MUGHAL STEEL

TOWARDS SUSTAINABLE GROWTH

INTERIM FINANCIAL REPORT (UNAUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019

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COMPANY INFORMATION

BOARD OF DIRECTORS
Mirza Javed Iqbal
Non-Executive Director - Chairman
Syed Salman Ali Shah
Non-Executive / Independent Director
Abdul Rehman Qureshi
Non-Executive / Independent Director
Khurram Javaid
Executive Director - Chief Executive Officer
Muhammad Mubeen Tariq Mughal
Executive Director
Jamshed Iqbal
Executive Director
Fazeel Bin Tariq
Non-Executive Director
Fahad Javaid
Non-Executive Director
Muhammad Mateen Jamshed
Non-Executive Director

AUDIT COMMITTEE
Syed Salman Ali Shah
Chairman
Fazeel Bin Tariq
Member
Muhammad Mateen Jamshed
Member
Fahad Javaid
Member

HUMAN RESOURCE & REMUNERATION COMMITTEE
Abdul Rehman Qureshi
Chairman
Mirza Javed Iqbal
Member
Fazeel Bin Tariq
Member
Muhammad Mateen Jamshed
Member

CHIEF OPERATING OFFICER
Shakeel Ahmed
Tel: +92-42-35960841 Ext:154
E-mail:Shakeel.ahmad@mughalsteel.com

CHIEF FINANCIAL OFFICER
Muhammad Zafar Iqbal
Tel: +92-42-35960841 Ext:138
E-mail: zafariqbal@mughalsteel.com

COMPANY SECRETARY
Muhammad Fahad Hafeez
Tel: +92-42-35960841 Ext:155
E-mail: fahadhafeez@mughalsteel.com

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

AUDITORS
Fazal Mahmood & Company
Chartered Accountants

LEGAL ADVISOR
H.M. Law Associates

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
1st Floor, 40-C, Block 6,
P.E.C.H.S. Karachi, Pakistan.
Tel: +92+21-111-000-322
Email: secretariat@thk.com.pk
Web: www.thk.com.pk

BANKERS
Askari Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
BankIslami Pakistan Limited
Bank of Punjab (Islamic Taqwa Division)
Bank of Khyber
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 office:
31 –A Shadman I
Lahore, Pakistan
Tel: +92+42-35960841-3
Fax: +92+42-35960846
Email: info@mughalsteel.com
Manufacturing facilities:
17-K.M Sheikhupure Road
Lahore, Pakistan
Tel: +92-42-37970226-7
Fax: +92-42-37970326

COMPANY WEBSITE
www.mughalsteel.com
Note: Company's Financial Statements are also available at the above website.

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

SHAREHOLDER COMPLAINT HANDLING CELL
Incase of shareholder complaint/queries,
Please Contact:
Tahir Maqsood
Tel : +92+42-35960841Ext:136
Email: fahadhafeez@mughalsteel.com

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. Today, the Company is one of the leading steel companies in Pakistan in the long rolled steel sector, equipped with depth of technical and managerial expertise, a reputation for reliability and a sharply defined business focus, which has forged the organization into a modern, highly competitive supplier of steel products. The management team is being led by Mr. Khurram Javaid, Director and CEO.

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

The Company makes a wide range of steel products mostly catering the construction industry both in housing market in urban and rural areas and large infrastructure project market with primary focus on housing market. Our primary goal is to supply quality, reliable and durable steel products into the local and nearby markets. Currently we supply in Pakistan and export to Afghanistan.

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

- Steel re-bars (G40 / G60 / Mughal Supreme)
- Girders
- T-Iron
- Billets

DIRECTORS' REVIEW

Dear valued shareholders,

On behalf of the Board of Directors of MUGHAL IRON & STEEL INDUSTRIES LIMITED, we are pleased to present the un-audited condensed interim financial statements of the Company for the nine months period ended March 31, 2019, the financial results of which are summarized below:

(Rs. in Millions)

	Nine months period ended March 31,		Variation %
Financial highlights	2019	2018	
Sales	20,938.021	16,620.275	25.98%
Gross profit	2,435.661	2,115.322	15.14%
Profit before taxation	1,338.457	1,240.468	7.90%
Taxation	(263.744)	(293.581)	(10.16%)
Profit for the period	1,074.713	946.887	13.50%
Earnings per share – Basic & Diluted	4.27	3.76	13.50%

Business, financial & operational Review

Sales revenue increased from Rs. 16,620.275 million to Rs. 20,938.021 million as compared to corresponding period, with an increase of 25.98%. Increase in sales revenue was due to increase in sales rates as well as increase in sales volume.

This achievement of topline results are credited to Company's well established and recognized brand image and diversified product mix which has been strategically developed over time comprising of Girders, G-60 rebars, Mughal Supreme rebars, T-iron and Billets which is capable of catering different markets enabling the Company to have a very rich and diversified market folio making it highly invulnerable to adverse economic changes and markets / political risks.

Gross margin also increased from Rs. 2,115.322 million to Rs. 2,435.661 million in the current period. However, as percentage gross margin decreased from 12.73% to 11.63%. Declined in gross margin is mainly due to increased input costs.

Input costs witnessed increase due to increase in average raw material consumption rates and increase in other costs of production due to inflationary impact of massive devaluation of Pak Rupee, resulting in decline in gross margins.

However, despite of the above adversities, overall decline in gross margins was to great extent curtailed as a result of the Company's long term strategy to continuously invest in efficient technology and add value by strengthening its supply chain through backward vertical integration and effective inventory management by procurement of scrap inventory in bulk quantities and at economical rates taking timely benefits of fall in international scrap prices.

Consequently, despite of the prevailing adverse economic conditions and challenges, the Company remained successful in registering sustainable growth in terms of both topline and bottom line.

Finance costs increased from Rs. 407.717 million to Rs. 584.579 million, resulting in increase of 43.38%. The reason for increase was mainly due to significant increase in KIBOR rate as compared to corresponding period.

Taxation decreased from Rs. 293.581 million to Rs. 263.744 million resulting in decrease of 10.16%. Decrease is mainly due to adjustment/recovery of over provisioning of taxation in last year and adjustment of tax credit on power plant, which was not available last year.

Resultantly, profit for the period rose to Rs. 1,074.713 million as compared to Rs. 946.887 million in corresponding period resulting in increase of 13.50%.

Earnings per share (EPS) for the current period stood at Rs 4.27 as compared to EPS of Rs. 3.76 in the corresponding period.

Balance sheet footing stood at Rs. 20,881.314 million as of March 31, 2019, compared to Rs. 17,474.756 million as of June 30, 2018. Breakup value per share increased to Rs. 31.75 as of March 31, 2019 from Rs. 29.68 as at June 30, 2018.

Additions in property, plant & equipment mainly represented capital expenditure incurred on expansion projects approved by the Board last year comprising of BMR of steel rebar re-rolling mill project and installation of new furnaces related project.

Stock-in-trade increased by 31.27% from 5,319.720 million as at June 30, 2018 to Rs. 6,983.121 million as at March 31, 2019. The increase was mainly due to increase in average stock prices and increase in stock-in-transit as compared to corresponding period.

Due from Government stood at Rs. 1,629.950 million as at March 31, 2019 as compared to Rs. 2,298.102 million as at June 30, 2018. The decrease was due to adjustment of both advance tax and sales tax during the period.

Long-term financing increased from Rs. 829.000 million as at June 30, 2018 to Rs. 2,400.118 million as at March 31, 2019. Out of the total outstanding financing, Rs. 371.821 million has been shown under current portion of long-term financing.

Accrued profit/interest/mark-up increased from Rs. 101.323 million as at June 30, 2018 to Rs. 238.995 million as at March 31, 2019. The increase in markup was mainly due to increase in KIBOR rate along with increase in long-term financing and short-term loans from banking companies.

Short-term loans from banking companies increased from Rs. 7,540.376 million as at June 30, 2018 to Rs. 8,565.957 million as at March 31, 2019. The increase was in line with increase in CAPEX and working capital related requirements.

Current ratio as at March 31, 2019 stood at 1.29:1 as compared to 1.32:1 in June 30, 2018.

Future outlook

Going forward, the expansion of bar re-rolling mill is expected to be completed within scheduled completion time, which will further enhance the efficiency and profitability of the Company.

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

Lastly, the Company is geared to overcome any adverse challenges as it has done in the past and provide sustainable results and returns to its shareholders.

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: April 30, 2019
Place: Lahore

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

Rupees	Note	March 31, 2019 (Unaudited)	June 30, 2018 (Audited)
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	6.	7,938,400,791	6,304,748,282
Intangible asset		10,103,176	12,268,143
Long-term loans to employees	7.	13,934,372	6,570,659
Long-term deposits	8.	20,845,317	20,845,317
		7,983,283,656	6,344,432,401
CURRENT ASSETS			
Stores, spares and loose tools		767,320,710	597,197,788
Stock-in-trade	9.	6,983,121,486	5,319,720,401
Trade debts		1,821,732,514	1,263,279,786
Loans and advances	10.	448,516,305	373,907,586
Deposits, prepayments and other receivables		46,323,876	26,945,193
Due from the government		1,629,950,578	2,298,101,893
Cash and bank balances		1,201,064,841	1,251,171,472
		12,898,030,310	11,130,324,119
		20,881,313,966	17,474,756,520
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital		3,000,000,000	3,000,000,000
Issued, subscribed and paid-up capital	11.	2,515,996,500	2,515,996,500
Reserves		4,547,492,684	4,026,299,038
Equity contribution from Directors & their relatives		924,037,216	924,037,217
		7,987,526,400	7,466,332,755
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term financing	12.	2,028,297,223	829,000,000
Deferred liabilities		887,892,248	770,956,499
		2,916,189,471	1,599,956,499
CURRENT LIABILITIES			
Trade and other payables		494,662,969	463,465,446
Unclaimed dividend		6,162,278	3,303,075
Accrued profit / interest / mark-up		238,994,969	101,322,923
Short-term loans from banking companies	13.	8,565,956,989	7,540,375,822
Short-term loans from Directors and their relatives		300,000,000	300,000,000
Current portion of long-term financing	14.	371,820,890	-
		9,977,598,095	8,408,467,266
		12,893,787,566	10,008,423,765
		20,881,313,966	17,474,756,520
CONTINGENCIES AND COMMITMENTS	15.		

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

Khurram Javaid	Muhammad Zafar Iqbal	Muhammad Mubeen Tariq Mughal
Chief Executive Officer	Chief Financial Officer	Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

Rupees	Note	Quarter ended		Nine months period ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Sales	16.	6,861,743,410	5,435,373,017	20,938,021,329	16,620,275,134
Cost of sales	17.	(6,040,671,185)	(4,746,949,994)	(18,502,360,624)	(14,504,952,553)
GROSS PROFIT		821,072,225	688,423,023	2,435,660,705	2,115,322,581
Sales and marketing expenses		(75,849,691)	(62,061,882)	(173,607,317)	(188,436,390)
Administrative expenses		(88,799,710)	(73,584,530)	(259,410,886)	(220,314,352)
Other charges		(30,235,139)	(26,537,371)	(95,371,619)	(91,668,243)
Other income		5,815,536	(3,623,435)	15,764,859	33,281,093
Finance cost		(210,666,337)	(135,558,942)	(584,578,785)	(407,716,857)
		(399,735,341)	(301,366,160)	(1,097,203,748)	(874,854,749)
PROFIT BEFORE TAXATION		421,336,884	387,056,863	1,338,456,957	1,240,467,832
Taxation					
- Prior		-	-	20,500,371	(7,824,143)
- Current		(43,115,086)	(37,786,201)	(207,967,830)	(197,644,732)
- Deferred		(16,508,364)	(22,810,177)	(76,276,622)	(88,112,182)
		(59,623,450)	(60,596,378)	(263,744,081)	(293,581,057)
PROFIT FOR THE PERIOD		361,713,434	326,460,485	1,074,712,876	946,886,775
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		361,713,434	326,460,485	1,074,712,876	946,886,775
EARNINGS PER SHARE - BASIC AND DILUTED	18.	1.44	1.30	4.27	3.76

The annexed notes from 1 to 24 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 NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

		Reserves					
		Capital reserve		Revenue reserve			
Rupees	Share capital	Share premium reserve	Contigency reserve	Un-appropriated profit	Sub- total	Equity Contribution from Directors & their Relatives	Total Equity
BALANCE AS AT JUNE 30, 2017	2,515,996,500	439,413,456	980,000,000	1,477,651,114	2,897,064,570	1,224,037,217	6,637,098,287
Final cash dividend paid for the year ended June 30, 2017 @ Rs. 0.60 per ordinary share i.e. 6%.	-	-	-	(150,959,790)	(150,959,790)	-	(150,959,790)
Profit for the period	-	-	-	946,886,775	946,886,775	-	946,886,775
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	946,886,775	946,886,775	-	946,886,775
BALANCE AS AT MARCH 31, 2018	2,515,996,500	439,413,456	980,000,000	2,273,578,099	3,692,991,555	1,224,037,217	7,433,025,272
Final cash dividend paid for the year ended June 30, 2018 @ Rs. 2.20 per ordinary share i.e. 22%.	-	-	-	(553,519,230)	(553,519,230)	-	(553,519,230)
Profit for the period	-	-	-	1,074,712,876	1,074,712,876	-	1,074,712,876
Other comprehensive income	-	-	-	-	-		
Total comprehensive income for the period	-	-	-	1,074,712,876	1,074,712,876	-	1,074,712,876
BALANCE AS AT MARCH 31, 2019	2,515,996,500	439,413,456	980,000,000	3,128,079,228	4,547,492,684	924,037,217	7,987,526,401

The annexed notes from 1 to 24 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 NINE MONTHS PRIOD ENDED MARCH 31, 2019 (UNAUDITED)

Rupees	Note	March 31, 2019	March 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19.	289,852,143	1,605,139,525
Net increase / decrease in long-term loans to employees		(860,363)	4,105,569
Net increase in long-term deposits		-	(3,153,209)
Defined benefits paid		(4,844,223)	(3,529,902)
Finance cost paid		(446,906,739)	(383,612,458)
Workers' profit participation fund paid		(46,140,000)	(65,304,280)
Income tax paid		(147,022,578)	(204,592,367)
Net cash utilized in / generated from operating activities		(355,921,760)	949,052,878
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(1,744,627,961)	(1,516,726,179)
Proceeds from disposal of tangible fixed assets		900,000	-
Profit received on term deposit receipts		3,503,838	22,845,466
Net cash used in investing activities		(1,740,224,123)	(1,493,880,713)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		-	(31,712,571)
Proceeds from long-term financing		1,571,118,112	-
Net proceeds / repayment of short-term loans from banking companies		929,213,997	(703,797,729)
Net repayment of short-term loans from Directors & their relatives		-	(37,082,301)
Dividend paid		(550,660,027)	(160,575,060)
Net cash generated from / used in financing activities		1,949,672,082	(933,167,661)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(146,473,801)	(1,477,995,496)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,251,171,472	2,338,800,897
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	20.	1,104,697,671	860,805,401

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

Khurram Javaid	Muhammad Zafar Iqbal	Muhammad Mubeen Tariq Mughal
Chief Executive Officer	Chief Financial Officer	Director

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

1. COMPANY AND ITS OPERATIONS

Mughal Iron & Steel Industries Limited (the Company) was incorporated as a public limited company on February 16, 2010 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange Limited (PSX). The principal activity of the Company is manufacturing and sale of mild steel products. The Company is domiciled in Lahore, with its registered office located at 31-A Shadman-I, Lahore. The manufacturing facilities of the Company are located at 17-KM Sheikhupura Road, Lahore.

2. STATEMENT OF COMPLIANCE

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2018, except for the adoption of new standards effective as of July 01, 2018 as stated below:

Changes in significant accounting policies

During the period, the Company has adopted IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments' from July 01, 2018 which are effective from annual periods beginning on or after July 01, 2018. Due to transition methods chosen by the Company in applying these standards, comparative information throughout these condensed interim financial statements has not been restated to reflect the requirements of the new standards. There are other new amendments, interpretations (if any) which are effective from July 01, 2018 but they do not have a material effect on the Company's condensed interim financial statements. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

4.1 IFRS 15 'Revenue from contracts with customers'

The Company manufactures and contracts with customers for the sale of various mild steel products which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognized at the point of time when control of the asset is transferred to the customer. The above is generally consistent with the timing and amounts of revenue, the Company recognised in accordance with the previous standard, IAS 18. Therefore, adoption of IFRS 15 at July 01, 2018, did not have an effect on the condensed interim financial statements.

4.2 IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedging accounting. The Company has applied IFRS 9 retrospectively, with initial application date of July 01, 2018 as notified by the Securities and Exchange Commission of Pakistan ("SECP").

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

The Company's financial assets mainly include trade debts, loans and advances, long term loan, other ancillary deposits/receivables and bank balances held with commercial banks.

The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking Expected Credit Loss (ECL) approach. ECL are based on the difference between the contractual cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time ECL. For this purpose, the management has conducted an exercise to assess the impairment of its financial assets using historical data and forward looking information. Based on such exercise, the Company has concluded that it is in compliance with the requirements of the new accounting standard and that the impact of impairment on its financial assets is immaterial to these condensed interim financial statements.

These condensed interim financial statements do not include all the information and disclosures as are required for annual financial statements, and therefore, should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2018.

5. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

The preparation of condensed interim financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied to the annual audited financial statements of the Company for year ended June 30, 2018, except as disclosed otherwise in respective notes.

Rupees	Note	March 31, 2019	June 30, 2018
		(Un-Audited)	(Audited)
6. PROPERTY, PLANT AND EQUIPMENT			
Tangible fixed assets	6.1	4,443,082,087	4,376,855,353
Capital work-in-progress	6.2	3,495,318,704	1,927,892,929
		7,938,400,791	6,304,748,282
6.1 Following is the movement in tangible fixed assets:			
Opening net book value		4,376,855,353	3,877,405,840
Additions during the period / year:			
Plant and machinery		100,734,768	12,430,226
Power plant		-	434,288,568
Office equipment		1,598,935	2,905,394
Grid station & electric installations		61,853,860	149,093,472
Furniture and fittings		263,669	452,250
Vehicles		12,219,850	33,349,162
Computers		531,105	3,724,599
		177,202,187	636,243,671
Disposals during the period / year:			
Vehicles		(654,532)	(1,934,753)
Depreciation charged during the period / year		(110,320,921)	(134,859,405)
Closing net book value		4,443,082,087	4,376,855,353
6.2 Following is the movement in capital work-in-progress:			
Opening balance		1,927,892,929	211,194,687
Additions during the period / year		1,567,425,775	2,172,769,456
Transferred during the period / year		-	(456,071,214)
Closing balance		3,495,318,704	1,927,892,929

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

Rupees	Note	March 31, 2019	June 30, 2018
		(Un-Audited)	(Audited)
7. LONG-TERM LOANS TO EMPLOYEES			
(Secured & considered good)			
Key management personnel		-	60,000
Other employees		22,905,816	9,264,691
		22,905,816	9,324,691
Amounts due within twelve months and shown under current assets:			
- Key management personnel		-	(60,000)
- Other employees		(8,971,444)	(2,694,032)
		(8,971,444)	(2,754,032)
		13,934,372	6,570,659
8. LONG-TERM DEPOSITS			
Related parties:			
- Al-Bashir (Private) Limited		500,000	500,000
Others		20,345,317	20,345,317
		20,845,317	20,845,317
9. STOCK-IN-TRADE			
Raw material			
- in hand		6,144,486,546	4,765,556,410
- in-transit		813,126,409	315,025,659
		6,957,612,955	5,080,582,069
Finished goods		25,508,531	239,138,332
		6,983,121,486	5,319,720,401
10. LOANS AND ADVANCES			
(Considered good)			
Current portion of long-term loans to employees		8,971,444	2,754,032
Loans and advances to:			
- Key management personnel		240,000	1,850,000
- Other employees		21,805,445	23,454,584
		22,045,445	25,304,584
Advances to suppliers		416,586,674	344,870,390
Advance against expenses		912,742	978,580
		448,516,305	373,907,586

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

11. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

This represents 251,599,650 (June 30, 2018: 251,599,650) ordinary shares of Rs. 10/- each.

11.1 Following are the shares held by related parties:

	March 31, 2019 (Un-audited) %	June 30, 2018 (Audited) %	March 31, 2019 (Un-audited) No. of shares	June 30, 2018 (Audited) No. of shares
Mirza Javed Iqbal	2.62%	2.62%	6,580,150	6,580,150
Mr. Syed Salman Ali Shah	0.00%	0.00%	230	230
Mr. Abdul Rehman Qureshi	0.00%	0.00%	100	100
Mr. Jamshed Iqbal	22.40%	22.40%	56,369,969	56,369,969
Mr. Khurram Javaid	10.84%	10.84%	27,266,343	27,266,343
Muhammad Mubeen Tariq Mughal	13.63%	22.15%	34,287,267	55,720,219
Mr. Fazeel Bin Tariq	7.01%	2.21%	17,640,853	5,554,500
Mr. Fahad Javaid	10.84%	10.84%	27,266,343	27,266,343
Muhammad Mateen Jamshed	2.41%	2.41%	6,063,728	6,063,728
Mrs. Tabassum Javaid	1.27%	1.27%	3,207,805	3,207,805
Muhammad Tariq Iqbal Mughal	2.52%	0.00%	6,339,142	-
Mrs. Nighat Tariq	1.24%	0.00%	3,113,457	-
Muhammad Waleed Bin Tariq Mughal	0.46%	0.46%	1,158,978	1,158,978
Mrs. Samira Shakeel Ahmed	0.00%	0.00%	5,450	5,450

Rupees	Note	March 31, 2019 (Un-Audited)	June 30, 2018 (Audited)
12. LONG-TERM FINANCING			
Bank Alfalah Limited	12.1	1,194,362,210	829,000,000
MCB Islamic Bank Limited	12.2	300,125,489	-
United Bank Limited	12.3	323,809,524	-
Faysal Bank Limited - Barkat Islamic Banking	12.4	210,000,000	-
		2,028,297,223	829,000,000
12.1 Bank Alfalah Limited:			
Opening balance		829,000,000	-
Disbursements during the period / year		640,984,258	829,000,000
		1,469,984,258	829,000,000
Current portion presented under current liabilities		(275,622,048)	-
Closing balance		1,194,362,210	829,000,000

This represents term finance agreement with Bank Alfalah Limited for total limit of Rs. 1,500.000 million for the purpose of financing balancing, modernization and replacement (BMR) of bar re-rolling mill, procurement and installation of induction furnaces and civil works, if any, against which Rs. 30.016 million remained unavailed as at March 31, 2019. The outstanding principal is repayable in 16 equal quarterly instalments, commencing from September 2019, with the last instalment due in June 2023. It carries mark up @ 6 MK + 0.80% p.a and is secured against Joint Pari Passu charge of Rs. 2,000.000 million on all present and future plant and machinery of the Company with 25% margin and personal guarantees of all Directors except Independant Directors.

12.2 MCB Islamic Bank Limited:			
Opening balance		-	-
Disbursements during the period / year		320,133,855	-
		320,133,855	-
Current portion presented under current liabilities		(20,008,366)	-
Closing balance		300,125,489	-

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

This represents diminishing musharakah facility from MCB Islamic Bank Limited for total limit of Rs. 550.000 million for the purpose of financing already incurred CAPEX and procurement of re-heating furnace, against which Rs. 229.866 million remained unavailed as at March 31, 2019. The outstanding principal is repayable in 16 equal quarterly instalments, commencing from January 2020, with the last instalment due in October 2023. It carries profit @ 3 MK + 0.80% p.a and is secured against Joint Pari Passu charge on all present and future plant and machinery of the Company with 25% margin and against personal guarantees of all Directors except Independant Directors.

Rupees	Note	March 31, 2019	June 30, 2018
		(Un-Audited)	(Audited)
12.3 United Bank Limited:			
Opening balance		-	-
Disbursements during the period / year		400,000,000	-
		400,000,000	-
Current portion presented under current liabilities		(76,190,476)	-
Closing balance		323,809,524	-

This represents demand finance facility from United Bank Limited for total limit of Rs. 400.000 million for the purpose of financing procurement, construction and commissioning of water treatment plant including civil and mechanical works etc., against which Rs. Nil remained unavailed as at March 31, 2019. The outstanding principal is repayable in 21 equal quarterly instalments, commencing from June 2019, with the last instalment due in May 2024. It carries mark up @ 3 MK + 0.80% p.a and is secured against Joint Pari Passu Charge of Rs. 533.340 million on all present and future plant and machinery of the Company with 25% margin and personal guarantees of all Directors except Independant Directors.

