



INTERIM  
FINANCIAL REPORT  
(UNAUDITED)

FOR THE SIX MONTHS PERIOD ENDED  
DECEMBER 31, 2021

**MUGHAL**  
STEEL

DELIVERING BEYOND  
**EXPECTATIONS**

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

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

### AUDIT COMMITTEE

Mr. Abdul Rehman Qureshi  
*Chairman*  
 Mr. Fazeel Bin Tariq  
*Member*  
 Mr. Muhammad Mateen Jamshed  
*Member*

### HUMAN RESOURCE & REMUNERATION COMMITTEE

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

### INVESTOR RELATIONS

Financial analysts, stock brokers, interested investors and financial media desiring information regarding the Company should contact Mr. 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  
 Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi, Pakistan.  
 Tel: +92-21-111-000-322  
 Fax: +92-21-34168271  
 Email: sfc@thk.com.pk  
 Web: www.thk.com.pk

### SHAREHOLDER COMPLAINT HANDLING CELL

In case of shareholder complaints/queries, Please Contact:  
 Mr. Nadeem Sultan  
 Tel : +92-42-35960841 Ext:136  
 Email: fahadhafeez@mughalsteel.com

### AUDITORS

Fazal Mahmood & Company  
 Chartered Accountants  
*(A member firm of PrimeGlobal International)*

### SHARIAH ADVISOR

Mufti Imran Khan

### LEGAL ADVISOR

H.M. Law Associates

### TAX ADVISORS

Akhtar Ali Associates  
 Juris Counsel  
 Farooq Khan Law Associate  
 Butt & Company  
 Punjab Law Associates

### CHIEF OPERATING OFFICER

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

### CHIEF FINANCIAL OFFICER

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

### COMPANY SECRETARY

Mr. 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".

### CREDIT RATING

#### VIS Credit Rating Company Limited

Long-term entity rating (A+)  
 Short-term entity rating (A1)  
 Future Outlook: Stable  
 Last Update Date: December 28, 2021

#### The Pakistan Credit Rating Agency Limited

Long-term entity rating (A+)  
 Short-term entity rating (A1)  
 Future Outlook: Stable  
 Last Update Date: October 22, 2021

### BANKERS

Askari Bank Limited  
 Allied Bank Limited  
 Al Baraka Bank (Pakistan) 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 Sheikhpura 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. At Mughal Steel we work with passion and expertise to develop high-quality products and intelligent industrial processes. 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. Equipped with depth of technical and managerial expertise, reputation for reliability and a sharply defined business focus, has forged the organization into a modern, highly competitive supplier of quality products. The Company's ability to generate profits throughout the fluctuations of various economic and business cycles is testimony to the success of years of intensive business re-engineering. The management team is being led by Mr. Khurram Javaid, Director and CEO.

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

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

## DIRECTORS' REVIEW

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 six months period ended December 31, 2021, the financial results of which are summarized below:

(Rs. in Millions)

	Six months period ended December 31,		Variation %
	2021	2020	
<b>Financial highlights</b>			
Sales - net	32,081.988	19,445.579	65%
Gross profit	5,677.198	2,597.575	119%
Profit before taxation	4,000.945	1,626.627	146%
Taxation	(469.978)	(228.234)	(106%)
Profit for the period	3,530.967	1,398.393	153%
Earnings per share – Basic & Diluted	10.52	4.55 (Re-stated)	131%

### Business, financial & operational Review

On the economic front, current account deficit, depreciating currency, struggling foreign exchange reserves, rising inflation, upward revision of discount rate by 100 bps to 9.75 percent, high scrap prices in international markets and increase in energy cost, impacted the overall performance of the Company. On operational front, sales revenue increased from Rs. 19,445.579 million to Rs. 32,081.988 million as compared to corresponding period, with an increase of 65%. Increase in sales was due to increase in sale prices as well as volumes both in ferrous and non-ferrous segments. Overall gross margins increased significantly from Rs. 2,597.575 million to Rs. 5,677.198 million in the current period. Gross margins improved for both ferrous and non-ferrous segments. Within the ferrous segment the impact of increase in raw material prices in the international markets and impact of PKR devaluation had resulted in increase in sale prices of local ferrous products, however, due to inventory in hand the weighted average cost of inventory witnessed gradual increase resulting in improvement in gross margins as compared to corresponding period. Within non-ferrous segment PKR devaluation resulted in increase in sale prices and resulted in increase in gross margins. Commission on sales increased as compared to corresponding period mainly due to commission paid to various parties in respect of export sales which was in line with increase in exports.

Sales and marketing expenses increased from Rs. 67.577 million to Rs. 98.767 million as compared to corresponding period, resulting in increase of 46%. The increase was mainly due to increase in salaries, advertisement and freight cost. Administrative expenses increased by 43% mainly due to increase in salaries. Other charges increased from Rs. 121.181 million to Rs. 300.730 million as compared to corresponding period, resulting in increase of 148%. The increase was mainly due to increase in workers' profit participation fund and workers' welfare fund which was in line with increase in profits. During the period allowance for expected credit loss recognized amounting to Rs. 118.992 million. Other income increased from Rs. 67.901 million to Rs. 175.160 million as compared to corresponding period, resulting in increase of 158%. The increase was mainly due to recognition of foreign exchange gain. Taxation increased from Rs. 228.234 million to Rs. 469.978 million resulting in increase of 106%. The increase was mainly due to recognition of deferred taxation.

