

CONDENSED INTERIM
FINANCIAL STATEMENTS
(UN-AUDITED)
FOR THE QUARTER & HALF YEAR ENDING
DECEMBER 31, 2017



THE AGE OF
STEEL



MUGHALSTEEL.COM

Mughal Iron & Steel Industries Limited
31-A Shadman I, Lahore
Tel: 042-35960841-3

CONTENTS

<u>Company Information</u>	2
<u>Company profile</u>	3
<u>Directors' review</u>	4-6
Condensed Interim Financial Statements	
<u>Auditors' report to the members on Review of Condensed Interim Financial Statements</u>	7
<u>Condensed Interim Balance Sheet (un-audited)</u>	8
<u>Condensed Interim Profit and Loss Account (un-audited)</u>	9
<u>Condensed Interim Statement of Comprehensive Income (un-audited)</u>	10
<u>Condensed Interim Cash Flow Statement (un-audited)</u>	11
<u>Condensed Interim Statement of Changes in Equity (un-audited)</u>	12
<u>Notes to and Forming part of the Condensed Interim Financial Statements(un-audited)</u>	13-18

COMPANY INFORMATION

BOARD OF DIRECTORS

Mirza Javed Iqbal
(Chairman / Non-Executive Director)
Khurram Javed
(Chief Executive Officer / Director)
Muhammad Mubeen Tariq Mughal
(Executive Director)
Jamshed Iqbal
(Executive Director)
Syed Salman Ali Shah
(Non-Executive / Independent Director)
Fazeel Bin Tariq
(Non-Executive Director)
Muhammad Mateen Jamshed
(Non-Executive Director)
Fahad Javaid
(Non-Executive Director)
Muhammad Waleed Bin Tariq Mughal
(Non-Executive Director)

AUDIT COMMITTEE

Syed Salman Ali Shah
(Non-Executive / Independent Director)
Fazeel Bin Tariq
(Non-Executive Director)
Muhammad Mateen Jamshed
(Non-Executive Director)
Fahad Javaid
(Non-Executive Director)

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mirza Javed Iqbal
(Chairman, Non-Executive Director)
Fazeel Bin Tariq
(Non-Executive Director)
Muhammad Mateen Jamshed
(Non-Executive Director)
Fahad Javaid
(Non-Executive Director)

CHIEF OPERATING OFFICER

Shakeel Ahmed
Tel: + 92-42-35960841 Ext:154
Shakeel.ahmad@mughalsteel.com

CHIEF FINANCIAL OFFICER

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

COMPANY SECRETARY

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

STOCK EXCHANGE LISTING

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

INVESTOR RELATIONS

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

SHARES REGISTRAR

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to:
THK Associates (Private) Limited
1st Floor, 40-C, Block 6,
P.E.C.H.S. Karachi, Pakistan.
Tel: + 92+ 21-111-000-322
+ 92+ 21-34168270
Email: secretariat@thk.com.pk
Web: www.thk.com.pk

AUDITORS

Fazal Mahmood & Company
Chartered Accountants
147-Shadman-I, Lahore, Pakistan.

LEGAL ADVISOR

H.M. Law Associates
Office No. 4, Ground Floor Al-Murtaza
Centre, 2 Mozang Road, Lahore, Pakistan.

BANKERS

Askari Bank Limited
Allied Bank Limited
Bank Alfalah Limited
BankIslami Pakistan Limited
Bank of Punjab (Islamic Taqwa Division)
Dubai Islamic Bank Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
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
Factory: 17-Km Sheikhpure Road
Lahore, Pakistan
Tel: + 92-42-37970226-7
Fax: + 92-42-37970326

Company Website:

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



COMPANY PROFILE

Mughal Iron & Steel Industries Limited ("Mughal Steel") is a public company incorporated in Pakistan. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and trading of mild steel products.

The Company has been building the foundations of Pakistan since its inception and has a depth of technical and managerial expertise carefully nurtured since 1950's, a reputation for reliability and a sharply defined business focus, which has forged the organization into a modern, highly competitive supplier of steel products to the domestic market. Today, the management team is being led by Mr. Khurram Javed, 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 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 lowest cash cost producers of steel.

The Company makes a wide range of steel products mostly catering the construction industry both in retail & infrastructure market. Our primary goal is to supply quality, innovative, reliable and durable steel products into the local and nearby markets.

