624,965	9,603,277
- Depreciation		42,213,047	39,493,458
		<u>6,820,078,414</u>	<u>5,666,175,280</u>
Closing stock of finished goods		(935,453,402)	(1,278,946,986)
Cost of goods sold - manufacturing		<u>6,860,751,852</u>	<u>6,005,180,865</u>
Cost of goods sold - trading		10,973,514	-
Sales tax adjustment		-	(164,013,222)
		<u>6,871,725,366</u>	<u>5,841,167,643</u>

15. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period		352,433,915	264,285,089
Weighted average number of ordinary shares		251,599,650	251,599,650
Earnings per share - Basic		<u>1.40</u>	<u>1.05</u>

15.1 There were no dilutive potential ordinary shares outstanding.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)

Rupees	Note	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
16. CASH USED IN OPERATIONS			
Profit before taxation		405,816,384	306,306,076
Adjustments:			
Depreciation		49,323,725	46,728,515
Amortization		721,656	721,656
Finance cost		311,725,258	402,441,500
Defined benefit charge		21,000,000	8,037,290
Gain on disposal of tangible fixed assets		(1,141,607)	(6,065,041)
Profit on term deposit receipts		(8,477,879)	(3,939,452)
Provision for workers' profit participation fund		21,794,650	16,472,966
Provision for workers' welfare fund		8,281,967	5,124,542
		<u>403,227,770</u>	<u>469,521,976</u>
Profit before working capital changes		809,044,154	775,828,052
Effect on cash flow due to working capital changes			
<i>(Increase) / decrease in current assets:</i>			
Inventories		(4,239,863,839)	(2,831,951,993)
Trade debts		(58,918,582)	131,603,644
Loans and advances		(29,663,212)	(11,924,744)
Deposits, prepayments and other receivables		15,024,401	(41,273,504)
Due from the Government		(175,625,700)	(585,936,379)
		<u>(4,489,046,930)</u>	<u>(3,339,482,976)</u>
<i>Increase / (Decrease) in current liabilities:</i>			
Trade and other payables		1,453,572,939	341,786,027
		<u>(2,226,429,837)</u>	<u>(2,221,868,897)</u>
17. 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		1,810,944,565	965,433,682
Temporary bank overdrawn		(75,505,580)	(3,426,266)
		<u>1,735,438,985</u>	<u>962,007,416</u>
18. 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, 2020.			

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)

Rupees	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Transactions		Outstanding Balances	
19. RELATED PARTY DISCLOSURES				
Details of outstanding balances / transactions with related parties, not otherwise disclosed elsewhere, are as follows:				
Entities				
Mughal Steel Metallurgies Corporation Limited				
Relationship			Common directorship	
Percentage of shareholding			Nil	
Detail of outstanding balance				
Trade and other payables				
- Security deposit payable against rent			400,000	400,000
Deposits, prepayments and other receivables				
- Security deposits			550,000	550,000
Detail of transactions				
- Rental income	600,000	600,000		
- Rent expense	810,000	1,050,000		
Al-Bashir (Private) Limited				
Relationship			Common directorship	
Percentage of shareholding			Nil	
Detail of outstanding balance				
Deposits, prepayments and other receivables				
- Security deposits			500,000	500,000
Detail of transactions				
- Rent expense	396,000	396,000		
Indus Engineering (AoP)				
Relationship			Common management	
Percentage of shareholding			Nil	
Detail of outstanding balance				
Deposits, prepayments and other receivables				
- Security deposits			200,000	200,000
Detail of transactions				
- Rent expense	330,000	300,000		
Major shareholders, key management personnel and their relatives				
Detail of outstanding balance				
Deposits, prepayments and other receivables				
- Security deposits			270,000	-
Loans and advances				
- Key management personnel (other than Directors) and their relatives			429,500	-
Detail of transactions				
Major shareholders, Directors and their relatives				
- Remuneration				
- Executive Directors	9,600,000	9,600,000		
- Non-Executive Directors	2,895,000	3,345,000		
- Rent expense	270,000	270,000		
- Repayment of short-term loan from Directors and their relatives	73,537,204	89,090,130		
- Meeting fee	250,000	200,000		
Key management personnel (other than Directors) and their relatives				
- Salaries and benefits	9,000,000	6,675,000		

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

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2020 (UNAUDITED)

20. DATE OF AUTHORIZATION

These condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 27, 2020.

21. 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



MUGHALSTEEL.COM