Resultantly, profit for the period increased to Rs. 3,530.967 million as compared to Rs. 1,398.393 million in corresponding period resulting in increase of 153%. Earnings per share (EPS) for the current period stood at Rs. 10.52 as compared to EPS of Rs. 4.55 (re-stated) in the corresponding period. Prior period EPS was restated to account for the impact of bonus element in right shares issued during the last year and impact of bonus shares issued during the period.

Additions in property, plant and equipment mainly represented addition on account of BMR of girder re-rolling mill. Capital work in progress mainly represented work on CCM and furnaces project. Further, during the three months ended December 31, 2021, the Board of Directors, approved the sale of certain items of property, plant and equipment comprising of certain items of plant and machinery and coal gasifier plant having aggregate book value of Rs. 568.787 million. Accordingly, these non-current assets were classified as assets held for sale. Immediately before the initial classification of these asset as held for sale, the carrying amounts of these assets was measured in accordance with previous revaluation model in terms of IAS-16 'Property, Plant and Equipment' and checked for impairment and accordingly, net impairment loss of Rs. 53.871 million in respect of revalued assets was recognized in other comprehensive income to the extent of credit balance existing in the revaluation surplus in respect of those assets.

Further, impairment loss of Rs. 3.109 million was recognized in statement of profit or loss in respect of assets carried on cost model. In, addition, the Board approved CAPEX budget for its non-ferrous and ferrous segments. CAPEX for non-ferrous segment amounted to approx. Rs. 2.5 billion which will enable the Company to commence exports of aluminium ingots and also increase its current copper exports. These projects are expected to come online within 20 months from the date of establishing letter of credit. CAPEX for ferrous segment amounted to approx. Rs. 400 million and was mainly related to procurement of rolling mill spares. The above CAPEX will be financed mainly by way of long-term debt with expected mix of debt-to-equity ratio of 80:20.

Inventories comprised of store, spare & loose tools, raw material and finished goods. Inventories increased by 58% from 14,867.878 million as at June 30, 2021 to Rs. 23,536.921 million as at December 31, 2021. The increase was mainly due to increase in average inventory prices and increase in production levels. Trade debts also increased significantly due to increase in overall sales and also due to increase in sale prices. Further, allowance for expected credit losses amounting to Rs. 118.992 million was recognized during the period. Deposits, prepayments and other receivables decreased by 78%. The decrease was mainly due to release of bank guarantees which were issued in favor of customers for supply of steel bars.

Issued, subscribed and paid-up capital increased as a result of issuance of 15% bonus shares during the period. Share premium account was used for issuance of bonus shares. There was no major change in long-term financing and all payments were made on timely basis.

Trade and other payables increased by 36% mainly due to increase in utility payables and foreign creditors. Short-term borrowings increased by 47% and were in line with increase in working capital requirements which increased due to significant increase in commodity prices, depreciation of PKR and increase in production. Short-term borrowings also included Islamic commercial paper to the tune of Rs. 1,859.260 million issued during the period. Further, the Board of Directors also approved issuance of sukuk certificates-II to the tune of PKR. 5,000 million for a period of 5 years for meeting working capital requirements.

Resultantly, the Balance sheet footing stood at Rs. 53,605.673 million as of December 31, 2021, compared to Rs. 41,799.806 million as of June 30, 2021. Breakup value per share increased to Rs. 59.53 as of December 31, 2021 from Rs. 56.55 as at June 30, 2021. Current ratio as at December 31, 2021 stood at 1.39:1 as compared to 1.37:1 in June 30, 2021.

#### Subsequent events - non-adjusting

The electricity load of 132 KV grid station was enhanced to 90 MW. Two induction furnaces of 12 MW each became operational. Sale of assets classified as held for sale was completed.

The Board of Directors has declared an interim dividend of 30% (Rs. 3/- per share) for the year ending June 30, 2022.

#### Future outlook

Going forward, it is expected that increase in construction activities, construction of dams, increase in house financing, would result in increase in the demand for long-rolled products. Further, the Company, will continue to maintain its export operations and make efforts to further increase them. It is projected that the profitability in the remaining period of the year will be affected due to increase in prices of basic raw materials, utilities, wages and markup rates, if the corresponding increase in the selling prices are not absorbed by the market.

#### 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 17, 2022

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, 2021 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this 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 financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the three-months period ended December 31, 2021 and December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the six-months period ended December 31, 2021.

#### 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 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 Fazal Mahmood.

*Fazal Mahmood & Co.*

Fazal Mahmood & Company  
Chartered Accountants  
(A member firm of PrimeGlobal International)

