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

FIRST QUARTERLY REPORT
SEPTEMBER 30, 2016

BUILDING A STRONGER AND SAFER NATION



MUGHAL
STEEL



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COMPANY INFORMATION

BOARD OF DIRECTORS

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

CHIEF OPERATING OFFICER

Shakeel Ahmed
Tel: +92-42-35960841 Ext:24
Shakeel.ahmad@mughalsteel.com

CHIEF FINANCIAL OFFICER

Muhammad Zafar Iqbal
Tel: +92-42-35960841 Ext:24
E-mail: zafariqbal@mughalsteel.com

COMPANY SECRETARY

Muhammad Fahad Hafeez
Tel: +92-42-35960841 Ext:31
E-mail: fahadhafeez@mughalsteel.com

AUDITORS

Fazal Mahmood & Company
Chartered Accountants
(a member firm of JHI & TASK International)
147-Shadman I
Lahore, Pakistan
Tel: +92-42-37426771
Fax: +92-42-35960012
Web: www.fmc.com.pk

LEGAL ADVISOR

H.M. Law Associates
Office No. 4, Ground Floor
Al-Murtaza Centre, 2 Mozang Road
Lahore, Pakistan
Tel: +92-42-37362720

BANKERS

MCB Bank Limited
Bank Alfalah Limited
Soneri Bank Limited
BankIslami Pakistan Limited
Summit Bank Limited
JS Bank Limited
Meezan Bank Limited
Dubai Islamic Bank Limited
Askari Bank Limited
Bank of Punjab
Standard Chartered Bank Limited
Faysal Bank Limited
United Bank Limited

GEOGRAPHICAL PRESENCE

Registered / Corporate office
31 -A Shadman I
Lahore, Pakistan
Tel: +92+42-35960841-3
Fax: +92+42-35960846
Email: info@mughalsteel.com

Factory
17-Km Sheikhpure Road
Lahore, Pakistan
Tel: +92-42-37970226-7
Fax: +92-42-37970326

Sales Office
41-Peco Road Badami Bagh
Lahore, Pakistan
Tel: +92-42-37282267
Fax: +92-42-37281076

SHARES REGISTRAR / TRANSFER AGENT

THK Associates (Private) Limited
2nd Floor State Life Building No. 3
Dr. Zia-ud-din Ahmed Road
Karachi, Pakistan
Tel: +92-21-111-000-322
Fax: +92-21-35655595
Email: secretariat@thk.com.pk
Web: www.thk.com.pk

COMPANY WEBSITE:

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



VISION STATEMENT

To be a leading corporate entity in the steel sector which is recognized both at the industry level and national level, endeavoring to achieve excellence in core business while striving to explore multiple growth opportunities, remaining ethically and socially responsible and strengthening the growing base of satisfied customers by providing quality and durable steel products.

MISSION STATEMENT

To meet the expectations of our customers in providing them with high quality, reliable and durable steel products, through product research, business process and information system improvement and up-gradation of technology. To meet the expectations of our employees by providing opportunities for professional growth and personal welfare. To meet the expectations of our shareholders by enhancing profitability and maximizing returns through achieving excellence in core business and exploring growth opportunities through diversification.

COMPANY PROFILE

At Mughal Steel we work with passion and expertise to develop high-quality products and intelligent industrial processes and services 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.

Today Mughal Steel is the Country's largest long-rolled steel producer with approximate annual installed production capacity, in a normal year, of 546,000 tones for melting and 688,000 tones for re-rolling. The management team is led by Mr. Khurram Javed, CEO.

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 and global markets.

The Company makes a wide range of steel products mostly catering the construction industry and employs approximately 578 persons. Our primary goal is to supply quality, reliable and durable steel products into the local and nearby markets and currently we supply in Pakistan and export the rest to Afghanistan. Products include bar, girders, tee-iron & billets etc.

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 among the Country's lowest cash cost producers of steel.

