

**ADVICE FOR GENERAL PUBLIC**

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS PROSPECTUS, **ESPECIALLY THE RISK FACTORS GIVEN AT PARA 5.8** BEFORE MAKING ANY INVESTMENT DECISION.

**SUBMISSION OF FICTITIOUS AND MULTIPLE APPLICATIONS (MORE THAN ONE APPLICATIONS BY SAME PERSON) IS PROHIBITED AND SUCH APPLICATIONS' MONEY IS LIABLE TO CONFISCATION UNDER SECTION 18A OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969**

**ADVICE FOR INSTITUTIONAL INVESTORS AND HIGH NETWORTH INDIVIDUAL INVESTORS**

A SINGLE INVESTOR CANNOT SUBMIT MORE THAN ONE BIDDING APPLICATIONS EXCEPT IN THE CASE OF REVISION OF BID. IF AN INVESTOR SUBMITS MORE THAN ONE BIDDING APPLICATIONS THEN ALL SUCH APPLICATIONS SHALL BE SUBJECT TO REJECTION. **THE ELIGIBLE INVESTORS SHALL NOT PLACE CONSOLIDATED BIDS. A BID APPLICATION WHICH IS BENEFICIALLY OWNED (FULLY OR PARTIALLY) BY PERSONS OTHER THAN THE ONE NAMED THEREIN SHALL BE DEEMED TO BE CONSOLIDATED BID.**



**MUGHAL IRON & STEEL INDUSTRIES LIMITED  
PRELIMINARY PROSPECTUS**

**THIS ISSUE CONSISTS OF 27,350,000 ORDINARY SHARES (25.00% OF THE POST ISSUE PAID UP CAPITAL OF MUGHAL IRON & STEEL INDUSTRIES LIMITED) OF FACE VALUE OF PKR 10/- EACH**

BOOK BUILDING PORTION OF THE ISSUE COMPRISES OF 20,512,500 ORDINARY SHARES (75% OF THE TOTAL ISSUE) AT A PRICE BAND OF PKR20.00/- TO PKR34.00/- PER SHARE (INCLUDING PREMIUM OF PKR 10.00/- PER SHARE ON LOWER LIMIT AND PREMIUM OF 24.00/- PER SHARE ON UPPER LIMIT OF THE PRICE BAND)

GENERAL PUBLIC PORTION OF THE ISSUE COMPRISES OF 6,837,500 ORDINARY SHARES (25% OF THE TOTAL ISSUE) AT AN OFFER PRICE OF PKR XX/- PER SHARE (INCLUDING A PREMIUM OF PKR XX/- PER SHARE)

**BIDDING PERIOD DATE:** February 16, 2015  
FROM 9:00 A.M. TO 5:00 P.M.

**DATE OF PUBLIC SUBSCRIPTION: FROM MM/DD/2015 TO MM/DD/2015  
(BOTH DAYS INCLUSIVE) DURING BANKING HOURS**

**LEAD MANAGER & ARRANGER**



AKD Securities Ltd.

**BOOK RUNNER**



AKD Securities Ltd.

**BANKERS TO THE ISSUE**

Bank Alfalah Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited

Samba Bank Limited  
Silk Bank Limited  
Soneri Bank Limited  
Summit Bank Limited  
United Bank Limited\*

\*In order to facilitate investors, United Bank Limited "UBL" is offering electronic submission of application (e-IPO) to its account holders. UBL account holders can use UBL Net Banking to submit their application via link <http://www.ubldirect.com/corporate/ebank>. Further, please note that online applications can be submitted 24 hours a day during the subscription period which will close at midnight on MM DD, 2015.

**BOOK BUILDING PORTION UNDERWRITTEN BY:**



AKD Securities Ltd.

**GENERAL PUBLIC PORTION UNDERWRITTEN BY:**

(TO BE FILLED IN WITHIN 10 WORKING DAYS OF CLOSING OF BIDDING PERIOD I.E. BEFORE SUBMISSION OF APPLICATION TO THE EXCHANGE FOR ALLOCATION OF DATES FOR PUBLICATION OF THE **FINAL PROSPECTUS** AND SUBSCRIPTION OF SHARES BY THE GENERAL PUBLIC AS REQUIRED UNDER CLAUSE 6 OF APPENDIX 2 OF CHAPTER 5 OF THE RULE BOOK TITLED "LISTING OF COMPANIES AND SECURITIES REGULATION OF KARACHI STOCK EXCHANGE LIMITED" AND CLAUSE 6 OF APPENDIX 4 OF THE LAHORE STOCK EXCHANGE LIMITED LISTING REGULATIONS

**The date of publication of this Prospectus is MM DD, 2015**

**For further queries you may contact:**

**Mughal Iron & Steel Industries** – Mr. Muhammad Zafar Iqbal; +92-42--35960841-3 Ext: 24; E-mail: ziqbalaca@gmail.com  
**AKD Securities Limited** – Mr. Furqan Ahmed; Phone: +92-21-111-253-111 Ext: 621; Email: sfurqan.ahmed@akdsecurities.net

**STATEMENT ON ISSUER’S ABSOLUTE RESPONSIBILITY**

The Issuer, having made all reasonable inquiries, accepts responsibility for the disclosures made in this Prospectus and confirms that:

- this Prospectus contains all necessary information with regard to the Issuer and the Issue, which is material in the context of the issue and nothing has been concealed;
- the information contained in the Prospectus is true and correct to best of our knowledge and belief;
- the opinions and intentions expressed herein are honestly held; and
- there are no other facts, the omission of which makes this prospectus as a whole or any part thereof misleading

For and on behalf of the Issuer,  
Mughal Iron & Steel Industries Limited:

**S/d**

---

**Khurram Javaid**  
Chief Executive Officer

## GLOSSARY OF TECHNICAL TERMS

|                   |                                                                  |
|-------------------|------------------------------------------------------------------|
| AKDS              | AKD Securities Limited                                           |
| AOD               | Argon Oxygen Decarboriser                                        |
| ASL               | Aisha Steel Mills Limited                                        |
| BR                | Book Runner                                                      |
| BRIC              | Brazil, Russia, India and China                                  |
| BVPS              | Book Value Per Share                                             |
| CAGR              | Compound Annual Growth Rate                                      |
| CDA               | Central Depository Act, 1997                                     |
| CDC / CDCPL       | Central Depository Company of Pakistan Limited                   |
| CDC Regulations   | Central Depository Company of Pakistan Limited Regulations       |
| CDS               | Central Depository System                                        |
| CNIC              | Computerized National Identity Card                              |
| Collection Bank   | Faysal Bank Limited                                              |
| Commission / SECP | Securities and Exchange Commission of Pakistan                   |
| CRO               | Company Registration Office                                      |
| CSAP              | Crescent Steel & Allied Products Limited                         |
| EPS               | Earnings Per Share                                               |
| Exchanges         | Karachi Stock Exchange Limited and Lahore Stock Exchange Limited |
| FED               | Federal Excise Duty                                              |
| GoP               | Government of Pakistan                                           |
| HNWI              | High Net Worth Individual                                        |
| HSPI              | Huffaz Seamless Pipe Industries                                  |
| INIL              | International Industries Limited                                 |
| IPO               | Initial Public Offering                                          |
| ISL               | International Steels Limited                                     |
| ITO               | Income Tax Ordinance, 2001                                       |
| KSE               | Karachi Stock Exchange Limited                                   |
| KWH               | Kilowatt Per Hour                                                |
| LSE               | Lahore Stock Exchange Limited                                    |
| MISIL             | Mughal Iron & Steel Industries Limited                           |
| NICOP             | National Identity Card for Overseas Pakistani                    |
| NOC               | No Objection Certificate                                         |
| Ordinance         | Companies Ordinance, 1984                                        |
| PKR or Rs.        | Pakistan Rupee(s)                                                |
| ROA               | Return on Assets                                                 |
| ROE               | Return on Equity                                                 |
| SCRA              | Special Convertible Rupee Account                                |
| SECP              | Securities and Exchange Commission of Pakistan                   |
| SST               | Sindh Sales Tax                                                  |
| STPL              | Siddiqsons Tinsplate Limited                                     |
| UIN               | Unique Identification Number                                     |
| WHT               | Withholding Tax                                                  |

## DEFINITIONS

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Appendix 2</b>            | Appendix 2 of Chapter 5 of the Rule Book titled “Listing of Companies and Securities Regulations” of KSE which relates to Issue/Offer of Shares through Book Building                                                                                                                                                                                                                                                             |
| <b>Appendix 4</b>            | Appendix 4 of the Listing Regulation of LSE which relates to Issue/Offer of Shares through Book Building                                                                                                                                                                                                                                                                                                                          |
| <b>Application Money</b>     | In case of bidding for shares out of the Book Building portion, the total amount of money payable by a successful Bidder which is equivalent to the product of the strike price and the number of shares to be allocated                                                                                                                                                                                                          |
|                              | AND                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                              | In case of application for subscription of shares out of the General Public portion, the amount of money paid along with application for subscription of shares which is equivalent to the product of the Offer price per share and the number of shares applied for                                                                                                                                                              |
| <b>Bid</b>                   | An indication to make an offer during the bidding period by a Bidder to subscribe to the Ordinary Shares of Mughal Iron & Steel Industries Limited at a price within the price band, including all revision thereto                                                                                                                                                                                                               |
| <b>Bidder</b>                | Any eligible prospective investor who makes a Bid pursuant to the terms of the Preliminary Prospectus and the Bidding Form                                                                                                                                                                                                                                                                                                        |
| <b>Bid Amount</b>            | The total amount of the bid which is equivalent to the product of the bid price and the number of shares bid for                                                                                                                                                                                                                                                                                                                  |
| <b>Bid Collection Centre</b> | Pre-determined places where applications for bidding of shares are collected by the Book Runner on behalf of the Issuer and may include offices of Corporate Brokerage Houses, Schedule Banks, Development Financial Institutions and Investment Finance Companies, subject to appointment of these institutions as agent by the Book Runner through an agreement in writing for the purpose, with the consent of the Issuer. For |

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                              | <p>this issue addresses of the Bid collection center are provided in para 2.5 b (xv).</p>                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Bidding Form</b>          | <p>The form prepared by the Issuer on the format mentioned in KSE and LSE Regulations for the purpose of making bids which will be considered as the application for subscription of Ordinary Shares out of the Book Building portion</p>                                                                                                                                                                                                                             |
| <b>Bidding Period</b>        | <p>The period during which bids for shares of the Company shall be made by Institutional and HNWI Investors. The Bidding period shall be (February 16, 2015 from 9:00 a.m. to 5:00 p.m.)</p>                                                                                                                                                                                                                                                                          |
| <b>Book Building</b>         | <p>A mechanism of price determination through which indication of interest for subscription of shares issued by the Issuer is collected from Institutional Investors and HNWI Investors. Through this process a book is built which gives an idea of demand for the shares at different price levels. The strike price is determined based on the price at which demand for shares at the end of Book Building period is sufficient to raise the required amount.</p> |
| <b>Book Building Account</b> | <p>An account opened by the Issuer with the Collection Bank(s). The Bidder will pay the Margin Money/Bid Amount through demand draft, pay order or online transfer in favor of this account as per the instructions given in paragraph 2.11 and the balance of the Application Money, if any, shall be paid through this account after successful allocation of shares under Book Building.</p>                                                                       |
| <b>Book Runner</b>           | <p>AKD Securities Limited</p>                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Company/Issuer</b>        | <p>Mughal Iron &amp; Steel Industries Limited (“MISIL”)</p>                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Company Legal Advisor</b> | <p>Mohsin Tayebaly &amp; Co</p>                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Dutch Auction Method</b>  | <p>The method through which the Strike Price is determined. Under this method, all the bids are arranged in descending order along with the number of shares bid for at each price level and the cumulative number of shares bid for. The strike price is determined by lowering the price to the extent that the total shares the Issuer intends to issue through the Book Building process are subscribed.</p>                                                      |
| <b>e-IPO Facility</b>        | <p>e-IPO facility is the facility through which investors can make application for subscription of</p>                                                                                                                                                                                                                                                                                                                                                                |

shares of the Company through internet. In order to facilitate the investors, the Issuer has arranged provision of this facility through United Bank Limited who is among the Bankers to the Issue

UBL's accountholders can use UBL net-banking to submit their applications online via link <http://www.ubldirect.com/corporate/ebank>

Accountholders of UBL can submit their applications through the above-mentioned link 24 hours a day during the subscription period which will close at 12:00 midnight on MM DD, 2015

**Final Prospectus**

A document containing all the information and disclosures as required under the Companies Ordinance, 1984 together with disclosure of the strike price, results of the Book Building, the date of publication of Prospectus and the date(s) for subscription of shares out of the General Public portion

**General Public**

All individual and Institutional Investors including both Pakistani (residents & non-residents) and foreign investors

**High Net Worth Individual (HNWI)**

Individual Investor who bids for shares of the value of PKR 1,000,000/- or above.