Date: February 17, 2022  
Place: Lahore  
UDIN: RR202110155s4LbMgr90

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2021**

Rupees	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	6.	15,346,801,171	15,799,442,920
Intangible asset		2,164,963	3,608,274
Long-term loans to employees		42,916,159	36,127,968
Long-term deposits		19,845,317	19,845,317
		<u>15,411,727,610</u>	<u>15,859,024,479</u>
<b>CURRENT ASSETS</b>			
Inventories	7.	23,536,920,554	14,867,878,271
Trade debts		7,960,716,494	5,259,128,868
Loans and advances		159,439,790	135,593,891
Deposits, prepayments and other receivables		202,468,759	932,103,249
Due from the government	8.	3,097,974,375	2,529,148,380
Cash and bank balances		2,746,682,004	2,216,929,138
		<u>37,704,201,976</u>	<u>25,940,781,797</u>
Assets classified as held for sale	9.	489,743,589	-
		<u>53,605,673,175</u>	<u>41,799,806,276</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital	10.	5,000,000,000	5,000,000,000
Issued, subscribed and paid-up capital	11.	3,356,339,330	2,918,555,940
Capital reserves:			
Share premium account		2,324,952,020	2,762,735,410
Contingency reserve		980,000,000	980,000,000
Revaluation surplus on property, plant and equipment		3,306,998,224	3,402,244,904
Revenue reserve:			
Un-appropriated profits		10,013,665,626	6,441,323,325
		<u>19,981,955,200</u>	<u>16,504,859,579</u>
<b>LIABILITIES</b>			
<b>NON - CURRENT LIABILITIES</b>			
Long-term financing - secured		3,292,008,678	3,911,162,767
Deferred taxation		2,425,364,002	2,051,365,715
Defined benefit obligation		390,773,310	357,573,653
Deferred liabilities		73,230,458	84,886,817
		<u>6,181,376,448</u>	<u>6,404,988,952</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,358,258,253	1,732,056,016
Unclaimed dividends		2,963,664	2,982,204
Unpaid dividends		5,063,261	5,675,118
Accrued profit / interest / mark-up		329,550,963	251,457,149
Short-term borrowings - secured	12.	23,640,888,160	16,107,717,529
Short-term loans from Directors and their relatives - unsecured		-	3,193,514
Current portion of long-term financing		1,086,775,913	765,722,598
Current portion of deferred grant		18,841,313	21,153,617
		<u>27,442,341,527</u>	<u>18,889,957,745</u>
		<u>33,623,717,975</u>	<u>25,294,946,697</u>
		<u>53,605,673,175</u>	<u>41,799,806,276</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13.		

The annexed notes from 1 to 25 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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)**

Rupees	Note	Three months ended		Six months ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Sales - net	14.	18,059,222,427	11,711,464,715	32,081,987,688	19,445,579,378
Cost of sales	15.	(15,130,802,672)	(9,976,279,072)	(26,404,789,819)	(16,848,004,438)
<b>GROSS PROFIT</b>		<b>2,928,419,755</b>	<b>1,735,185,643</b>	<b>5,677,197,869</b>	<b>2,597,574,940</b>
Sales and marketing expenses		(43,381,725)	(38,903,968)	(98,766,630)	(67,577,453)
Administrative expenses		(184,372,749)	(124,810,089)	(345,873,754)	(241,745,579)
Other charges		(151,772,080)	(90,853,984)	(300,729,782)	(121,180,601)
Allowance for expected credit losses		(118,991,893)	-	(118,991,893)	-
Other income		105,838,189	36,813,085	175,160,468	67,901,022
Finance cost		(541,271,239)	(296,620,047)	(987,051,726)	(608,345,305)
<b>PROFIT BEFORE TAXATION</b>		<b>1,994,468,258</b>	<b>1,220,810,640</b>	<b>4,000,944,552</b>	<b>1,626,627,024</b>
Taxation		(151,702,705)	(174,851,382)	(469,977,581)	(228,233,851)
<b>PROFIT FOR THE PERIOD</b>		<b>1,842,765,553</b>	<b>1,045,959,258</b>	<b>3,530,966,971</b>	<b>1,398,393,173</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that may be reclassified subsequently to profit or loss					
Items that will not be reclassified subsequently to profit or loss:					
Impairment loss recognized on reclassification from property, plant and equipment to assets classified as held for sale		(75,875,141)	-	(75,875,141)	-
Related deferred tax		22,003,791	-	22,003,791	-
		(53,871,350)	-	(53,871,350)	-
Surplus on revaluation of property, plant and equipment		-	1,783,958,215	-	4,684,650,373
Related deferred tax		-	(484,432,883)	-	(1,212,338,109)
		-	1,299,525,332	-	3,472,312,264
Other comprehensive (loss) / income - net of tax		(53,871,350)	1,299,525,332	(53,871,350)	3,472,312,264
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,788,894,203</b>	<b>2,345,484,590</b>	<b>3,477,095,621</b>	<b>4,870,705,437</b>
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>	16.	<b>5.49</b>	<b>3.40</b>	<b>10.52</b>	<b>4.55</b>
			(Restated)		(Restated)

The annexed notes from 1 to 25 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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)**

Rupees	Capital reserves				Revenue reserve	Equity Contribution from Directors & their relatives	Total Equity
	Issued, subscribed and paid-up capital	Share premium account	Contingency reserve	Revaluation surplus on property, plant and equipment	Un-appropriated profits		
<b>BALANCE AS AT JUNE 30, 2020 - AUDITED</b>	<b>2,515,996,500</b>	<b>439,413,456</b>	<b>980,000,000</b>	<b>-</b>	<b>3,722,163,620</b>	<b>500,000,000</b>	<b>8,157,573,576</b>
Profit for the period	-	-	-	-	1,398,393,173	-	1,398,393,173
Other comprehensive income - net of tax	-	-	-	3,472,312,264	-	-	3,472,312,264
Total comprehensive income for the period	-	-	-	3,472,312,264	1,398,393,173	-	4,870,705,437
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	-	-	(28,119,137)	28,119,137	-	-
<b>Transaction with owners</b>							
Transfer to short-term loans from Directors and their relatives	-	-	-	-	-	(500,000,000)	(500,000,000)
<b>BALANCE AS AT DECEMBER 31, 2020 - UNAUDITED</b>	<b>2,515,996,500</b>	<b>439,413,456</b>	<b>980,000,000</b>	<b>3,444,193,127</b>	<b>5,148,675,930</b>	<b>-</b>	<b>12,528,279,013</b>
<b>BALANCE AS AT JUNE 30, 2021 - AUDITED</b>	<b>2,918,555,940</b>	<b>2,762,735,410</b>	<b>980,000,000</b>	<b>3,402,244,900</b>	<b>6,441,323,325</b>	<b>-</b>	<b>16,504,859,579</b>
Profit for the period	-	-	-	-	3,530,966,971	-	3,530,966,971
Other comprehensive loss - net of tax	-	-	-	(53,871,350)	-	-	(53,871,350)
Total comprehensive income for the period	-	-	-	(53,871,350)	3,530,966,971	-	3,477,095,621
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	-	-	(41,375,330)	41,375,330	-	-
<b>Transaction with owners</b>							
Issue of 43,778,339 ordinary shares of Rs. 10/- each as fully paid-up bonus shares @ 15%	437,783,390	(437,783,390)	-	-	-	-	-
<b>BALANCE AS AT DECEMBER 31, 2021 - UNAUDITED</b>	<b>3,356,339,330</b>	<b>2,324,952,020</b>	<b>980,000,000</b>	<b>3,306,998,224</b>	<b>10,013,665,626</b>	<b>-</b>	<b>19,981,955,200</b>