12.4 Faysal Bank Limited (Barkat Islamic Banking)			
Opening balance		-	-
Disbursements during the period / year		210,000,000	-
		210,000,000	-
Current portion presented under current liabilities		-	-
Closing balance		210,000,000	-

This represents diminishing musharaka facility from Faysal Bank Limited (Barkat Islamic Banking) for total limit of Rs. 450.000 million for the purpose of financing plant & machinery, local fabrication & equipment and overall civil works related to BMR of bar mill, against which Rs. 240.000 million remained unavailed as at March 31, 2019. The outstanding principal is repayable in 16 equal quarterly instalments, commencing from January 2020, with the last instalment due in October 2023. It carries mark up @ 3 MK + 0.80% p.a and is secured against Joint Pari Passu Charge of Rs. 600.000 million on all present and future plant and machinery of the Company with 25% margin and personal guarantees of all Directors except Independant Directors.

13. SHORT-TERM LOANS FROM BANKING COMPANIES - SECURED

Short-term loans from banking companies comprise of:		
- Murabaha finance	1,120,130,277	502,128,525
- Other short-term loans from:		
- Islamic banks	2,340,837,622	2,703,469,182
- Conventional banks	5,008,621,920	4,334,778,115
	7,349,459,542	7,038,247,297
	8,469,589,819	7,540,375,822
Temporary bank overdraft	96,367,170	-
	8,565,956,989	7,540,375,822

14. CURRENT PORTION OF LONG-TERM FINANCING

Bank Alfalah Limited	12.1	275,622,048	-
MCB Islamic Bank Limited	12.2	20,008,366	-
United Bank Limited	12.3	76,190,476	-
		371,820,890	-

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

Rupees	Note	March 31, 2018 (Un-Audited)	June 30, 2018 (Audited)

15. 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, 2018.

ii) Aggregate amount of guarantees issued by banks on behalf of the Company amounted to Rs. 721.976 million. (June 30, 2018: Rs. 1,161.359 million).

iii) Post dated cheques issued by the Company aggregated to Rs. 87.870 million. (June 30, 2018: Rs.Nil).

Commitments:

i)	Non-capital commitments	1,610,008,683	2,374,807,522
	Capital commitments	711,992,719	199,271,096
ii)	The amount of future payments under operating leases and the period in which these payments will become due are as follows:		
	Within 1 year	5,416,000	5,750,000
	More than 1 but less than 5 years	3,940,000	6,900,000
		9,356,000	12,650,000

Rupees	Note	Quarter ended		Nine months period ended	
		March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
16. SALES					
Gross local sales		6,864,040,465	5,435,373,017	20,937,383,980	16,620,275,134
- Commission		(2,297,055)	-	(2,297,055)	-
Net local sales		6,861,743,410	5,435,373,017	20,935,086,925	16,620,275,134
Export		-	-	2,934,404	-
		6,861,743,410	5,435,373,017	20,938,021,329	16,620,275,134
17. COST OF SALES					
Opening stock of finished goods		71,338,684	116,853,646	239,138,332	89,710,655
Cost of goods manufactured					
- Raw material consumed	17.1	4,406,955,871	3,195,378,126	13,395,265,124	10,068,565,593
- Salaries, wages and other benefits		163,408,158	158,638,606	474,755,604	441,087,404
- Stores, spares and loose tools consumed		247,921,898	234,645,080	724,447,318	659,260,921
- Fuel and power		1,111,194,191	1,109,458,917	3,534,187,459	3,219,473,353
- Repair and maintenance		7,060,668	12,686,366	20,750,740	45,692,791
- Other manufacturing expenses		29,047,142	9,735,505	51,958,618	23,511,555
- Depreciation		29,253,104	26,742,129	87,365,960	74,838,662
		5,994,841,032	4,747,284,729	18,288,730,823	14,532,430,279
Transfer to capital work-in-progress		-	(37,806,340)	-	(37,806,340)
Closing stock of finished goods		(25,508,531)	(79,382,041)	(25,508,531)	(79,382,041)
		6,040,671,185	4,746,949,994	18,502,360,624	14,504,952,553
17.1 Raw material consumed:					
Opening stock of raw material		5,311,198,093	3,666,685,171	4,765,556,410	2,623,926,979
Purchases - net		5,240,244,324	4,388,901,855	14,774,195,260	12,304,847,514
		10,551,442,417	8,055,587,026	19,539,751,670	14,928,774,493
Closing stock of raw material		(6,144,486,546)	(4,860,208,900)	(6,144,486,546)	(4,860,208,900)
		4,406,955,871	3,195,378,126	13,395,265,124	10,068,565,593

18. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period	361,713,434	326,460,485	1,074,712,876	946,886,775
Weighted average number of ordinary shares	251,599,650	251,599,650	251,599,650	251,599,650
Earnings per share - Basic	1.44	1.30	4.27	3.76

18.1 There were no dilutive potential ordinary shares outstanding.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

Rupees	Note	Nine months period ended	
		March 31, 2019	March 31, 2018

19. CASH GENERATED FROM OPERATIONS

Profit before taxation	1,338,456,957	1,240,467,832
Adjustments:		
Depreciation	110,320,921	97,851,506
Amortization	2,164,967	1,270,511
Finance cost	584,578,785	407,716,857
Gain on disposal of tangible fixed assets	(245,469)	-
Defined benefit charge	39,000,000	19,502,230
Profit on term deposit receipts	(5,764,716)	(21,077,130)
Provision for workers' profit participation fund	71,629,468	66,449,912
Provision for workers' welfare fund	22,502,926	22,080,498
	824,186,882	593,794,384
Profit before working capital changes	2,162,643,839	1,834,262,216
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(170,122,922)	(79,609,175)
Stock-in-trade	(1,663,401,085)	251,479,723
Trade debts	(558,452,728)	375,062,877
Loans and advances	(74,608,719)	(53,763,596)
Deposits, prepayments and other receivables	(17,117,805)	13,004,629
Due from the Government	562,844,866	(189,871,219)
	(1,920,858,393)	316,303,239
Increase / (Decrease) in current liabilities:		
Trade and other payables	48,066,697	(545,425,930)
	289,852,143	1,605,139,525

20. 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	1,201,064,841	875,200,344
Temporary bank overdrawn	(96,367,170)	(14,394,943)
	1,104,697,671	860,805,401

21. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company as at and for the year ended June 30, 2018.

22. RELATED PARTY DISCLOSURES

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

Entities		
Mughal Steel Metallurgies Corporation Limited	Common directorship	
Relationship	Nil	
Percentage of shareholding		
Detail of transactions		
- Raw material purchases		
- Re-rolling sales	-	536,307,231
- Billet casting	-	32,285,530
- Rental income	7,234,900	-
- Rent expense	1,800,000	1,800,000
	1,800,000	-

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2019 (UNAUDITED)

Rupees	Nine months period ended March 31, 2019	March 31, 2018
Al-Bashir (Private) Limited		
Relationship	Common directorship	
Percentage of shareholding	Nil	
Detail of transactions		
- Rent expense	1,116,000	1,080,000
Indus Engineering (AoP)		
Relationship	Common management	
Percentage of shareholding	N/A	
Detail of transactions		
- Rent expense	1,200,000	-
Major shareholders, key management personnel and their relatives		
Major shareholders, Directors and their relatives		
- Remuneration		
- Executive Directors	28,800,000	28,800,000
- Non-Executive Directors	9,939,515	9,535,000
- Repayment of short-term loan from Directors and their relatives	-	37,082,301
- Meeting fee	550,000	350,000
- Dividend	416,214,403	113,512,959
Key management personnel (other than Directors) and their relatives		
- Salaries and benefits	20,105,308	16,598,146
- Dividend	11,990	3,270

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

23. DATE OF AUTHORIZATION

These condensed inerim financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 30, 2019.

24. GENERAL

The figures have been rounded off to the nearest rupee.

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

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

Khurram Javaid	Muhammad Zafar Iqbal	Muhammad Mubeen Tariq Mughal
Chief Executive Officer	Chief Financial Officer	Director

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