DIRECTORS' REVIEW

Dear valued shareholders,

On behalf of the Board of Directors of MUGHAL IRON & STEEL INDUSTRIES LIMITED, I am pleased to present the Directors' review report along with unaudited condensed interim financial information of the Company for the first quarter ended September 30, 2016. The financial results for the period are summarized below:

	Quarter ended September 30,	
	2016	2015
Financial highlights		
Net sales	3,713.586	4,031.633
Gross profit	447.730	372.857
Profit before taxation	270.514	211.567
Taxation	(13.403)	(7.778)
Profit after taxation	257.111	203.788
Earnings per share – Basic & Diluted	2.04	1.62

Financial performance

During the three months period under review, your Company posted an after tax profit of Rs. 257.111 million as compared to Rs. 203.788 million in the same period last year. Earnings per share (EPS) for the current period increased to Rs 2.04 as compared to EPS of Rs. 1.62 in the corresponding period.

Sales revenue decreased to Rs. 3,713.586 million as compared to Rs. 4,031.633 million in corresponding period. The fall in sales trend has mainly been due to fall in sale rates along with fall in sale of Billet which has fallen significantly as compared to corresponding quarter.

Gross Profit increased to Rs. 447.730 million as compared to a gross profit of Rs. 372.857 million in the corresponding period. Gross margins increased as compared to previous year due to fall in raw material prices and increase in sale of steel bars.

Administrative expenses increased by 8.7% as compared to corresponding quarter. Other Income decreased from Rs. 8.245 million to Rs 3.445 million, which was mainly due to significant amount of funds invested in term-deposit accounts and saving accounts in corresponding quarter. Income tax represents provision for taxation on account of normal tax and super tax.

Stores & Spares increased from Rs. 298.305 million to Rs. 398.774 million.

Stock in trade decreased from Rs. 4,220.729 million to Rs. 3,895.761 million which was mainly due to consumption of raw material and fall in imports.

Trade debts increased from Rs. 939.887 million to Rs. 1,037.013 million. However, all the balances are considered good. Short-term investments increased from Rs. 108.493 to Rs. 248.493 which was mainly due to new investments made during the period.

Cash and Bank Balances decreased from Rs. 576.058 million to Rs. 119.792 million which was mainly due to investment in term-deposit receipts and payment of short-term liabilities.

Balance sheet footing stood at Rs. 11,286.495 million as of September 30, 2016, compared to Rs. 11,780.293 million as of June 30, 2016. Breakup value per share increased to Rs. 35.71 as of September 30, 2016 from Rs. 33.67 as at June 30, 2016.

Current ratio as at September 30, 2016 increased to 1.44:1 from 1.34:1 as at June 30, 2016. Accrued Interest increased from Rs. 36.558 million to Rs. 56.284 million. The increase was mainly due to shift from Usance LCs to sight LCs which results in elimination of exchange loss and increase in financial charges.

Short term borrowings decreased from Rs. 3,498.798 million to 2,420.184 million due to repayment of running finances and other financing facilities.

Future outlook

The growth and profitability of the Company is dependent upon a number of external factors such as economic development, political stability and consistent economic policies with improved law and order situation of the country. The initiatives of the Government which includes infrastructure development across the country will continue to be fruitful for your Company.

Further, the company is in process of enhancing its grid load capacity to cater its growing energy demand. The matter is currently pending with relevant departments, however, the company is regularly pursuing the matter considering its significance for commencement of new furnaces & meeting of extra demand for production.

Acknowledgement

Finally, I 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)