The annexed notes from 1 to 25 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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)**

Rupees	Note	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	17.	(4,978,624,922)	(1,704,770,061)
Net increase in long-term loans to employees		(9,782,729)	(3,717,443)
Defined benefits paid		(11,800,343)	(6,336,075)
Workers' profit participation fund paid		(136,320,000)	(30,465,912)
Finance cost paid		(908,957,912)	(677,500,207)
Income tax paid - net		(325,438,455)	(123,715,107)
<b>Net cash used in operating activities</b>		<b>(6,370,924,361)</b>	<b>(2,546,504,805)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for acquisition of property, plant & equipment		(350,468,714)	(552,690,213)
Proceeds from disposal of tangible fixed assets		22,808,235	2,664,999
Profit received on term deposit receipt		-	4,280,439
<b>Net cash used in investing activities</b>		<b>(327,660,479)</b>	<b>(545,744,775)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net repayment of / proceeds from long-term financing		(309,074,901)	215,382,271
Net proceeds from short-term borrowings		7,402,861,540	2,637,347,614
Net repayment of short-term loans from Directors and their relatives		(3,193,514)	(554,722,832)
Dividends paid		(630,397)	(198,256)
<b>Net cash generated from financing activities</b>		<b>7,089,962,728</b>	<b>2,297,808,797</b>
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>391,377,888</b>	<b>(794,440,784)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>2,216,929,138</b>	<b>2,340,364,332</b>
<b>NET FOREIGN EXCHANGE DIFFERENCE</b>		<b>8,065,887</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	18.	<b>2,616,372,913</b>	<b>1,545,923,549</b>

The annexed notes from 1 to 25 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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (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 Company's operations mainly comprise of ferrous and non-ferrous business segments as disclosed in note 19. to these condensed interim financial statements. However, the principal activity of the Company is manufacturing and sale of mild steel products relating to ferrous segment. 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 centers	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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are 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. BASIS OF PREPARATION

These condensed interim financial statements have been prepared under the historical cost convention, except as otherwise stated in relevant notes and 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, 2021, except detailed below or else where. 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, 2021.

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, 2021. 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, 2021, except as disclosed otherwise in respective notes.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)**

Rupees	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Tangible fixed assets	6.1	14,355,948,744	14,731,461,616
Capital work-in-progress	6.2	990,852,427	1,067,981,304
		<u>15,346,801,171</u>	<u>15,799,442,920</u>
<b>6.1 Tangible fixed assets:</b>			
Tangible fixed assets - owned	6.1.1	14,355,948,744	14,731,461,616
Assets subject to operating lease	6.1.2	-	-
		<u>14,355,948,744</u>	<u>14,731,461,616</u>
<b>6.1.1 Following is the movement in tangible fixed assets - owned</b>			
Opening net book value		14,731,461,616	4,839,386,850
Additions during the period / year:			
Plant and machinery		385,971,130	5,091,252,386
Office equipment		1,795,302	792,146
Grid station & electric installations		752,137	47,296,735
Furniture and fittings		-	301,413
Vehicles		39,079,022	44,178,032
Trucks and cranes		-	35,500,000
Computers		-	2,239,750
Other machinery and equipment		-	22,130,928
Developments on leasehold land		-	237,738,063
		<u>427,597,591</u>	5,481,429,453
Disposals during the period / year:			
Vehicles		(10,874,965)	(7,593,548)
Transfers during the period / year to assets subject to operating lease:			
Plant and machinery		(271,473,590)	271,587,520
Transfers during the period / year to assets classified as held for sale:			
Plant and machinery		(277,908,332)	-
Coal gasification plant		(22,767,568)	-
Depreciation charged during the period / year		(220,086,008)	(284,582,862)
Surplus on revaluation of property, plant and equipment		-	4,431,234,203
Closing net book value		<u>14,355,948,744</u>	<u>14,731,461,616</u>
<b>6.1.2 Following is the movement in assets subject to operating lease:</b>			
Opening balance		-	23,912,375
Transfers during the period / year from tangible fixed assets - owned:			
Plant and machinery		271,473,590	(271,587,520)
Transfers during the period / year to assets classified as held for sale:			
Plant and machinery		(268,052,279)	-
Depreciation charged during the period / year		(3,421,311)	(5,741,026)
Surplus on revaluation of property, plant and equipment		-	253,416,171
Closing balance		<u>-</u>	<u>-</u>
<b>6.2 Following is the movement in capital work-in-progress:</b>			
Opening balance		1,067,981,304	5,054,714,908
Additions during the period / year		302,214,270	1,177,048,119
Transfers during the period / year		(379,343,147)	(5,163,781,723)
Closing balance		<u>990,852,427</u>	<u>1,067,981,304</u>