**Institutional Investors**

Both local and foreign Institutional Investors

**Issue**

Initial Public Offer of 27,350,000 Ordinary Shares representing 25.00% of the total post IPO paid-up capital of the Company having a face value of PKR10/- each

Book Building portion of the Issue comprises of 20,512,500 Ordinary Shares (75% of the Total Issue) at a Price Band of PKR 20.00/- per share to PKR 34.00/- per share (including a premium of PKR 10.00/- per share on Lower Limit and premium of PKR 24.00/- per share on Upper Limit of the Price Band) being 70% above the Lower Limit

General Public Portion of the Issue comprises of 6,837,500 Ordinary Shares (25% of the Total Issue) at a Strike Price of PKR [X]/- per share, including a premium of PKR[X] per Share

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Lead Managers &amp; Arrangers</b> | AKD Securities Limited                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Limit Price</b>                   | The maximum price a prospective Institutional Investor or HNWI Investor is willing to pay for a share under the Book Building process                                                                                                                                                                                                                                                                                                    |
| <b>Lower Limit</b>                   | The minimum price in the price band set by the Issuer for the Issue of shares which is PKR 20.00/- per share. A bid placed below the Lower Limit will not be entertained by the Book Runner.                                                                                                                                                                                                                                             |
| <b>Margin Money</b>                  | The partial or total amount, as the case may be, paid by a Bidder at the time of making a bid. In case of bids by the Institutional Investors it is 25% of the Bid Amount and in case of bids by HNWI Investors it is 100% of the Bid Amount.                                                                                                                                                                                            |
| <b>Ordinary Shares</b>               | Ordinary Shares of Mughal Iron & Steel Industries Limited having face value of PKR 10.00/- each unless otherwise specified in the context thereof                                                                                                                                                                                                                                                                                        |
| <b>Offer Price</b>                   | The price at which Ordinary shares of the Company are offered to the General Public                                                                                                                                                                                                                                                                                                                                                      |
| <b>Preliminary Prospectus</b>        | The Preliminary Prospectus containing all the information and disclosures as required under the Companies Ordinance, 1984 and the KSE and LSE Regulations, approved by the Commission under Section 57(1) of the Companies Ordinance, 1984 and circulated amongst the Institutional Investors and HNWI Investors for bidding of shares out of the Book Building portion through the Book Building Process                                |
| <b>Price Band</b>                    | A price range set by the Issuer in consultation with the Lead Manager/Financial Advisor and Book Runner to the Issue, with Upper and Lower Limits within which Bidders can place their bids during the bidding period. A bid made at a price below the Lower Limit or above the Upper Limit of the Price Band shall not be accepted (Price Band in this particular Initial Public Offering is PKR 20/- per share to PKR 34/- per share). |
| <b>Step Bid</b>                      | Step Bid means a series of limit bids at increasing prices                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Strike Price</b>                  | The price of share determined / discovered on the basis of Book Building process in the manner provided in the Listing of Companies and Securities Regulations of the KSE and the Listing Regulations of LSE at which the shares are issued                                                                                                                                                                                              |

to the successful bidders. The Strike Price determined through the Book Building process is PKR [X]/- per share

**Upper Limit**

The maximum price in the price band set by the Issuer for the issuance of shares which is PKR 34.00 per share for the issue, being 70% above the Lower Limit. A bid placed above the Upper Limit will not be entertained by the Book Runner.

**TABLE OF CONTENTS**

| <b>PART</b> | <b>Content</b>                                          | <b>Page No.</b> |
|-------------|---------------------------------------------------------|-----------------|
| 1.          | Approvals and Listing on the Stock Exchanges            | Page 10         |
| 2.          | Book Building Procedure                                 | Page 13         |
| 3.          | Share Capital and Related Matters                       | Page 30         |
| 4.          | Underwriting, Commissions, Brokerage and Other Expenses | Page 42         |
| 5.          | Overview, History and Prospects                         | Page 45         |
| 6.          | Financial Information                                   | Page 55         |
| 7.          | Management                                              | Page 67         |
| 8.          | Miscellaneous Information                               | Page 75         |
| 9.          | Application and Allotment Instructions                  | Page 81         |
| 10.         | Bidding Form of Mughal Iron & Steel Industries Limited  | Page 85         |
| 11.         | Signatories to the Prospectus                           | Page 86         |
| 12.         | Memorandum of Association                               | Page 87         |

## PART 1

### 1 APPROVALS AND LISTING ON THE STOCK EXCHANGES

#### 1.1 APPROVAL OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities & Exchange Commission of Pakistan (the "**Commission**" or the "**SECP**") as required under Section 57(1) of the Companies Ordinance, 1984 (the "**Ordinance**") has been obtained by Mughal Iron & Steel Industries Limited ("**MISIL**" or "**the Company**") for the issue, circulation and publication of this document (hereinafter referred to as the "**Prospectus**").

#### DISCLAIMER:

IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS APPROVAL, THE SECP DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE COMPANY AND ANY OF ITS SCHEMES STATED HEREIN OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITH REGARD TO THEM BY THE COMPANY IN THIS PROSPECTUS.

SECP HAS NOT EVALUATED QUALITY OF THE ISSUE AND ITS APPROVAL FOR ISSUE, CIRCULATION AND PUBLICATION OF THE PROSPECTUS SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC/INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE BIDDING/SUBSCRIBING.

#### 1.2 CLEARANCE OF THE PROSPECTUS BY THE KSE & LSE

The Prospectus has been cleared by the Karachi Stock Exchange Limited ("**KSE**") and Lahore Stock Exchange Limited ("**LSE**"), (collectively referred to as the "**Stock Exchanges**") in accordance with the requirements of their respective Regulations.

#### DISCLAIMER:

- KSE & LSE have not evaluated the quality of the Issue and their clearances should not be construed as any commitment of the same. The public / investors should conduct their own independent investigation and analysis regarding the quality of the Issuer before subscribing.
- The publication of this document does not represent solicitation by KSE & LSE.
- The contents of this document do not constitute an invitation by KSE & LSE to invest in shares or subscribe for any securities or other financial instrument, nor should it or any part of it form the basis of, or be relied upon in any connection with any contract or commitment whatsoever of the Stock Exchanges.
- It is clarified that information in this Prospectus should not be construed as advice on any particular matter by KSE & LSE and must not be treated as a substitute for specific advice.

- **KSE & LSE disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon this document to anyone, arising from any reason, including, but not limited to, inaccuracies, incompleteness and / or mistakes, for decisions and /or actions taken, based on this document.**
- **KSE & LSE neither take responsibility for the correctness of contents of this document nor the ability of the Company to fulfill its obligations there under.**
- **Advice from a suitably qualified professional should always be sought by investors in relation to any particular investment.**

### **1.3 FILING OF THE PROSPECTUS AND OTHER DOCUMENTS WITH THE REGISTRAR OF COMPANIES**

The Company has filed with the Registrar of Companies, Companies Registration Office (“CRO”) Lahore, Securities & Exchange Commission of Pakistan, as required under Section 57(3) and (4) of the Companies Ordinance 1984, a copy of this Prospectus signed by Directors on behalf of the Company, along with the following documents attached thereto:

- a) Letter dated 9th December, 2014 from the Auditors of the Company, M/s Fazal Mahmood & Company Chartered Accountants, consenting to the publication of their names in the Prospectus, which contains in Part 6 certain statements and reports issued by them as experts (for which consent has not been withdrawn), as required under Section 57(5) of the Companies Ordinance 1984.
- b) Copies of Material Contracts and Agreements mentioned in Part 8 of this Prospectus as required under Section 57(4) of the Companies Ordinance, 1984.
- c) Written confirmations of the Legal Advisor to this Issue and Bankers to this Issue, mentioned in this Prospectus consenting to act in their respective capacities, as required under Section 57(5) of the Companies Ordinance, 1984.
- d) Written consents of Directors, Chief Executive and Company Secretary who have consented to their respective appointments made and their having been named or described as such Directors, Chief Executive and Company Secretary in this Prospectus, as required under Section 57(3) of the Ordinance, read with sub-clause (1) of clause (4) of Section 1 of Part 1 of the Second Schedule to the Ordinance.

### **1.4 LISTING AT KARACHI STOCK EXCHANGE LIMITED & LAHORE STOCK EXCHANGE LIMITED**

Applications have been made to the KSE & LSE for permission to deal in and for quotation of the shares of the Company.

If for any reason, the applications for formal listing are not accepted by the Stock Exchanges, the Company undertakes to publish immediately in the press a notice to that effect and thereafter to refund application money to the applicants without surcharge as required under the provisions of Section 72 of the Ordinance.

**1.5 CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE ISSUER**

We being the Chief Executive Officer and Chief Financial Officer of the Company certify that the Prospectus constitutes full, true and plain disclosures of all material facts relating to the shares being offered through this Prospectus and that nothing has been concealed.

The information provided and disclosures made in this Prospectus contain no misleading material.

For and behalf of Mughal Iron & Steel Industries Limited:

-Sd-

\_\_\_\_\_  
**Khurram Javaid**  
Chief Executive Officer

-Sd-

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

## PART 2

### 2 BOOK BUILDING PROCEDURE

#### 2.1 BRIEF ISSUE STRUCTURE

##### The Present Issue

The Issuer is issuing 27,350,000 Ordinary Shares of face value of PKR 10.00/- each which constitutes 25% of the post-IPO paid up capital of the Company.

The Issue is being made through the Book Building process at a Price band of PKR 20.00/- per share to PKR 34.00/- per share (including premium of PKR 10.00/- per share on Lower Limit and premium of PKR 24.00/- per share on Upper Limit of the price band), whereby 75% of the total issue size i.e. 20,512,500 Ordinary Shares will be issued through the Book Building process to Institutional Investors and High Net Worth Individuals (“HNWI”) while the balance 25% of the total Issue size i.e. 6,837,500 Ordinary Shares will be issued to the General Public at or below the Strike Price.

In case the Book Building portion is not fully subscribed and the Issuer decides to go ahead with the Issue then the unsubscribed shares of the Book Building portion shall be made part of the General Public portion of the issue and the shares will be offered at the Lower Limit i.e. PKR 20.00/- per share.

#### 2.2 BOOK BUILDING PROCEDURE

Book Building is a process whereby investors bid for a specific number of shares at various prices. The Lead Managers & Book Runner with the consent of Issuer has set the Lower Limit which is the lowest price an investor can bid at and an Upper Limit which is the highest price an investor can bid at. An Order Book of bids from investors is maintained by the Book Runner, which is then used to determine the strike price through the “**Dutch Auction Method**”.

Under the Dutch Auction Method, the strike price is determined by lowering the price to the extent that the total number of shares that the Issuer intends to issue through the Book Building process is subscribed.

A bid by a potential investor can be a “Limit Bid”, or a “Step Bid”, which are explained below:

- **Limit Bid:** Limit bid is at the limit price, which is the maximum price an investor is willing to pay for a specified number of shares.

