

MUGHAL
STEEL



GOING
GLOBAL

INTERIM FINANCIAL REPORT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 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

Incase 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)
 Muniff Ziauddin & Company
 Chartered Accountants
 (A member of BKR International)

SHARIAH ADVISOR

Mufti Imran Khan

LEGAL ADVISOR

Muhammd Atif Butt

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
 ICBK 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 Sheikhpura Road
 Lahore, Pakistan

Company Website:

www.mughalsteel.com

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



COMPANY PROFILE

Mughal Iron & Steel Industries Limited ("Mughal Steel") was incorporated in 2010 as a public limited company. The Company took over the running business of a partnership concern by the name of "Mughal Steel" which had been in the steel business for over 50 years and was being run by the major sponsors of the Company. Today, the Company is one of the leading 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

On behalf of the Board of Directors of **MUGHAL IRON & STEEL INDUSTRIES LIMITED**, we are pleased to present the un-audited condensed interim financial statements of the Company for the six months period ended December 31, 2022, the financial results of which are summarized below:

(Rs. in Millions)

| | Six months period ended December 31, | | Variation % |
|--------------------------------------|---|------------|-------------|
| | 2022 | 2021 | |
| Financial highlights | | | |
| Sales - net | 31,240.637 | 32,081.988 | (2.62) |
| Gross profit | 3,361.682 | 5,677.198 | (40.79) |
| Profit before taxation | 1,075.035 | 4,000.945 | (73.13) |
| Taxation | 267.533 | (469.978) | 156.92 |
| Profit for the period | 1,342.568 | 3,530.967 | (61.98) |
| Earnings per share – Basic & Diluted | 4.00 | 10.52 | (61.98) |

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 and decline in sale prices impacted the overall performance of the Company. Amidst the prevailing adversities, the Company managed to maintain its topline in absolute terms, however, there was decline in volumes as compared to corresponding six months period. Overall gross margins witnessed sharp decline as compared to the corresponding six months period both within the ferrous and non-ferrous segments since the impact of increase in input costs could not completely be transferred into sale prices in the December quarter. Export commission decreased since entire exports was to existing parties.

Allowance for expected credit loss was reversed by Rs. 48.042 million. Other income decreased by 53.93% mainly on account of decline in foreign exchange gains. Finance cost increased significantly by 91.16% mainly due to significant hike in base discount rate. Taxation expense decreased by 156.92% due to recognition of deferred tax asset and also due to reversal of prior year tax provision. Resultantly, the Company posted profit for the period amounting to Rs. 1,342.568 million as compared to Rs. 3,530.967 million in corresponding period resulting in decrease of Rs. 2,188.399 million. Earnings per share (EPS) for the current period stood at Rs. 4.00 as compared to EPS of Rs. 10.52 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-ferros expansion. Cash and bank balances decreased by 27.56% mainly due to utilization of funds reserved for repayment of Islamic Commercial Paper (ICP). Accrued profit / interest / mark-up increased mainly due to increase in base rate by SBP.

Resultantly, the statement of financial position footing stood at Rs. 55,875.934 million as of December 31, 2022, compared to Rs. 53,085.460 million as of June 30, 2022. Breakup value per share increased to 66.11 as of December 31, 2022 from Rs 62.11 as at June 30, 2022. Current ratio as at December 31, 2022 stood at 1.42:1 as compared to 1.45:1 as at June 30, 2022.

Future outlook

Going forward, the impact of curtail on imports and 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, but this will again be dependent upon raw-material imports.

Acknowledgement

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

For and on behalf of the Board of Directors,



Mirza Javed Iqbal
(Chairman of the Board)



Khurram Javaid
(CEO/Director)

Date: February 20, 2023
Place: Lahore

INDEPENDENT AUDITORS' REVIEW REPORT

To the Members of Mughal Iron & Steel Industries Limited

Report on Review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Mughal Iron & Steel Industries Limited ("the Company") as at December 31, 2022 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures of the condensed interim statement of profit or loss and other comprehensive income for the three months period ended December 31, 2022 and December 31, 2021 have not been reviewed, as we are required to review only the cumulative figures for the six-months period ended December 31, 2022.

The condensed interim financial statements for the six-months period ended December 31, 2021 and the annual financial statements of the Company for the year ended June 30, 2022 were reviewed / audited by Fazal Mahmood & Co, whose review report dated February 17, 2022 and audit report dated September 20, 2022 expressed an unmodified conclusion and an unmodified opinion on the aforementioned financial statements. The engagement partners on the review resulting in this independent auditors' review report are Fazal Mahmood and Arqum Naveed.

Fazal Mahmood & Co

Fazal Mahmood & Company
Chartered Accountants
(A Member firm of PrimeGlobal International)
Place: Lahore
UDIN: RR202210155FuZBmLhYq
Date: February 20, 2023

Muniff Ziauddin & Co

Muniff Ziauddin & Company
Chartered Accountants
(A member of BKR International)
Place: Lahore
UDIN: RR202210123rA3Wl0QVm
Date: February 20, 2023

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022**

| Rupees | Note | December 31, 2022 (Unaudited) | June 30, 2022 (Audited) |
|---|------|-------------------------------------|-------------------------------|
| ASSETS | | | |
| NON - CURRENT ASSETS | | | |
| Property, plant and equipment | 6. | 16,984,457,430 | 16,460,726,021 |
| Intangible asset | | - | 721,651 |
| Long-term investment | 6-A | 50,154,274 | - |
| Long-term loans to employees | | 60,553,508 | 51,269,414 |
| Long-term deposits | | 22,408,386 | 19,845,317 |
| | | <u>17,117,573,598</u> | <u>16,532,562,403</u> |
| CURRENT ASSETS | | | |
| Inventories | 7. | 25,570,194,454 | 22,962,971,000 |
| Trade debts | | 5,975,009,987 | 5,573,585,633 |
| Loans and advances | | 184,004,636 | 148,276,956 |
| Deposits, prepayments and other receivables | | 124,845,497 | 189,758,304 |
| Due from the government | | 3,155,017,474 | 2,502,670,861 |
| Cash and bank balances | | 3,749,288,114 | 5,175,634,586 |
| | | <u>38,758,360,162</u> | <u>36,552,897,340</u> |
| | | <u>55,875,933,760</u> | <u>53,085,459,743</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL & RESERVES | | | |
| Authorized share capital | | <u>5,000,000,000</u> | <u>5,000,000,000</u> |
| Issued, subscribed and paid-up capital | | 3,356,339,330 | 3,356,339,330 |
| Capital reserves: | | | |
| 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 | | 2,981,774,921 | 3,018,133,793 |
| Revenue reserve: | | | |
| Un-appropriated profits | | <u>12,546,580,101</u> | <u>11,167,653,096</u> |
| | | <u>22,189,646,372</u> | <u>20,847,078,239</u> |
| LIABILITIES | | | |
| NON - CURRENT LIABILITIES | | | |
| Long-term financing - secured | | 3,610,882,548 | 4,027,845,474 |
| Deferred taxation | | 2,152,250,623 | 2,415,979,740 |
| Defined benefit obligation | | 534,821,176 | 467,898,836 |
| Deferred liabilities | | 83,250,452 | 75,330,101 |
| | | <u>6,381,204,799</u> | <u>6,987,054,151</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 2,827,794,915 | 2,923,689,503 |
| Unclaimed dividends | | 2,958,093 | 2,963,664 |
| Unpaid dividends | | 6,231,020 | 7,068,715 |
| Accrued profit / interest / mark-up | | 705,346,465 | 379,869,093 |
| Short-term borrowings | 8. | 22,386,291,843 | 20,618,945,517 |
| Short-term loans from Directors and their relatives - unsecured | | - | 25,062,812 |
| Current portion of long-term financing | | 1,368,254,122 | 1,281,336,412 |
| Current portion of deferred grant | | 8,206,131 | 12,391,637 |
| | | <u>27,305,082,589</u> | <u>25,251,327,353</u> |
| | | <u>33,686,287,388</u> | <u>32,238,381,504</u> |
| | | <u>55,875,933,760</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

Muhammad Zafar Iqbal
Chief Financial Officer

Muhammad Mubeen Tariq Mughal
Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
& OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022 (UNAUDITED)**

| Rupees | Note | Three months ended | | Six months ended | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| Sales - net | 10. | 17,167,344,849 | 18,059,222,427 | 31,240,636,599 | 32,081,987,688 |
| Cost of sales | 11. | (15,890,102,848) | (15,130,802,672) | (27,878,954,749) | (26,404,789,819) |
| GROSS PROFIT | | 1,277,242,001 | 2,928,419,755 | 3,361,681,850 | 5,677,197,869 |
| Sales and marketing expenses | | (22,471,268) | (43,381,725) | (83,366,563) | (98,766,630) |
| Administrative expenses | | (165,450,670) | (184,372,749) | (312,137,743) | (345,873,754) |
| Other charges | | (43,001,355) | (151,772,080) | (133,080,425) | (300,729,782) |
| Allowance for expected credit losses | | 26,030,630 | (118,991,893) | 48,041,508 | (118,991,893) |
| Other income | | (23,343,896) | 105,838,189 | 80,695,567 | 175,160,468 |
| Finance cost | | (1,005,189,002) | (541,271,239) | (1,886,799,558) | (987,051,726) |
| PROFIT BEFORE TAXATION | | 43,816,440 | 1,994,468,258 | 1,075,034,636 | 4,000,944,552 |
| Taxation | | 427,233,933 | (151,702,705) | 267,533,497 | (469,977,581) |
| PROFIT FOR THE PERIOD | | 471,050,373 | 1,842,765,553 | 1,342,568,133 | 3,530,966,971 |
| OTHER COMPREHENSIVE LOSS | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Impairment loss recognized on reclassification from property, plant and equipment to assets classified as held for sale | | - | (75,875,141) | - | (75,875,141) |
| Related deferred tax | | - | 22,003,791 | - | 22,003,791 |
| Other comprehensive loss - net of tax | | - | (53,871,350) | - | (53,871,350) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 471,050,373 | 1,788,894,203 | 1,342,568,133 | 3,477,095,621 |
| EARNINGS PER SHARE - BASIC AND DILUTED | 12. | 1.40 | 5.49 | 4.00 | 10.52 |

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

Khurram Javaid
Chief Executive Officer

Muhammad Zafar Iqbal
Chief Financial Officer

Muhammad Mubeen Tariq Mughal
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 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 | - | - | - | - | 3,530,966,971 | 3,530,966,971 |
| Other comprehensive loss - net of tax | - | - | - | (53,871,350) | - | (53,871,350) |
| Total comprehensive income for the period | - | - | - | (53,871,350) | 3,530,966,971 | 3,477,095,621 |
| Incremental depreciation relating to revaluation surplus on property, plant and equipment - net of tax | - | - | - | (41,375,330) | 41,375,330 | - |
| Transaction with owners | | | | | | |
| Issue of 43,778,339 ordinary shares of Rs. 10/- each as fully paid-up bonus shares @ 15% | 437,783,390 | (437,783,390) | - | - | - | - |
| BALANCE AS AT DECEMBER 31, 2021 - UNAUDITED | <u>3,356,339,330</u> | <u>2,324,952,020</u> | <u>980,000,000</u> | <u>3,306,998,224</u> | <u>10,013,665,626</u> | <u>19,981,955,200</u> |
| BALANCE AS AT JUNE 30, 2022 - AUDITED | <u>3,356,339,330</u> | <u>2,324,952,020</u> | <u>980,000,000</u> | <u>3,018,133,793</u> | <u>11,167,653,096</u> | <u>20,847,078,239</u> |
| Profit for the period | - | - | - | - | 1,342,568,133 | 1,342,568,133 |
| Other comprehensive income - net of tax | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | 1,342,568,133 | 1,342,568,133 |
| Incremental depreciation relating to revaluation surplus on property, plant and equipment - net of tax | - | - | - | (36,358,872) | 36,358,872 | - |
| BALANCE AS AT DECEMBER 31, 2022 - UNAUDITED | <u>3,356,339,330</u> | <u>2,324,952,020</u> | <u>980,000,000</u> | <u>2,981,774,921</u> | <u>12,546,580,101</u> | <u>22,189,646,372</u> |

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



Khurram Javaid
Chief Executive Officer



Muhammad Zafar Iqbal
Chief Financial Officer



Muhammad Mubeen Tariq Mughal
Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022 (UNAUDITED)**

| Rupees | Note | 2022 | 2021 |
|--|------------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 13. Cash generated / used in operations | | 30,671,007 | (4,978,624,922) |
| Net decrease / increase in long-term loans to employees | | 2,893,906 | (9,782,729) |
| Net increase in long-term deposits | | (2,563,069) | - |
| Defined benefits paid | | (18,297,660) | (11,800,343) |
| Workers' profit participation fund paid | | - | (136,320,000) |
| Workers' welfare fund paid | | (94,066,845) | - |
| Income tax paid - net | | (411,047,262) | (325,438,455) |
| Net cash used in operating activities | | (492,409,923) | (5,461,966,449) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for acquisition of property, plant & equipment | | (749,584,548) | (350,468,714) |
| Payments for long-term investment | | (50,154,274) | - |
| Proceeds from disposal of tangible fixed assets | | 2,330,000 | 22,808,235 |
| Profit received on term deposit receipts | | 20,479,146 | - |
| Net cash used in investing activities | | (776,929,676) | (327,660,479) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net repayment of long-term financing | | (338,488,371) | (309,074,901) |
| Net proceeds from short-term borrowings | | 1,738,265,972 | 7,402,861,540 |
| Net repayment of short-term loans from Directors and their relatives | | (25,062,812) | (3,193,514) |
| Payment for finance cost | | (1,561,322,186) | (908,957,912) |
| Dividends paid | | (843,266) | (630,397) |
| Net cash used / generated from financing activities | | (187,450,663) | 6,181,004,816 |
| NET DECREASE / INCREASE IN CASH AND CASH EQUIVALENTS | | (1,456,790,262) | 391,377,888 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | 5,163,452,475 | 2,216,929,138 |
| NET EXCHANGE DIFFERENCE ON FOREIGN CURRENCY ACCOUNTS | | 1,363,436 | 8,065,887 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 14. | 3,708,025,649 | 2,616,372,913 |

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



Khurram Javaid
Chief Executive Officer



Muhammad Zafar Iqbal
Chief Financial Officer



Muhammad Mubeen Tariq Mughal
Director

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 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 Sheikhpura Road, Lahore |
| - Warehouses | 17-Km Sheikhpura Road, Lahore and Badami Bagh, Lahore |
| - Sales centers | Badami Bagh, Lahore |

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as 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 or IFAS, 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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2022 - (UNAUDITED)

| Rupees | Note | December 31, 2022 (Unaudited) | June 30, 2022 (Audited) |
|---|------|-------------------------------------|-------------------------------|
| 6. PROPERTY, PLANT AND EQUIPMENT | | | |
| Tangible fixed assets | 6.1 | 14,713,582,145 | 14,814,802,289 |
| Capital work-in-progress | 6.2 | <u>2,270,875,285</u> | <u>1,645,923,732</u> |
| | | <u>16,984,457,430</u> | <u>16,460,726,021</u> |
| 6.1 Tangible fixed assets: | | | |
| Tangible fixed assets - owned | | 14,713,582,145 | 14,814,802,289 |
| Assets subject to operating lease - plant and machinery | | - | - |
| | | <u>14,713,582,145</u> | <u>14,814,802,289</u> |
| 6.1.1 Following is the movement in tangible fixed assets - owned: | | | |
| Opening net book value | | 14,814,802,289 | 14,731,461,616 |
| Additions during the period / year: | | | |
| Plant and machinery | | 56,205,747 | 733,384,930 |
| Solar plant | | - | 189,915,084 |
| Office equipment | | 1,295,832 | 4,421,962 |
| Grid station & electric installations | | 10,128,949 | 133,337,142 |
| Vehicles | | 56,663,752 | 57,275,229 |
| Computers | | 338,715 | - |
| | | <u>124,632,995</u> | <u>1,118,334,347</u> |
| Disposals during the period / year: | | | |
| Vehicles | | (2,142,097) | (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 | | <u>(223,711,042)</u> | <u>(442,053,099)</u> |
| Closing net book value | | <u>14,713,582,145</u> | <u>14,814,802,289</u> |
| 6.1.2 Assets subject to operating lease - plant and machinery: | | | |
| Operating net book value | | - | - |
| Transfers to leased assets | | - | 271,473,590 |
| Transfer to assets classified as held for sale | | - | (268,052,279) |
| Depreciation charge for the period / year | | - | (3,421,311) |
| Closing net book value | | <u>-</u> | <u>-</u> |
| 6.2 Following is the movement in capital work-in-progress: | | | |
| Opening balance | | 1,645,923,732 | 1,067,981,304 |
| Additions during the period / year | | 624,951,553 | 1,624,808,799 |
| Transfers during the period / year | | - | (1,046,866,371) |
| Closing balance | | <u>2,270,875,285</u> | <u>1,645,923,732</u> |
| 6-A. This represents long-term investment in sukuk instrument of Soneri Bank Limited. It has been measured at amortized cost. | | | |
| 7. INVENTORIES | | | |
| Stores, spares and loose tools | | | |
| - in-hand | | 2,579,914,133 | 1,818,060,288 |
| - in-transit | | 6,487,652 | 102,057,741 |
| | | <u>2,586,401,785</u> | <u>1,920,118,029</u> |
| Raw material | | | |
| - in-hand | | 18,153,125,365 | 12,927,633,914 |
| - in-transit | | 1,759,935,866 | 2,459,191,809 |
| | | <u>19,913,061,231</u> | <u>15,386,825,723</u> |
| Finished goods | | | |
| - in-hand | | 3,070,731,438 | 5,289,641,545 |
| - in-transit | | - | 366,385,703 |
| | | <u>3,070,731,438</u> | <u>5,656,027,248</u> |
| | | <u>25,570,194,454</u> | <u>22,962,971,000</u> |

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022 - (UNAUDITED)**

| Rupees | Note | December 31, 2022 (Unaudited) | June 30, 2022 (Audited) |
|--|------|-------------------------------------|-------------------------------|
| 8. SHORT-TERM BORROWINGS | | | |
| Short-term borrowings availed from: | | | |
| - Islamic banks - secured | | 9,715,283,471 | 9,321,707,679 |
| - Conventional banks - secured | | 12,629,745,907 | 9,265,108,351 |
| | | 22,345,029,378 | 18,586,816,030 |
| Islamic commercial paper - I - unsecured | | - | 2,019,947,376 |
| | | 22,345,029,378 | 20,606,763,406 |
| Temporary bank overdrawn | | 41,262,465 | 12,182,111 |
| | | 22,386,291,843 | 20,618,945,517 |

9. CONTINGENCIES AND COMMITMENTS

Contingencies:

- 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.
- Aggregate amount of guarantees issued by banks on behalf of the Company amounted to Rs. 1,866.295 million (June 30, 2022: Rs. 2,848.462 million).
- 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.

Commitments:

- Non-capital & capital commitments 6,040,228,576 7,431,233,015
- 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 2,280,000 -

| Rupees | Note | Three months ended | | Six months ended | |
|------------------------|------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | December 31, 2022 (Unaudited) | December 31, 2021 (Unaudited) | December 31, 2022 (Unaudited) | December 31, 2021 (Unaudited) |
| 10. SALES - net | | | | | |
| Local sales | | 14,157,909,659 | 13,945,031,650 | 24,629,199,307 | 25,194,561,669 |
| Export sales | | 3,011,821,913 | 3,762,900,929 | 6,573,240,199 | 6,633,192,273 |
| Trading sales | | - | 535,692,308 | 41,011,983 | 574,528,142 |
| | | 17,169,731,572 | 18,243,624,887 | 31,243,451,489 | 32,402,282,084 |
| Commission | | (2,386,723) | (184,402,460) | (2,814,890) | (320,294,396) |
| | | 17,167,344,849 | 18,059,222,427 | 31,240,636,599 | 32,081,987,688 |

10.1 Reconciliation with segment information:

| Rupees | Ferrous | Non-Ferrous | Total |
|--------------------------------------|----------------|---------------|----------------|
| Net revenue from external customers: | | | |
| - Local sales | 21,504,818,093 | 3,121,566,324 | 24,626,384,417 |
| - Export sales | - | 6,573,240,199 | 6,573,240,199 |
| - Trading sales | 41,011,983 | - | 41,011,983 |
| December 31, 2022 | 21,545,830,076 | 9,694,806,523 | 31,240,636,599 |
| Net revenue from external customers: | | | |
| - Local sales | 23,270,529,586 | 1,922,286,266 | 25,192,815,852 |
| - Export sales | - | 6,314,643,694 | 6,314,643,694 |
| - Trading sales | 574,528,142 | - | 574,528,142 |
| December 31, 2021 | 23,845,057,728 | 8,236,929,960 | 32,081,987,688 |

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022 - (UNAUDITED)

| Rupees | Note | Three months ended | | Six months ended | |
|---|------|--------------------|-------------------|-------------------|-------------------|
| | | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| 11. COST OF SALES | | | | | |
| Opening stock of finished goods | | 3,387,435,776 | 3,893,033,452 | 5,656,027,248 | 1,564,891,690 |
| Cost of goods manufactured | | | | | |
| - Raw material consumed | | 13,141,830,639 | 12,357,565,349 | 20,613,862,269 | 23,691,035,327 |
| - Salaries, wages and other benefits | | 318,485,913 | 272,797,895 | 623,023,200 | 519,671,888 |
| - Stores, spares and loose tools consumed | | 269,424,938 | 447,896,795 | 509,071,380 | 765,011,307 |
| - Fuel and power | | 1,609,887,340 | 1,875,747,590 | 3,139,164,007 | 3,379,336,394 |
| - Repair and maintenance | | 266,500 | 12,000 | 774,500 | 765,541 |
| - Other manufacturing expenses | | 96,487,710 | 61,376,606 | 171,208,667 | 122,603,898 |
| - Depreciation | | 99,942,360 | 90,937,279 | 199,481,806 | 191,117,549 |
| | | 15,536,325,400 | 15,106,333,514 | 25,256,585,829 | 28,669,541,904 |
| Closing stock of finished goods | | (3,070,731,438) | (4,384,134,276) | (3,070,731,438) | (4,384,134,276) |
| Cost of goods sold - manufacturing | | 15,853,029,738 | 14,615,232,690 | 27,841,881,639 | 25,850,299,318 |
| Cost of goods sold - trading | | 37,073,110 | 515,569,982 | 37,073,110 | 554,490,501 |
| | | 15,890,102,848 | 15,130,802,672 | 27,878,954,749 | 26,404,789,819 |
| 12. EARNINGS PER SHARE - BASIC AND DILUTED | | | | | |
| Profit for the period | | 471,050,373 | 1,842,765,553 | 1,342,568,133 | 3,530,966,971 |
| Weighted average number of ordinary shares | | 335,633,933 | 335,633,933 | 335,633,933 | 335,633,933 |
| Earnings per share - Basic | | 1.40 | 5.49 | 4.00 | 10.52 |

Six months ended

| Rupees | Note | December 31, 2022 | December 31, 2021 |
|--|------|-------------------|-------------------|
| | | (Unaudited) | (Unaudited) |
| 13. CASH GENERATED / USED IN OPERATIONS | | | |
| Profit before taxation | | 1,075,034,636 | 4,000,944,552 |
| Adjustments: | | | |
| Depreciation | | 223,711,042 | 223,507,319 |
| Amortization | | 721,651 | 1,443,312 |
| Allowance for expected credit losses | | (48,041,508) | 118,991,893 |
| Finance cost | | 1,886,799,558 | 987,051,726 |
| Defined benefit charge | | 85,220,000 | 45,000,000 |
| Gain on disposal of tangible fixed assets | | (187,903) | (11,933,270) |
| Impairment loss recognized on transfer to assets held for sale | | - | 3,109,448 |
| Profit on term deposit receipts | | (31,001,402) | (263,274) |
| Net unrealized foreign exchange loss / gain | | 1,519,439 | (13,767,271) |
| Provision for workers' profit participation fund | | 57,735,480 | 215,037,154 |
| Interest on workers' profit participation fund | | 26,887,449 | - |
| Provision for workers' welfare fund | | 21,621,838 | 81,651,930 |
| | | 2,224,985,644 | 1,649,828,967 |
| Profit before working capital changes | | 3,300,020,280 | 5,650,773,519 |
| Effect on cash flows due to working capital changes (Increase) / decrease in current assets: | | | |
| Inventories | | (2,607,223,454) | (8,669,042,283) |
| Trade debts | | (336,860,548) | (2,811,511,115) |
| Loans and advances | | (35,727,680) | (23,845,899) |
| Deposits, prepayments and other receivables | | 75,435,063 | 729,897,764 |
| Due from the government | | (237,494,970) | (317,363,042) |
| | | (3,141,871,589) | (11,091,864,575) |
| Increase / (decrease) in current liabilities: | | | |
| Trade and other payables | | (127,477,684) | 462,466,134 |
| | | 30,671,007 | (4,978,624,922) |

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022 - (UNAUDITED)

| Rupees | Note | December 31, 2022 | December 31, 2021 |
|--|------|----------------------|----------------------|
| | | (Unaudited) | (Unaudited) |
| 14. 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 | | 3,749,288,114 | 2,746,682,004 |
| Temporary bank overdrawn | | (41,262,465) | (130,309,091) |
| | | <u>3,708,025,649</u> | <u>2,616,372,913</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 six months period ended December 31, 2022 and December 31, 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 Six months ended | | Non-Ferrous Six months ended | | Total Six months ended | |
|--|-----------------------------|----------------------|---------------------------------|----------------------|---------------------------|----------------------|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Sales - net | 21,545,830,076 | 23,845,057,728 | 9,694,806,523 | 8,236,929,960 | 31,240,636,599 | 32,081,987,688 |
| Cost of sales | (19,903,188,203) | (20,774,187,316) | (7,975,766,546) | (5,630,602,503) | (27,878,954,749) | (26,404,789,819) |
| Gross profit | <u>1,642,641,873</u> | <u>3,070,870,412</u> | <u>1,719,039,977</u> | <u>2,606,327,457</u> | <u>3,361,681,850</u> | <u>5,677,197,869</u> |
| Sales and marketing expenses | (51,717,775) | (75,241,622) | (31,648,788) | (23,525,008) | (83,366,563) | (98,766,630) |
| Allowance for expected credit losses | 22,143,928 | (937,571) | 25,897,580 | (118,054,322) | 48,041,508 | (118,991,893) |
| Other charges | - | (3,109,448) | - | - | - | (3,109,448) |
| Other income | - | - | - | 100,160,815 | - | 100,160,815 |
| Finance cost | (21,039,167) | (13,128,118) | (31,805,725) | (28,634,281) | (52,844,892) | (41,762,399) |
| | <u>(50,613,014)</u> | <u>(92,416,759)</u> | <u>(37,556,933)</u> | <u>(70,052,796)</u> | <u>(88,169,947)</u> | <u>(162,469,555)</u> |
| Segment profit before taxation and unallocated income and expenses | <u>1,592,028,859</u> | <u>2,978,453,653</u> | <u>1,681,483,044</u> | <u>2,536,274,661</u> | <u>3,273,511,903</u> | <u>5,514,728,314</u> |
| Unallocated income and expenses: | | | | | | |
| Administrative expenses | | | | | (312,137,743) | (345,873,754) |
| Other charges | | | | | (133,080,425) | (297,620,334) |
| Other income | | | | | 80,695,567 | 74,999,653 |
| Finance cost | | | | | (1,833,954,666) | (945,289,327) |
| Taxation | | | | | 267,533,497 | (469,977,581) |
| Profit for the period | | | | | <u>1,342,568,133</u> | <u>3,530,966,971</u> |

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

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022 - (UNAUDITED)

15.3 Revenue from external customers:

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

| Six months ended | | | |
|---------------------|------|----------------------|----------------------|
| Percentage | Note | December 31, 2022 | December 31, 2021 |
| | | (Unaudited) | (Unaudited) |
| Ferrous: | | | |
| - Steel re-bars | | 57.75% | 62.68% |
| - Girders | | 35.37% | 33.30% |
| - Billets | | 6.79% | 1.24% |
| - Others | | 0.09% | 2.78% |
| | | <u>100.00%</u> | <u>100.00%</u> |
| Non-Ferrous: | | | |
| - Copper ingots | | 66.59% | 77.53% |
| - Waste | | 32.20% | 13.51% |
| - Copper coil | | 0.00% | 7.89% |
| - Others | | 1.21% | 1.07% |
| | | <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 local customers of ferrous segment represented 65% of the total revenue of ferrous segment in corresponding period. Revenue from major local customers of non-ferrous segment represents 32% (December 2021: 15%) of the total revenue of non-ferrous segment and 100% (December 2021: 56%) of the total local revenue of non-ferrous segment. Revenue from major foreign customers of non-ferrous segment represent 65% (December 2021: 71%) of the total revenue of non-ferrous segment and 95% (December 2021: 97%) 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. 68% (December 2021: 73%) of revenues from external customers for non-ferrous segment were generated from outside Pakistan while remaining were generated from external customers within Pakistan. Sales outside Pakistan is made to customers in the People's Republic of China. All non-current assets of the Company as at December 31, 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 December 31, 2022 and June 30, 2022 are reconciled to total assets and liabilities as follows:

| Rupees | Ferrous | Non-Ferrous | Total |
|--|-----------------------|----------------------|-----------------------|
| - Segment assets for reportable segments | 35,308,351,591 | 9,847,831,056 | 45,156,182,647 |
| - Unallocated assets | - | - | 10,719,751,113 |
| - Total assets as per statement of financial position as at December 31, 2022 | <u>35,308,351,591</u> | <u>9,847,831,056</u> | <u>55,875,933,760</u> |
| - Segment liabilities for reportable segments | 1,308,122,843 | 1,968,597,671 | 3,276,720,514 |
| - Unallocated liabilities | - | - | 30,409,566,874 |
| - Total liabilities as per statement of financial position as at December 31, 2022 | <u>1,308,122,843</u> | <u>1,968,597,671</u> | <u>33,686,287,388</u> |
| - 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> |

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022 - (UNAUDITED)

Six months / year ended

| Rupees | Note | December 31, 2022 (Unaudited) | June 30, 2022 (Audited) |
|------------------------------------|------|-------------------------------------|-------------------------------|
| 15.7 Other information: | | | |
| Depreciation | | | |
| - Ferrous | | 182,642,766 | 365,203,106 |
| - Non-Ferrous | | 840,673 | 2,960,410 |
| - Unallocated | | 40,227,603 | 77,310,894 |
| | | <u>223,711,042</u> | <u>445,474,410</u> |
| Additions to tangible fixed assets | | | |
| - Ferrous | | 56,205,747 | 733,384,930 |
| - Unallocated | | 68,427,248 | 384,949,417 |
| | | <u>124,632,995</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 | Note | Six months ended | | As at | |
|---|------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------|
| | | December 31, 2022 (Unaudited) | December 31, 2021 (Unaudited) | December 31, 2022 (Unaudited) | June 30, 2022 (Audited) |
| | | Transactions | | Outstanding Balances | |
| Loans / advances obtained as per Islamic mode | | | | 12,844,645,356 | 14,963,490,043 |
| Shariah compliant bank deposits / bank balances | | | | 1,399,425,669 | 1,643,989,041 |
| Profit earned from Shariah compliant bank deposits / balances | | 8,163,344 | 1,086,847 | | |
| Mark-up on Islamic mode of financing | | 951,482,017 | 527,683,975 | | |
| Interest paid on any conventional loan or advance | | 894,538,132 | 415,237,501 | | |

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, except for long-term investment in Islamic debt instrument, no other investment of any kind was 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 has been no change in any risk management policies since the year end.

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.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022 - (UNAUDITED)

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 | Note | Level 1 | Level 2 | Level 3 | Fair value as at December 31, 2022 | Fair value as at June 30, 2022 |
|-----------------------------------|------|----------------|-----------------------|--------------------|--|--------------------------------------|
| | | | | | (Unaudited) | (Audited) |
| Property, plant and equipment: | | | | | | |
| Freehold land | | - | 567,500,000 | - | 567,500,000 | 567,500,000 |
| Factory building on freehold land | | - | - | 257,033,632 | 257,033,632 | 262,323,218 |
| Plant and machinery | | 11,188,393,645 | - | - | 11,188,393,645 | 11,274,589,537 |
| Power plant | | - | 1,510,099,727 | - | 1,510,099,727 | 1,537,222,223 |
| | | | <u>13,265,993,372</u> | <u>257,033,632</u> | <u>13,523,027,004</u> | <u>13,641,634,978</u> |

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

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

| Rupees | Six months ended | | As at | |
|--|----------------------|----------------------|----------------------|------------------|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | June 30, 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| 19. RELATED PARTY DISCLOSURES | Transactions | | Outstanding Balances | |
| 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 | 30,000,000 | 30,000,000 | | |
| Al-Bashir (Private) Limited | | | | |
| Relationship | | | Common directorship | |
| Percentage of shareholding | | | Nil | |
| Detail of outstanding balance | | | | |
| Deposits, prepayments and other receivables | | | | |
| - Security deposits | | | 500,000 | 500,000 |
| Detail of transactions | | | | |
| - Rent expense | 960,000 | 871,200 | | |
| Major shareholders, Directors and their relatives | | | | |
| Detail of transactions | | | | |
| - Remuneration / meeting fee | 31,092,884 | 27,949,215 | | |
| - Net Repayment of short-term loan | 25,062,812 | 3,193,514 | | |
| - Bonus share issued | - | 284,396,910 | | |
| Key management personnel (other than Directors) and their relatives | | | | |
| Detail of outstanding balance | | | | |
| - Loans and advances | | | 4,574,510 | 4,573,000 |
| Detail of transaction | | | | |
| - Salaries and benefits | 20,190,000 | 18,744,667 | | |
| - Bonus share issued | - | 8,170 | | |

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022 - (UNAUDITED)

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.

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 February 20, 2023.

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 has 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.

These condensed interim financial statements are unaudited, however, have been subject to limited scope review by the auditors, and are being submitted to the members as required by the listing regulations of the Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017. The figures of condensed interim statement of profit or loss and other comprehensive income for the three months period ended December 31, 2022 and December 31, 2021 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the six months period ended December 31, 2022 and December 31, 2021, respectively.



Khurram Javaid
Chief Executive Officer



Muhammad Zafar Iqbal
Chief Financial Officer



Muhammad Mubeen Tariq Mughal
Director



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