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)**

Rupees	Note	December 31, 2021	June 30, 2021
		(Unaudited)	(Audited)
<b>7. INVENTORIES</b>			
Stores, spares and loose tools		1,772,173,960	1,687,120,663
Raw material		17,380,612,318	11,615,865,918
Finished goods		4,384,134,276	1,564,891,690
		<u>23,536,920,554</u>	<u>14,867,878,271</u>

8. During the period, sales tax input adjustment pertaining to sales tax paid under Sales Tax Special Procedure Rules, 2007 in respect of closing inventory as of June 30, 2019 was granted. Through Finance Act, 2019, the special procedure regime was abolished and Federal Excise Duty (FED) in sales tax mode was levied on steel manufacturers w.e.f July 01, 2019 under the second schedule of the Federal Excise Act, 2005, therefore, the said sales tax was refundable to avoid double taxation. The difference of actual amount granted and amount initially recognized amounting to Rs. 44.611 million has been recognized in other income.

Rupees	Note	December 31, 2021	June 30, 2021
		(Unaudited)	(Audited)

**9. ASSETS CLASSIFIED AS HELD FOR SALE**

Property, plant and equipment	9.1	<u>489,743,589</u>	<u>-</u>
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- 9.1 This represented certain items of property, plant and equipment comprising of plant and machinery and coal gasifier plant, which were classified as assets held for sale during the period. These assets are expected to be disposed off within the next 3 months. Non-current assets classified as 'held for sale' are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Immediately before the initial classification of the asset as held for sale, the carrying amounts of the asset is measured in accordance with previous revaluation model in terms of IAS-16 'Property, Plant and Equipment' and checked for impairment. Decrease in the asset's carrying amount as a result of impairment, is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus. Any outstanding revaluations surplus balance existing on the date of reclassification to held for sale remains there until the asset is sold, at which point the said balance is transferred to un-appropriated profits.

10. This represents 500,000,000 (June 30, 2021: 500,000,000) ordinary shares of Rs. 10/- each.
11. This represents 335,633,933 (June 30, 2021: 291,855,594) ordinary shares of Rs. 10/- each. 216.894 million ordinary shares (June 30, 2021: 188.453 million) of Rs. 10/- each were held by major shareholders, key management personnel and their relatives.

Rupees	Note	December 31, 2021	June 30, 2021
		(Unaudited)	(Audited)

**12. SHORT-TERM BORROWINGS - SECURED**

This comprises of short-term borrowings obtained under:

- Islamic mode	10,879,457,353	7,736,220,884
- Conventional mode	12,631,121,716	8,371,496,645
	23,510,579,069	16,107,717,529
Temporary bank overdrawn	130,309,091	-
	<u>23,640,888,160</u>	<u>16,107,717,529</u>

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)**

**13. 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, 2021, 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. 1,667.134 million (June 30, 2021: Rs. 1,670.131 million).
- iii) The members of the Company have approved issuance of corporate guarantee of Rs. 6,000,000 million in their meeting held on April 19, 2021, in favor of banks on behalf of Mughal Energy Limited (related party) for the purpose of availing financing for a period of 5 years.

Rupees	Note	December 31, 2021	June 30, 2021		
		(Unaudited)	(Audited)		
<b>Commitments:</b>					
i) Non-capital & capital commitments		<u>4,818,059,072</u>	<u>3,986,527,667</u>		
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		<u>1,584,000</u>	<u>-</u>		
		Three months ended	Six months ended		
Rupees	Note	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>14. SALES - net</b>					
Local sales		<u>13,945,031,650</u>	<u>9,685,342,088</u>	<u>25,194,561,669</u>	<u>16,854,118,005</u>
Export sales		<u>3,762,900,929</u>	<u>2,026,627,356</u>	<u>6,633,192,273</u>	<u>2,580,658,704</u>
Trading sales		<u>535,692,308</u>	<u>-</u>	<u>574,528,142</u>	<u>11,812,800</u>
		<u>18,243,624,887</u>	<u>11,711,969,444</u>	<u>32,402,282,084</u>	<u>19,446,589,509</u>
Commission		<u>(184,402,460)</u>	<u>(504,729)</u>	<u>(320,294,396)</u>	<u>(1,010,131)</u>
		<u>18,059,222,427</u>	<u>11,711,464,715</u>	<u>32,081,987,688</u>	<u>19,445,579,378</u>

**14.1 Reconciliation with segment information:**

Rupees	Ferrous	Non-Ferrous	Total
<b>Net revenue from external customers:</b>			
- Local sales	23,270,529,586	1,922,286,266	25,192,815,852
- Export sales	-	6,314,643,694	6,314,643,694
- Trading sales	574,528,142	-	574,528,142
December 31, 2021	<u>23,845,057,728</u>	<u>8,236,929,960</u>	<u>32,081,987,688</u>
<b>Net revenue from external customers:</b>			
- Local sales	15,351,984,583	1,501,123,291	16,853,107,874
- Export sales	-	2,580,658,704	2,580,658,704
- Trading sales	-	11,812,800	11,812,800
December 31, 2020	<u>15,351,984,583</u>	<u>4,093,594,795</u>	<u>19,445,579,378</u>