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 half year ended December 31, 2017, the financial results of which are summarized below:

(Rs. in Millions)

Financial highlights	Half year ended December 31,	
	2017	2016
Net sales	11,184.902	8,683.993
Gross profit	1,426.900	870.767
Profit before taxation	853.411	560.161
Taxation	(232.985)	(85.935)
Profit after taxation	620.426	474.226
Earnings per share – Basic & Diluted	2.47	2.02 (restated)

Business Review

Steel Sector is constantly expanding, with the current demand exceeding the available production. Demand for steel products is expected to rise further in near future due to a growing population shifting from an emerging middle class to a largely urbanized society and inauguration of mega development schemes and power projects under the China-Pakistan Economic Corridor (CPEC). In order to capitalize the increased demand in retail sector, we had launched Mughal Supreme, which has received considerable positive response with demand increasing steadily with time. The product has already established its footprints in the retail market as an accepted and trusted brand and is expected to penetrate further into consumer preferences due to its quality and reliability creating further demand. Further, it is expected that steel consumption will also increase due to public sector projects including bridges, dams, railways, and power generation, distribution and transmission projects, etc.

During the period, Sui Northern Gas Pipelines Limited ('SNGPL') has approved the enhancement of gas load capacity for captive power generation from 2.80 MMCFD to 6.00 MMCFD. The extension will provide requisite gas load for operations of power plant project.

The Company has also managed to obtain sanction and technical clearance for extension of existing grid station load from 19.99 MW to 59.99 MW from Lahore Electric Supply Company Limited ('LESCO'). The extension of grid station is expected to be fully operational by the 3rd quarter of calendar year 2018. The said load sanction is considered as an achievement of a significant strategic milestone in the history of the Company, and will play a pivotal role in enabling the Company to strengthen its industry positioning by eliminating energy constraints to fuel short-term and long-term expansion and growth plans.

In wake of the upcoming tremendous growth expected in steel sector due to demand from retail and infrastructural side, sustainability of the Company's operations are precisely dependent on increasing in-house melting production and eventually operating as a vertically integrated unit. Accordingly, the Board of Directors has approved Phase II for its earlier expansion plan, details of which are as follows:

Since, grid load has been enhanced from 19.99 MW to 59.99 MW resulting in availability of electricity load, and in order to align the melting capacity with upcoming re-rolling demand, the Board of Directors has approved the capital expenditure for increase in melting capacity by 396,000 MT at a cost of Rs. 500.000 million approximately. This will enable "Hot / Direct rolling" for BMR of Bar mill project and provide additional melting capacity for existing girder re-rolling mill. The increased melting capacity will reduce reliance on local outsourced billet, ensure competitiveness, sustainability of operations and eventually result in improved margins. The said project will be financed by way of long-term debt.

The Board of Directors has also approved the following capital expenditure under Phase II:

1. Installation of CCM and shearing machine in respect of "Hot / Direct rolling" project at an aggregate cost of Rs. 470.000 million approximately.
2. Installation of water treatment plant, roughing area and induction heater, for the BMR of bar mill project at an aggregate cost of Rs. 900.000 million approximately.
3. Rs. 400.000 million in respect of related civil works required for the projects under both Phases.

The Board of Director has approved financing of capital expenditure under Phase II by way of long- term debt. Phase II is expected to be completed by 4th Quarter of calendar year 2018.

The Board of Directors in their meeting held on March 15, 2017 had approved BMR of bar mill. The total cost of the project at that time was estimated at Rs. 1,250 million inclusive of duties and taxes. The above project was to be financed partly by equity and partly by internal resources. The equity part amounted to Rs. 758 million while the remaining Rs. 492 million along with any escalation in project cost was to be financed internally. However, due to exchange rate fluctuations, the project cost has increased to Rs. 1,586 million approximately, resulting in increase in amount to be financed internally from Rs. 493 million to Rs. 829 million approximately. The Board of Directors has approved to finance the Rs. 829 million portion of revised project cost along with any further cost escalations by way of long-term financing rather than through internal resources. Further, due to approval of Phase II, the commercial operations of upcoming BMR of bar mill project have been postponed to 4th Quarter of calendar year 2018.

The timeline for completion of above projects will be subject to financial closures.

Financial & operational performance

Sales revenue increased from Rs. 8,683.993 million to Rs. 11,184.902 million as compared to corresponding period. Increase in sales revenue was mainly due to significant increase in sale of Mughal Supreme along with increase in sale of steel bars (Grade-60) as well. Increase in sale was also complimented by increase in sale prices.