In such a case a Bidder explicitly states a price at which he/she/it is willing to subscribe to a specific number of shares. For instance, a Bidder may bid for 2.0 million shares at PKR 21.00/- per share. Then total application money would amount to PKR 4,200,000/-. Since the Bidder has placed a limit price of PKR 21.00/- per share, this indicates that he/she/it is willing to subscribe at or below PKR 21.00/- per share.

- **Step Bid:** A series of limit bids at increasing prices. The aggregate amount of step bid shall not be less than PKR 1,000,000/- and the amount of any step shall not be less than PKR 250,000/-.

Under this bidding strategy, Bidders place a number of limit bids at different increasing price levels. The Bidders may, for instance, make a bid for 2.0 million shares at PKR 21 per share, 1.5 million shares at PKR 22 per share and 1.0 million shares at PKR 23 per share then in essence the investor has placed one Step bid comprising of three limit bids at increasing prices. The bid amount will be PKR 98.00 million. In case of HNWI, the bid amount will be 100% i.e. PKR 98.00 million whereas in case of Institutional Investor the amount shall be 25% of the bid amount i.e. PKR 24.50million.

**A SINGLE INVESTOR SHALL NOT MAKE MORE THAN ONE BID. HOWEVER, A BID CAN BE REVISED.**

**THE INVESTORS SHALL NOT PLACE CONSOLIDATED BIDS. A BID APPLICATION WHICH IS FULLY OR PARTIALLY BENEFICIALLY OWNED BY PERSONS OTHER THAN THE ONE NAMED THEREIN IS TO BE CONSIDERED AS A CONSOLIDATED BID.**

Once the bid period is over and Book has been built, the Issuer in consultation with Lead Manager and Book Runner shall determine the strike price.

Successful Bidders shall be intimated, within two (2) working days of the closing of the bidding period, the strike price and the number of shares provisionally allotted to each of them. The successful institutional Bidders shall, within seven (7) working days of the closing of the bidding period, deposit the balance amount as consideration against allotment of shares. **Where a successful bidder defaults in payment of shares allotted to him/her/it, the margin money deposited by such bidder shall be forfeited to the Book Runner under clause 8.11 of Appendix 2 of the Listing of Companies and Securities Regulations of the KSE and clause 8.10 of Appendix 4 of the Listing Regulations of the LSE.**

**AS PER REGULATION 8.16 OF APPENDIX 2 OF CHAPTER 5 OF THE KSE'S RULE BOOK AND REGULATION 8.15 OF THE LISTING REGULATION OF THE LSE, THE SUCCESSFUL BIDDERS SHALL BE ISSUED SHARES IN THE FORM OF BOOK-ENTRY SECURITIES TO BE CREDITED IN THEIR CDS ACCOUNTS. ALL THE INSTITUTIONAL AND HNWI INVESTORS SHALL, THEREFORE, PROVIDE THEIR CDC ACCOUNT NUMBERS IN THE BID APPLICATION.**

### **2.3 LEAD MANAGER AND ARRANGER**

AKD Securities Limited (“AKDS”) has been mandated by the Issuer to act as Lead Manager and Arranger to this Issue, which is being made through the Book Building process as laid out in Appendix 2 of Chapter 5 of the KSE’s Rule Book and Appendix 4 of the Listing Regulations of the LSE.

### **2.4 BOOK RUNNER**

AKD Securities Limited (“AKDS”) has been appointed by the Issuer as the Book Runner to this Issue.

## 2.5 ROLE AND FUNCTIONS OF LEAD MANAGER AND BOOK RUNNER

- a) The Lead Manager to the Issue shall:
- i. conduct awareness campaigns through presentations, meetings, road shows etc. jointly with Book Runner;
  - ii. ensure that all disclosures as required under the Companies Ordinance, 1984 and the Appendix 2 of Chapter 5 of the KSE's Rule Book and Appendix 4 of the Listing Regulations of the LSE have been made in the Prospectus;
  - iii. ensure that necessary infrastructure and electronic system / software is available to collect bids and to carry out the Book Building process in a fair, efficient and transparent manner;
  - iv. ensure that have obtained on behalf of the Issuer, all approvals / consents / NOCs relating to the Issue;
  - v. publish an advertisement, approved by the Commission, in at least one Urdu and one English daily Newspaper having wide circulation in the Federal and all the provincial capitals, to invite the Institutional Investor and HNWI to participate in the bidding process; and
  - vi. ensure that the Preliminary Prospectus will, after approval of the Commission, be uploaded on the Book Runner's as well as on the Company's website.
- b) The Book Runner to the Issue shall:
- i. conduct awareness campaigns through presentations, meetings, road shows etc. jointly with Lead Manager;
  - ii. ensure that necessary infrastructure and electronic system / software is available to collect bids and to carry out the Book Building process in a fair, efficient and transparent manner;
  - iii. collect bid applications and applications' money, security / margin as the case may be, from HNWI and the Institutional Investors in the manner as mentioned in the Appendix 2 of Chapter 5 of the KSE's Rule Book and Appendix 4 of the Listing Regulations of the LSE;
  - iv. place serial number, date and time on each bidding application at the time of collection of the same from the Bidders;
  - v. vet the bidding applications;
  - vi. build an Order Book showing demand for the shares at various prices;
  - vii. determine the strike price at the close of the bidding period;
  - viii. maintain record of the bids received for subscription of the shares;
  - ix. use the software for Book Building process developed by KSE, which is based on Dutch Auction Methodology for display of the Order Book and determination of

- the strike price, on the terms and conditions as may be agreed in writing between KSE and the Book Runner;
- x. ensure that in addition to live display of the Order Book on the website of KSE, also make live display of the same Order Book simultaneously on its own website till closing of the bidding period;
  - xi. ensure that each bid application contains depository account number of the Bidder maintained with CDCPL wherein shares shall be credited in case the bid is successful;
  - xii. not accept multiple bids i.e. more than one bid applications by the same person;
  - xiii. enter into an Underwriting Agreement with the Issuer;
  - xiv. circulate copies of the Preliminary Prospectus cleared by the Stock Exchanges and approved by the Commission along with the Bidding Forms to the prospective Institutional Investors and HNWI's;
  - xv. BR has established bid collection centers at the following addresses:

**Karachi**

Contact: **Mr. Syed Furqan Ahmed**  
Direct No.: +92-21-3536-0533  
PABX No.: +92-21-111-253-111 Ext. 621  
Fax No.: +92-21-3537-4291, +92-21-3537-3211  
Email: [sfurqan.ahmed@akdsecurities.net](mailto:sfurqan.ahmed@akdsecurities.net)  
Postal Address: **AKD Securities Limited**  
6<sup>th</sup> Floor, Continental Trade Centre  
Block 8, Clifton, Karachi

**Lahore**

Contact: **Mr. Ehsan Ahmad Qureshi**  
Direct No.: +92-42-36280742-4  
PABX No.: +92-42-111-253-111  
Fax No.: +92-42-3628-0745  
Email: [ehsan.ahmad@akdtrade.com](mailto:ehsan.ahmad@akdtrade.com)  
Postal Address: **AKD Trade**  
Room No. 512/513, 5<sup>th</sup> Floor  
Lahore Stock Exchange Building, Lahore

**Islamabad**

Contact: **Mr. Khalid Hussain**  
Direct No.: +92-51-2894325  
PABX No.: +92-51-289-4321  
Fax No.: +92-51-289-4323  
Email: [malik.khalid@akdtrade.com](mailto:malik.khalid@akdtrade.com)  
Postal Address: **AKD Trade**  
303, 3<sup>rd</sup> Floor, ISE Tower  
Jinnah Avenue, Blue Area, Islamabad

- xvi. BR shall ensure that all the Bids received by the bid collection centers are entered into the system developed by the KSE for the purpose of Book Building. **As per the**

criteria for Book Building issued by SECP, Bids received shall be entered into the KSE’s Book Building system till 5:00 pm and no new bid including those received in the bid collection centers shall be entered into the system after 5:00 pm. Further, Bidders can withdraw their bids any time till 5:00 pm but after 5:00 pm withdrawal shall not be allowed. However, Bidders can revise their bids any time till 7:00 pm

## 2.6 OPENING AND CLOSING OF THE BIDDING PERIOD

The Bidding Period shall be for **one** working day i.e. February 16, 2015. Bidding will commence at 09:00 a.m. on February 16, 2015 and will close at 05:00 p.m. on the same day.

|                                  |                                  |
|----------------------------------|----------------------------------|
| <b>BIDDING PROCESS STARTS ON</b> | <b>9:00 AM FEBRUARY 16, 2015</b> |
| <b>BIDDING PROCESS ENDS ON</b>   | <b>5:00 PM FEBRUARY 16, 2015</b> |

## 2.7 ELIGIBILITY TO PARTICIPATE IN BIDDING

Eligible investors who can place their bids in the Book Building process are **Institutional Investors** and **HNWIs**.

- Institutional Investors include both local and foreign Institutional Investors
- HNWI Investors are Individual Investors who bid for shares of value of PKR 1,000,000/- (Pak Rupees One Million Only) or above in the Book Building process

## 2.8 INFORMATION FOR BIDDERS

- The Preliminary Prospectus for issue of shares has been duly cleared by KSE and LSE and approved by SECP.
- The Preliminary Prospectus and the Bidding Form can be obtained from the Registered Office of Mughal Iron & Steel Industries Limited, AKDS and the designated bid collection centers. Preliminary Prospectus and Bidding Forms can also be downloaded from the following websites of the Book Runner and the Company i.e. [www.akdsecurities.net](http://www.akdsecurities.net) and [www.mughalsteel.com](http://www.mughalsteel.com).
- Eligible investors who are interested in subscribing to the Ordinary Shares should approach the Book Runner at the addresses provided in paragraph 2.5 for submitting their Bids.
- **THE BIDS SHOULD BE SUBMITTED ON THE PRESCRIBED BIDDING FORM IN PERSON OR THROUGH FAX NUMBERS GIVEN IN PARAGRAPH 2.5.**

## 2.9 BIDDING FORM AND PROCEDURE FOR BIDDING

- a) Standardized Bidding Form has been prescribed by the Book Runner. Bids shall be submitted at the Bid collection centers in person or through fax number given in paragraph 2.5 on the standard Bidding Form duly filled in and signed in duplicate. The Bidding Form shall be serially numbered at the bid collection centers and date and time stamped at the time of collection of the same from the Bidders.

- b) Upon completion and submission of the Bidding form, the bidders are deemed to have authorized the Issuer to make necessary changes in the Preliminary Prospectus as would be required for finalizing and filing the final Prospectus with the KSE, LSE and the SECP, without prior or subsequent notice of such changes to the bidders.
- c) The bidding procedure under the Book Building process is outlined below:
- i. As required under clause 8.8 of Appendix 2 of Chapter 5 of the KSE’s Rule Book, copy of approved Preliminary Prospectus shall be circulated by the Book Runner to a maximum number of Institutional Investors and HNWI’s, but not less than ten in each of the two categories inviting them for participation in the bidding process. Copy of the Preliminary Prospectus will also be placed on the websites of the Company and AKDS.
  - ii. An advertisement, approved by the Commission, shall be published at least in one Urdu and one English daily newspaper having wide circulation in the Federal and all the provincial capitals, inviting the Institutional Investors and HNWI’s for participation in the bidding.
  - iii. A Book Building Account shall be opened by the Issuer for collection of the bid amount. The bid money of all the successful bids shall remain in the respective IPO accounts specifically opened for this purpose till completion of the IPO and issuance of NOC by the concerned stock exchange.
  - iv. The Bidding Form shall be issued in duplicate signed by the Bidder and countersigned by the Book Runner, with first copy for the Book Runner, and the second copy for the Bidder.
  - v. Bids shall be submitted through the bid collection centers or through fax numbers given in paragraph 2.5 on the standard Bidding Form duly filled in and signed in duplicate. The addresses for the bid collection centers are given in paragraph 2.5.
  - vi. Bids can be placed at “limit price” or “step bid”.
  - vii. Bid money / margin money shall be deposited through demand draft, pay order in favor of **“IPO - Mughal Iron & Steel Industries Limited – BB”**. For online transfer the payment shall be made into A/C 118006900056996 being maintained in Faysal Bank Branch with the Account Tittle **“IPO - Mughal Iron & Steel Industries Limited - BB”**. Please note that online transfer facility shall only be allowed for Faysal Bank Limited customers.
  - viii. Book Runner shall collect an amount of 100% of the application money as bid money in respect of bids placed by HNWI’s.
  - ix. Book Runner shall collect an amount of not less than 25% of the application money as margin money in respect of bids placed by Institutional Investors.
  - x. The Book Runner may reject any bid placed by an Institutional Investor/HNWI for reasons to be recorded in writing and the reasons should be disclosed to such Bidder forthwith. Decision of the Book Runner shall not be challengeable by the Bidder or its associates.