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)**

Rupees	Note	Three months ended		Six months ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>15. COST OF SALES</b>					
Opening stock of finished goods		3,893,033,452	935,453,402	1,564,891,690	976,126,840
Cost of goods manufactured					
- Raw material consumed		12,357,565,349	8,262,704,725	23,691,035,327	13,505,812,258
- Salaries, wages and other benefits		272,797,895	238,529,307	519,671,888	463,609,701
- Stores, spares and loose tools consumed		447,896,795	251,731,087	765,011,307	473,136,863
- Fuel and power		1,875,747,590	1,448,670,128	3,379,336,394	2,511,473,812
- Repair and maintenance		12,000	428,379	765,541	5,271,394
- Other manufacturing expenses		61,376,606	24,531,565	122,603,898	45,156,530
- Depreciation		90,937,279	70,697,295	191,117,549	112,910,342
		15,106,333,514	10,297,292,486	28,669,541,904	17,117,370,900
Closing stock of finished goods		(4,384,134,276)	(1,256,466,816)	(4,384,134,276)	(1,256,466,816)
Cost of goods sold - manufacturing		14,615,232,690	9,976,279,072	25,850,299,318	16,837,030,924
Cost of goods sold - trading		515,569,982	-	554,490,501	10,973,514
		15,130,802,672	9,976,279,072	26,404,789,819	16,848,004,438
<b>16. EARNINGS PER SHARE - BASIC AND DILUTED</b>					
Profit for the period		1,842,765,553	1,045,959,258	3,530,966,971	1,398,393,173
Weighted average number of ordinary shares		(Restated)	(Restated)		
		335,633,933	307,388,168	335,633,933	307,388,168
Earnings per share - Basic		5.49	3.40	10.52	4.55

- 16.1** The weighted average number of outstanding shares as at December 31, 2020 includes the effect of bonus element in the right shares issued during the previous year and also the effect of bonus shares issued during the period. Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2021 and December 31, 2020 which would have any effect on the earnings per share if the option to convert is exercised.

Rupees	Note	Six months ended	
		December 31, 2021	December 31, 2020
		(Unaudited)	(Unaudited)
<b>17. CASH USED IN OPERATIONS</b>			
Profit before taxation		4,000,944,552	1,626,627,024
Adjustments:			
Depreciation		223,507,319	127,674,335
Amortization		1,443,312	1,443,312
Allowance for expected credit losses		118,991,893	-
Finance cost		987,051,726	608,345,305
Defined benefit charge		45,000,000	42,000,000
Gain on disposal of tangible fixed assets		(11,933,270)	(1,141,607)
Impairment loss recognized on transfer to assets held for sale		3,109,448	-
Profit on term deposit receipts		(263,274)	(14,618,215)
Net unrealized foreign exchange (gains)		(13,767,271)	(38,525,293)
Provision for workers' profit participation fund		215,037,154	87,359,131
Provision for workers' welfare fund		81,651,930	33,196,470
		1,649,828,967	845,733,438
Profit before working capital changes		5,650,773,519	2,472,360,462
Effect on cash flows due to working capital changes (Increase) / decrease in current assets:			
Inventories		(8,669,042,283)	(4,877,071,401)
Trade debts		(2,811,511,115)	157,305,873
Loans and advances		(23,845,899)	(33,142,165)
Deposits, prepayments and other receivables		729,897,764	(35,545,702)
Due from the government		(317,363,042)	(170,015,256)
		(11,091,864,575)	(4,958,468,651)
Increase / (decrease) in current liabilities:			
Trade and other payables		462,466,134	781,338,128
		(4,978,624,922)	(1,704,770,061)



## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)

Rupees	Note	December 31, 2021	December 31, 2020
		(Unaudited)	(Unaudited)
<b>18. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
Cash and cash equivalents included in the statement of cash flows comprise of the following:			
Cash and bank balances		2,746,682,004	1,557,981,336
Temporary bank overdrawn		<u>(130,309,091)</u>	<u>(12,057,787)</u>
		<u>2,616,372,913</u>	<u>1,545,923,549</u>

### 19. SEGMENT REPORTING

#### 19.1 Reportable segments:

The Company's reportable segments are as follows:

- Ferrous
- Non - Ferrous

Ferrous segment comprises of long-rolled mild steel related products whereas non-ferrous segment mainly comprises of copper and related waste items. Information regarding the Company's reportable segments is presented below:

#### 19.2 Segment revenues and measure of segment profit or loss:

Following is an analysis of the Company's revenue and results by reportable segment for the six months period ended December 31, 2021 and December 31, 2020 along with reconciliation of the total of the reportable segments' measures of profit or loss to the Company's profit or loss for the period:

Rupees	Ferrous Six months ended		Non-Ferrous Six months ended		Total Six months ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales - net	23,845,057,728	15,351,984,583	8,236,929,960	4,093,594,795	32,081,987,688	19,445,579,378
Cost of sales	<u>(20,774,187,316)</u>	<u>(13,593,415,163)</u>	<u>(5,630,602,503)</u>	<u>(3,254,589,275)</u>	<u>(26,404,789,819)</u>	<u>(16,848,004,438)</u>
Gross profit	3,070,870,412	1,758,569,420	2,606,327,457	839,005,520	5,677,197,869	2,597,574,940
Sales and marketing expenses	(75,241,622)	(53,300,228)	(23,525,008)	(14,277,225)	(98,766,630)	(67,577,453)
Allowance for expected credit losses	(937,571)	-	(118,054,322)	-	(118,991,893)	-
Other charges	(3,109,448)	-	-	-	(3,109,448)	-
Other income	-	-	100,160,815	-	100,160,815	-
Finance cost	(13,128,118)	(26,778,039)	(28,634,281)	(11,061,407)	(41,762,399)	(37,839,446)
	<u>(92,416,759)</u>	<u>(80,078,267)</u>	<u>(70,052,796)</u>	<u>(25,338,632)</u>	<u>(162,469,555)</u>	<u>(105,416,899)</u>
Segment profit before taxation and unallocated income and expenses	<u>2,978,453,653</u>	<u>1,678,491,153</u>	<u>2,536,274,661</u>	<u>813,666,888</u>	<u>5,514,728,314</u>	<u>2,492,158,041</u>
Unallocated income and expenses:						
Administrative expenses					(345,873,754)	(241,745,579)
Other charges					(297,620,334)	(121,180,601)
Other income					74,999,653	67,901,022
Finance cost					(945,289,327)	(570,505,859)
Taxation					<u>(469,977,581)</u>	<u>(228,233,851)</u>
Profit for the period					<u>3,530,966,971</u>	<u>1,398,393,173</u>

Revenue reported above represents revenue generated from external customers. The accounting policies of the reportable segments (except as disclosed otherwise) are the same as the Company's accounting policies as described in note 4 to these condensed interim financial statements. The ferrous segment allocates certain percentage of sales and marketing relating common expenditure to non-ferrous segment. Segment profit represents the profit earned by each segment before taking account of unallocated income and expenses which are presented separately. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)

### 19.3 Revenue from external customers:

The analysis of the Company's revenue from external customers for major products is as follows:

Six months ended			
Percentage	Note	December 31, 2021	December 31, 2020
		(Unaudited)	(Unaudited)
<b>Ferrous:</b>			
- Steel re-bars		62.68%	51.94%
- Girders		33.30%	47.94%
- Billets		1.24%	0.11%
- Others		2.78%	0.00%
		<b>100.00%</b>	<b>100.00%</b>
<b>Non-Ferrous:</b>			
- Copper ingots		77.53%	63.04%
- Copper coil		7.89%	0.00%
- Others		1.07%	0.29%
- Waste		13.51%	36.67%
		<b>100.00%</b>	<b>100.00%</b>

### 19.4 Information about major customers:

Revenue from major customers of ferrous segment represent 65% of the total revenue of ferrous segment. The Company did not have transactions with any external customer which amounted to 10 percent or more of its revenue from total ferrous segment during the corresponding period. Revenue from major local customers of non-ferrous segment represent 15% (December 2020: 25%) of the total revenue of non-ferrous segment and 56% (December 2020: 68%) of the total local revenue of non-ferrous segment. Revenue from major foreign customers of non-ferrous segment represent 71% (December 2020: 53%) of the total revenue of non-ferrous segment and 97% (December 2020: 84%) of the total foreign revenue of non-ferrous segment.

### 19.5 Geographical information:

All revenues from external customers for ferrous segment were generated in Pakistan. 73% (December 2020: 63.05%) of revenues from external customers for non-ferrous segment were generated from outside Pakistan while remaining were generated from external customers within Pakistan. Sales outside Pakistan is made to customers in the People's Republic of China. All non-current assets of the Company as at December 31, 2021 and June 30, 2021 were located and operating in Pakistan.

### 19.6 Measure of total assets and total liabilities:

Reportable segments' assets and liabilities as at December 31, 2021 and June 30, 2021 are reconciled to total assets and liabilities as follows:

Rupees	Ferrous	Non-Ferrous	Total
- Segment assets for reportable segments	38,240,415,535	6,685,179,614	44,925,595,149
- Unallocated assets	-	-	8,680,078,026
- Total assets as per statement of financial position as at December 31, 2021	<b>38,240,415,535</b>	<b>6,685,179,614</b>	<b>53,605,673,175</b>
- Segment liabilities for reportable segments	1,211,446,735	381,944,198	1,593,390,933
- Unallocated liabilities	-	-	32,030,327,042
- Total liabilities as per statement of financial position as at December 31, 2021	<b>1,211,446,735</b>	<b>381,944,198</b>	<b>33,623,717,975</b>
- Segment assets for reportable segments	28,220,800,376	5,689,528,934	33,910,329,310
- Unallocated assets	-	-	7,889,476,966
- Total assets as per statement of financial position as at June 30, 2021	<b>28,220,800,376</b>	<b>5,689,528,934</b>	<b>41,799,806,276</b>
- Segment liabilities for reportable segments	2,018,297,577	155,454,558	2,173,752,135
- Unallocated liabilities	-	-	23,121,194,562
- Total liabilities as per statement of financial position as at June 30, 2021	<b>2,018,297,577</b>	<b>155,454,558</b>	<b>25,294,946,697</b>

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)

Rupees	Note	Six months ended	
		December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
<b>19.7 Other information:</b>			
Depreciation			
- Ferrous		177,260,863	232,237,675
- Non-Ferrous		1,492,371	227,822
- Unallocated		<u>44,754,085</u>	<u>57,858,391</u>
		<u>223,507,319</u>	<u>290,323,888</u>
Additions to tangible fixed assets			
- Ferrous		385,971,130	5,342,108,947
- Non-Ferrous		-	56,309,165
- Unallocated		<u>41,626,461</u>	<u>83,011,341</u>
		<u>427,597,591</u>	<u>5,481,429,453</u>

Total amortization in respect of intangible asset is unallocated.

- 19.8** Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated. The operations principally comprise of two segments 'Ferrous segment' and 'Non-ferrous segment'. Ferrous segment comprises of long-rolled mild steel related products whereas non-ferrous segment comprises mainly of copper and related waste items.

Rupees	Note	Six months ended		As at	
		December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
		Transactions		Outstanding Balances	
Loans / advances obtained as per Islamic mode				14,206,255,807	11,732,509,986
Shariah compliant bank deposits / bank balances				1,481,314,017	1,047,743,298
Profit earned from Shariah compliant bank deposits / balances		1,086,847	88,079		
Mark-up on Islamic mode of financing		527,683,975	252,503,577		
Interest on any conventional loan or advance		415,237,501	341,652,333		

### 21. FINANCIAL RISK MANAGEMENT

These condensed interim financial statements do not include all financial risk management information and disclosures, which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2021. There have been no changes in any risk management policies since the year end.

### 22. FAIR VALUE DISCLOSURES

Except for long-term loans to employees, long-term deposits and long-term loans under SBP refinance schemes, the fair value of financial assets and financial liabilities recognized in these condensed interim financial statements equals the transaction price at initial recognition. The fair value of the long-term loans under SBP refinance schemes has been determined using discounting techniques. However, due to immaterial effect and impracticalities, the fair value of long-term loans to employees and long-term deposits has not been determined and their carrying value has been assumed to be equal to their fair value. Accordingly, the carrying amount of financial assets and financial liabilities recognized in these condensed interim financial statements approximate their respective fair values and there were no transfers amongst level of fair value analysis of financial assets during the period.

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)

Information about the fair value hierarchy of items of property, plant and equipment and assets classified as held for sale as at the end of the reporting period are as follows:

Rupees	Note	Level 1	Level 2	Level 3	Fair value as at December 31, 2021	Fair value as at June 30, 2021
					(Unaudited)	(Audited)
Property, plant and equipment:						
Freehold land	-		567,500,000	-	567,500,000	567,500,000
Factory building on freehold land	-		-	267,743,367	267,743,367	273,253,352
Plant and machinery	-		11,067,797,934	-	11,067,797,934	11,374,562,794
Power plant	-		1,564,870,183	-	1,564,870,183	1,592,976,397
					13,200,168,117	13,467,911,484
Assets classified as held for sale	-		489,743,589	-	489,743,589	-
					13,689,911,706	13,808,292,543

The above table shows assets recognized at fair value, analyzed between those whose fair value is based on:

- Level 1 : quoted prices in active markets for identical assets or liabilities;
- Level 2 : those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 : inputs for the asset or liability that are not based on observable market data.

Rupees	Six months ended		As at	
	December 31, 2021	December 31, 2020	December 31, 2021	June 30, 2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Transactions		Outstanding Balances	

### 23. RELATED PARTY DISCLOSURES

Details of transactions /outstanding balances 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 transactions		
- Purchase of goods / service etc.	-	63,397,337
- Rental income	-	3,000,000
- Rent expense	-	1,620,000

##### Mughal Energy Limited

Relationship		Common directorship
Percentage of shareholding		Nil
Detail of transactions		
- Commission income against corporate guarantee	30,000,000	-

##### Al-Bashir (Private) Limited

Relationship		Common directorship
Percentage of shareholding		Nil
Detail of outstanding balance		
Deposits, prepayments and other receivables		
- Security deposits		500,000

Detail of transactions			
- Rent expense	871,200	792,000	

##### Indus Engineering (AoP)

Relationship		Common management
Percentage of shareholding		N/A
Detail of transactions		
- Rent expense	-	660,000

##### Indus Engineering (Private) Limited

Relationship		Common directorship
Percentage of shareholding		Nil
Detail of transactions		
- Rent expense	-	1,440,000

#### Major shareholders, Directors and their relatives

Detail of transactions		
- Remuneration / meeting fee	27,949,215	25,552,500
- Rent expense	-	540,000
- Distributement/Repayment of short-term loan	3,193,514	554,722,832
- Bonus share issued	284,396,910	-

#### Key management personnel (other than Directors) and their relatives

Detail of outstanding balance		
- Loans and advances		5,003,010
Detail of transaction		
- Salaries and benefits	18,744,667	17,295,000
- Bonus share issued	8,170	-

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021 (UNAUDITED)

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

### 24. 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 17, 2022.

### 25. GENERAL / SUBSEQUENT EVENTS - NON ADJUSTING EVENTS

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.

These condensed interim financial statements are unaudited, however, have been subject to limited scope review by the auditors, and are being submitted to the members as required by the listing regulations of the Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017. The figures of condensed interim statement of profit or loss and other comprehensive income for the three months period ended December 31, 2021 and December 31, 2020 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the six months period ended December 31, 2021 and December 31, 2020, respectively.

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim 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 interim statement of profit or loss & other comprehensive income, condensed interim statement of changes in equity and condensed interim 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 Board of Directors in their meeting held on February 17, 2022 has proposed an interim cash dividend of Rs.3/- per share amounting to Rs. 1,006.902 million. The condensed interim financial statements do not include the effect of this dividend which will be accounted for in the condensed interim financial statements for the nine months period ended March 31, 2022. Further, subsequent to the period end the electricity load of 132 KV grid station was enhanced to 90 MW, two induction furnaces of 12 MW each became operational and sale of assets classified as held for sale was completed.



**Khurram Javaid**  
Chief Executive Officer



**Muhammad Zafar Iqbal**  
Chief Financial Officer



**Muhammad Mubeen Tariq Mughal**  
Director



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