Consequently gross margin also increased from Rs. 870.767 million to Rs. 1,426.900 million in the current period. As a percentage gross margin increased from 10.03% to 12.76%. Gross margin mainly increased due to increase in sales rates, consumption of low cost scrap inventory and increase in production of self-manufactured billets.

Distribution & marketing costs increased by 116.08%, which is directly attributable with marketing and promotional expenses incurred in respect of Mughal Supreme and freight expenses incurred in respect of sale of steel bars.

Administrative expenses increased by 33.89% as compared to corresponding period. Increase was mainly due to increase in salaries.

Finance costs increased by 127.51%, which is directly attributable with increase in short-term borrowings as compared to corresponding period.

Resultantly, the Company posted an after tax profit of Rs. 620.427 million as compared to Rs. 474.226 million in the same period last year.

Earnings per share (EPS) for the current period stood at Rs 2.47 as compared to EPS of Rs. 2.02 in the corresponding period.

Financial position

Balance sheet footing stood at Rs. 15,777.930 million as of December 31, 2017, compared to Rs. 16,023.727 million as of June 30, 2017. Breakup value per share increased to Rs. 28.25 as of December 31, 2017 from Rs. 26.38 as at June 30, 2017.

Stock-in-trade comprised of raw material and finished goods. Raw material in hand amounted to Rs. 4,897.900 million and included Rs. 1,231.215 million on account of Raw material in transit.

Trade debts amounted to Rs. 1,282.106 million as compared to Rs. 1,347.038 in corresponding period. However, all the balances are considered good. Short-term investments increased from Rs. 305.664 million to Rs. 611.612 million and mainly represented unutilized funds raised from right issue.

Cash and Bank Balances amounted to Rs. 1,115.109 million as compared to Rs. 2,033.228 corresponding period. The decrease is mainly due to utilization of right issue proceeds.

Current ratio as at December 31, 2017 stood at 1.37:1 as compared to 1.34:1 as at June 30, 2017.

Future outlook

The demand for steel products is expected to increase in upcoming years. The demand for Company's products is also expected to increase further, especially in respect of Mughal Supreme. To take advantage of this opportunity we have placed ourselves in an ideal position by augmenting our capacities by conducting BMR of the dedicated rebar mill, enhancement of power generation capacity, extension of grid station load and increase of meting capacity.

These expansions are in line with the Company's growth strategy which has year on year enabled it to keep re-investing in order to capitalize on new opportunities, benefit from economies of scale and energy efficiency resulting in increase shareholder value.

Changes to the Board

Muhammad Waleed Bin Tariq Mughal has resigned from the Board of the Company w.e.f from February 26, 2018. The BOD in order to fill in casual vacancy has appointed Mr. Abdul Rehman Qureshi as Director of the Company.

Acknowledgement

The Board remains committed to provide sustained returns to our shareholders, in addition to maintaining our reputation for good governance. On behalf of Board, "We are delighted to welcome Mr. Abdul Rehman Qureshi to the Board. He brings significant banking and finance experience to the Board and complements our existing group of Directors. We would also like to thank Mr. Muhammad Waleed Bin Tariq Mughal for the contribution and commitment he has made to the Board. Our Board colleagues and we wish him well for the future." 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 Javed
(Chief Executive Officer)

Date: February 26, 2018
Place: Lahore

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim balance sheet of MUGHAL IRON & STEEL INDUSTRIES LIMITED ("the Company") as at December 31, 2017, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2017, December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

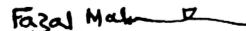
Scope of Review

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 condensed 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 condensed interim financial statements is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Date: February 26, 2018
Place: Lahore