- xi. **Book Runner shall not accept the bids made at a bid price outside the price band.**
- xii. **Book Runner shall ensure that all the bids received by the bid collection centers are entered into the system developed by KSE for the purpose of the Book Building according to the procedure as per clause 8.6 of Appendix 2 of Chapter 5 of the KSE's Rule Book and clause 8.6 of Appendix 4 of the Listing Regulations of the LSE. The system shall be capable to display live an Order Book, in descending order with respect to the bid price, showing the demand for shares at various prices and accumulative number of shares bid for along with percentage of the total shares offered. The Order Book should also show the revised bids and the bids withdrawn.**
- xiii. The Bidders will receive back the duplicate form upon submission of their bids which will be proof of their bid submission. The Bidder shall not be provided with any receiving if a dully filled duplicate form is not submitted along with the bid. In case of facsimile, a copy of form with receiving will be faxed back to the Bidder.
- xiv. Bidders can revise their Bids during the bidding period till 7.00 p.m. and withdraw their Bids till 5:00 p.m., however after 5.00 p.m. no withdrawal shall be allowed (for details please refer to paragraphs 2.13 and 2.15).
- xv. The Bidder shall provide a valid email address in the bid form so that the relevant id, password and the form no can be emailed to them upon placement of the bid.
- xvi. Book Runner shall maintain a record of the bids received/rejected/revised/withdrawn along with identities of the Bidder and evidence of the amount received.
- xvii. At the close of the Bidding period, the Issuer, in consultation with LM and BR shall determine the strike price on the basis of "Dutch Auction Method".
- xviii. **Under Clause 8.11 of Appendix 2 of KSE Rule Book, where successful Institutional Bidder default in payment of share allotted, the Margin Money deposited by such Institutional Bidder shall be forfeited to the Book Runner**
- xix. Successful Bidders shall be intimated, within two (2) working days of the closing of the bidding period, the strike price and the number of shares provisionally allotted to each of them.
- xx. The successful institutional Bidders shall, within seven (7) working days of the closing of the bidding period, deposit the balance amount as consideration against allotment of shares.
- xxi. Margin money of unsuccessful Bidders will be refunded within three (3) working days of the close of the bidding period.

Final allotment of shares out of the Book Building portion shall be made after receipt of full subscription money from the successful Bidders; however, shares to such Bidders shall be issued at the time of issue of shares out of the General Public portion of the Issue to successful applicants.

## 2.10 BANK ACCOUNT FOR BOOK BUILDING AND PUBLIC PORTION

The Issuer has opened two separate bank accounts for collection of applications' money, one each for the Book Building portion and the General Public portion of the Issue.

The Bidders shall draw demand draft or pay order in favor of **"IPO - Mughal Iron & Steel Industries Limited – BB"** which has been opened at Faysal Bank Limited (**"Collection Bank"**). The Collection Bank shall keep and maintain the bid money in the said account. The bid money of the successful bids shall remain in the respective IPO accounts specifically opened for this purpose till completion of the IPO and issuance of NOC by the concerned Stock Exchange.

## 2.11 PAYMENT INTO THE BOOK BUILDING ACCOUNT

The Bidders shall draw a demand draft, pay order favoring **"IPO - Mughal Iron & Steel Industries Limited – BB"** or online transfer into the respective IPO account of the Issuer A/C No 118006900056996 and submit the demand draft, pay order or evidence of online transfer at the designated bid collection center either in person or through facsimile along with a duly filled in Bidding Form.

For online transfer the payment shall be made into A/C 118006900056996 being maintained at Faysal Bank Clifton Branch with the Account Title **IPO - Mughal Iron & Steel Industries Limited - BB**. Please note that online transfer facility shall only be allowed for Faysal Bank customers.

**CASH MUST NOT BE SUBMITTED WITH THE BIDDING FORM AT THE BID COLLECTION CENTER. BID AMOUNT MUST BE PAID THROUGH PAY ORDER, BANK DRAFT OR ONLINE TRANSFER DRAWN/TRANSFER IN FAVOR OF "IPO - MUGHAL IRON & STEEL INDUSTRIES LIMITED – BB" IN A MANNER ACCEPTABLE TO THE BOOK RUNNER.**

Since the investors can bid for shares through "limit price", or a "step bid" therefore payment procedure is explained below for all these methods.

### a) PAYMENT FOR LIMIT PRICES

If investors are placing their bids through "Limit Price" then they shall deposit the margin money based on the number of shares they are bidding for at their stated bid price.

For instance, if an investor is applying for 5 million shares at a price of PKR 20 per share, then the total application money would amount to PKR 100 million. In such a case, (i) HNWI's shall deposit PKR 100 million in the Book Building account as the bid amount which is 100% of PKR 100 million; and (ii) Institutional Investors shall deposit at least PKR 25 million in the Book Building account as the margin money which is 25% of PKR 100 million.

### b) PAYMENT FOR STEP BIDS

If an investor is placing a "step bid", which is a series of limit bids at increasing prices, then he/ she/ it shall deposit the margin money / bid money based on the total number of shares he/ she/ it are bidding for at his/her/its stated bid prices.

For instance, if the investor bids for 0.5 million shares at PKR 21.00 per share, 0.4 million shares at PKR 22.00 per share and 0.3 million shares at PKR 23 per share, then in essence the investor has placed one “step bid” comprising three limit bids at increasing prices. The application money would amount to PKR 26.20 million, which is the sum of the products of the number of shares bid for and the bid price of each limit bid. In such a case, (i) HNWI shall deposit PKR 26.20 million in the Book Building Account as bid amount which is 100% of PKR 26.20 million and (ii) Institutional Investors shall deposit at least PKR 6.55 million in the Book Building Account as margin money which is 25% of PKR 26.20 million.

## 2.12 PAYMENT BY FOREIGN INVESTORS

Foreign investors may subscribe using their Special Convertible Rupee Accounts (SCRA), as set out under Chapter 20 of the State Bank of Pakistan’s Foreign Exchange Manual 2002. Under section 7(i) of Chapter 20, Companies issuing shares out of the new public offers on repatriable basis as permitted under sub para (B)(I) of paragraph 6 may open foreign currency collection accounts with Banks abroad or in Pakistan for receiving the subscription in foreign currency. This may also allow refunds from these accounts to unsuccessful applicants.

Foreign investors do not require any regulatory approvals to invest in the shares being offered by the Company. Payment in respect of investment in the shares of the Company has to be made in foreign currency through an inward remittance or through surplus balances in SCRA. Local currency cash account(s) opened for the purpose of Foreign Portfolio Investment (FPI) is classified as SCRA. There are no restrictions on repatriation on sale (disinvestment) and dividend proceeds. Underlying client names/beneficial owners are required to be disclosed at depository level.

Key Documents required for individual(s) are:

1. Account opening request
2. Passport / ID

General documentation required for opening of SCRA account by Corporate Bidders are:

1. Account opening request
2. Board Resolution & Signatories list
3. Passport / ID of Board of Directors
4. Certificate of Incorporation (COI) Equivalent / supporting documents: Trade Registry Certificate, Business Registration Certificate, Certificate of Commencement of Business
6. Memorandum & Articles of Association
7. Withholding tax registration certificate / Certificate of country of domicile of client
8. Latest Annual Report
9. List of Board of Directors
10. List of Shareholders (greater than 10% holdings) and key officers

It is however pertinent to note that the procedure and requirements of each institution differs, hence it is advised to request the procedure from each relative institution.

Payments made by foreign investors shall be supported by proof of receipt of foreign currency through normal banking channels. Such a proof shall be submitted along with the application by the foreign investors.

### **2.13 REVISION OF BIDS BY THE BIDDER**

The Bidders shall have the right to revise their bids any time during the bidding period and up to 07:00 pm on the bidding day. Online revision of the bids may be allowed to the Bidders through system software. This will, however, be subject to the condition that the Bidder shall comply with the requirements of bidding as disclosed under Appendix 2 of KSE's Rule Book and any other condition or procedure disclosed in the Prospectus.

### **2.14 REJECTION OF BIDS BY THE BOOK RUNNER**

In terms of clause 8.4 of Appendix 2 of KSE's Rule Book and Appendix 4 of the Listing Regulations of the LSE, the Book Runner may reject a bid placed by an Institutional Investor / HNWI for reasons to be recorded in writing and the reasons should be disclosed to such Bidder forthwith. Decision of Book Runner shall not be challengeable by the Bidder or its associates.

### **2.15 WITHDRAWAL OF BIDS BY THE BIDDER**

A Bidder has the right to withdraw a Bid from the bidding system any time during the Bidding Period till 05:00 pm. Online withdrawal of the Bids may be allowed to the Bidders through system software. This will however be subject to the condition that the Bidder shall comply with the requirements of bidding as disclosed under Appendix 2 of KSE's Rule Book and Appendix 4 of the Listing Regulations of the LSE and any other condition or procedure disclosed in the Preliminary Prospectus.

### **2.16 WITHDRAWAL OF ISSUE BY THE ISSUER**

- a) According to clause 3.10 of Appendix 2 of Chapter 5 of the KSE's Rule Book and Appendix 4 of the Listing Regulations of the LSE and the criteria for Book Building issued by SECP, in case the Issuer does not receive Bids within the Price Band for the minimum number of shares offered, they may withdraw the Issue. The decision of withdrawal shall be taken within a period of not more than three (3) working days from the closing of Bidding Period. However, if the Issuer decides to go ahead with the Issue then the unsubscribed shares of the Book Building portion shall be made part of the General Public portion and shall be offered to the General Public at the Lower Limit, i.e. PKR 20.00 per share. These shares will be underwritten as per the Book Building criteria of SECP. The shares subscribed under the Book Building portion will also be offered to the applicants at the Lower Limit Price, i.e., PKR 20.00 per share.
- b) The Issuer shall withdraw the Issue if the total bids received are less than fifteen.**
- c) The withdrawal shall be immediately intimated to the Commission and the Stock Exchanges.
- d) In case the Issue is withdrawn the Margin Money/ Bid money will be refunded to Bidders within three (03) working days of the decision of withdrawal without any markup, interest etc.**

### **2.17 MECHANISM FOR DETERMINATION OF STRIKE PRICE**

- a) At the close of the bidding period, the Issuer, in consultation with the Book Runner shall determine the strike price on the basis of "Dutch Auction Method". Under this

methodology, the strike price is determined by lowering the price to the extent that the total number of shares offered is subscribed.

- b) The Order Book shall display the bid prices in a tabular form in descending order along with the number of shares bid for and the cumulative number of shares at each price level.
- c) For the purpose of allotment of shares, the limit bid(s) made at the price determined / discovered as Strike Price through the Book Building process shall be ranked equally and **preference will be given to the bidder who has made the bid earlier.**
- d) Once the strike price is determined all those Bidders whose bids have been found successful shall become entitled for allotment of shares. The Bidders, who have made bids at prices above the strike price, will be issued shares at the strike price and the differential, if any, will be refunded. The Bidders, who have made bids below the strike price, shall not qualify for allotment of shares and their margin money shall be refunded.

