



BUILDING DREAMS

CONDENSED INTERIM
FINANCIAL REPORT
(UNAUDITED)
FOR THE QUARTER ENDED
SEPTEMBER 30, 2019

MUGHAL
STEEL

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mirza Javed Iqbal

Non-Executive Director - Chairman

Abdul Rehman Qureshi

Non-Executive / Independent Director

Shoaib Ahmad Khan

Non-Executive / Independent Director

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

Muhammad Mateen Jamshed

Non-Executive Director

AUDIT COMMITTEE

Abdul Rehman Qureshi

Chairman

Fazeel Bin Tariq

Member

Muhammad Mateen Jamshed

Member

Fahad Javaid

Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Abdul Rehman Qureshi

Chairman

Mirza Javed Iqbal

Member

Fazeel Bin Tariq

Member

Muhammad Mateen Jamshed

Member

CHIEF OPERATING OFFICER

Shakeel Ahmed

Tel: +92-42-35960841 Ext:154

E-mail: Shakeel.ahmad@mughalsteel.com

CHIEF FINANCIAL OFFICER

Muhammad Zafar Iqbal

Tel: +92-42-35960841 Ext:138

E-mail: zafariqbal@mughalsteel.com

COMPANY SECRETARY

Muhammad Fahad Hafeez

Tel: +92-42-35960841 Ext:155

E-mail: fahadhafeez@mughalsteel.com

STOCK EXCHANGE LISTING

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

INVESTOR RELATIONS

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



SHARES REGISTRAR

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

THK Associates (Private) Limited

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

Tel: +92+21-111-000-322

+92+21-34168270

Email: sfc@thk.com.pk

Web: www.thk.com.pk

SHAREHOLDER COMPLAINT HANDLING CELL

Incase of shareholder complaints/queries,

Please Contact:

Tahir Maqsood

Tel: +92+42-35960841 Ext:136

Email: fahadhafeez@mughalsteel.com

AUDITORS

Fazal Mahmood & Company

Chartered Accountants

LEGAL ADVISOR

H.M. Law Associates

TAX ADVISORS

Akhtar Ali Associates

Juris Counsel (Butt & Company)

Credit Rating by Pakistan Credit Rating Agency

Long-term entity rating (A-)

Short-term entity rating (A2)

BANKERS

Askari Bank Limited

Allied Bank Limited

Bank Alfalah Limited

BankIslami Pakistan Limited

Bank of Punjab (Islamic Taqwa Division)

Bank of Khyber

Bank Al-Habib Limited

Dubai Islamic Bank Limited

Faysal Bank Limited

Habib Metropolitan Bank Limited

Habib Bank Limited

ICBC Bank Limited

JS Bank Limited

MCB Bank Limited

MCB Islamic Bank Limited

Meezan Bank Limited

National Bank of Pakistan

Silk Bank Limited

Soneri Bank Limited

Summit Bank Limited

Samba Bank Limited

Standard Chartered Bank Limited

United Bank Limited

GEOGRAPHICAL PRESENCE

Registered / Corporate office

31 -A Shadman I

Lahore, Pakistan

Tel: +92+42-35960841-3

Fax: +92+42-35960846

Email: info@mughalsteel.com

Sale centers and warehouse

Badami Bagh

Lahore, Pakistan

Factory & warehouses

17-Km Sheikhpure Road

Lahore, Pakistan

Company Website:

www.mughalsteel.com

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

COMPANY PROFILE

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

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

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

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

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

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

DIRECTORS' REVIEW

Dear Value Shareholders,

On behalf of the Board of Directors of **MUGHAL IRON & STEEL INDUSTRIES LIMITED**, we are pleased to present the unaudited condensed interim financial statements of the Company for the quarter ended September 30, 2019, the financial results of which are summarized below:

(Rs. in Millions)

	Quarter ended September 30,		Variation %
Financial highlights	2019	2018	
Net sales	6,677.856	6,016.398	10.99%
Gross profit	836.688	733.470	14.07%
Profit before taxation	306.306	416.360	(26.43%)
Taxation	(42.021)	(64.262)	(34.61%)
Profit for the period	264.285	352.098	(24.94%)
Earnings per share – Basic & Diluted	1.05	1.40	(24.94%)

Business, financial & operational Review

During the period under review, interest rates remained constant. Moreover, there was no major variation in foreign exchange rates, which are positive indications for the Economy and the Company as well.