Fazal Mahmood & Company
Chartered Accountants
Engagement partner: Fazal Mahmood

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2017

Rupees	Note	December 31, 2017 (Un-Audited)	June 30, 2017 (Audited)
ASSETS			
NON - CURRENT ASSETS			
Property, plant & equipment	5.	4,822,733,963	4,250,865,732
Intangible asset	6.	12,069,854	-
Long-term loans to employees	7.	6,762,446	5,640,118
Long-term deposits		27,455,159	18,258,313
Total non - current assets		4,869,021,422	4,274,764,163
CURRENT ASSETS			
Stores, spares & loose tools		566,151,880	462,744,037
Stock-in-trade		5,014,753,921	5,381,802,193
Trade debts		1,282,105,682	1,347,038,735
Advances	8.	335,798,804	287,293,794
Short-term deposits & prepayments		24,213,404	52,176,702
Due from the government		1,935,623,558	1,870,882,567
Other receivables		23,540,176	8,132,517
Short-term investments	9.	611,612,146	305,663,782
Cash and bank balances		1,115,109,093	2,033,228,213
Total current assets		10,908,908,664	11,748,962,540
TOTAL ASSETS		15,777,930,086	16,023,726,703
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital 300,000,000 (June 30, 2017: 300,000,000) ordinary shares of Rs. 10/- each		<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued, subscribed and paid-up capital 251,599,650 (June 30, 2017: 251,599,650) ordinary shares of Rs. 10/- each		2,515,996,500	2,515,996,500
Reserves		3,366,531,070	2,897,064,570
Equity contribution from sponsor shareholders		1,224,037,217	1,224,037,217
Shareholders' equity		7,106,564,787	6,637,098,287
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term financing	10.	-	-
Deferred liabilities		723,018,596	643,052,537
Total non-current liabilities		723,018,596	643,052,537
CURRENT LIABILITIES			
Trade & other payables	11.	1,336,756,687	1,991,935,548
Accrued profit / interest / mark-up		91,079,078	66,546,870
Short-term borrowings		6,520,510,938	6,653,380,890
Current portion of long-term financing	10.	-	31,712,571
Total current liabilities		7,948,346,703	8,743,575,879
Total liabilities		8,671,365,299	9,386,628,416
TOTAL EQUITY & LIABILITIES		15,777,930,086	16,023,726,703
CONTINGENCIES AND COMMITMENTS			
	12.		

The annexed notes from 1 to 21 form an integral part of this condensed financial statements


Khurram Javed
CEO / Director


Muhammad Mubeen Tariq Mughal
Director


Muhammad Zafar Iqbal
Chief Financial Officer

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

Rupees	Note	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Sales	13.	5,787,798,353	4,970,406,822	11,184,902,117	8,683,992,903
Cost of sales	14.	(5,028,888,541)	(4,547,370,196)	(9,758,002,559)	(7,813,226,403)
GROSS PROFIT		758,909,812	423,036,626	1,426,899,558	870,766,500
Distribution & marketing costs		(83,774,550)	(38,586,073)	(126,374,508)	(58,486,160)
Administrative expenses		(80,483,117)	(58,914,929)	(146,729,822)	(109,593,029)
Other charges		(34,718,705)	(19,504,346)	(65,130,872)	(38,667,459)
Other income		18,843,534	12,320,949	36,904,528	15,764,789
Finance cost		(125,540,659)	(28,705,283)	(272,157,915)	(119,623,886)
PROFIT BEFORE TAXATION		453,236,315	289,646,944	853,410,969	560,160,755
Taxation					
- Prior		(7,824,143)	(29,010,436)	(7,824,143)	(29,010,436)
- Current		(84,235,216)	(13,715,797)	(159,858,531)	(47,023,008)
- Deferred		(46,462,628)	(29,806,122)	(65,302,005)	(9,901,792)
		(138,521,987)	(72,532,355)	(232,984,679)	(85,935,236)
PROFIT AFTER TAXATION		314,714,328	217,114,589	620,426,290	474,225,519
Earnings per share - basic & diluted	15.	1.25	0.92	2.47	2.02

The annexed notes from 1 to 21 form an integral part of this condensed financial statements

Khuram Javed
CEO / Director

Muhammad Mubeen Tariq Mughal
Director

Muhammad Zafar Iqbal
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

Rupees	Note	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Profit after taxation		314,714,328	217,114,589	620,426,290	474,225,519
Other comprehensive income - net off tax		-	-	-	-
Total comprehensive income for the period		314,714,328	217,114,589	620,426,290	474,225,519

The annexed notes from 1 to 21 form an integral part of this condensed financial statements



Khurram Javed
CEO / Director



Muhammad Mubeen Tariq Mughal
Director



Muhammad Zafar Iqbal
Chief Financial Officer

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

Half year ended

Rupees	Note	December 31, 2017	December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16.	851,710,630	2,313,767,122
Net decrease in long-term loans to employees		1,397,090	919,471
Net Increase in long-term deposits		(9,196,846)	-
Retirement benefits paid		(1,060,945)	(7,689,280)
Finance cost paid		(247,625,707)	(103,420,984)
Workers' profit participation fund paid		(65,304,280)	(68,013,042)
Income tax paid		(173,062,642)	(29,353,977)
Net cash generated from operating activities		356,857,300	2,106,209,310
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(647,677,665)	(67,815,527)
Profit received on short-term investments		3,807,192	3,557,378
Short-term investments - purchased		(305,948,364)	(1,369,528,999)
Net cash used in investing activities		(949,818,837)	(1,433,787,148)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing - net		(31,712,571)	(40,747,958)
Short-term borrowings - net		(114,623,948)	(1,538,378,542)
Transaction costs		-	(6,000,635)
Dividends paid		(160,575,060)	(359,988,836)
Net cash used in financing activities		(306,911,579)	(1,945,115,971)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(899,873,116)	(1,272,693,809)
CASH AND CASH EQUIVALENTS AT THE BEGINNING			
OF THE PERIOD		(1,308,138,074)	(886,563,110)
CASH AND CASH EQUIVALENTS AT THE END			
OF THE PERIOD	17.	(2,208,011,190)	(2,159,256,919)

The annexed notes from 1 to 21 form an integral part of this condensed financial statements



Khurram Javed
CEO / Director



Muhammad Mubeen Tariq Mughal
Director



Muhammad Zafar Iqbal
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

CONDENSED INTERIM FINANCIAL STATEMENTS


12

Rupees	Reserves							Total Equity
	Capital reserve			Revenue reserve		Equity portion of sponsor shareholders' loan	Equity Contribution from sponsor share holders	
	Share capital	Share premium reserve	Contingency reserve	Un-appropriated profit	Sub- total			
Balance as at June 30, 2016 - audited	1,257,998,250	439,413,456	-	2,112,328,596	2,551,742,052	425,689,277	-	4,235,429,579
Transfer to contingency reserve	-	-	980,000,000	(980,000,000)	-	-	-	-
Transaction with owners of the Company								
Derecognition adjustment	-	-	-	-	-	(425,689,277)	1,224,037,217	798,347,940
Final cash dividend paid for the year ended June 30, 2016 @ Rs. 3.00 per ordinary share i.e. 30%.	-	-	-	(377,399,475)	(377,399,475)	-	-	(377,399,475)
Transaction costs	-	-	-	(6,000,635)	(6,000,635)	-	-	(6,000,635)
Total comprehensive income - net off tax								
Profit after taxation for the period	-	-	-	474,225,519	474,225,519	-	-	474,225,519
Other comprehensive income	-	-	-	-	-	-	-	-
Balance as at December 31, 2016 - un-audited	<u>1,257,998,250</u>	<u>439,413,456</u>	<u>980,000,000</u>	<u>1,223,154,005</u>	<u>2,642,567,461</u>	<u>-</u>	<u>1,224,037,217</u>	<u>5,124,602,928</u>
Transaction with owners of the Company								
Interim cash dividend paid for the year ended June 30, 2017 @ Rs. 2.00 per ordinary share i.e. 20%.	-	-	-	(251,599,650)	(251,599,650)	-	-	(251,599,650)
'Issue of 125,799,825 ordinary shares of Rs. 10/- each' fully paid in cash	1,257,998,250	-	-	-	-	-	-	1,257,998,250
Transaction costs related to issue of shares	-	-	-	(6,339,470)	(6,339,470)	-	-	(6,339,470)
Total comprehensive income - net off tax								
Profit after taxation for the period	-	-	-	516,534,396	516,534,396	-	-	516,534,396
Other comprehensive income	-	-	-	-	-	-	-	-
- Actuarial (loss) on re-measurement of retirement benefit obligation	-	-	-	(4,098,167)	(4,098,167)	-	-	(4,098,167)
Balance as at June 30, 2017 - audited	<u>2,515,996,500</u>	<u>439,413,456</u>	<u>980,000,000</u>	<u>1,477,651,114</u>	<u>2,897,064,570</u>	<u>-</u>	<u>1,224,037,217</u>	<u>6,637,098,287</u>
Transaction with owners of the Company								
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)
Total comprehensive income - net off tax								
Profit after taxation for the period	-	-	-	620,426,290	620,426,290	-	-	620,426,290
Other comprehensive income	-	-	-	-	-	-	-	-
Balance as at December 31, 2017 - un-audited	<u>2,515,996,500</u>	<u>439,413,456</u>	<u>980,000,000</u>	<u>1,947,117,614</u>	<u>3,366,531,070</u>	<u>-</u>	<u>1,224,037,217</u>	<u>7,106,564,787</u>

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


Khurram Javed
CEO / Director


Muhammad Mubeen Tariq Mughal
Director


Muhammad Zafar Iqbal
Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017

1. REPORTING ENTITY

Mughal Iron & Steel Industries Limited ("the Company") is a Public Limited Company incorporated in Pakistan on February 16, 2010. The shares of the Company are quoted on Pakistan Stock Exchange Limited ("PSX"). The registered office of the Company is situated at 31-A Shadman-I, Lahore, while the manufacturing facilities of the Company are located at 17-KM Sheikhpura Road, Lahore. The Company is domiciled in Lahore. The principal activity of the Company is manufacturing and trading of mild steel products.

2. STATEMENT OF COMPLIANCE

The Companies Act, 2017 has been promulgated with effect from May 30, 2017. However, as per requirements of Circular # 23 of 2017 dated October 4, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP) and related clarification issued by the Institute of Chartered Accountants of Pakistan (ICAP) through its Circular # 17 of 2017 dated October 06, 2017, companies whose financial year, including interim periods, closes on or before December 31, 2017, shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance).

These condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Ordinance. In the case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

These condensed interim financial statements do not include all the information and disclosures required for annual financial statements, and therefore, should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2017.

The figures included in these condensed interim financial statements for the quarters ended December 31, 2017 and 2016 have not been reviewed by the auditors of the Company, as they are only required to review the accumulated figures for the half year ended December 31, 2017 and 2016.

These condensed interim financial statements are presented in Pakistan Rupees (Rs.) which is also the Company's functional currency.

3. 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 audited annual financial statements of the Company for the year ended June 30, 2017, Except as disclosed otherwise in respective notes.

There are certain International Financial Reporting Standards, amendments to the published standards and interpretations that are effective for accounting periods beginning on July 01, 2017. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in these condensed interim financial statements.

In addition to the foregoing, the Companies Act, 2017 which is not effective on these condensed interim financial statements has added certain disclosure requirements which will be applicable in the future. Currently, the Company is assessing the impact of these requirements on the financial statements. It is expected that it will result in change in accounting treatments and enhanced disclosures in the financial statements which will be incorporated in the subsequent financial statements of the Company.

4. 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 audited annual financial statements of the Company for year ended June 30, 2017, except as disclosed otherwise in respective notes.

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

Rupees	Note	December 31, 2017 (Un-Audited)	June 30, 2017 (Audited)
5. PROPERTY, PLANT & EQUIPMENT			
Operating assets	5.1	3,844,683,273	3,877,405,840
Capital work-in-progress	5.2	948,557,504	211,194,687
Major spare parts and standby equipment		29,493,186	162,265,205
		<u>4,822,733,963</u>	<u>4,250,865,732</u>
5.1 Operating assets			
Opening net bookvalue		3,877,405,840	3,899,478,437
Additions during the period / year:			
Plant & machinery		11,924,807	64,494,469
Office equipment		2,779,300	4,580,075
Furniture & fittings		363,350	-
Vehicles		15,226,000	39,121,957
Computers		88,300	993,649
		<u>30,381,757</u>	<u>109,190,150</u>
Disposals during the period / year:			
Vehicles		-	(2,356,391)
Depreciation charged during the period / year		<u>(63,104,324)</u>	<u>(128,906,356)</u>
Closing net book value		<u>3,844,683,273</u>	<u>3,877,405,840</u>
5.2 Movement in capital work-in-progress			
Opening balance		211,194,687	8,784,000
Add: Additions during the period / year		750,067,927	202,410,687
Less: transferred during the period/ year		<u>(12,705,110)</u>	<u>-</u>
Closing balance		<u>948,557,504</u>	<u>211,194,687</u>
6. INTANGIBLE ASSET			
Opening net book value		-	-
Additions		12,705,110	-
Amortisation charged		<u>(635,256)</u>	<u>-</u>
Closing net book value		<u>12,069,854</u>	<u>-</u>
6.1 This is stated at cost less accumulated amortization and any identified accumulated impairment loss. It is being amortized using the straight line method over five years. Amortization on additions is charged from the month of acquisition, while no amortization is charged for the month of disposal. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is charged to income as and when incurred.			
7. LONG-TERM LOANS TO EMPLOYEES (Secured & considered good)			
Executives		9,514,195	8,111,285
- Amounts recoverable within one year		<u>(2,751,749)</u>	<u>(2,471,167)</u>
		<u>6,762,446</u>	<u>5,640,118</u>

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

Rupees	Note	December 31, 2017	June 30, 2017
		(Un-Audited)	(Audited)
8. ADVANCES			
(Considered good)			
Employees - secured			
- Executive		13,048,964	7,510,162
- Non-executive		12,765,814	19,478,386
		25,814,778	26,988,548
Other advances - unsecured			
- Suppliers		309,464,803	259,914,110
- Against expenses		519,223	391,136
		<u>335,798,804</u>	<u>287,293,794</u>
9. SHORT-TERM INVESTMENTS			
Loans & receivables			
- Term deposits with banks and financial institutions		611,612,146	305,663,782
10. LONG-TERM FINANCING			
Loans from banking companies - secured			
Bank Alfalah Limited - Term Finance		-	31,712,571
Less: current maturity presented under current liabilities		-	(31,712,571)
		<u>-</u>	<u>-</u>
10.1 This loan was fully repaid during the period.			
11. TRADE & OTHER PAYABLES			
Creditors		72,780,134	271,950,067
Murabahah - secured		862,276,509	1,360,703,635
Accrued liabilities		34,240,248	38,795,396
Utilities payable		184,414,403	112,010,358
Withholding taxes payable		942,573	2,420,026
Advances from customers		114,112,979	106,140,652
Unclaimed dividends		6,512,326	16,127,596
Workers' profit participation fund payable		45,744,424	65,304,280
Workers' welfare fund payable		15,733,091	18,483,538
		<u>1,336,756,687</u>	<u>1,991,935,548</u>
12. CONTINGENCIES AND COMMITMENTS			
Contingencies			
i) "There has been no significant change in the status of contingencies as reported in the annual financial statements of the Company for the year ended June 30, 2017."			
ii) Aggregate amount of guarantees issued by banks on behalf of the Company amounted to Rs. 808.468 million. (June 2017: Rs. 738.753 million).			
Commitments:			
i) Non-capital commitments		513,429,895	2,006,066,145
Capital commitments		1,078,744,740	1,279,512,114
ii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:			
Not later than one year		1,440,000	1,440,000
Later than one year and not later than five years		-	720,000
		<u>1,440,000</u>	<u>2,160,000</u>

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

Rupees	Note	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
13. SALES					
Local		5,787,798,353	4,727,745,385	11,184,902,117	8,049,607,997
Export		-	242,661,437	-	634,384,906
		<u>5,787,798,353</u>	<u>4,970,406,822</u>	<u>11,184,902,117</u>	<u>8,683,992,903</u>
14. COST OF SALES					
Opening stock of raw material		2,959,175,326	2,262,477,400	2,623,926,979	2,865,490,150
Add: purchases		<u>4,289,255,604</u>	<u>3,028,910,310</u>	<u>7,915,945,659</u>	<u>4,936,281,054</u>
		<u>7,248,430,930</u>	<u>5,291,387,710</u>	<u>10,539,872,638</u>	<u>7,801,771,204</u>
Less: closing stock of raw material		<u>(3,666,685,171)</u>	<u>(1,830,397,824)</u>	<u>(3,666,685,171)</u>	<u>(1,830,397,824)</u>
Raw material consumed		<u>3,581,745,759</u>	<u>3,460,989,886</u>	<u>6,873,187,467</u>	<u>5,971,373,380</u>
Wages, salaries & other benefits		148,481,657	119,326,050	282,448,798	210,954,045
Stores, spares & loose tools consumed		246,427,138	226,481,867	424,615,841	187,879,621
Fuel and power		1,100,057,561	596,757,977	2,110,014,436	1,290,800,368
Repair & maintenance		16,524,884	3,380,474	33,006,425	4,716,544
Other manufacturing expenses		8,618,655	7,826,924	13,776,050	14,649,361
Depreciation		<u>23,809,993</u>	<u>24,291,355</u>	<u>48,096,533</u>	<u>48,560,358</u>
Cost of goods manufactured		<u>5,125,665,647</u>	<u>4,439,054,533</u>	<u>9,785,145,550</u>	<u>7,728,933,677</u>
Add: opening stock of finished goods		<u>20,076,540</u>	<u>114,899,419</u>	<u>89,710,655</u>	<u>90,876,482</u>
Less: closing stock of finished goods		<u>(116,853,646)</u>	<u>(6,583,756)</u>	<u>(116,853,646)</u>	<u>(6,583,756)</u>
		<u>5,028,888,541</u>	<u>4,547,370,196</u>	<u>9,758,002,559</u>	<u>7,813,226,403</u>
15. EARNINGS PER SHARE - BASIC & DILUTED					
Profit after taxation attributable to ordinary shareholders		<u>314,714,328</u>	<u>217,114,589</u>	<u>620,426,290</u>	<u>474,225,519</u>
Weighted average number of ordinary shares - (2016: restated)		<u>251,599,650</u>	<u>234,873,174</u>	<u>251,599,650</u>	<u>234,873,174</u>
Basic earnings per share		<u>1.25</u>	<u>0.92</u>	<u>2.47</u>	<u>2.02</u>

15.1 The weighted average number of ordinary shares as at December 31, 2016 has been adjusted for the effect of bonus element included in the right issue. Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2017.

Rupees	Note	Half year ended	
		December 31, 2017 (Un-Audited)	December 31, 2016 (Un-Audited)
16. CASH GENERATED FROM OPERATIONS			
Profit before taxation		853,410,969	560,160,755
Adjustments for non-cash items:			
Depreciation		63,104,324	63,492,662
Amortization		635,256	-
Finance costs		272,157,915	119,623,886
Retirement benefit charge		12,925,002	23,800,001
Return on 'held-to-maturity' investments		(19,961,276)	(8,919,860)
Provision for workers' profit participation fund		45,744,424	29,518,446
Provision for workers' welfare fund		15,733,091	7,529,640
		<u>390,338,736</u>	<u>235,044,775</u>
Profit before working capital changes		<u>1,243,749,705</u>	<u>795,205,530</u>

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

Rupees	Note	Half year ended	
		December 31, 2017 (Un-Audited)	December 31, 2016 (Un-Audited)
Effect on cash flow due to working capital changes			
<i>Decrease in current assets:</i>			
Stores, spares & loose tools		(103,407,843)	(129,564,414)
Stock-in-trade		367,048,272	1,976,535,134
Trade debts		64,933,053	(99,064,186)
Advances		(48,505,010)	(88,203,718)
Short-term deposits & prepayments		27,963,298	(11,810,139)
Refunds due from the Government		(77,844,564)	(58,470,480)
Other receivables		1,027,007	(728,854)
		231,214,213	1,588,693,343
<i>(Decrease) in current liabilities:</i>			
Trade & other payables		(623,253,288)	(70,131,750)
		<u>851,710,630</u>	<u>2,313,767,122</u>

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

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

Cash and bank balances	1,115,109,093	600,698,364
Temporary bank overdrawn	(12,628,973)	-
Short-term running and cash finances	(3,310,491,310)	(2,759,955,283)
	<u>(2,208,011,190)</u>	<u>(2,159,256,919)</u>

18. RELATED PARTY DISCLOSURES

Related parties comprise associated undertakings due to common directorship or significant influence, directors and key management personnel. Details of transactions and outstanding balances with related parties, not otherwise disclosed elsewhere, are as follows:

Detail of transactions:

Associated undertakings due to common directorship:

Mughal Steel Metallurgies Corporation Limited:		
- Purchases	345,163,243	-
- Re-rolling income	32,285,530	-
- Rental income	1,200,000	1,600,000
- Reimbursement of expenses	193,828,549	15,403,113
Al-Bashir (Private) Limited:		
- Rent expense	720,000	720,000

Directors & their relatives:

Remuneration		
- Executive directors	19,200,000	10,600,000
- Non-executive directors	6,190,000	7,520,000
Loan repayment	37,082,301	712,295,369
Meeting fee expense	250,000	25,000
Dividend	113,512,959	265,614,285
Executives:		
Salaries & benefits	67,903,877	38,185,641
Dividend	3,270	6,675

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017**

Rupees	December 31, 2017	June 30, 2017
	(Un-Audited)	(Audited)
Detail of outstanding balances:		
Associated undertakings due to common directorship:		
Al-Bashir (Private) Limited	Security deposit refundable	500,000
		500,000
Directors & their relatives:		
Short-term loan from sponsor shareholders	Short-term borrowings	-
		37,082,301
Equity contribution from sponsor shareholders	Equity	1,224,037,217
		1,224,037,217

Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method. There are no transactions with key management personnel other than under the terms of employment or otherwise disclosed, if any.

19. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements of the Company as at and for the year ended June 30, 2017.

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 26, 2018.

21. 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, except for:

Transfer from component	Transfer to component	Rupees
Cost of sales	Cost of sales	
- Stores, spare parts & loose tools consumed	- Fuel and power	
- Furnace oil	- Furnace oil	202,224,679

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of audited annual financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.



Khurram Javed
CEO / Director



Muhammad Mubeen Tariq Mughal
Director



Muhammad Zafar Iqbal
Chief Financial Officer