Date: October 27, 2016
Place: Lahore

**CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2016**

Rupees	Note	2016 September (Un-Audited)	2016 June (Audited)
ASSETS			
NON - CURRENT ASSETS			
Property, plant & equipment	5	3,880,637,573	3,908,262,437
Long-term loans to employees		1,719,430	1,909,300
Long-term deposits		18,258,313	18,258,313
Total non - current assets		<u>3,900,615,316</u>	<u>3,928,430,050</u>
CURRENT ASSETS			
Stores, spares & loose tools		398,773,563	298,304,684
Stock-in-trade		3,895,760,619	4,220,728,921
Trade debts		1,037,013,150	939,886,798
Advances		199,579,647	201,799,022
Short-term deposits & prepayments		52,148,734	44,511,952
Due from the Government		1,429,797,886	1,458,917,102
Other receivables		4,521,829	3,164,243
Short-term investments		248,492,582	108,492,583
Cash and bank balances		119,791,545	576,057,937
Total Current Assets		<u>7,385,879,555</u>	<u>7,851,863,242</u>
TOTAL ASSETS		<u>11,286,494,871</u>	<u>11,780,293,292</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital		1,500,000,000	1,500,000,000
Issued, subscribed and paid-up capital		1,257,998,250	1,257,998,250
Capital reserves		1,825,704,841	865,102,733
Revenue reserve		1,408,837,418	2,112,328,596
Shareholders' Equity		<u>4,492,540,509</u>	<u>4,235,429,579</u>
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term financing	6	983,583,101	973,844,194
Deferred liabilities		688,884,121	709,382,112
Total non-current liabilities		<u>1,672,467,222</u>	<u>1,683,226,306</u>
CURRENT LIABILITIES			
Trade and other payables		2,576,558,616	2,253,821,055
Accrued profit / interest / mark-up		56,283,605	36,557,576
Short-term borrowings		2,420,184,390	3,498,798,248
Current maturity of long-term liabilities		68,460,529	72,460,528
Total current liabilities		<u>5,121,487,140</u>	<u>5,861,637,407</u>
Total liabilities		<u>6,793,954,362</u>	<u>7,544,863,713</u>
TOTAL EQUITY & LIABILITIES		<u>11,286,494,871</u>	<u>11,780,293,292</u>
CONTINGENCIES AND COMMITMENTS			
	7		

The annexed notes from 1 to 15 form an integral part of this condensed financial information.



Chief Executive Officer



Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Rupees	Note	2016	2015
Sales - net	8.	3,713,586,081	4,031,633,244
Cost of sales	9.	<u>(3,265,856,207)</u>	<u>(3,658,776,340)</u>
GROSS PROFIT		447,729,874	372,856,904
Distribution cost		<u>(19,900,087)</u>	<u>(20,116,366)</u>
Administrative expenses		<u>(50,678,100)</u>	<u>(46,545,661)</u>
Other charges		<u>(19,163,113)</u>	<u>(13,506,181)</u>
Other income		<u>3,443,840</u>	<u>8,244,876</u>
Finance cost		<u>(90,918,603)</u>	<u>(89,366,919)</u>
		<u>(177,216,063)</u>	<u>(161,290,251)</u>
PROFIT BEFORE TAXATION		270,513,811	211,566,653
Taxation			
- Deferred tax		<u>19,904,330</u>	<u>(7,778,310)</u>
- Income tax		<u>(33,307,211)</u>	<u>-</u>
		<u>(13,402,881)</u>	<u>(7,778,310)</u>
PROFIT AFTER TAXATION		257,110,930	203,788,343
Basic & diluted earnings per share	10.	<u>2.04</u>	<u>1.62</u>

The annexed notes from 1 to 15 form an integral part of this condensed financial information.



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

Rupees	2016	2015
Profit after taxation	257,110,930	203,788,343
Other comprehensive income - net off tax:	-	-
Total comprehensive income for the period	<u><u>257,110,930</u></u>	<u><u>203,788,343</u></u>

The annexed notes from 1 to 15 form an integral part of this condensed financial information.



Chief Executive Officer



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Rupees	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		270,513,811	211,566,653
Adjustments for non-cash charges and other items:			
Depreciation		31,156,864	24,110,830
Finance costs		62,805,716	47,213,667
Notional interest on sponsor shareholders' loan		28,112,887	25,100,792
Return on 'held-to-maturity' investments		(1,511,822)	(4,538,455)
Provision for workers' profit participation fund		14,237,569	12,456,181
Provision for workers' welfare fund		4,575,549	-
		<u>139,376,763</u>	<u>104,343,015</u>
Profit before working capital changes		409,890,573	315,909,668
Effect on cash flow due to working capital changes			
Decrease in current assets:			
Stores, spares & loose tools		(100,468,879)	(47,240,827)
Stock-in-trade		324,968,302	506,562,015
Trade debts		(97,126,352)	(114,214,174)
Advances		2,219,375	155,126,586
Short-term deposits & prepayments		(7,636,782)	441,677,956
Refunds due from the Government		5,290,436	58,989,112
Other receivables		-	500,000
		<u>127,246,100</u>	<u>1,001,400,668</u>
Increase in current liabilities:			
Trade and other payables		371,937,485	296,394,891
Cash generated from operations		<u>909,074,158</u>	<u>1,613,705,227</u>
Net decrease in long-term loans to employees			
Retirement benefits paid		189,870	140,220
Finance cost paid		(593,662)	(202,265)
Workers' profit participation fund paid		(43,079,685)	(52,805,322)
Income tax paid		(68,013,042)	-
		<u>(9,478,431)</u>	<u>(42,775,020)</u>
		<u>(120,974,950)</u>	<u>(95,642,387)</u>
Net cash generated from operating activities		<u><u>788,099,208</u></u>	<u><u>1,518,062,840</u></u>

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

Rupees	Note	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred on property, plant & equipment		(3,532,000)	(55,615,733)
Proceeds from disposal of property, plant & equipment		-	-
Profit received on short-term investments		154,236	-
Short-term investments - net		<u>(139,999,999)</u>	<u>(89,076,550)</u>
Net cash (used in) investing activities		<u>(143,377,763)</u>	<u>(144,692,283)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing - net		(22,373,979)	(46,707,310)
Short-term borrowings - net		<u>(432,512,330)</u>	<u>(670,639,206)</u>
Net cash (used in) financing activities		<u>(454,886,309)</u>	<u>(717,346,516)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		189,835,136	656,024,041
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		(886,563,110)	(462,416,581)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12	<u>(696,727,974)</u>	<u>193,607,460</u>

The annexed notes from 1 to 15 form an integral part of this condensed financial information.



Chief Executive Officer



Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Rupees	Share capital	Capital reserve			Revenue reserve	Total equity
	Issued subscribed & paid-up ordinary shares	Share premium reserve	Equity portion of sponsor shareholders' loan	Contingency reserve	Un-appropriated profit	
Balance as at June 30, 2015 - (audited)	1,093,911,530	603,500,176	483,026,942	-	1,224,519,784	3,404,958,432
Transaction with owners of the Company						
Present value adjustment - net off tax	-	-	-	-	-	-
Transferred on unwinding of discount - net off tax	-	-	(17,068,539)	-	17,068,539	-
	-	-	(17,068,539)	-	17,068,539	-
Total Comprehensive Income - net off tax						
Profit for the period ended September 30, 2015	-	-	-	-	203,788,343	203,788,343
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	203,788,343	203,788,343
Balance as at September 30, 2015 -un-audited	1,093,911,530	603,500,176	465,958,403	-	1,445,376,666	3,608,746,775
Transaction with owners of the Company						
Issue of 16,408,672 ordinary shares of Rs. 10/- each as fully paid-up bonus shares @ 15%.	164,086,720	(164,086,720)	-	-	-	-
Final cash dividend paid for the year ended June 30, 2015 @ Rs. 0.5 per share i.e. 5%.	-	-	-	-	(54,695,576)	(54,695,576)
Present value adjustment - net off tax	-	-	-	-	-	-
Transferred on unwinding of discount - net off tax	-	-	(40,269,126)	-	40,269,126	-
	-	-	(40,269,126)	-	40,269,126	-
Total Comprehensive Income - net off tax						
Profit for the period ended June 30, 2016	-	-	-	-	689,623,237	689,623,237
Other comprehensive income	-	-	-	-	-	-
- Actuarial (loss) on re-measurement of retirement benefit obligation	-	-	-	-	(8,244,857)	(8,244,857)
	-	-	-	-	681,378,380	681,378,380
Balance as at June 30, 2016 - audited	1,257,998,250	439,413,456	425,689,277	-	2,112,328,596	4,235,429,579
Transaction with owners of the Company						
Transfer to contingency reserve for the year ended June 30, 2016	-	-	-	980,000,000	(980,000,000)	-
Present value adjustment - net off tax	-	-	-	-	-	-
Transferred on unwinding of discount - net off tax	-	-	(19,397,892)	-	19,397,892	-
	-	-	(19,397,892)	-	19,397,892	-
Total Comprehensive Income - net off tax						
Profit for the period ended September 30, 2016	-	-	-	-	257,110,930	257,110,930
Other comprehensive income	-	-	-	-	-	-
	-	-	-	-	257,110,930	257,110,930
Balance as at September 30, 2016 (un-audited)	1,257,998,250	439,413,456	406,291,385	980,000,000	1,408,837,418	4,492,540,509

The annexed notes from 1 to 15 form an integral part of this condensed financial information.

Chief Executive Officer

Director

SELECTIVE NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

1. REPORTING ENTITY

Mughal Iron & Steel Industries Limited ("the Company") is a public limited company incorporated in Pakistan on February 16, 2010 under the Companies Ordinance, 1984. 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, Pakistan. The Company is domiciled in Lahore. The principal activity of the Company is manufacturing and trading of mild steel products.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the quarter ended September 30, 2016 is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard - 34: "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

This condensed interim financial information is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange Limited vide section 245 of the Companies Ordinance, 1984.

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

The comparative information has been restated on account of restatements made in the audited annual financial statements for the year ended June 30, 2016.

This condensed interim financial information of the Company does not include all the information and disclosures required for full financial statements, and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2016.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding audited annual financial statements of the company for the year ended June 30, 2016, except for changes resulting from initial application of standards, amendments or interpretations to existing standards. However, amendments/improvements and new interpretations of approved accounting standards effective during the period, if any, were not relevant to the companies operations and do not have any material impact on the accounting policies of the company.

4. ESTIMATES & JUDGEMENTS

The preparation of this condensed interim financial information 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 expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the company's accounting policies and key sources of estimation of uncertainty are the same as those were applied to the annual audited financial statements for year ended June 30, 2016.

SELECTIVE NOTES TO THE CONDENSED INTERIM FINANCIAL
STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Rupees	Note	2016	
		September (Un-Audited)	June (Audited)
5. PROPERTY, PLANT & EQUIPMENT			
Operating assets	5.1	3,871,345,573	3,899,478,437
Capital work-in-progress		<u>9,292,000</u>	<u>8,784,000</u>
		<u>3,880,637,573</u>	<u>3,908,262,437</u>
5.1 Operating assets			
Opening net book value		3,899,478,437	2,937,768,506
Additions during the period / year:			
Factory building on freehold land		-	3,902,637
Plant & machinery		-	1,003,964,321
Weighing machine		-	127,000
Office equipment		-	1,086,000
Electric equipment & installation		-	1,988,020
Furniture & fittings		-	37,500
Vehicles		2,913,000	55,060,081
Computers		111,000	417,781
		<u>3,024,000</u>	<u>1,066,583,340</u>
Disposals during the period / year:			
Vehicles		-	(2,655,007)
Depreciation charged during the period / year		<u>(31,156,864)</u>	<u>(102,218,402)</u>
Closing net book value		<u>3,871,345,573</u>	<u>3,899,478,437</u>
6. LONG-TERM FINANCING			
Loans from banking companies - secured	6.1	18,373,979	36,747,959
Sponsor shareholders' loan - unsecured	6.2	<u>965,209,122</u>	<u>937,096,235</u>
		<u>983,583,101</u>	<u>973,844,194</u>
6.1 Loans from banking companies:			
Bank Alfalah Limited - Term Finance	6.1.1	<u>86,834,508</u>	<u>105,208,487</u>
MCB Bank Limited - Demand Finance	6.1.2	-	<u>4,000,000</u>
		<u>86,834,508</u>	<u>109,208,487</u>
Less: current maturity presented under current liabilities		<u>(68,460,529)</u>	<u>(72,460,528)</u>
		<u>18,373,979</u>	<u>36,747,959</u>
6.1.1 This represents outstanding amount of loan obtained from Bank Alfalah Limited under term finance facility. This loan was used for financing import and construction of electrical induction melting furnace and ancillary components. The principal was repayable in 4 years including grace period of 12 months in 12 equal quarterly installments with the last installment payable in October 2017. It carries mark up @ 6 MK + 2% p.a. The facility is secured against 1st specific charge of Rs. 100.000 million on land and exclusive charge of Rs. 250.00 million on plant & machinery of new electric furnace, CCM, load management system and auxiliary components and personnel guarantees of all directors (except independent director) including Chief Executive Officer.			
6.1.2 This loan was completely repaid during the period.			

**SELECTIVE NOTES TO THE CONDENSED INTERIM FINANCIAL
STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

Rupees	Note	2016	
		September (Un-Audited)	June (Audited)
6.2	Sponsor shareholders' loan:		
	Interest free loan	1,554,037,216	1,554,037,216
	Present value adjustment	(849,177,524)	(849,177,524)
		<u>704,859,692</u>	<u>704,859,692</u>
	Unwinding of discount	260,349,430	232,236,543
	Present value of sponsor shareholders' loan	<u>965,209,122</u>	<u>937,096,235</u>

This represents interest free and unsecured loan obtained from the sponsor shareholders of the Company, which will be repaid through cash generated internally from operations, however, it is currently not repayable before 2020. It has been recognized at amortized cost using discount rate of 12% per annum. The resulting difference has been transferred to equity and is being amortized over the term of the loan.

7. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), thus rendering the Company liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. However, in 2013, a larger bench of Sindh High Court (SHC) passed an order declaring that the amendments introduced through Finance Act 2008 do not suffer from any constitutional and legal infirmity. Both the decisions of LHC and SHC are pending before Supreme Court for adjudication. The management is of the view that the decision of LHC will remain applicable to the Company as the Company's registered office is situated in its jurisdiction till the decision of Supreme Court. Accordingly, aggregate net of tax provision of Rs. 29.823 million (June 2016: Rs. 29.165 million) has not been recorded in these financial statements.
- ii) Writ petition has been filed before the Honourable Lahore High Court against demand of Rs. 18.324 million raised by the Customs Authorities which was created by treating wastage recovered during manufacturing process of M.S Products as sale of recoverable waste instead of burning loss. The Company has temporarily deposited Rs. 4.717 million under protest against the above demand. However, no provision has been made in these financial statements in respect of the matter as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- iii) Writ petition has been filed before the Honourable Lahore High Court against demand of surcharge of Rs. 18.601 million raised by the Customs Authorities. The demand was created on the grounds that the material imported under public bond was not used for manufacturing goods to be exported, although the Company had deposited the applicable duties and taxes before clearance of goods. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

SELECTIVE NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2016

- iv) Sales tax liability of Rs. 7.638 million was determined vide investigation initiated u/s 38 of Sales Tax Act 1990 on the in-house consumption of Ferro silicon. Appeal was filed before the ATIR who remanded the case back to the revenue department for reconsideration. The matter is currently pending at the relevant forum. However, no provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- v) The Additional Commissioner Inland Revenue (ACIR) passed an amended assessment order u/s 122(1)/122(5A) for tax year 2013 and created demand of Rs. 198.484 million. The Company filed appeal before CIR(A). However CIR(A) maintained the order of ACIR. The Company subsequently filed an appeal before ATIR who accepted the appeal of the Company. However, effect to ATIR order u/s 124 is pending at the end of ACIR. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- vi) The Commissioner Inland Revenue (CIR) selected the Company for audit u/s 177 of the Income Tax Ordinance, 2001, against which writ petition was filed before the Honourable Lahore High Court. The Honourable Lahore High Court disposed of the writ allowing the CIR to conduct audit of the tax payer but only after confronting issues and providing an hearing opportunity to the Company. However, instead of confronting the issues and providing the hearing opportunities, the DCIR demanded the Company to provide its records for audit. The Company's stance was that in the light of Honourable Lahore High Court decision, the DCIR should first confront the Company with the issues for selection. However, the DCIR instead of confronting the issues or providing an hearing opportunity to the Company passed an order u/s 122(5)/177 creating a demand of Rs. 1,056.773 million. The Company filed a writ against the said order as it was passed against the direction of the Honourable Lahore High Court in W.P No. 8170/2011. The Honourable Court issued notices to the respondents and also suspended operation of DCIR order. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- vii) Tax liability amounting to Rs. 18.537 was created u/s 161/205 by ACIR. The said order was set aside by CIR(A) and the matter was remanded back to the assessing officer for de novo consideration with direction to provide fair opportunity to the appellant. Against CIR(A) cross appeals are pending before ATIR. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- viii) A demand of Rs. 85.552 million was raised by ACIR for Tax Year 2015. Appeal against same was filed before CIR(A) who allowed relief to the company. However, the company filed rectification application u/s 221 to CIR(A) on issues which were not addressed by CIR(A) in his order. The rectification application is pending before the CIR(A) for adjudication. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- ix) Appeals were filed with the CIR(A) against demands on account of charging further tax on sales to un-registered persons. The CIR(A) vacated the order and remanded the cases back to the ACIR, regarding charging of sales tax liability of Rs. 18.280 million. The ACIR has not yet given his findings in the light of aforementioned CIR (A) order. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