The mechanism for determination of the strike price can be understood by the following illustration:

- a) **Number of shares being Offered through the Book Building: 20,512,500** Ordinary Shares
- b) **Lower Limit price: PKR 20.00/-** per share
- c) **Bidding Period: February 16, 2015**
- d) **Bidding Time: 9:00am – 5:00pm**
- e) **Bid Withdraw Time: 9:00am – 5:00pm**
- f) **Bidding Revision Time: 9:00am – 7:00pm**

| Bidder        | Price (PKR /Share) | Quantity (Shares in Million) | Cumulative Number of Shares (Shares in million) | Category of order |
|---------------|--------------------|------------------------------|-------------------------------------------------|-------------------|
| Institution A | 34.00              | 4.00                         | 4.00                                            | Limit Price       |
| Institution E | 33.50              | 2.00                         | 6.00                                            | Limit Price →     |
| Institution B | 33.00              | 2.50                         | 6.50                                            | Limit Price       |
| HNWI A        | 32.50              | 4.00                         | 10.50                                           | Step Bid          |
| Institution C | 32.00              | 6.00                         | 16.50                                           | Step Bid          |
| Institution D | 31.50              | 1.50                         | 18.00                                           | Limit Price       |
| HNWI B        | 31.00              | 3.00                         | 21.00                                           | Limit Price →     |
| Institution F | 30.50              | 1.00                         | 22.00                                           | Limit Price       |
| Institution G | 30.00              | 1.00                         | 23.00                                           | Limit Price       |
| HNWI C        | 29.50              | 1.00                         | 24.00                                           | Limit Price       |
| Institution C | 29.00              | 3.00                         | 27.00                                           | Step Bid          |
| Institution B | 28.50              | 2.00                         | 29.00                                           | Limit Price →     |
| HNWI A        | 28.00              | 1.00                         | 28.00                                           | Step Bid          |
| Institution C | 27.50              | 1.00                         | 29.00                                           | Step Bid          |

Bid Withdrawn

Strike Price determined through Dutch Auction Method

Bid has been revised and placed at PKR 33.00/share

Total Shares Subscribed

At PKR 34.00 per share, investors are willing to buy only 4.00 million shares. Since 16.51 million shares are still available, therefore the price will set lower.

At PKR 33.00 per share, investors are willing to buy 2.50 million shares. Since 14.01 million shares are still available, therefore, the price will set lower.

At PKR 32.50 per share, investors are willing to buy 4.00 million shares. Since 10.01 million shares are still available, the price will set lower.

At PKR 32.00 per share, investors are willing to buy 6.00 million shares. Since 4.01 million shares are still available, therefore, the price will set lower.

At PKR 31.50 per share, investors are willing to buy 1.50 million shares. Since 2.51 million shares are still available, therefore, the price will set lower.

At PKR 31.00 per share, investors are willing to buy 3.00 million shares. Since after bidding for 3.00 million shares at PKR 31.00 per share no share will be available therefore the strike price will be set at PKR 31.00 per share for the entire lot of 20.51 million shares.

The bidders who have placed bids at prices above the strike price (which in this illustration is PKR 31.00 per share), will become entitled for allotment of shares at the strike price and the differential would be refunded.

Investors, who have bid below PKR 31.00/- per share, do not qualify for allotment and their money would be refunded

After allotment in the aforementioned manner, 2.51 million shares are still available for allotment. These shares will be allotted to Bidders who have placed bid(s) at PKR 31.50 per share, however for the purpose of allotment of these 2.51 million shares **preference will be given to the Bidder who has placed the bid earlier.**

## **2.18 BASIS OF ALLOTMENT OF SHARES**

Once the strike price is determined all those Bidders whose bids have been found successful shall become entitled for allotment of shares. For allocation of shares priority shall be given to the bids placed at the highest price. The Bidders, who have made bids at prices above the strike price, will be issued shares at the strike price and the differential, if any, will be refunded. The Bidders, who have made bids below the strike price, shall not qualify for allotment of shares and their margin money shall be refunded.

For the purpose of allotment of shares, the bid(s) made at the price determined / discovered as Strike Price through the Book Building process shall be ranked equally and preference will be given to the bidder who has made the bid earlier.

In case bids received at the Upper limit exceeds the number of shares allocated under the Book Building, then preference will be given to the Bidders who have made the bid earlier.

Final allotment of shares out of the Book Building portion shall be made after receipt of full subscription money from the successful Bidders; however, shares to such Bidders shall be credited at the time of issue of shares out of the public portion of the issue to successful applicants.

## **2.19 REFUND OF MARGIN MONEY**

Investors who have bid lower than the strike price are not eligible for allotment of shares. Margin money of the unsuccessful Bidders shall be refunded within three (3) working days of the close of the bidding period as required under clause 8.12 of Appendix 2 of Chapter 5 of the KSE's Rule Book and Appendix 4 of the Listing Regulations of the LSE.

The Bidders, who have made bids at prices above the strike price, will be issued shares at the strike price and the differential will be refunded within three (3) working days of the close of the bidding period.

## **2.20 UNDERWRITING**

After determination of the strike price the Book Runner shall within two (2) working days of the closing of the bidding period enter into an Underwriting Agreement with the Issuer indicating the number of shares that the Book Runner would underwrite at the strike price and the Underwriting Commission / Fee to be charged.

## **2.21 PUBLICATION OF THE FINAL PROSPECTUS**

The Underwriting Agreement for the public portion shall be finalized within ten (10) working days from closing of the bidding period.

Upon finalization of the Underwriting Agreements, the Lead Manager shall, within ten (10) working days from the date of closing of the bidding period, submit an application to the Stock Exchanges for allocation of dates for publication of the Final Prospectus and subscription of shares by the General Public.

The Final Prospectus in full or in abridged form must be published within seventeen (17) working days of the closing of the bidding period in the manner as specified in Section 53 of the Companies Ordinance, 1984.

Public subscription for the shares shall be held at any date(s) within thirty days (30) of the publication of the Final Prospectus but not earlier than seven (7) days of such publication.

## **2.22 STATEMENT BY ISSUER**

Dated: October 14, 2014

**The Managing Director**

Karachi Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
Karachi

**The Managing Director**

Lahore Stock Exchange Limited  
Lahore Stock Exchange Building  
19 - Khayaban-e-Aiwan-e-Iqbal  
Lahore

On behalf of the Company, I confirm that all material information as required under the Companies Ordinance, 1984 and the Listing of Companies and Securities Regulations of the Karachi Stock Exchange Limited and Listing Regulations of Lahore Stock Exchange Limited has been disclosed in the Prospectus and that whatever is stated in Prospectus and the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed

For and on behalf of,  
Mughal Iron & Steel Industries Limited:

-Sd-

---

**Khurram Javaid**

Chief Executive Officer

## **2.23 STATEMENT BY LEAD MANAGER**

Dated: December 16, 2014

**The Managing Director**

Karachi Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
Karachi

**The Managing Director**

Lahore Stock Exchange Limited  
Lahore Stock Exchange Building  
19 - Khayaban-e-Aiwan-e-Iqbal  
Lahore

Being mandated as Lead Manager & Arranger to this Initial Public Offering of Mughal Iron & Steel Industries Limited through the Book Building process, we confirm that all material information as required under the Companies Ordinance, 1984 and Appendix 2 of the Listing of Companies and Securities Regulations of the Karachi Stock Exchange Limited and Listing Regulations of Lahore Stock Exchange Limited has been disclosed in this Prospectus and that whatever is stated in Prospectus and in the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and on behalf of,  
AKD Securities Limited:

-Sd-

---

**Syed Khurram Shahid**  
SVP / Head  
Investment Banking

**2.24 STATEMENT BY THE BOOK RUNNER**

Dated: December 16, 2014

**The Managing Director**

Karachi Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
Karachi

**The Managing Director**

Lahore Stock Exchange Limited  
Lahore Stock Exchange Building  
19 - Khayaban-e-Aiwan-e-Iqbal  
Lahore

Being mandated as Book Runner to this Initial Public Offering of Mughal Iron & Steel Industries Limited through the Book Building process, we confirm that all material information as required under the Companies Ordinance, 1984 and Appendix 2 of the Listing of Companies and Securities Regulations of the Karachi Stock Exchange Limited and Listing Regulations of Lahore Stock Exchange Limited has been disclosed in this Prospectus and that whatever is stated in Prospectus and in the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and on behalf of,  
AKD Securities Limited:

-Sd-

---

**Syed Khurram Shahid**  
SVP / Head  
Investment Banking

## PART 3

## 3 SHARE CAPITAL AND RELATED MATTERS

## 3.1 SHARE CAPITAL

| Number of Shares   |                                                                                                                                                    | Face Value (PKR)     | Premium (PKR) | Total (PKR)        |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|--------------------|
| 150,000,000        | AUTHORIZED CAPITAL<br>Ordinary Shares of PKR 10/- each                                                                                             | 1,500,000,000        | -             | 1,500,000,000      |
| 8,801,710          | ISSUED, SUBSCRIBED & PAID UP CAPITAL OF THE COMPANY<br>Issued for Cash: Ordinary shares of PKR 10/- each                                           | 88,017,100           | -             | 88,017,100         |
| 14,659,890         | Issued for Bonus : Ordinary shares of PKR 10/- each                                                                                                | 146,598,900          | -             | 146,598,900        |
| 58,579,553*        | Issued for Other than cash : Ordinary shares of PKR 10/- each                                                                                      | 585,795,530          | -             | 585,795,530        |
| <b>82,041,153</b>  | <b>Total</b>                                                                                                                                       | <b>820,411,530</b>   | <b>-</b>      | <b>820,411,530</b> |
| Number of Shares   |                                                                                                                                                    | Face Value (PKR)     | Premium (PKR) | Total (PKR)        |
|                    | THE EXISTING SUBSCRIBED, ISSUED & PAID UP CAPITAL OF THE COMPANY IS HELD AS FOLLOWS:                                                               |                      |               |                    |
|                    | <b>Sponsors/Directors</b>                                                                                                                          |                      |               |                    |
| 25,799,905         | Mirza Javaid Iqbal                                                                                                                                 | 257,999,050          | -             | 257,999,050        |
| 24,437,144         | Jamshed Iqbal                                                                                                                                      | 244,371,440          | -             | 244,371,440        |
| 24,433,140         | Muhammad Mubeen Bin Tariq Mughal                                                                                                                   | 244,331,400          | -             | 244,331,400        |
|                    | <b>Directors</b>                                                                                                                                   |                      |               |                    |
| 2,000,000          | Fahad Javaid                                                                                                                                       | 20,000,000           | -             | 20,000,000         |
| 1,951,960          | Khurram Javaid                                                                                                                                     | 19,519,600           | -             | 19,519,600         |
| 2,415,000          | Fazeel Bin Tariq                                                                                                                                   | 24,150,000           | -             | 24,150,000         |
| 503,904            | Waleed Bin Tariq                                                                                                                                   | 5,039,040            | -             | 5,039,040          |
| 500,000            | Mateen Jamshed                                                                                                                                     | 5,000,000            | -             | 5,000,000          |
| 100                | Syed Salman Shah                                                                                                                                   | 1000                 | -             | 1,000              |
| <b>82,041,153</b>  | <b>Total</b>                                                                                                                                       | <b>820,411,530</b>   | <b>-</b>      | <b>820,411,530</b> |
| Number of Shares   | Present Issue                                                                                                                                      | Face Value (PKR)     | Premium (PKR) | Total (PKR)        |
| 27,350,000         | The present Issue of 27,350,000 Ordinary Shares (25.00% of the post-IPO paid-up capital) having par value of PKR 10/- each is being made as under. | 273,500,000          | [x]           | [x]                |
| 20,512,500         | Allocation to Institutions / HNWI Investors through Book Building process at a strike price of PKR ___/- each                                      | 205,125,000          | [x]           | [x]                |
| 6,837,500          | General Public                                                                                                                                     | 68,375,000           | [x]           | [x]                |
| <b>27,350,000</b>  | <b>Total Present Issue</b>                                                                                                                         | <b>273,500,000</b>   | <b>[x]</b>    | <b>[x]</b>         |
| <b>109,391,153</b> | <b>Grand Total</b>                                                                                                                                 | <b>1,093,911,530</b> | <b>[x]</b>    | <b>[x]</b>         |

\* These shares were issued during preceding years in consideration for value of asset of “Mughal Steel” taken over by the Company. The requirements of Clause 8 of the Companies (Issue of Capital) Rules 1996 have been fully complied in this regard. However Clause 8(iv) of the Companies (Issue of Capital) Rules 1996 was not applicable as there was no intangible asset against the above referred issue of capital. There has been no other issue of shares otherwise than in cash other than those mentioned above. The fraction shares resulting as a result of the allotment were subsequently adjusted. For more details, please refer to Para 3.9.

