

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

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

AUDITORS

Fazal Mahmood & Company
 Chartered Accountants
 (A member firm of Prime Global)

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 (A-2)
 Future Outlook: Stable
 Last Update Date: September 25, 2020

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 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. 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

Dear Value Shareholders

On behalf of the Board of Directors of **MUGHAL IRON & STEEL INDUSTRIES LIMITED**, we are pleased to present the un-audited condensed interim financial statements of the Company for the quarter ended September 30, 2021, the financial results of which are summarized below:

(Rs. in Millions)

	Quarter ended September 30,		Variation %
Financial highlights	2021	2020	
Sales - net	14,022.765	7,734.115	81.31%
Gross profit	2,748.778	862.389	218.74%
Profit before taxation	2,006.476	405.816	394.43%
Taxation	(318.275)	(53.382)	496.22%
Profit for the period	1,688.201	352.434	379.01%
Earnings per share – Basic & Diluted	5.78	1.34 (Restated)	332.65%

Business, financial & operational Review

Sales revenue increased from Rs. 7,734.115 million to Rs. 14,022.765 million as compared to corresponding period, with an increase of 81.31%. 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. 862.389 million to Rs. 2,748.778 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. 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 quarter 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. 28.673 million to Rs. 55.385 million as compared to corresponding period, resulting in increase of 93.16%. The increase was mainly due to increase in salaries, advertisement and freight cost. Administrative expenses increased by 38.11 % mainly due to increase in salaries. Other charges increased from Rs. 30.327 million to Rs. 148.958 million as compared to corresponding period, resulting in increase of 391.18%. The increase was mainly due to increase in workers' profit participation fund and workers' welfare fund which was in line with increase in profits. Other income increased from Rs. 31.088 million to Rs. 69.322 million as compared to corresponding period, resulting in increase of 122.99%. The increase was mainly due to recognition of foreign exchange gain.

Taxation increased from Rs. 53.382 million to Rs. 318.275 million resulting in increase of 496.22%. The increase was mainly due to recognition of deferred taxation.

Resultantly, profit for the period increased to Rs. 1,688.201 million as compared to Rs. 352.434 million in corresponding period resulting in increase of 379.01%. Earnings per share (EPS) for the current period stood at Rs 5.78 as compared to EPS of Rs. 1.34 (Restated) in the corresponding 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 solar project and furnaces project. Further, ferro plant was leased out during the period. Inventories comprised of store, spare & loose tools, raw material and finished goods. Inventories increased by 31.78% from 14,867.878 million as at June 30, 2021 to Rs. 19,592.424 million as at September 30, 2021. The increase was mainly due to increase in average inventory prices. Deposits, prepayments and other receivables decreased by 76.79%. The decrease was mainly due to release of bank guarantees which were issued in favor of customers for supply of steel bars. Short-term borrowings increased by 21.20% and were in line with increase in working capital requirements. Further, during the period, the Company issued Islamic commercial paper to the tune of Rs. 1,859.260 million for meeting working capital requirements and utilized accordingly.

Resultantly, the Statement of Financial Position footing stood at Rs. 47,161.977 million as of September 30, 2021, compared to Rs. 41,799.806 million as of June 30, 2021. Breakup value per share increased to Rs. 62.34 as of September 30, 2021 from Rs. 56.55 as at June 30, 2021. Current ratio as at September 30, 2021 stood at 1.38:1 as compared to 1.37:1 in June 30, 2021.

Future outlook

Going forwards, it is expected that increase in construction activities will 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.

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 29, 2021
Place: Lahore

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

Rupees	Note	September 30, 2021 (Unaudited)	June 30, 2021 (Audited)
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	6.	15,875,010,799	15,799,442,920
Intangible asset		2,886,618	3,608,274
Long-term loans to employees		29,467,102	36,127,968
Long-term deposits		19,845,317	19,845,317
		<u>15,927,209,836</u>	<u>15,859,024,479</u>
CURRENT ASSETS			
Inventories	7.	19,592,423,871	14,867,878,271
Trade debts		5,743,686,584	5,259,128,868
Loans and advances		172,378,811	135,593,891
Deposits, prepayments and other receivables		216,319,622	932,103,249
Due from the government		2,701,081,232	2,529,148,380
Cash and bank balances		2,808,876,743	2,216,929,138
		<u>31,234,766,863</u>	<u>25,940,781,797</u>
		<u>47,161,976,699</u>	<u>41,799,806,276</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital	8.	5,000,000,000	5,000,000,000
Issued, subscribed and paid-up capital	9.	2,918,555,940	2,918,555,940
<i>Capital reserves:</i>			
Share premium account		2,762,735,410	2,762,735,410
Contingency reserve		980,000,000	980,000,000
Revaluation surplus on property, plant and equipment		3,381,725,889	3,402,244,904
<i>Revenue reserve:</i>			
Un-appropriated profits		8,150,043,758	6,441,323,325
		<u>18,193,060,997</u>	<u>16,504,859,579</u>
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term financing- secured		3,603,172,747	3,911,162,767
Deferred taxation		2,264,108,297	2,051,365,715
Defined benefit obligation		373,999,814	357,573,653
Deferred liabilities		79,012,139	84,886,817
		<u>6,320,292,997</u>	<u>6,404,988,952</u>
CURRENT LIABILITIES			
Trade and other payables		1,931,613,163	1,732,056,016
Unclaimed dividends		2,973,131	2,982,204
Unpaid dividends		5,314,670	5,675,118
Accrued profit / interest / mark-up		261,886,399	251,457,149
Short-term borrowings - secured	10.	19,522,630,963	16,107,717,529
Short-term loans from Directors and their relatives - unsecured		-	3,193,514
Current portion of long-term financing		904,695,281	765,722,598
Current portion of deferred grant		19,509,098	21,153,617
		<u>22,648,622,705</u>	<u>18,889,957,745</u>
		<u>28,968,915,702</u>	<u>25,294,946,697</u>
		<u>47,161,976,699</u>	<u>41,799,806,276</u>

CONTINGENCIES AND COMMITMENTS

11.

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 PROFIT OR LOSS
& OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UNAUDITED)**

Rupees	Note	2021	2020
Sales - net	12.	14,022,765,261	7,734,114,663
Cost of sales	13.	(11,273,987,147)	(6,871,725,366)
GROSS PROFIT		2,748,778,114	862,389,297
Sales and marketing expenses		(55,384,905)	(28,673,485)
Administrative expenses		(161,501,005)	(116,935,490)
Other charges		(148,957,702)	(30,326,617)
Other income		69,322,279	31,087,937
Finance cost		(445,780,487)	(311,725,258)
		(742,301,820)	(456,572,913)
PROFIT BEFORE TAXATION		2,006,476,294	405,816,384
Taxation		(318,274,876)	(53,382,469)
PROFIT FOR THE PERIOD		1,688,201,418	352,433,915
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently profit or loss		-	-
Items that will not be subsequently reclassified to profit or loss:			
- Surplus on revaluation of property, plant and equipment		-	2,900,692,158
- Related deferred tax		-	(727,905,226)
		-	2,172,786,932
Other comprehensive income - net of tax		-	2,172,786,932
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,688,201,418	2,525,220,847
			Restated
EARNINGS PER SHARE - BASIC AND DILUTED	14.	5.78	1.34

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, 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 profit		
BALANCE AS AT JUNE 30, 2020 - audited	2,515,996,500	439,413,456	980,000,000	-	3,722,163,620	500,000,000	8,157,573,576
Profit for the period	-	-	-	-	352,433,915	-	352,433,915
Other comprehensive income - net of tax	-	-	-	2,172,786,932	-	-	2,172,786,932
Total comprehensive income for the period	-	-	-	2,172,786,932	352,433,915	-	2,525,220,847
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	-	-	(4,236,540)	4,236,540	-	-
Transaction with owners							
Transfer to short-term loans from Directors and their relatives	-	-	-	-	-	(500,000,000)	(500,000,000)
BALANCE AS AT SEPTEMBER 30, 2020 - unaudited	2,515,996,500	439,413,456	980,000,000	2,168,550,392	4,078,834,075	-	10,182,794,423
BALANCE AS AT JUNE 30, 2021 - audited	2,918,555,940	2,762,735,410	980,000,000	3,402,244,904	6,441,323,325	-	16,504,859,579
Profit for the period	-	-	-	-	1,688,201,418	-	1,688,201,418
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	1,688,201,418	-	1,688,201,418
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of tax	-	-	-	(20,519,015)	20,519,015	-	-
BALANCE AS AT SEPTEMBER 30, 2021 - unaudited	2,918,555,940	2,762,735,410	980,000,000	3,381,725,889	8,150,043,758	-	18,193,060,997

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, 2021 (UNAUDITED)**

Rupees	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	15.	(1,919,986,892)	(2,226,429,837)
Net decrease / increase in long-term loans to employees		4,920,866	(4,334,710)
Defined benefits paid		(7,573,839)	(3,929,539)
Finance cost paid		(435,351,237)	(313,628,154)
Income tax paid - net		(111,142,477)	(12,774,744)
Net cash used in operating activities		(2,469,133,579)	(2,561,096,984)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant & equipment		(188,983,443)	(503,843,788)
Proceeds from disposal of tangible fixed assets		9,867,035	2,664,999
Net cash used in investing activities		(179,116,408)	(501,178,789)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing - net repayment / proceeds		(174,796,534)	362,437,941
Net proceeds from short-term borrowings		3,414,832,567	2,168,567,743
Net repayment of short-term loans from Directors and their relatives		(3,193,514)	(73,537,204)
Dividends paid		(369,521)	(118,053)
Net cash generated from financing activities		3,236,472,998	2,457,350,427
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		588,223,011	(604,925,347)
CASH AND CASH EQUIVALENTS AT THE BEGINNING			
OF THE PERIOD		2,216,929,138	2,340,364,332
NET FOREIGN EXCHANGE DIFFERENCE		3,643,727	-
CASH AND CASH EQUIVALENTS AT THE END			
OF THE PERIOD	16.	2,808,795,876	1,735,438,985

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, 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 17. 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 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;
- 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 QUARTER ENDED SEPTEMBER 30, 2021 (UNAUDITED)**

Rupees	Note	September 30, 2021 (Unaudited)	June 30, 2021 (Audited)
6. PROPERTY, PLANT AND EQUIPMENT			
Tangible fixed assets	6.1	15,008,183,065	14,731,461,616
Capital work-in-progress	6.2	866,827,734	1,067,981,304
		<u>15,875,010,799</u>	<u>15,799,442,920</u>
6.1 Tangible fixed assets:			
Tangible fixed assets - owned	6.1.1	14,738,306,918	14,731,461,616
Assets subject to operating lease	6.1.2	269,876,147	-
		<u>15,008,183,065</u>	<u>14,731,461,616</u>
6.1.1 Following is the movement in tangible fixed assets - owned			
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		926,673	792,146
Grid station & electric installations		1,136,137	47,296,735
Furniture and fittings		-	301,413
Vehicles		2,103,073	44,178,032
Trucks and cranes		-	35,500,000
Computers		-	2,239,750
Other machinery and equipment		-	22,130,928
Developments on leasehold lands		-	237,738,063
		<u>390,137,013</u>	<u>5,481,429,453</u>
Disposals during the period / year:			
Vehicles		(3,931,712)	(7,593,548)
Transfers during the period / year:			
Plant and machinery		(271,587,520)	271,587,520
Depreciation charged during the period / year		(107,772,479)	(284,582,862)
Surplus on revaluation of property, plant and equipment		-	4,431,234,203
Closing net book value		<u>14,738,306,918</u>	<u>14,731,461,616</u>
6.1.2 Following is the movement in assets subject to operating lease:			
Opening balance		-	23,912,375
Transfers during the period / year:			
Plant and machinery		271,587,520	(271,587,520)
Depreciation charged during the period / year		(1,711,373)	(5,741,026)
Surplus on revaluation of property, plant and equipment		-	253,416,171
Closing balance		<u>269,876,147</u>	<u>-</u>
6.1.3 Information about the fair value hierarchy of items of property, plant and equipment as at the end of the reporting period are as follows:			

Rupees	Level 1	Level 2	Level 3	Fair value as at September 30, 2021	Fair value as at June 30, 2021
Freehold land	-	567,500,000	-	567,500,000	567,500,000
Factory building on freehold land	-	-	270,520,818	270,520,818	273,253,352
Plant and machinery - owned	-	11,418,574,411	-	11,418,574,411	11,374,562,794
Plant and machinery - subject to operating lease	-	269,876,147	-	269,876,147	-
Power plant	-	1,579,037,854	-	1,579,037,854	1,592,976,397
	-	<u>13,834,988,412</u>	<u>270,520,818</u>	<u>14,105,509,230</u>	<u>13,808,292,543</u>

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UNAUDITED)

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	Note	September 30, 2021 (Unaudited)	June 30, 2021 (Audited)
6.2 Following is the movement in capital work-in-progress:			
Opening balance		1,067,981,304	5,054,714,908
Additions during the period / year		178,189,577	1,177,048,119
Transfers during the period / year		(379,343,147)	(5,163,781,723)
Closing balance		<u>866,827,734</u>	<u>1,067,981,304</u>
7. INVENTORIES			
Stores, spares and loose tools		1,625,740,022	1,687,120,663
Raw material		14,073,650,397	11,615,865,918
Finished goods		<u>3,893,033,452</u>	<u>1,564,891,690</u>
		<u>19,592,423,871</u>	<u>14,867,878,271</u>

8. This represents 500,000,000 (June 30, 2021: 500,000,000) ordinary shares of Rs. 10/- each.
9. This represents 291,855,594 (June 30, 2021: 291,855,594) ordinary shares of Rs. 10/- each. 188.453 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	September 30, 2021 (Unaudited)	June 30, 2021 (Audited)
10. SHORT-TERM BORROWINGS - SECURED			
This comprises of short-term borrowings obtained under:			
- Islamic mode		8,721,134,358	7,736,220,884
- Conventional mode		10,801,415,738	8,371,496,645
		19,522,550,096	16,107,717,529
Temporary bank overdrawn		80,867	-
		<u>19,522,630,963</u>	<u>16,107,717,529</u>

11. CONTINGENCIES AND COMMITMENTS

Contingencies:

- i) There has been no significant change in the status of contingencies as reported in the annual audited financial statements of the Company for the year ended June 30, 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. 1,656.213 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 favor of banks on behalf of Mughal Energy Limited (related party) for the purpose of availing financing for a period of 5 years.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UNAUDITED)

Rupees	Note	September 30, 2021	June 30, 2021
		(Unaudited)	(Audited)
Commitments:			
i) Non-capital & capital commitments		7,304,557,072	3,986,527,667
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		3,682,800	-

Rupees	Note	September 30, 2021	September 30, 2020
		(Unaudited)	(Unaudited)
12. SALES - net			
Local sales		11,249,530,019	7,168,775,917
Export sales		2,870,291,344	554,031,348
Trading sales		38,835,834	11,812,800
		14,158,657,197	7,734,620,065
- Commission		(135,891,936)	(505,402)
		<u>14,022,765,261</u>	<u>7,734,114,663</u>

12.1 Reconciliation with segment information:

Rupees	Ferrous	Non-Ferrous	Total
Net revenue from external customers:			
- Local sales	10,235,510,368	1,003,739,533	11,239,249,901
- Export sales	-	2,744,679,526	2,744,679,526
- Trading sales	38,835,834	-	38,835,834
September 30, 2021	<u>10,274,346,202</u>	<u>3,748,419,059</u>	<u>14,022,765,261</u>
Net revenue from external customers:			
- Local sales	6,761,072,224	407,198,291	7,168,270,515
- Export sales	-	554,031,348	554,031,348
- Trading sales	-	11,812,800	11,812,800
September 30, 2020	<u>6,761,072,224</u>	<u>973,042,439</u>	<u>7,734,114,663</u>

Rupees	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)
13. COST OF SALES		
Opening stock of finished goods	1,564,891,690	976,126,840
Cost of goods manufactured:		
- Raw material consumed	11,333,469,978	5,243,107,533
- Salaries, wages and other benefits	246,873,993	225,080,394
- Stores, spares and loose tools consumed	317,114,512	221,405,776
- Fuel and power	1,503,588,804	1,062,803,684
- Repair and maintenance	753,541	4,843,015
- Other manufacturing expenses	61,227,292	20,624,965
- Depreciation	100,180,270	42,213,047
	13,563,208,390	6,820,078,414
Closing stock of finished goods	(3,893,033,452)	(935,453,402)
Cost of goods sold - manufacturing	11,235,066,628	6,860,751,852
Cost of goods sold - trading	38,920,519	10,973,514
	<u>11,273,987,147</u>	<u>6,871,725,366</u>

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UNAUDITED)**

Rupees	Note	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited) Restated
14. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the period		<u>1,688,201,418</u>	<u>352,433,915</u>
Weighted average number of ordinary shares		<u>291,855,594</u>	<u>263,609,829</u>
Earnings per share - Basic		<u>5.78</u>	<u>1.34</u>

- 14.1 The weighted average number of outstanding shares as at September 30, 2020 includes the effect of bonus element in the rights issue during the previous year. Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2021 and September 30, 2020 which would have any effect on the earnings per share if the option to convert is exercised.

Rupees	Note	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
15. CASH USED IN OPERATIONS			
Profit before taxation		2,006,476,294	405,816,384
Adjustments:			
Depreciation		109,483,852	49,323,725
Amortization		721,656	721,656
Finance cost		445,780,487	311,725,258
Defined benefit charge		24,000,000	21,000,000
Gain on disposal of tangible fixed assets		(5,935,323)	(1,141,607)
Profit on term deposit receipts		-	(8,477,879)
Net unrealized foreign exchange (gains)		(44,782,644)	(12,146,706)
Provision for workers' profit participation fund		107,759,200	21,794,650
Provision for workers' welfare fund		40,948,496	8,281,967
		<u>677,975,724</u>	<u>391,081,064</u>
Profit before working capital changes		2,684,452,018	796,897,448
Effect on cash flow due to working capital changes (Increase) / decrease in current assets:			
Inventories		(4,724,545,600)	(4,239,863,839)
Trade debts		(419,626,827)	(61,383,044)
Loans and advances		(36,784,920)	(29,663,212)
Deposits, prepayments and other receivables		715,783,627	15,024,401
Due from the Government		(166,322,669)	(175,625,700)
		(4,631,496,389)	(4,491,511,394)
Increase / (Decrease) in current liabilities:			
Trade and other payables		27,057,479	1,468,184,109
		<u>(1,919,986,892)</u>	<u>(2,226,429,837)</u>

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

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

Cash and bank balances	2,808,876,743	1,810,944,565
Temporary bank overdrawn	(80,867)	(75,505,580)
	<u>2,808,795,876</u>	<u>1,735,438,985</u>

17. SEGMENT REPORTING

17.1 Reportable segments:

The Company's reportable segments are as follows:

- Ferrous
- Non - Ferrous

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UNAUDITED)

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:

17.2 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 period ended September 30, 2021 and September 30, 2020 along with reconciliation of the total of the reportable segments' measures of profit or loss for the period:

Rupees	Ferrous Quarter ended		Non-Ferrous Quarter ended		Total Quarter ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales - net	10,274,346,202	6,761,072,224	3,748,419,059	973,042,439	14,022,765,261	7,734,114,663
Cost of sales	(8,835,662,295)	(6,357,632,414)	(2,438,324,852)	(514,092,952)	(11,273,987,147)	(6,871,725,366)
Gross profit	1,438,683,907	403,439,810	1,310,094,207	458,949,487	2,748,778,114	862,389,297
Sales and marketing expenses	(45,773,530)	(27,622,681)	(9,611,375)	(1,050,804)	(55,384,905)	(28,673,485)
Finance cost	(19,105,073)	(6,637,917)	(12,154,418)	(2,865,562)	(31,259,491)	(9,503,479)
	(64,878,603)	(34,260,598)	(21,765,793)	(3,916,366)	(86,644,396)	(38,176,964)
Segment profit before taxation and unallocated income and expenses	1,373,805,304	369,179,212	1,288,328,414	455,033,121	2,662,133,718	824,212,333
Unallocated income and expenses:						
Administrative expenses					(161,501,005)	(116,935,490)
Other charges					(148,957,702)	(30,326,617)
Other income					69,322,279	31,087,937
Finance cost					(414,520,996)	(302,221,779)
Taxation					(318,274,876)	(53,382,469)
Profit for the period					1,688,201,418	352,433,915

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.

17.3 Revenue from external customers:

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

Percentage	Quarter ended	
	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)
Ferrous:		
- Steel re-bars	65.72%	45.58%
- Girders	33.90%	54.42%
- Billets	0.00%	0.00%
- Others	0.38%	0.00%
	100.00%	100.00%
Non-Ferrous:		
- Copper ingots	73.90%	56.94%
- Copper coil	11.20%	0.00%
- Others	0.84%	1.21%
- Waste	14.06%	41.85%
	100.00%	100.00%

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UNAUDITED)

17.4 Information about major customers:

Revenue from major customers of ferrous segment represent 55% 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% (September 2020: 32%) of the total revenue of non-ferrous segment and 56% (September 2020: 74%) of the total local revenue of non-ferrous segment. Revenue from major foreign customers of non-ferrous segment represent 78% (September 2020: 58%) of the total revenue of non-ferrous segment and 99% (September 2020: 100%) of the total foreign revenue of non-ferrous segment.

17.5 Geographical information:

All revenues from external customers for ferrous segment were generated in Pakistan. 77% (September 2020: 57%) 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 of Pakistan is made to customers in the People's Republic of China. All non-current assets of the Company as at September 30, 2021 and June 30, 2021 were located and operating in Pakistan.

17.6 Measure of total assets and total liabilities:

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

Rupees	Ferrous	Non-Ferrous	Total
- Segment assets for reportable segments	33,292,459,381	5,707,345,608	38,999,804,989
- Unallocated assets	-	-	8,162,171,710
- Total assets as per statement of financial position as at September 30, 2021	<u>33,292,459,381</u>	<u>5,707,345,608</u>	<u>47,161,976,699</u>
- Segment liabilities for reportable segments	1,650,075,759	95,280,080	1,745,355,839
- Unallocated liabilities	-	-	27,223,559,863
- Total liabilities as per statement of financial position as at September 30, 2021	<u>1,650,075,759</u>	<u>95,280,080</u>	<u>28,968,915,702</u>

Rupees	Ferrous	Non-Ferrous	Total
- 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	<u>28,220,800,376</u>	<u>5,689,528,934</u>	<u>41,799,806,276</u>
- Segment liabilities for reportable segments	1,936,912,305	155,454,558	2,092,366,863
- Unallocated liabilities	-	-	23,202,579,834
- Total liabilities as per statement of financial position as at June 30, 2021	<u>1,936,912,305</u>	<u>155,454,558</u>	<u>25,294,946,697</u>

Rupees	September 30, 2021 (Unaudited)	June 30, 2021 (Audited)
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17.7 Other information:

Depreciation		
- Ferrous	91,076,155	232,237,675
- Non-Ferrous	739,415	227,822
- Unallocated	17,668,282	57,858,391
	<u>109,483,852</u>	<u>290,323,888</u>
Additions to tangible fixed assets		
- Ferrous	387,107,267	5,342,108,947
- Non-Ferrous	-	56,309,165
- Unallocated	3,029,746	83,011,341
	<u>390,137,013</u>	<u>5,481,429,453</u>

Total amortization in respect of intangible asset is unallocated.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UNAUDITED)

- 17.8 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	Quarter ended		As at	
	September 30, 2021	September 30, 2020	September 30, 2021	June 30, 2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
18. SHARIAH COMPLIANCE DISCLOSURE				
Loans / advances obtained as per Islamic mode			12,634,460,861	11,732,509,986
Shariah compliant bank deposits / bank balances			1,529,982,078	1,047,743,298
Profit earned from Shariah compliant bank deposits / balances	502,416	16,884		
Mark-up on Islamic mode of financing	247,351,740	134,931,273		
Interest on any conventional loan or advance	174,473,862	171,193,257		

19. 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 change in any risk management policies since the year end.

20. 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.

Rupees	Quarter ended		As at	
	September 30, 2021	September 30, 2020	September 30, 2021	June 30, 2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Transactions		Outstanding Balances	

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 transactions				
- Rental income	-	600,000		
- Rent expense	-	810,000		
Mughal Energy Limited				
Relationship			Common directorship	
Percentage of shareholding			Nil	
Detail of transactions				
- Commission income against corporate guarantee	15,000,000	-		
Al-Bashir (Private) Limited				
Relationship			Common directorship	
Percentage of shareholding			Nil	
Detail of outstanding balance				
Deposits, prepayments and other receivables				
- Security deposits			500,000	500,000
Detail of transactions				
- Rent expense	435,600	396,000		

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2021 (UNAUDITED)

Rupees	Quarter ended		As at	
	September 30, 2021	September 30, 2020	September 30, 2021	June 30, 2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Transactions		Outstanding balances	
Indus Engineering (AoP)				
Relationship			Common management	
Percentage of shareholding			N/A	
Detail of transactions				
- Rent expense	-	330,000		
Major shareholders, key management personnel and their relatives				
Detail of outstanding balance				
Loans and advances				
- Key management personnel (other than Directors) and their relatives			6,397,995	429,500
Detail of transactions				
Major shareholders, Directors and their relatives				
- Remuneration				
- Executive Directors	9,600,000	9,600,000		
- Non-Executive Directors	3,045,000	2,895,000		
- Rent expense	-	270,000		
- Repayment of short-term loan from Directors and their relatives	3,193,514	73,537,204		
- Meeting fee	250,000	250,000		
Key management personnel (other than Directors) and their relatives				
- Salaries and benefits	9,300,000	9,000,000		

There are no transactions with key management personnel other than under the terms of employment and 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 29, 2021.

23. 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.

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

The Board of Directors in its meeting held on September 17, 2021 has recommended bonus issue of 15% i.e. 15 ordinary shares for every 100 ordinary shares held on the existing paid up value of ordinary share capital and in this regard, further recommended that a sum of Rs. 437.783 million shall be appropriated from the share premium account for the issuance of the said bonus shares. The issuance of bonus shares and related appropriation from the share premium account shall be subject to the approval of members in the Annual General Meeting to be held on October 28, 2021 and will be accounted for in the period in which they are approved by the members.



Khurram Javaid
Chief Executive Officer



Muhammad Zafar Iqbal
Chief Financial Officer



Muhammad Mubeen Tariq Mughal
Director



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