SELECTIVE NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2016

- x) A demand of Rs. 1.912 million was raised by the Deputy Director Administration, PESSI on account of contribution arrears of employees. A complaint under section 57 of Social Security Ordinance, 1965 has been filed against the said demand. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- xi) Writ petition has been filed before the Honourable Lahore High Court against demand of Rs. 1.581 million. The Company has challenged the constitutionality of Punjab Infrastructure Development Cess Act 2015. However, no provision has been made in these financial statements in respect of the matter as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- xii) The Company has issued post dated cheques issued in favour of customs department aggregating to Rs. 465.583 million (June 2016: Rs. 283.369 million) on account of duties and taxes in respect of material imported in bonded warehouses.
- xiii) Aggregate amount of guarantees issued by banks on behalf of the Company amounted to Rs.212.117 million. (June 2016: Rs. 212.117 million).

	2016	2016
Rupees	September	June
	(Un-Audited)	(Audited)
Commitments:		
i) Non-capital commitments	232,322,614	1,448,895,304
Capital commitments	16,690,653	52,787,305
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	5,400,000	5,760,000
	<u>6,840,000</u>	<u>7,200,000</u>

	2016	2015
	September	September
	(Un-Audited)	(Un-Audited)

8. SALES - NET

Local	3,321,862,612	3,729,666,686
Export	391,723,469	301,966,558
	<u>3,713,586,081</u>	<u>4,031,633,244</u>

SELECTIVE NOTES TO THE CONDENSED INTERIM FINANCIAL
STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Rupees	2016	2015
	September (Un-Audited)	September (Un-Audited)
9. COST OF SALES		
Opening stock of raw material	2,865,490,150	2,539,081,770
Add: purchases	1,907,370,744	1,925,838,771
	<u>4,772,860,894</u>	<u>4,464,920,541</u>
Less: closing stock of raw material	(2,262,477,400)	(1,752,879,213)
Raw material consumed	2,510,383,494	2,712,041,328
Wages, salaries & other benefits	91,627,995	67,724,140
Stores, spare parts & loose tools consumed	163,622,433	157,641,831
Fuel and power	491,817,712	472,924,125
Repair & maintenance	1,336,070	91,500
Other manufacturing expenses	6,822,437	18,222,368
Depreciation	24,269,003	18,219,005
Cost of goods manufactured	<u>3,289,879,144</u>	<u>3,446,864,297</u>
Add: opening stock of finished goods	90,876,482	381,047,176
Less: closing stock of finished goods	(114,899,419)	(169,135,133)
	<u>3,265,856,207</u>	<u>3,658,776,340</u>

10. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholders	<u>257,110,930</u>	<u>203,788,343</u>
Weighted average number of ordinary shares (2015: restated)	<u>125,799,826</u>	<u>125,799,826</u>
Basic earnings per share	<u>2.04</u>	<u>1.62</u>

11. RELATED PARTY DISCLOSURES

Related parties comprise entities with common directorship or under 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:

Entities with common directorship:

Mughal Steel Metallurgies Corporation Limited:

- Sale	-	421,239,163
- Service charges	-	61,075,461
- Rental income	1,200,000	1,200,000
- Reimbursement of expenses	6,615,530	-

Al-Bashir Steels (Private) Limited:

- Rent paid	360,000	360,000
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Mughal Energy Limited:

- Markup expense	-	7,489,161
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Directors:

Remuneration	8,790,000	4,800,000
Meeting fee	10,000	10,000

SELECTIVE NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	2016	2015
Rupees	September (Un-Audited)	June (Audited)
Detail of outstanding balances:		
	Nature	
Al-Bashir Steels (Private) Limited	Security deposit refundable	500,000
Mughal Steel Metallurgies Corporation Limited	Trade receivable	17,066,120

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.

	2016	2015
Rupees	September (Un-Audited)	September (Un-Audited)

12. CASH & CASH EQUIVALENTS

Cash and bank balances	119,791,545	547,984,244
Short-term running / cash finances & temporary overdraft	<u>(816,519,519)</u>	<u>(354,376,784)</u>
	<u>(696,727,974)</u>	<u>193,607,460</u>

13. 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, 2016.

14. DATE OF AUTHORIZATION

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on October 27, 2016.

15. 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.



Chief Executive Officer



Director