Sales revenue increased from Rs. 6,016.398 million to Rs. 6,677.856 million as compared to corresponding period, with an increase of 10.99%. Increase in sales revenue was due to increase in sales rates as well as increase in sale volumes.

Gross margin also increased from Rs. 733.470 million to Rs. 836.688 million in the current period. Moreover, as percentage gross margin increased from 12.19% to 12.53%. Increase in gross margin was mainly due to elimination of sales tax impact in electricity cost. The Company is benefiting from its long term strategy to continuously invest in efficient technology and value addition by strengthening supply chain through backward vertical integration and effective inventory management. The Company is also using rail transportation for majority of its inbound logistic operations which results in cheaper logistic costs as compared to road transportation and played vital role in sustaining of gross margins.

Finance costs increased from Rs. 163.546 million to Rs. 402.441 million as compared to corresponding period, resulting in increase of 146.07%. The reason for increase was mainly due to significant increase in KIBOR rate as compared to corresponding period and increase in average outstanding borrowings.

Taxation decreased from Rs. 64.262 million to Rs. 42.021 million resulting in decrease of 34.61%. Decrease is mainly due to adjustment of deferred taxation on account of minimum taxation.

Resultantly, profit for the period decreased to Rs. 264.285 million as compared to Rs. 352.098 million in corresponding period resulting in decrease of 24.94% mainly due to massive increase in finance cost.

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

Balance sheet footing stood at Rs. 24,402.392 million as of September 30, 2019, as compared to Rs. 22,641.009 million as of June 30, 2019. Breakup value per share increased to Rs. 30.22 as of September 30, 2019 from Rs. 29.82 as at June 30, 2019.

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.

Inventories comprised of store, spares and loose tools, raw material and finished goods. Inventories increased by 50.39% from 5,620.331 million as at June 30, 2019 to Rs. 8,452.283 million as at September 30, 2019. Increase in raw material inventory was mainly due to procurement of scrap inventory in bulk.

Due from Government stood at Rs. 2,346.750 million as at September 30, 2019 as compared to Rs. 1,460.233 million as at June 30, 2019 and mainly represented income tax and sales tax.

Long-term financing increased from Rs. 3,339.954 million as at June 30, 2019 to Rs. 3,429.791 million as at September 30, 2019. Out of the total outstanding financing, Rs. 711.118 million has been shown under current portion of long-term financing.

Accrued profit/interest/mark-up increased from Rs. 321.147 million as at June 30, 2019 to Rs. 461.501 million as at September 30, 2019. The increase in markup was mainly due to increase in average outstanding long-term and short-term borrowings from banking companies.

Short-term loans from banking companies increased from Rs. 9,171.452 million as at June 30, 2019 to Rs. 10,172.921 million as at September 30, 2019. The increase was in line with increase working capital related requirements.

Current ratio as at September 30, 2019 stood at 1.17:1 as compared to 1.23:1 in June 30, 2019.

Future outlook

Going forward, the expansion of bar re-rolling mill is expected to be completed till December 2019 within scheduled completion time.

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

Acknowledgement

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

For and on behalf of the Board of Directors



Mirza Javed Iqbal
(Chairman of the Board)



Khurram Javaid
(CEO/Director)

Date: October 30, 2019
Place: Lahore

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2019 (UNAUDITED)

Rupees	Note	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	6.	8,947,992,724	8,584,311,799
Intangible asset		8,659,864	9,381,520
Long-term loans to employees		15,010,986	12,704,229
Long-term deposits	7.	20,330,317	21,430,317
		<u>8,991,993,891</u>	<u>8,627,827,865</u>
CURRENT ASSETS			
Inventories	8.	8,452,283,295	5,620,331,302
Trade debts		3,172,399,702	3,304,003,346
Loans and advances	9.	385,830,619	373,905,875
Deposits, prepayments and other receivables		87,700,688	52,957,817
Due from the government		2,346,749,762	1,460,233,079
Cash and bank balances		965,433,682	3,201,749,851
		<u>15,410,397,748</u>	<u>14,013,181,270</u>
		<u>24,402,391,639</u>	<u>22,641,009,135</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	10.	2,515,996,500	2,515,996,500
Reserves		5,086,389,852	4,822,104,763
Equity contribution from Directors and their relatives		-	165,832,548
		<u>7,602,386,352</u>	<u>7,503,933,811</u>
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term financing	11.	2,718,673,139	2,808,581,748
Deferred taxation		701,897,503	720,725,124
Defined benefit obligation		226,288,527	218,601,201
Deferred liabilities	12.	35,798,645	33,348,645
		<u>3,682,657,814</u>	<u>3,781,256,718</u>
CURRENT LIABILITIES			
Trade and other payables		859,387,021	496,003,486
Unclaimed dividends		3,035,960	3,037,587
Unpaid dividend		2,460,479	2,624,330
Accrued profit / interest / mark-up		461,501,254	321,147,389
Short-term loans from banking companies - secured	13.	10,172,921,093	9,171,452,321
Short-term loans from Directors and their relatives - unsecured		906,923,400	830,180,982
Current portion of long-term financing	11.	711,118,266	531,372,511
		<u>13,117,347,473</u>	<u>11,355,818,606</u>
		<u>16,800,005,287</u>	<u>15,137,075,324</u>
		<u>24,402,391,639</u>	<u>22,641,009,135</u>
CONTINGENCIES AND COMMITMENTS			
	14.		

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

Khurram Javed
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, 2019 (UNAUDITED)**

Rupees	Note	2019	2018
Sales	15.	6,677,856,137	6,016,398,351
Cost of sales	16.	(5,841,167,643)	(5,282,927,991)
GROSS PROFIT		836,688,494	733,470,360
Sales and marketing expenses		(26,242,295)	(41,245,655)
Administrative expenses		(91,379,490)	(85,532,341)
Other charges		(23,403,235)	(30,069,188)
Other income		13,084,102	3,282,799
Finance cost		(402,441,500)	(163,546,221)
		(530,382,418)	(317,110,606)
PROFIT BEFORE TAXATION		306,306,076	416,359,754
Taxation		(42,020,987)	(64,261,950)
PROFIT FOR THE PERIOD		264,285,089	352,097,804
OTHER COMPREHENSIVE INCOME			
Other comprehensive income - net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		264,285,089	352,097,804
EARNINGS PER SHARE - BASIC AND DILUTED	17.	1.05	1.40

The annexed notes from 1 to 23 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, 2019 (UNAUDITED)

Rupees	Reserves						Total Equity
	Capital reserve			Revenue reserve		Equity Contribution from Directors & their relatives	
	Share capital	Share premium account	Contingency reserve	Un-appropriated profit	Sub- total		
BALANCE AS AT JUNE 30, 2018	2,515,996,500	439,413,456	980,000,000	2,606,885,582	4,026,299,038	924,037,217	7,466,332,755
Adjustment on initial application of IFRS	-	-	-	(3,930,659)	(3,930,659)	-	(3,930,659)
BALANCE AS AT JULY 01, 2018	2,515,996,500	439,413,456	980,000,000	2,602,954,923	4,022,368,379	924,037,217	7,462,402,096
Profit for the period	-	-	-	352,097,804	352,097,804	-	352,097,804
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	352,097,804	352,097,804	-	352,097,804
BALANCE AS AT SEPTEMBER 30, 2018	2,515,996,500	439,413,456	980,000,000	2,955,052,727	4,374,466,183	924,037,217	7,814,499,900
Final cash dividend paid for the year ended June 30, 2018 @ Rs. 2.20 per ordinary share i.e. 22%.	-	-	-	(553,519,230)	(553,519,230)	-	(553,519,230)
Profit for the period	-	-	-	1,020,833,375	1,020,833,375	-	1,020,833,375
Other comprehensive loss - net of tax	-	-	-	(19,675,565)	(19,675,565)	-	(19,675,565)
Total comprehensive income for the period	-	-	-	1,001,157,810	1,001,157,810	-	1,001,157,810
Transfer to short-term loans from Directors and their relatives	-	-	-	-	-	(758,204,669)	(758,204,669)
BALANCE AS AT JUNE 30, 2019	2,515,996,500	439,413,456	980,000,000	3,402,691,307	4,822,104,763	165,832,548	7,503,933,811
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	2,515,996,500	439,413,456	980,000,000	3,666,976,396	5,086,389,852	-	7,602,386,352

The annexed notes from 1 to 23 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, 2019 (UNAUDITED)**

Rupees	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	18.	(2,221,868,897)	(429,189,205)
Net decrease / increase in long-term loans to employees		143,243	(659,913)
Defined benefits paid		(349,964)	-
Finance cost paid		(262,087,635)	(98,425,717)
Income tax paid - net		(361,428,912)	(67,346,753)
Net cash used in operating activities		(2,845,592,165)	(595,621,588)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(444,344,399)	(810,633,906)
Proceeds from disposal of tangible fixed assets		40,000,000	-
Profit received on term deposit receipts		11,570,085	59,857
Net cash used in investing activities		(392,774,314)	(810,574,049)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		(129,969,254)	-
Proceeds from long-term financing		219,806,400	211,757,094
Net proceeds from short-term loans from banking companies		1,137,298,638	1,580,104,795
Net repayment of short-term loans from Directors & their relatives		(89,090,130)	-
Dividends paid		(165,478)	(139,596)
Net cash generated from financing activities		1,137,880,176	1,791,722,293
NET DECREASE / INCREASE IN CASH AND CASH EQUIVALENTS		(2,100,486,303)	385,526,656
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,062,493,719	1,251,171,472
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	19.	962,007,416	1,636,698,127

The annexed notes from 1 to 23 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, 2019 (UNAUDITED)

1. THE COMPANY AND ITS OPERATIONS

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

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

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

2. STATEMENT OF COMPLIANCE

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2019, except for the adoption of new standards/amendments/interpretations effective as of July 01, 2019 as stated below. These condensed interim financial statements do not include all the information and disclosures as are required for annual audited financial statements, and therefore, should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2019.

The Company has adopted certain standards / amendments / interpretations which became effective during the period including the new standard IFRS 16 'Leases' which replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. Management of the Company has assessed the changes laid down by the new standards / amendments / interpretations that became effective during the period and determined that they do not have any significant impact on these condensed interim financial statements of the Company.

5. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

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

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

Rupees	Note	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
6. PROPERTY, PLANT AND EQUIPMENT			
Tangible fixed assets	6.1	4,965,995,832	4,927,582,733
Capital work-in-progress	6.2	<u>3,981,996,892</u>	<u>3,656,729,066</u>
		<u>8,947,992,724</u>	<u>8,584,311,799</u>
6.1 Following is the movement in tangible fixed assets:			
Opening net book value		4,927,582,733	4,376,855,353
Additions during the period / year:			
Plant and machinery		13,531,747	552,250,259
Office equipment		108,470	1,609,935
Grid station & electric installations		48,005,306	67,543,910
Furniture and fittings		55,700	282,169
Vehicles		2,852,530	26,909,545
Trucks and cranes		54,188,000	56,934,350
Computers		334,820	1,011,395
		<u>119,076,573</u>	<u>706,541,563</u>
Disposals during the period / year:			
Plant and machinery		(33,934,959)	-
Vehicles		-	(4,767,690)
Depreciation charged during the period / year		<u>(46,728,515)</u>	<u>(151,046,493)</u>
Closing net book value		<u>4,965,995,832</u>	<u>4,927,582,733</u>
6.2 Following is the movement in capital work-in-progress:			
Opening balance		3,656,729,066	1,927,892,929
Additions during the period / year		325,267,826	2,212,571,226
Transferred during the period / year		-	(483,735,089)
Closing balance		<u>3,981,996,892</u>	<u>3,656,729,066</u>
7. LONG-TERM DEPOSITS			
Related parties:			
- Al-Bashir (Private) Limited		-	500,000
- Mughal Steel Metallurgies Corporation Limited		-	400,000
- Indus Engineering (AoP)		-	200,000
		-	1,100,000
Others		<u>20,330,317</u>	<u>20,330,317</u>
		<u>20,330,317</u>	<u>21,430,317</u>
8. INVENTORIES			
Stores, spares and loose tools			
- in-hand		1,144,720,206	964,734,964
- in-transit		12,601,035	4,625,266
		<u>1,157,321,241</u>	<u>969,360,230</u>
Raw material			
- in hand		4,415,126,527	1,553,471,953
- in-transit		1,600,888,541	1,479,546,548
		<u>6,016,015,068</u>	<u>3,033,018,501</u>
Finished goods		<u>1,278,946,986</u>	<u>1,617,952,571</u>
		<u>8,452,283,295</u>	<u>5,620,331,302</u>

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

Rupees	Note	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
9. LOANS AND ADVANCES			
(Considered good)			
Current portion of long-term loans to employees		15,250,000	11,283,394
Loans and advances to:			
- Key management personnel		209,500	50,000
- Other employees		17,919,412	13,000,311
		18,128,912	13,050,311
Advances to suppliers		352,206,149	348,573,822
Advance against expenses		245,558	998,348
		<u>385,830,619</u>	<u>373,905,875</u>

10. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

This represents 251,599,650 (June 30, 2019: 251,599,650) ordinary shares of Rs. 10/- each. 192.047 million ordinary shares (2019: 192.031 million) of Rs. 10/- each were held by major shareholders, key management personnel and their relatives.

11. LONG-TERM FINANCING

Bank Alfalah Limited	1,010,614,177	1,102,488,193
MCB Islamic Bank Limited	446,350,776	288,436,400
United Bank Limited	285,714,286	304,761,905
Faysal Bank Limited - Barkat Islamic Banking	385,368,900	412,895,250
Askari Bank Limited	262,500,000	350,000,000
Habib Metropolitan Bank Limited	328,125,000	350,000,000
	<u>2,718,673,139</u>	<u>2,808,581,748</u>

11.1 Movement in long-term financing is as follows:

Rupees	Opening balance	Availed	Repaid	Closing balance	Current portion	Long-term portion
Bank Alfalah Limited	1,469,984,258	-	(91,874,016)	1,378,110,242	(367,496,065)	1,010,614,177
MCB Islamic Bank Limited	329,548,401	219,806,400	-	549,354,801	(103,004,025)	446,350,776
United Bank Limited	400,000,000	-	(38,095,238)	361,904,762	(76,190,476)	285,714,286
Faysal Bank Limited	440,421,600	-	-	440,421,600	(55,052,700)	385,368,900
Askari Bank Limited	350,000,000	-	-	350,000,000	(87,500,000)	262,500,000
Habib Metropolitan Bank Limited	350,000,000	-	-	350,000,000	(21,875,000)	328,125,000
September 30, 2019	<u>3,339,954,259</u>	<u>219,806,400</u>	<u>(129,969,254)</u>	<u>3,429,791,405</u>	<u>(711,118,266)</u>	<u>2,718,673,139</u>
June 30, 2019	829,000,000	2,510,954,259	-	3,339,954,259	(531,372,511)	2,808,581,748

12. This includes security deposit from Mughal Steel Metallurgies Corporation Limited against rent agreement amounting to Rs. 0.400 million (June 30, 2019: Rs. 0.400 million).

13. SHORT-TERM LOANS FROM BANKING COMPANIES - SECURED

Short-term loans from banking companies comprise of:

- Murabaha finance	2,712,301,421	2,363,692,875
- Other short-term loans from:		
- Islamic banks	1,574,719,439	1,075,954,861
- Conventional banks	5,882,473,967	5,592,548,453
	<u>7,457,193,406</u>	<u>6,668,503,314</u>
Temporary bank overdraft	10,169,494,827	9,032,196,189
	<u>3,426,266</u>	<u>139,256,132</u>
	<u>10,172,921,093</u>	<u>9,171,452,321</u>

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

Rupees	Note	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
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14. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) There has been no significant change in the status of contingencies as reported in the annual audited financial statements of the Company for the year ended June 30, 2019.
- ii) Aggregate amount of guarantees issued by banks on behalf of the Company amounted to Rs. 893.042 million. (June 30, 2019: Rs. 985.442 million).

Commitments:

i) Non-capital commitments	3,129,922,309	2,822,527,415
Capital commitments	112,089,600	-
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	6,421,200	8,527,200
More than 1 but less than 5 years	-	13,169,640
	<u>6,421,200</u>	<u>21,696,840</u>

Rupees	Note	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
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13 15. SALES

Gross local sales	7,803,965,476	6,013,463,947
- Commission	(5,998,844)	-
- Sales tax	(1,134,297,023)	-
- Sales return	(36,016)	-
Net local sales	6,663,633,593	6,013,463,947
Export sales	14,222,544	2,934,404
	<u>6,677,856,137</u>	<u>6,016,398,351</u>

16. COST OF SALES

Opening stock of finished goods	1,617,952,571	239,138,332
Cost of goods manufactured		
- Raw material consumed	4,564,901,411	3,695,043,172
- Salaries, wages and other benefits	162,992,991	150,515,631
- Stores, spares and loose tools consumed	165,678,887	231,095,305
- Fuel and power	722,762,858	1,052,201,939
- Repair and maintenance	742,398	7,192,637
- Other manufacturing expenses	9,603,277	10,349,378
- Depreciation	39,493,458	24,286,539
	5,666,175,280	5,170,684,601
Sales tax adjustment	(164,013,222)	-
Closing stock of finished goods	(1,278,946,986)	(126,894,942)
	<u>5,841,167,643</u>	<u>5,282,927,991</u>

17. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period	264,285,089	352,097,804
Weighted average number of ordinary shares	251,599,650	251,599,650
Earnings per share - Basic	1.05	1.40

17.1 There were no dilutive potential ordinary shares outstanding.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

Rupees	Note	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
18. CASH USED IN OPERATIONS			
Profit before taxation		306,306,076	416,359,754
Adjustments:			
Depreciation		46,728,515	37,014,658
Amortization		721,656	721,656
Finance cost		402,441,500	163,546,221
Defined benefit charge		8,037,290	-
Gain on disposal of tangible fixed assets		(6,065,041)	-
Profit on term deposit receipts		(3,939,452)	(782,571)
Provision for workers' profit participation fund		16,472,966	22,308,947
Provision for workers' welfare fund		5,124,542	7,510,241
		<u>469,521,976</u>	<u>230,319,152</u>
Profit before working capital changes		775,828,052	646,678,906
Effect on cash flow due to working capital changes <i>(Increase) / decrease in current assets:</i>			
Inventories		(2,831,951,993)	(1,122,187,743)
Trade debts		131,603,644	19,677,960
Loans and advances		(11,924,744)	(108,147,971)
Deposits, prepayments and other receivables		(41,273,504)	6,236,696
Due from the Government		(585,936,379)	153,123,736
		<u>(3,339,482,976)</u>	<u>(1,051,297,322)</u>
<i>Increase / (Decrease) in current liabilities:</i>			
Trade and other payables		341,786,027	(24,570,789)
		<u>(2,221,868,897)</u>	<u>(429,189,205)</u>

19. 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	965,433,682	1,636,698,127
Temporary bank overdrawn	(3,426,266)	-
	<u>962,007,416</u>	<u>1,636,698,127</u>

20. FINANCIAL RISK MANAGEMENT

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

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

Rupees	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
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21. 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

Deposit, prepayment & other receivable

- Short-term securities deposit 400,000 -

Detail of transactions

- Rental income 600,000 600,000

- Rent expense 1,050,000 600,000

Al-Bashir (Private) Limited

Relationship Common directorship
Percentage of shareholding Nil

Detail of outstanding balance

Deposit, prepayment & other receivable

- Short-term securities deposit 500,000 -

Detail of transactions

- Rent expense 396,000 360,000

Indus Engineering (AoP)

Relationship Common management
Percentage of shareholding Nil

Detail of outstanding balance

Deposit, prepayment & other receivable

- Short-term securities deposit 200,000 -

Detail of transactions

- Rent expense 300,000 300,000

Major shareholders, key management personnel and their relatives

Major shareholders, Directors and their relatives

- Remuneration

- Executive Directors 9,600,000 9,600,000

- Non-Executive Directors 3,345,000 3,345,000

- Rent paid 270,000 -

- Repayment of short-term loan from Directors and their relatives 89,090,130 -

- Meeting fee 200,000 100,000

Key management personnel (other than Directors) and their relatives

- Salaries and benefits 6,675,000 5,930,500

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

22. 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 30, 2019.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (UNAUDITED)

23. GENERAL

The figures have been rounded off to the nearest rupee.

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

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



Khurram Javaid
Chief Executive Officer



Muhammad Zafar Iqbal
Chief Financial Officer



Muhammad Mubeen Tariq Mughal
Director

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