**Notes:**

- I. As per rule 3 (I) (iv) of The Companies (Issue of Capital) Rules, 1996, the sponsors shall at all times retain at least 25% of the capital of the Company.
- II. As per Regulation 5.4.5 of the Listing of Companies and Securities Regulations of KSE and clause 6A(7) of the LSE Listing Regulations, Sponsors shareholding in excess of 25% shall not be saleable for a period of six months from the date of public subscription.
- III. In case the Book Building portion is not fully subscribed and the Issuer decides to go ahead with the Issue, then the unsubscribed shares of the Book Building portion shall be made part of the General Public portion of the Issue and shall be underwritten at a price offered to the General Public.
- IV. SECP vide its letter ref # SMD/CO.57 (1)/06/2014 dated November 18, 2014 has relaxed the requirement of clause (1) of its Book Building criteria dated July 24, 2014 enabling the Company to issue shares at a Price Band with a spread of 70% instead of 30%.

**3.2 OPENING AND CLOSING OF THE SUBSCRIPTION LIST**

The subscription list will open at the commencement of banking hours on MM DD, 2015 and will close on MM DD, 2015 at the close of banking hours. **Please note that online applications can be submitted 24 hours during the subscription period which will close at 12:00 midnight on MM DD, 2015.**

**In order to facilitate the investors, the Issuer has arranged provision of e-IPO facility through United Bank Limited (“UBL”) that is among the Bankers to the Issue. The accountholders of UBL can use UBL net-banking to submit their applications online via link <http://www.ubldirect.com/corporate/ebank>.**

**3.3 INVESTOR ELIGIBILITY FOR PUBLIC ISSUE**

Eligible investors include:

- a) Pakistani citizens resident in or outside Pakistan or persons holding two nationalities including Pakistani Nationality;
- b) Foreign nationals whether living in or outside Pakistan;
- c) Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their respective constitutive documents and existing regulations, as the case may be);
- d) Mutual Funds, Provident / Pension / Gratuity Funds / Trusts (subject to the terms of their respective Trust Deeds and existing regulations); and
- e) Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

**3.4 FACILITIES AVAILABLE TO NON-RESIDENT PAKISTANI AND FOREIGN INVESTORS**

Non-resident Pakistani investors and foreign investors may subscribe for the shares being issued through this Prospectus by using their Special Convertible Rupee Account (“**SCRA**”). For further details please see Chapter 20 of the Foreign Exchange Manual of the State Bank of Pakistan. Under Section 7(i) of Chapter 20 of the said Manual, Companies issuing shares out of new public offers on repatriable basis, as permitted under sub para (B) (I) of paragraph 6, may open foreign currency collection accounts with banks abroad or in Pakistan for receiving the subscription in foreign currency. They may also allow refunds from these accounts to unsuccessful applicants.

Foreign investors do not require any regulatory approvals to invest in the shares being offered by the Company through this prospectus. Payment in respect of investment in the shares of the Company has to be made in foreign currency through an inward remittance or through surplus balances in SCRA. Local currency cash account(s) opened for the purpose of Foreign Portfolio Investment (FPI) is classified as SCRA. There is no restriction of sale proceeds and dividend payouts on shares. Underlying client names/beneficial owners are required to be disclosed at depository level.

Key Documents required for individual(s) are:

- 1) Account opening request
- 2) Passport / ID

General documentation required for opening of SCRA account by corporate are:

- 1) Account opening request
- 2) Board Resolution & Signatories list
- 3) Passport / ID of Board of Directors
- 4) Passport / ID of all authorized signatories
- 5) Certificate of Incorporation (COI) or equivalent documents like Trade Registry Certificate, Business Registration Certificate, Certificate of Commencement of Business
- 6) Memorandum & Articles of Association
- 7) Withholding tax registration certificate / Certificate of country of domicile of client
- 8) Latest Annual Report
- 9) List of Board of Directors
- 10) List of Shareholders (>10% holdings) and key officers

It is however pertinent to note that the procedure and requirements of each institution differs, hence it is advised to request the procedure from each relative institution.

Payments made by foreign investor must be supported by proof of receipt of foreign currency through normal banking channels. Such proof must be submitted along with the application by the foreign investors

### **3.5 MINIMUM AMOUNT OF APPLICATION AND BASIS FOR ALLOTMENT OF SHARES OUT OF THE PUBLIC PORTION OF THE ISSUE**

The basis and conditions of allotment to the General Public shall be as follows:

- (a) Application for shares below the total value of PKR [\*] (Issue Price x 500 Shares) shall not be entertained.
- (b) The minimum amount of application for subscription is of 500 ordinary shares is PKR [\*] (Issue Price x 500 Shares).
- (c) Application for shares must be made for 500 shares or in multiple of 500 shares only. Applications which are neither for 500 shares nor for multiples of 500 shares shall be rejected.
- (d) **SUBMISSION OF FICTITIOUS AND MULTIPLE APPLICATIONS (MORE THAN ONE APPLICATIONS BY SAME PERSON) IS PROHIBITED AND SUCH APPLICATIONS' MONEY SHALL BE LIABLE TO CONFISCATION UNDER SECTION 18-A OF THE**

**SECURITIES AND EXCHANGE ORDINANCE, 1969.**

- (e) If the shares offered to the General Public are sufficient to accommodate all applications, all applications shall be accommodated.
- (f) If the shares applied for by the General Public are in excess of the shares offered to them, the distribution shall be made by computer balloting, in the presence of the representatives of the Stock Exchanges in the following manner:
- i. If all applications for 500 shares can be accommodated, then all such applications shall be accommodated first. If all applications for 500 shares cannot be accommodated then balloting will be conducted among applications for 500 shares only.
  - ii. If all applications for 500 shares have been accommodated and shares are still available for allotment, then all applications for 1,000 shares shall be accommodated. If all applications for 1,000 shares cannot be accommodated then balloting will be conducted among applications for 1,000 shares only.
  - iii. If all applications for 500 shares and 1,000 shares have been accommodated and shares are still available for allotment, then all applications for 1,500 shares shall be accommodated. If all applications for 1,500 shares cannot be accommodated then balloting will be conducted among applications for 1,500 shares only.
  - iv. If all applications for 500 shares, 1,000 shares and 1,500 shares have been accommodated and shares are still available for allotment, then all applications for 2,000 shares shall be accommodated. If all applications for 2,000 shares cannot be accommodated then balloting will be conducted among applications for 2,000 shares only.
- (g) After the allotment in the above mentioned manner, the balance shares, if any, shall be allotted in the following manner:
- i. If the remaining shares are sufficient to accommodate each application for over 2,000 shares, then 2,000 shares shall be allotted to each applicant and the remaining shares shall be allotted on pro-rata basis.
  - ii. If the remaining shares are not sufficient to accommodate all the remaining applications for at least 2,000 shares, then balloting shall be conducted for allocation of 2,000 shares to each applicant.
  - iii. If the Issue is oversubscribed in terms of amount only then the allotment of shares shall be made on the following basis:  
  
First preference will be given to the applicants who applied for 500 shares;  
Next preference will be given to the applicants who applied for 1,000 shares;  
Next preference will be given to the applicants who applied for 1,500 shares; and  
Next preference will be given to the applicants who applied for 2,000 shares.
  - iv. After allotment of the shares in the above mentioned manner, the balance shares, if any, shall be allotted on a pro-rata basis to the applicants who applied for more than 2,000 shares.

- v. Allotment of shares will be subject to scrutiny of the applications for subscription.
- vi. Applications which do not meet with the above requirements or which are incomplete will be rejected.

### **3.6 REFUND OF SUBSCRIPTION MONEY TO UNSUCCESSFUL APPLICANTS**

The Company shall take a decision within ten (10) days of the closure of subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful applications within ten (10) days of the date of such decision, as required under Section 71 of the Ordinance.

As per sub-section (2) of Section 71 of the Ordinance, if refund as required under sub-section (1) of Section 71 of the Ordinance is not made within the time specified therein, the Issuer shall be severally liable to repay the money with surcharge at the rate of 1.5% for every month or part thereof from the expiration of the 15th day and, in addition, to a fine not exceeding PKR 5,000/- and in case of continuing offense to a further fine not exceeding PKR 100/- per day after the said 15th day on which the default continues. Provided that the Issuer shall not be liable if it proved that the default in making the refund was not due to any misconduct or negligence on its part.

### **3.7 ISSUE AND DISPATCH OF SHARE CERTIFICATES**

The Company will dispatch share certificates to successful applicants through their Bankers to the Issue or by crediting the respective Central Depository System ("CDS") accounts of the successful applicants within thirty (30) days of the close of public subscription as per Listing of Companies and Securities Regulations of the KSE & LSE.

Shares will be issued either in scrip-less form in the CDS of CDCPL or in the shape of physical scripts on the basis of option exercised by the successful applicants. Shares in the physical scripts shall be dispatched to the Bankers to the Issue within thirty (30) days from the date of close of subscription list, whereas scrip less shares shall be directly credited through Book entry in the respective accounts maintained with the CDCPL.

The applicants who opt for receipt of shares in scrip-less form in CDS should fill in the relevant columns of the Application Form. In order to exercise the scrip-less option, the applicant(s) should have CDS account at the time of subscription.

If the Company defaults in complying with the above requirements, it shall pay the Stock Exchanges a penalty of PKR 5,000/- per day for every day during which the default continues.

The name of the Company will also be notified to the TRE Certificate holders of the Stock Exchanges and placed on the web site of the Stock Exchanges.

### **3.8 TRANSFER OF SHARES**

#### **(a) PHYSICAL SCRIPS**

Under the provisions of Section 77 of the Ordinance, the Directors of the Company shall not refuse to transfer any fully paid share unless the transfer deed is, for any reason, defective or invalid or is not accompanied by the relevant share certificate. Provided that the Company shall within thirty (30) days from the date on which the

instrument of transfer was lodged with it, notify the defect or invalidity to the transferee who shall, after the removal of such defect or invalidity, be entitled to re-lodge the transfer deed with the Company.

**(b) TRANSFER UNDER BOOK ENTRY SYSTEM**

The shares maintained in the CDS in the book entry form shall be transferred in accordance with the provisions of the Central Depositories Act, 1997 and the CDCPL Regulations.

**3.9 SHARES ISSUED IN PRECEDING YEARS**

| S. No        | No. of Shares Issued | Par Value (PKR) | Amount (PKR)       | Consideration       | Date of Issue     |
|--------------|----------------------|-----------------|--------------------|---------------------|-------------------|
| 1            | 60,000               | 10 (restated)   | 600,000            | Cash                | February 16, 2010 |
| 2            | 58,579,553           | 10 (restated)   | 585,795,530        | Other than in Cash* | January 1, 2011   |
| 3            | 14,659,890           | 10 (restated)   | 146,598,900        | Bonus Shares        | June 11, 2013     |
| 4            | 8,741,710            | 10              | 87,417,100         | Cash                | June 29, 2013     |
| <b>Total</b> | <b>82,041,153</b>    |                 | <b>820,411,530</b> |                     |                   |

\* These shares were issued during preceding years in consideration for value of asset of “Mughal Steel” taken over by the Company. The requirements of Clause 8 of the Companies (Issue of Capital) Rules 1996 have been fully complied in this regard. However Clause 8(iv) of the Companies (Issue of Capital) Rules 1996 was not applicable as there was no intangible asset against the above referred issue of capital. There has been no other issue of shares otherwise than in cash other than those mentioned above. The fraction shares resulting as a result of the allotment were subsequently adjusted. Details of assets & liabilities against which 58,579,553 shares have been issued are provided below:

| <b>Mughal Steel Value</b>                | <b>Amount (PKR)</b>  |
|------------------------------------------|----------------------|
| <b>Non-Current Assets</b>                |                      |
| Property, plant & equipment              | 650,885,944          |
| <b>Current Assets</b>                    |                      |
| Stocks, stores & spares                  | 686,026,205          |
| Trade debtors                            | 214,169,232          |
| Advances, deposits, prepayments          | 460,091,321          |
| Cash & bank balances                     | 84,401,666           |
| <b>Total Assets</b>                      | <b>2,100,574,368</b> |
| Less                                     |                      |
| <b>Non Current Liabilities</b>           |                      |
| Long Term Advances                       | 46,823,534           |
| <b>Current Liabilities</b>               |                      |
| Short Term Borrowing                     | 1,285,855,856        |
| Creditors, Accrued and Other Liabilities | 163,655,846          |
| Current Portion of Finance Lease         | 4,275,459            |
| Provision for Taxation                   | 14,168,143           |
| <b>Total Liabilities</b>                 | <b>1,514,778,838</b> |
| <b>Net Equity</b>                        | <b>585,795,530</b>   |

Other than the above mentioned shares, there has been no other issuance of shares since the incorporation of MISIL.

### 3.10 PRINCIPAL PURPOSE OF THE ISSUE

As per its business strategy, the Company intends to issue 27,350,000 Ordinary Shares at a Lower Limit of PKR 20 per share and Upper Limit of PKR 34 per share. The Company plans to use these funds to acquire a new 7.5MW Induction Furnace and to balance modernize & replace its existing manufacturing facilities. The issue will generate PKR 547 million and PKR 929.9 million at Lower Limit and Upper Limits of price band, respectively. Financial plan for the utilization of funds is given below:

| Particulars            | Capacity           | Estimated cost (PKR) | % of Total Estimated Cost |
|------------------------|--------------------|----------------------|---------------------------|
| Induction furnace      | 90,000 M/T p.a     | 250.0 million        | 45.78%                    |
| BMR of Re-rolling mill | Enhancement by 30% | 150.0 million        | 27.42%                    |
| Working capital        | N/A                | 147.0 million        | 26.80%                    |
| <b>Total</b>           |                    | <b>547.0 million</b> | <b>100.00%</b>            |

| Project Implementation Schedule |                                                  |                     |
|---------------------------------|--------------------------------------------------|---------------------|
| <b>Event</b>                    | <b>Installation of Induction furnace (7.5MW)</b> |                     |
| <b>Event Timeline</b>           | <b>Stage</b>                                     | <b>Schedule</b>     |
|                                 | Finalization of Vendor                           | 1st Quarter of 2015 |
|                                 | Procurement                                      | 3rd Quarter of 2015 |
|                                 | Installation                                     | 4th Quarter of 2015 |
|                                 | Commercial Production                            | 1st Quarter of 2016 |
| <b>Event</b>                    | <b>BMR of existing Re-Rolling Mills</b>          |                     |
| <b>Event Timeline</b>           | <b>Stage</b>                                     | <b>Schedule</b>     |
|                                 | Procurement                                      | 4th Quarter of 2015 |
|                                 | Installation                                     | 1st Quarter of 2016 |
|                                 | Commercial Production                            | 3rd Quarter of 2016 |

The envisage plan is expected to enable “Direct Rolling” for the tandem section mill acquired in 2013 with annual capacity of 300,000 M/T by equipping it with a new 7.5MW induction melting furnace which will reduce the overall cost of production. This will ensure continuous and cost effective source of material for the tandem section mill. The induction furnace will have annual production capacity of 90,000 M/t and will be installed in continuation of the existing production facilities. The up-gradation / BMR of existing Re-rolling mill will result in increased production by 30%.

The investment in expansion, balancing, modernization & replacement of existing manufacturing facility will facilitate growth in profit margins and will be instrumental in reducing manufacturing cost.

The Company is in the process of negotiation with different suppliers of furnaces. Once the deal is finalized, formal agreement will be executed. It is expected that the shipment will commence by second quarter of 2015 and the new furnace is expected to be at sight within third quarter of 2015. It is expected that the furnace will be installed by end of 2015. The expansion / BMR will be added to production by FY2015-16.

In case the strike price determined to be over the Lower Limit price, the excess funds shall be utilized to fulfill working capital requirement.

### 3.11 INTEREST OF SHAREHOLDERS

None of the holders of the issued shares of the Company have any special or other interest in the property or profits of the Company other than as holders of the Ordinary shares in the capital of the Company.

### 3.12 DIVIDEND POLICY

The rights in respect of capital and dividends attached to each share are and will be the same. The Company in its general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors. Dividend, if declared in the general meeting, shall be paid according to the terms of the provisions of the Ordinance.

The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company. No dividend shall be paid otherwise than out of the profits of the Company for the year or any other undistributed profits.

No unpaid dividend shall bear interest or mark-up against the Company. The dividends shall be paid within the period laid down in the Ordinance.

**Those applicants who intend that their cash dividend, if any, is directly credited in their Bank Account, must fill-in the relevant part of the shares subscription Form under the heading, “Dividend Mandate Option”.**

### 3.13 ELIGIBILITY FOR DIVIDEND

The shares issued shall rank pari-passu with the existing shares in all matters of the Company, including the right to such bonus or right issues, and dividend as may be declared by the Company subsequent to the date of issue of such shares.

### 3.14 DEDUCTION OF ZAKAT

Income Distribution will be subject to deduction of Zakat at source, pursuant to the provisions of Zakat and Ushr Ordinance, 1980. (XVIII of 1980) as may be applicable from time to time except where the Ordinance does not apply to any shareholder or where such shareholder is otherwise exempt or has claimed exemption from payment / deduction of Zakat in terms of and as provided in that Ordinance.

### 3.15 CAPITAL GAINS TAX

Capital gains derived from the sale of listed securities are taxable in the following manner under section 37A of Income Tax Ordinance, 2001:

|        |          | Tax Rate                     |                                                          |                              |
|--------|----------|------------------------------|----------------------------------------------------------|------------------------------|
|        |          | Holding period of securities |                                                          |                              |
| S. No. | Tax Year | Less than twelve months      | More than twelve months and less than twenty four months | More than twenty four months |
| 1      | 2015     | 12.5%                        | 10.0%                                                    | 0%                           |

### **3.16 WITHHOLDING TAX ON DIVIDENDS**

Dividend distribution to shareholders will be subject to withholding tax under section 150 of the Income Tax Ordinance, 2001 specified in Part 1 Division III of the First Schedule of the said Ordinance or any time to time amendments therein. In terms of the provision of Section 8 of the said Ordinance, said deduction at source, shall be deemed to be full and final liability in respect of such profits in case of individuals only. The following are the rates:

- (a) For filer of Income Tax Returns : 10 %
- (b) For non-filer of Income Tax Return : 15%

### **3.17 TAX ON BONUS SHARES**

As per section 236M of the Income Tax Ordinance 2001, tax at the rate of 5% of the value of “bonus shares” determined on the basis of the day end ex-price on the first day of book closure shall be collected by the Company issuing the “bonus shares”, which will be the final tax liability on such income of the shareholder.

### **3.18 INCOME TAX**

The income of the Company is subject to Income Tax under the Income Tax Ordinance, 2001.

### **3.19 DEFERRED TAXATION**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

As on September 30, 2014, the Company does not have any differed tax liability.

### **3.20 SALES TAX**

The Company is a Sales Tax registered entity that acts as a collection agent for Sales Tax on all sales made (Output Tax) and pays Sales Tax for all purchases made (Input Tax) from registered suppliers in accordance with the Sales Tax Act. The return of these Input Taxes and Output Taxes is filed and refund claims or payments are made to the Government in accordance with the balance of these taxes.

### **3.21 SINDH SALES TAX ON SALE / PURCHASE OF SHARES**

Under the constitution of Pakistan and Articles 49 of the 7<sup>th</sup> NFC Award the Government of Sindh has promulgated the Sindh Sales Tax on Service Act, 2011 (Sindh Act No. XII of 2011) (the Act) which has taken effect from July 2011. The Sindh Revenue Board Constituted under the Act (Sindh Act No. XI of 2010) administers and regulates the levy and collection of the Sindh Sales Tax (“SST”) on the taxable services provided or rendered in Sindh.

The value of taxable services for the purpose of levy of sales tax is the gross commission charged from clients in respect of purchase or sale of shares in a Stock Exchange under section 41(1) of the Sindh Sales Tax Rules, 2011, dated 30th June 2011. The Second Schedule of the Act levies a sales tax on Brokerage at the rate of 15%. The sales tax is withheld as per the requirements of Sindh Sales Tax Special Procedure (Withholding) Rules, 2011.

### **3.22 CAPITAL VALUE TAX (CVT) ON PURCHASE OF SHARES**

Pursuant to amendments made in the (Finance Act, 1989) through Finance (Amendments) Ordinance, 2012 promulgated on April 24, 2012, 0.01% Capital Value Tax will be applicable on the purchase value of shares.

### **3.23 TAX CREDIT FOR INVESTMENT IN IPO**

Under Section 62 of the Income tax Ordinance, 2001, a resident person other than a Company, shall be entitled to a tax credit for a tax year in respect of the cost of acquiring in the year, new shares offered to the public by a public company listed on a stock exchange in Pakistan, provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.

As per section 62(3)(b) of the Income Tax Ordinance, 2001, the time Limit for holding shares has been designated as 24 months to avail tax credit

### **3.24 TAX CREDIT FOR ENLISTMENT**

Under Section 65C of the Income tax Ordinance, 2001, tax credit at 15% of the tax payable shall be allowed for the tax year in which a Company is listed on a Stock Exchange in Pakistan.

### **3.25 JUSTIFICATION FOR PREMIUM**

**Rationale for the justification of premium is set out below:**

#### **3.25.1 Sponsor Profile & Management Prowess**

The main sponsors of MISIL have been in the industry for over 50 years. During this period the Company has brought together a team of technically skilled and well versed individuals all of whom have significant experience in the industry. The Company lays a strong emphasis on recruiting and retaining the best professionals.

#### **3.25.2 Impressive Historical Performance**

The Company has enjoyed a strong growth in the revenue stream over the years. In last four years, the Company's has achieved strong revenue CAGR of 25%. Net profit during the aforementioned period increased over 9 times on the back revenue growth and improved operational efficiency.

The year 2013-2014 itself has been a hallmark year in the history of Mughal Iron & Steel Industries Limited, in which the Company has earned the highest ever profits. The Company not only made profits, but also continued its journey towards becoming the market leader. The Company having posted revenue of PKR 5.86 billion and after tax profit

of PKR 391 million, has managed to increase its profitability 3 folds over the corresponding period.

### 3.25.3 Strong Outsourcing Capabilities

MISIL through its Sponsors has established relationships in the industry for over five decades and as a result possesses strong outsourcing capabilities. This allows for significant scaling of its operations through a network of dependable partners. The synergies developed have further strengthened MISIL as a Company. Presently the work is outsourced to reliable concerns that have standards at par with MISIL. MISIL has also deployed a strong vigilance team to ensure that the quality of the products is maintained at all levels of outsourcing.

### 3.25.4 Export Oriented Company

The Company first entered the export arena back in the year 2006. The export for the year June 2014 amounted to PKR 2.25 billion which constitutes 38.41% of the overall sales. This is a huge hallmark for the Company as the Company has successfully established its brand image on international platform. Furthermore significant exposure to export sale isolates the Company from risks attached with the local demand dynamics.

| Percentage of Local and Export Sales |      |      |      |      |
|--------------------------------------|------|------|------|------|
|                                      | FY11 | FY12 | FY13 | FY14 |
| Local Sales                          | 35%  | 26%  | 60%  | 62%  |
| Export Sales                         | 65%  | 74%  | 40%  | 38%  |

### 3.25.5 International Standard Infrastructure

In order to ensure and maintain quality standard Mughal Labs (“ML”) was established in 2003. ML is equipped with state of the art Chemical and Mechanical Analytics machines as well as an Optical Emission Spectrometer of the M8 Series.

The Company has a freehold land that covers an area of 256,284 square yards at Sheikupura Road, Lahore from which it operates with the following Plants and Equipment:

| Induction Furnaces       | Unit | Origin              | Installation Year | Annual Capacity |
|--------------------------|------|---------------------|-------------------|-----------------|
| Induction Furnace 7.5MW  | 1    | Electrotherm India  | 2014-2015         | 90,000 Tonnes   |
| Induction Furnaces 6.0MW | 2    | EMT Megatherm India | 2013-2014         | 144,000 Tonnes  |
| Induction Furnace 5.0MW  | 1    | Electrotherm India  | 1999              | 60,000 Tonnes   |
| Induction Furnace 4.0MW  | 1    | Electrotherm India  | 1995              | 48,000 Tonnes   |
| Submerged Arc Furnace    | 1    | China               | 2007              | 42,000 Tonnes   |

| Power Generators/ Supply | Unit | Origin    | Installation Year | Annual Capacity |
|--------------------------|------|-----------|-------------------|-----------------|
| Coal Gasification Plant  | 1    | China     | 2011              | 11,000,000 BTUs |
| 9.3MW Power Plant        | 1    | Australia | 2006              | 64,152 MW       |
| 20MW Dedicated Grid      | 1    | N/a       | 2011-2012         | 175,200 MW      |

| Re-Rolling Mills            | Unit | Origin       | Installation Year | Annual Capacity |
|-----------------------------|------|--------------|-------------------|-----------------|
| Tandem Section Mill         | 1    | Italy/Turkey | 2013              | 300,000 Tonnes  |
| Dedicated Bar Rolling Mill  | 1    | Italy/Turkey | 2010              | 150,000 Tonnes  |
| Small Section Mills         | 2    | Pakistan     | 2008              | 72,000 Tonnes   |
| Sheet Re-Rolling, SS Blacks | 1    | India        | 2003              | 13,000 Tonnes   |
| Medium Section Rolling Mill | 1    | India        | 1994              | 140,000 Tonnes  |

The state of the art facility ensures uninterrupted production of prime quality products with maximum level of efficiencies. Over the years the Company has prioritized

investment in cutting edge technology to ensure high quality, and diverse output range at increasing production efficiency.

### **3.25.6 Corporate Social Responsibility**

MISIL, being a socially responsible Company is involved in many philanthropic activities which have reflected very positively on its image building amongst its clients and the society at large. The Company has built state of the art Eye Hospital in 1998 which provides majority of the services free of charge to the General Public. To date it has catered about 100,000 outdoor patients and conducted 10,000 major surgeries, 15,000 minor surgeries and 5,000 laser surgeries.

### **3.25.7 Strong controls and corporate governance**

The Company is in the final stage of implementation of Microsoft AX, which will provide robust information system to monitor the supply chain. The Company ensures implementation of the best corporate governance practices in order to promote transparency and follows all applicable International Financial Reporting Standards (“IFRS”).

### **3.25.8 Captive Power and Gas Supply**

In the wake of extensive power and gas outages the Company has managed to mitigate this risk by developing indigenous power and gas supply. MISIL has installed 9.3MW gas-fired power plant. This power plant contributes one third (1/3rd) of MISIL’s total requirement. Furthermore the management of the Company is now focusing on the production of electricity through cheaper sources like coal, and is in the phase of buying additional land to install coal based power house to meet its electricity requirements.

In comparison to the Residual Furnace Oil based generation Coal-based power plants operate at an approximately 25%-30% markdown kwh in terms of fuel cost, reducing the overall cost of generation. Although global oil prices have declined, the global price of coal has also witnessed a decrease thus sustaining this markdown.

Furthermore the Company invested PKR 40 million in the installation of a coal gasification industrial plant located at their existing production facility at 17 KM Sheikhapura Road Lahore that prepares clean syngas which can be used as a substitute to natural gas in heating process. The plant is operating successfully to date and has contributed significantly in reducing cost of re-rolling thereby giving MISIL an edge over its competitors.

### **3.25.9 Attractive Lower Limit**

The Price Band with Lower Limit of PKR 20 per share represents a value proposition based on existing trading multiples of the market. Currently the KSE 100 Index trades at a P/E of 9.70 and P/B of 2.04 respectively. The Company trailing Pre-IPO P/E and P/B multiple of 4.20 times and 1.24 times and Post IPO P/E and P/B of 5.60 times and 1.65 times (based on Lower Limit) respectively indicate sufficient room for growth. The multiples are based on FY14 audited financial statement.

|                      | Pre-IPO    | Post-IPO    |
|----------------------|------------|-------------|
| No of Shares         | 82,041,153 | 109,391,153 |
| EPS                  | 4.76       | 3.57        |
| BVPS                 | 16.17      | 12.12       |
| P/E (At Lower Limit) | 4.20       | 5.60        |
| P/B (At Lower Limit) | 1.24       | 1.65        |

Furthermore please find below pre-IPO key valuation multiple based on both Lower and Upper Limit:

| Financial Ratios  | 2012  | 2013  | 2014 |
|-------------------|-------|-------|------|
| P/E (Lower Limit) | 10.97 | 12.85 | 4.20 |
| P/E (Upper Limit) | 18.65 | 21.85 | 7.14 |
| P/B(Lower Limit)  | 1.60  | 1.73  | 1.24 |
| P/B (Upper Limit) | 2.72  | 2.94  | 2.10 |

### 3.25.10 Peer Group Analysis

The following is the peer group comparison of MISIL with other listed Companies:

| Financial Year 2014            | PKR in Million |        |        |       |        |        |        |
|--------------------------------|----------------|--------|--------|-------|--------|--------|--------|
|                                | MISIL*         | ISL    | INIL   | CSAP  | ASL    | HSPI   | STPL   |
| No. of Shares Outstanding (mn) | 82.04          | 435.00 | 119.89 | 62.11 | 270.96 | 55.48  | 78.52  |
| Price (PKR) - 15/01/15         | 20.00          | 28.13  | 73.46  | 54.21 | 10.07  | 24.78  | 7.2    |
| Market Capitalization          | 1,641          | 12,237 | 8,807  | 3,367 | 2,729  | 1,375  | 565    |
| Revenue                        | 5,857          | 21,280 | 16,341 | 4,032 | 9,259  | 1,518  | 2,092  |
| Profit After Tax               | 391            | 690    | 503    | 360   | (346)  | (36)   | (152)  |
| Earnings Per Share (PKR)       | 4.76           | 1.59   | 4.19   | 5.80  | (1.28) | (0.66) | (1.94) |
| Book Value Per Share (PKR)     | 16.17          | 13.26  | 50.08  | 64.52 | 9.35   | 22.40  | 9.975  |
| P/E (x)                        | 4.20           | 17.74  | 17.52  | 9.35  | N/A    | N/A    | N/A    |
| P/B (x)                        | 1.24           | 2.12   | 1.47   | 0.84  | 1.08   | 1.11   | 0.72   |

\*MISIL financials are based on Lower Limited price and pre-IPO number of shares

## PART 4

## 4 UNDERWRITING, COMMISSIONS, BROKERAGE AND OTHER EXPENSES

## 4.1 UNDERWRITING

**Book Building Portion**

AKD Securities Limited has been mandated as the Book Runner to the Issue. The Book Runner will underwrite the Book Building portion of the Issue which comprises 75% of 27,350,000 Ordinary Shares within two (2) working days of the closing of the bidding period as required under Clause 5 of Appendix 2 of KSE's Rule Book and Appendix 4 of the Listing Regulations of the LSE at the strike price determined through the Book Building process. In the opinion of the Directors, the resources of the Underwriters are sufficient to discharge their underwriting commitments / obligations.

**Public Portion**

As required under Clause 6 of Appendix 2 of the Listing of Companies and Securities Regulations of KSE and Appendix 4 of the Listing Regulations of the LSE and rule 4(iii) of the Companies (Issue of Capital) Rules, 1996, the General Public portion of the Issue 6,837,500 Ordinary Shares has been underwritten as under:

| Name of Underwriter | Number of Shares Underwritten | Amount (PKR) |
|---------------------|-------------------------------|--------------|
|                     |                               |              |
|                     |                               |              |
|                     |                               |              |
|                     |                               |              |
| <b>TOTAL</b>        |                               |              |

**Names of the underwriters and number of shares underwritten by each of them along with the amount shall be disclosed in the Final Prospectus.**

If, and to the extent, the Ordinary Shares underwritten are not subscribed and paid for in full by the closing date for the public subscription, the Underwriters in terms of the underwriting agreements will, within \_\_\_\_ days of being called upon to do so by the Company, (i) subscribe and take up against full payment in cash or (ii) procure subscribers to subscribe and take up against full payment in cash, the shares remained unsubscribed subject to the maximum number of the shares underwritten by each of them.

In opinion of the Directors, the resources of the Underwriters are sufficient to discharge their underwriting commitments.

## 4.2 UNDERWRITING COMMISSION

**Book Building Portion**

The Book Runner will be paid underwriting commission at the rate of **0.25%** of the Book Building portion of the Issue.

In addition to the underwriting commission, the Book Runner will be paid a take-up commission at the rate of **0.5%** of the amount of shares taken up.

### **General Public Portion**

The Underwriters will be paid an underwriting commission at the rate of **1.50%** of the amount underwritten by them. In addition, a take-up commission at the rate of **1.50%** shall be paid to the underwriters on the value of the shares to be taken-up by virtue of their respective underwriting commitments / obligations.

### **4.3 BUY BACK / REPURCHASE AGREEMENT**

**THE UNDERWRITERS HAVE NOT ENTERED INTO ANY BUY BACK / RE-PURCHASE AGREEMENT WITH THE COMPANY OR ANY OTHER PERSON IN RESPECT OF THIS PUBLIC ISSUE.**

**ALSO, NEITHER THE COMPANY NOR ANY OF ITS ASSOCIATES HAVE ENTERED INTO ANY BUY BACK/RE-PURCHASE AGREEMENT WITH THE UNDERWRITERS OR THEIR ASSOCIATES. THE COMPANY AND ITS ASSOCIATES SHALL NOT BUY BACK/RE-PURCHASE SHARES FROM THE UNDERWRITERS AND THEIR ASSOCIATES.**

### **4.4 COMMISSION TO THE BANKERS TO THE ISSUE**

Commission at the rate of 0.50% of the amount collected on allotment in respect of successful applicants will be paid by the Company to the Bankers to the Issue for services to be rendered by them in connection with the public issue, plus out-of-pocket expenses, if any.

### **4.5 BROKERAGE**

For this Issue, brokerage shall be paid to the TRE Certificate Holders of KSE and LSE at the rate of 1.00% of the value of shares (including premium if any) on successful applications. No brokerage shall be payable in respect of shares taken up by the Underwriters by virtue of their underwriting commitments.

#### 4.6 ESTIMATED EXPENSES OF THE ISSUE

Expenses to the Issue are estimated not to exceed PKR 34,278,251/-The break-up of these preliminary expenses is given below:

| Expenses to the Issue                                                   | Rate   | Amount (PKR)      |
|-------------------------------------------------------------------------|--------|-------------------|
| Underwriting Commission - Book Building                                 | 0.250% | 1,025,625         |
| Underwriting Commission - General Public                                | 1.500% | 2,051,250         |
| Take-up Commission - Book Building*                                     | 0.500% | 2,051,250         |
| Take-up Commission - General Public*                                    | 1.500% | 2,051,250         |
| Commission to Bankers to the Offer Including Out of Pocket Expense      | 0.500% | 1,183,750         |
| TREC Holders of the Stock Exchanges                                     | 1.000% | 5,470,000         |
| Book Runners Fee                                                        | 0.625% | 2,564,063         |
| