



## GOING GLOBAL

INTERIM FINANCIAL REPORT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2022

Mughal Iron & Steel Industries Limited

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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  
 E-mail: fahadhafeez@mughalsteel.com

### SHARE 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  
 E-mail: sfc@thk.com.pk  
 Web: www.thk.com.pk

### SHAREHOLDER COMPLAINT HANDLING CELL

In case of shareholder complaints/queries, Please Contact:  
 Mr. Zeeshan Ejaz  
 Tel: +92-42-35960841 Ext: 136  
 E-mail: 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 Associates  
 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: zafariqbal@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

#### The Pakistan Credit Rating Agency Limited

Long-term entity rating (A+)  
 Short-term entity rating (A1)  
 Future Outlook: Stable

### 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  
 E-mail: info@mughalsteel.com

#### Sale centres and warehouse

Badami Bagh  
 Lahore, Pakistan

#### Factory & warehouses

17-KM Sheikhupura 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 companies involved in both ferrous and non-ferrous operations in Pakistan. At Mughal Steel we work with passion and expertise to develop high-quality diversified portfolio of quality products. This means we create value for our customers and can successfully exploit the diverse opportunities in the markets of the future. 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 strategic initiatives to continuously reinvest, modernize and diversify.

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 Valued 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, 2022, the financial results of which are summarized below:

(Rs. in Millions)

	Quarter ended September 30,		Variation %
	2022	2021	
<b>Financial highlights</b>			
Sales-net	14,073.292	14,022.765	0.36%
Gross profit	2,084.440	2,748.778	(24.17%)
Profit before taxation	1,031.218	2,006.476	(48.61%)
Taxation	(159.700)	(318.275)	(49.82%)
Profit for the period	871.518	1,688.201	(48.38%)
Earnings per share-Basic & Diluted	2.60	5.03 (Restated)	(48.38%)

### Business, financial & operational review

During the period, political tensions, floods, rains, current account deficit, depreciating currency, struggling foreign exchange reserves, rising inflation, high discount rates and significant increase in energy cost, impacted the overall performance of the Company. Amidst the prevailing adversities, the Company managed to maintain its topline. Overall gross margins witnessed decline as compared to the corresponding quarter both within the ferrous and non-ferrous segments since the impact of increase in input costs could not completely be transferred into sale prices. Export commission decreased since entire exports was to existing parties. Other charges mainly represented provisions for workers' profit participation fund and workers' welfare fund. Allowance for expected credit loss was reversed by Rs. 22.011 million. Other income increased by 50.08% mainly on account of recognition of foreign exchange gains and commission on corporate guarantee. Financial cost increased significantly by 97.77% mainly due to hikes in base discount rate. Taxation expense decreased by 49.82% due to availability of tax credits.

Resultantly, the Company posted profit for the period amounting to Rs. 871.518 million as compared to Rs. 1,688.201 million in corresponding period resulting in decrease of 48.38%. Earnings per share (EPS) for the current period stood at Rs. 2.60 as compared to EPS of Rs. 5.03 (restated) in the corresponding period.

Additions in property, plant and equipment mainly represented additions in capital work-in-progress relating to installation of induction furnaces and non-ferrous expansion. Trade debts increased by 25.46% mainly due to increase in average sale prices. Cash and bank balances decreased by 57.11% mainly due to utilization of funds reserved for repayment of Islamic Commercial Paper (ICP).

Trade and other payables decreased by 22.17% mainly due to decrease in foreign creditors. Accrued profit / interest / mark-up increased by 68.37% mainly due to increase in base rate by SBP.

Resultantly, the statement of financial position footing stood at Rs. 53,224.874 million as of September 30, 2022, compared to Rs. 53,085.460 million as of June 30, 2022. Breakup value per share increased to Rs. 64.71 as of September 30, 2022 from Rs. 62.11 as at June 30, 2022. Current ratio as at September 30, 2022 stood at 1.47:1 as compared to 1.45:1 as at June 30, 2022.

### Future outlook

Going forward, the impact of increase in base discount rate will continue to impact the performance of the Company. It is expected that increase in construction activities, post floods will improve 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/Director)



**Khurram Javaid**  
(CEO / Director)

Date: October 28, 2022  
Place: Lahore

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2022

Rupees	Note	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6.	16,734,467,041	16,460,726,021
Intangible asset		-	721,651
Long-term loans to employees		44,456,546	51,269,414
Long-term deposits		22,408,386	19,845,317
		<u>16,801,331,973</u>	<u>16,532,562,403</u>
<b>CURRENT ASSETS</b>			
Inventories	7.	24,331,329,331	22,962,971,000
Trade debts		6,992,845,866	5,573,585,633
Loans and advances		207,254,661	148,276,956
Deposits, prepayments and other receivables		121,614,962	189,758,304
Due from the government		2,550,634,713	2,502,670,861
Cash and bank balances		2,219,862,973	5,175,634,586
		<u>36,423,542,506</u>	<u>36,552,897,340</u>
		<u>53,224,874,479</u>	<u>53,085,459,743</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized share capital		5,000,000,000	5,000,000,000
Issued, subscribed and paid-up capital		3,356,339,330	3,356,339,330
<i>Capital reserves:</i>			
Share premium account		2,324,952,020	2,324,952,020
Contingency reserve		980,000,000	980,000,000
Revaluation surplus on property, plant and equipment		2,999,954,357	3,018,133,793
<i>Revenue reserve:</i>			
Un-appropriated profits		12,057,350,292	11,167,653,096
		<u>21,718,595,999</u>	<u>20,847,078,239</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing- secured		3,699,904,043	4,027,845,474
Deferred taxation		2,447,497,270	2,415,979,740
Defined benefit obligation		499,345,129	467,898,836
Deferred liabilities		72,952,237	75,330,101
		<u>6,719,698,679</u>	<u>6,987,054,151</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,275,455,436	2,923,689,503
Unclaimed dividends		2,962,780	2,963,664
Unpaid dividends		7,003,536	7,068,715
Accrued profit / interest / mark-up		639,584,138	379,869,093
Short-term borrowings	8.	20,546,427,983	20,618,945,517
Short-term loans from Directors and their relatives - unsecured		-	25,062,812
Current portion of long-term financing		1,305,371,028	1,281,336,412
Current portion of deferred grant		9,774,900	12,391,637
		<u>24,786,579,801</u>	<u>25,251,327,353</u>
		<u>31,506,278,480</u>	<u>32,238,381,504</u>
		<u>53,224,874,479</u>	<u>53,085,459,743</u>

## CONTINGENCIES AND COMMITMENTS

9.

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

**Khurram Javaid**  
Chief Executive Officer/Director

**Muhammad Zafar Iqbal**  
Chief Financial Officer


**Muhammad Mubeen Tariq Mughal**  
Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

Rupees	Note	2022	2021
Sales-net	10.	14,073,291,750	14,022,765,261
Cost of sales	11.	(11,988,851,901)	(11,273,987,147)
<b>GROSS PROFIT</b>		<b>2,084,439,849</b>	<b>2,748,778,114</b>
Sales and marketing expenses		(60,895,295)	(55,384,905)
Administrative expenses		(146,687,073)	(161,501,005)
Other charges		(90,079,070)	(148,957,702)
Allowance for expected credit losses		22,010,878	-
Other income		104,039,463	69,322,279
Finance cost		(881,610,556)	(445,780,487)
		<b>(1,053,221,653)</b>	<b>(742,301,820)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>1,031,218,196</b>	<b>2,006,476,294</b>
Taxation		(159,700,436)	(318,274,876)
<b>PROFIT FOR THE PERIOD</b>		<b>871,517,760</b>	<b>1,688,201,418</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income-net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>871,517,760</b>	<b>1,688,201,418</b>
			Restated
<b>EARNINGS PER SHARE-BASIC AND DILUTED</b>	12.	<b>2.60</b>	<b>5.03</b>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

  
\_\_\_\_\_  
Khurram Javaid  
Chief Executive Officer/Director

  
\_\_\_\_\_  
Muhammad Zafar Iqbal  
Chief Financial Officer

  
\_\_\_\_\_  
Muhammad Mubeen Tariq Mughal  
Director



# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

Rupees	Capital Reserves				Revenue Reserve	Total Equity
	Issued, subscribed and paid-up capital	Share premium account	Contingency reserve	Revaluation surplus on property, plant and equipment	Un-appropriated profits	
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 revaluation surplus on 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
BALANCE AS AT JUNE 30, 2022-audited	3,356,339,330	2,324,952,020	980,000,000	3,018,133,793	11,167,653,096	20,847,078,239
Profit for the period	-	-	-	-	871,517,760	871,517,760
Other comprehensive income-net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	871,517,760	871,517,760
Incremental depreciation relating to revaluation surplus on property, plant and equipment -net of tax	-	-	-	(18,179,436)	18,179,436	-
BALANCE AS AT SEPTEMBER 30, 2022-unaudited	3,356,339,330	2,324,952,020	980,000,000	2,999,954,357	12,057,350,292	21,718,595,999

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

**Khurram Javaid**  
Chief Executive Officer/Director

**Muhammad Zafar Iqbal**  
Chief Financial Officer

**Muhammad Mubeen Tariq Mughal**  
Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)**

Rupees	Note	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	13.	(1,286,382,224)	(1,919,986,892)
Net decrease in long-term loans to employees		6,812,868	4,920,866
Net increase in long-term deposits		(2,563,069)	-
Defined benefits paid		(11,153,707)	(7,573,839)
Workers' welfare fund paid		(94,066,845)	-
Income tax paid-net		(199,487,007)	(111,142,477)
<b>Net cash used in operating activities</b>		<b>(1,586,839,984)</b>	<b>(2,033,782,342)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for acquisition of property, plant and equipment		(384,848,559)	(188,983,443)
Net proceeds from disposal of tangible fixed assets		-	9,867,035
Profit received on term deposit receipts		20,340,105	-
<b>Net cash used in investing activities</b>		<b>(364,508,454)</b>	<b>(179,116,408)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net repayment of long-term financing		(308,901,416)	(174,796,534)
Net repayment / proceeds from short-term borrowings		(61,013,898)	3,414,832,567
Net repayment of short-term loans from Directors and their relatives		(25,062,812)	(3,193,514)
Payments for finance cost		(621,895,511)	(435,351,237)
Dividends paid		(66,063)	(369,521)
<b>Net cash used in / generated from financing activities</b>		<b>(1,016,939,700)</b>	<b>2,801,121,761</b>
<b>NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,968,288,138)</b>	<b>588,223,011</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>5,163,452,475</b>	<b>2,216,929,138</b>
<b>NET EXCHANGE DIFFERENCE ON FOREIGN CURRENCY ACCOUNTS</b>		<b>24,020,161</b>	<b>3,643,727</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	14.	<b>2,219,184,498</b>	<b>2,808,795,876</b>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

**Khurram Javaid**  
Chief Executive Officer/Director

**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, 2022 (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 15. 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 Shekhupura Road, Lahore
- Warehouses	17-KM Shekhupura 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 notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where 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, 2022, except detailed below or elsewhere. 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, 2022.

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, 2022. 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 the approved accounting standards requires management to make judgements, 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 the year ended June 30, 2022, except as disclosed otherwise in respective notes.

# SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

Rupees	Note	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Tangible fixed assets	6.1	14,766,221,949	14,814,802,289
Capital work-in-progress	6.2	1,968,245,092	1,645,923,732
		<u>16,734,467,041</u>	<u>16,460,726,021</u>
<b>6.1 Following is the movement in tangible fixed assets-owned:</b>			
Opening net book value		14,814,802,289	14,731,461,616
Additions during the period / year:			
Plant and machinery		44,435,226	733,384,930
Solar plant		-	189,915,084
Office equipment		1,180,484	4,421,962
Grid station & electric installations		3,374,000	133,337,142
Vehicles		13,445,644	57,275,229
Computers		91,845	-
		<u>62,527,199</u>	<u>1,118,334,347</u>
Disposals during the period / year:			
Vehicles		-	(20,791,085)
Transfers during the period / year to assets subject to operating lease:			
Plant and machinery		-	(271,473,590)
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		(111,107,539)	(442,053,099)
Closing net book value		<u>14,766,221,949</u>	<u>14,814,802,289</u>
<b>6.2 Following is the movement in capital work-in-progress:</b>			
Opening balance		1,645,923,732	1,067,981,304
Additions during the period / year		322,321,360	1,624,808,799
Transfers during the period / year		-	(1,046,866,371)
Closing balance		<u>1,968,245,092</u>	<u>1,645,923,732</u>
<b>7. INVENTORIES</b>			
Stores, spares and loose tools		2,278,988,880	1,920,118,029
Raw material		18,664,904,675	15,386,825,723
Finished goods		3,387,435,776	5,656,027,248
		<u>24,331,329,331</u>	<u>22,962,971,000</u>
<b>8. SHORT-TERM BORROWINGS</b>			
Short-term borrowings availed from:			
- Islamic banks - secured		11,131,099,097	9,321,707,679
- Conventional banks - secured		9,414,650,411	9,265,108,351
		<u>20,545,749,508</u>	<u>18,586,816,030</u>
Islamic commercial paper - I - unsecured		-	2,019,947,376
		<u>20,545,749,508</u>	<u>20,606,763,406</u>
Temporary bank overdrawn		678,475	12,182,111
		<u>20,546,427,983</u>	<u>20,618,945,517</u>

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

### 9. 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, 2022, 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. 2,893.512 million (June 30, 2022: Rs. 2,848.462 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	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
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#### Commitments:

- i) Non-capital & capital commitments 6,511,186,481
- ii) The amount of future payments under short-term operating leases and the period in which these payments will become due are as follows:

Within 1 year 3,420,000

Rupees	Note	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
<b>10. SALES-net</b>			
Local sales		10,471,289,648	11,249,530,019
Export sales		3,561,418,286	2,870,291,344
Trading sales		41,011,983	38,835,834
		14,073,719,917	14,158,657,197
Commission		(428,167)	(135,891,936)
		14,073,291,750	14,022,765,261

#### 10.1 Reconciliation with segment information:

Rupees	Ferrous	Non-Ferrous	Total
Net revenue from external customers:			
- Local sales	8,903,558,585	1,567,302,896	10,470,861,481
- Export sales	-	3,561,418,286	3,561,418,286
- Trading sales	41,011,983	-	41,011,983
September 30, 2022	8,944,570,568	5,128,721,182	14,073,291,750
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	10,274,346,202	3,748,419,059	14,022,765,261

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

Rupees	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Note		
<b>11. COST OF SALES</b>		
Opening stock of finished goods	5,656,027,248	1,564,891,690
Cost of goods manufactured		
- Raw material consumed	7,472,031,630	11,333,469,978
- Salaries, wages and other benefits	304,537,287	246,873,993
- Stores, spares and loose tools consumed	239,646,442	317,114,512
- Fuel and power	1,529,276,667	1,503,588,804
- Repair and maintenance	508,000	753,541
- Other manufacturing expenses	74,720,957	61,227,292
- Depreciation	99,539,446	100,180,270
	9,720,260,429	13,563,208,390
Closing stock of finished goods	(3,387,435,776)	(3,893,033,452)
Cost of goods sold - manufacturing	11,988,851,901	11,235,066,628
Cost of goods sold - trading	-	38,920,519
	<u>11,988,851,901</u>	<u>11,273,987,147</u>
<b>11.1</b> Raw material consumed includes Rs. 37.073 million on account of cost of raw material sold during the period.		
<b>12. EARNINGS PER SHARE-BASIC AND DILUTED</b>		
Profit for the period	871,517,760	1,688,201,418
		Restated
Weighted average number of ordinary shares	335,633,933	335,633,933
Earnings per share - Basic	2.60	5.03
<b>12.1</b> The weighted average number of ordinary shares outstanding as at September 30, 2021 includes the effect of bonus shares issued during the previous year.		
<b>13. CASH USED IN OPERATIONS</b>		
Profit before taxation	1,031,218,196	2,006,476,294
<i>Adjustments:</i>		
Depreciation	111,107,539	109,483,852
Amortization	721,651	721,656
Allowance for expected credit losses	(22,010,878)	-
Finance cost	881,610,556	445,780,487
Defined benefit charge	42,600,000	24,000,000
Gain on disposal of tangible fixed assets	-	(5,935,323)
Profit on term deposit receipts	(21,855,633)	-
Net unrealized foreign exchange loss	(1,664,765)	(44,782,644)
Provision for workers' profit participation fund	55,382,288	107,759,200
Provision for workers' welfare fund	20,727,625	40,948,496
	<u>1,066,618,383</u>	<u>677,975,724</u>
Profit before working capital changes	2,097,836,579	2,684,452,018
Effect on cash flow due to working capital changes		
<i>(Increase) / decrease in current assets:</i>		
Inventories	(1,368,358,331)	(4,724,545,600)
Trade debts	(1,390,446,434)	(419,626,827)
Loans and advances	(58,977,705)	(36,784,920)
Deposits, prepayments and other receivables	69,658,870	715,783,627
Due from the government	23,340,249	(166,322,669)
	<u>(2,724,783,351)</u>	<u>(4,631,496,389)</u>
<i>Increase / (Decrease) in current liabilities:</i>		
Trade and other payables	(659,435,452)	27,057,479
	<u>(1,286,382,224)</u>	<u>(1,919,986,892)</u>

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

Rupees	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
<b>14. 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	2,219,862,973	2,808,876,743
Temporary bank overdrawn	(678,475)	(80,867)
	<u>2,219,184,498</u>	<u>2,808,795,876</u>

### 15. SEGMENT REPORTING

#### 15.1 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:

#### 15.2 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 quarter ended September 30, 2022 and September 30, 2021 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 Quarter ended		Non-Ferrous Quarter ended		Total Quarter ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales - net	8,944,570,568	10,274,346,202	5,128,721,182	3,748,419,059	14,073,291,750	14,022,765,261
Cost of sales	(7,804,597,910)	(8,835,662,295)	(4,184,253,991)	(2,438,324,852)	(11,988,851,901)	(11,273,987,147)
Gross profit	1,139,972,658	1,438,683,907	944,467,191	1,310,094,207	2,084,439,849	2,748,778,114
Sales and marketing expenses	(40,638,719)	(45,773,530)	(20,256,576)	(9,611,375)	(60,895,295)	(55,384,905)
Allowance for expected credit losses	19,455,699	-	2,555,179	-	22,010,878	-
Other income	-	-	92,590,653	-	92,590,653	-
Finance cost	(14,578,650)	(19,105,073)	(18,814,807)	(12,154,418)	(33,393,457)	(31,259,491)
	(35,761,670)	(64,878,603)	56,074,449	(21,765,793)	20,312,779	(86,644,396)
Segment profit before taxation and unallocated income and expenses	<u>1,104,210,988</u>	<u>1,373,805,304</u>	<u>1,000,541,640</u>	<u>1,288,328,414</u>	<u>2,104,752,628</u>	<u>2,662,133,718</u>
Unallocated income and expenses:						
Administrative expenses					(146,687,073)	(161,501,005)
Other charges					(90,079,070)	(148,957,702)
Other income					11,448,810	69,322,279
Finance cost					(848,217,099)	(414,520,996)
Taxation					(159,700,436)	(318,274,876)
Profit for the period					<u>871,517,760</u>	<u>1,688,201,418</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 QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

### 15.3 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, 2022	September 30, 2021
	(Unaudited)	(Unaudited)
Ferrous:		
- Steel re-bars	57.13%	65.72%
- Girders	40.92%	33.90%
- Billets	1.95%	0.00%
- Others	0.00%	0.38%
	<u>100.00%</u>	<u>100.00%</u>
Non-Ferrous:		
- Copper ingots	69.44%	73.90%
- Waste	30.56%	14.06%
- Copper coil	0.00%	11.20%
- Others	0.00%	0.84%
	<u>100.00%</u>	<u>100.00%</u>

### 15.4 Information about major customers:

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 period. Revenue from major customers of ferrous segment represented 55% of the total revenue of ferrous segment in corresponding period. Revenue from major local customers of non-ferrous segment represents 29% (September 2021: 15%) of the total revenue of non-ferrous segment and 100% (September 2021: 56%) of the total local revenue of non-ferrous segment. Revenue from major foreign customers of non-ferrous segment represents 71% (September 2021: 78%) of the total revenue of non-ferrous segment and 100% (September 2021: 99%) of the total foreign revenue of non-ferrous segment.

### 15.5 Geographical information:

All revenues from external customers for ferrous segment were generated in Pakistan. 71% (September 2021: 77%) 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 September 30, 2022 and June 30, 2022 were located and operating in Pakistan.

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

Reportable segments' assets and liabilities as at September 30, 2022 and June 30, 2022 are reconciled to total assets and liabilities as follows:

Rupees	Ferrous	Non-Ferrous	Total
- Segment assets for reportable segments	34,013,481,794	11,009,039,104	45,022,520,898
- Unallocated assets	-	-	8,202,353,581
- Total assets as per statement of financial position as at September 30, 2022	<u>34,013,481,794</u>	<u>11,009,039,104</u>	<u>53,224,874,479</u>
- Segment liabilities for reportable segments	1,096,905,939	1,719,785,015	2,816,690,954
- Unallocated liabilities	-	-	28,689,587,526
- Total liabilities as per statement of financial position as at September 30, 2022	<u>1,096,905,939</u>	<u>1,719,785,015</u>	<u>31,506,278,480</u>



## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

Rupees	Ferrous	Non-Ferrous	Total
- Segment assets for reportable segments	32,550,266,607	9,834,480,587	42,384,747,194
- Unallocated assets	-	-	10,700,712,549
- Total assets as per statement of financial position as at June 30, 2022	<u>32,550,266,607</u>	<u>9,834,480,587</u>	<u>53,085,459,743</u>
- Segment liabilities for reportable segments	1,956,434,706	1,809,580,334	3,766,015,040
- Unallocated liabilities	-	-	28,472,366,464
- Total liabilities as per statement of financial position as at June 30, 2022	<u>1,956,434,706</u>	<u>1,809,580,334</u>	<u>32,238,381,504</u>

Rupees	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
<b>15.7 Other information:</b>		
Depreciation	90,886,735	365,203,106
- Ferrous	700,425	2,960,410
- Non-Ferrous	19,520,379	77,310,894
- Unallocated	<u>111,107,539</u>	<u>445,474,410</u>
Additions to tangible fixed assets	44,435,226	733,384,930
- Ferrous	18,091,973	384,949,417
- Unallocated	<u>62,527,199</u>	<u>1,118,334,347</u>

Total amortization in respect of intangible asset is unallocated.

- 15.8** 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, 2022 (Unaudited)	September 30, 2021 (Unaudited)	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)

### 16. SHARIAH COMPLIANCE DISCLOSURE

Loans / advances obtained as per Islamic mode	14,746,804,272	14,963,490,043
Shariah compliant bank deposits / bank balances	1,188,956,950	1,643,989,041
Profit earned from Shariah compliant bank deposits / balances	3,371,635	502,416
Mark-up paid on Islamic mode of financing	458,739,306	247,351,740
Profit earned or interest paid on any conventional loan or advance	396,556,951	174,473,862

The entire revenue of the Company is from Shariah compliant business segments except for profit / interest income earned on term deposit receipts / saving accounts maintained with conventional banks. During the period, no investments of any kind were made. The Company maintains good relationship with Shariah compliant banks and carried out trade and other routine banking transactions with them. There was no exchange gain earned on actual currency. Details of exchange gain / loss earned on foreign currency bank balances has been disclosed in condensed interim statement of cash flows.

### 17. 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, 2022. There have been no change in any risk management policies since the year end.

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

### 18. 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.

Information about the fair value hierarchy of items of property, plant and equipment as at the end of the reporting period is as follows:

Rupees	Level 1	Level 2	Level 3	Fair value as at September 30, 2022 (Unaudited)	Fair value as at June 30, 2022 (Audited)
Property, plant and equipment:					
Freehold land	-	567,500,000	-	567,500,000	567,500,000
Factory building on freehold land	-	-	259,678,425	259,678,425	262,323,218
Plant and machinery	-	11,247,978,502	-	11,247,978,502	11,274,589,537
Power plant	-	1,523,660,975	-	1,523,660,975	1,537,222,223
	-	13,339,139,477	259,678,425	13,598,817,902	13,641,634,978

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	Quarter ended		As at	
	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
	Transactions		Outstanding Balances	

### 19. RELATED PARTY DISCLOSURES

Details of transactions / outstanding balances with related parties, not otherwise disclosed elsewhere, are as follows:

#### Entities

##### *Mughal Energy Limited*

#### Relationship

Common directorship

Percentage of shareholding

Nil

Detail of transactions

- Commission income against corporate guarantee

15,000,000

15,000,000

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

#### Relationship

Common directorship

Percentage of shareholding

Nil

Detail of outstanding balance

Deposits, prepayments and other receivables

500,000

500,000

- Security deposits

Detail of transactions

- Rent expense

480,000

435,600

#### Major shareholders, directors and their relatives

Detail of transactions

- Remuneration / meeting fee

11,595,000

12,895,000

- Net repayment of short-term loans

25,062,812

3,193,514

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

Detail of outstanding balance

4,563,500

6,397,995

- Loan and advances

Detail of transactions

- Salaries and benefits

10,095,000

9,300,000

Chief Executive Officer and Executive Directors are given company maintained cars. There are no transactions with key management personnel other than under the terms of employment and otherwise disclosed, if any.

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2022 (UNAUDITED)

### 20. DATE OF AUTHORIZATION

These condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 28, 2022.

### 21. 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, IAS- 34 - 'Interim Financial Reporting', the condensed interim statement of financial position as of the end of the current interim period has been compared with the statement of financial position as of the end of the immediately preceding financial year, the condensed interim statement of profit or loss & other comprehensive income for the current interim period has been compared with the statement of profit or loss & other comprehensive income for the comparable interim period, of the immediately preceding financial year, whereas, the condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the relevant statements for the comparable year-to-date period of the immediately preceding financial year.



**Khurram Javaid**  
Chief Executive Officer/Director



**Muhammad Zafar Iqbal**  
Chief Financial Officer



**Muhammad Mubeen Tariq Mughal**  
Director



**MUGHALSTEEL.COM**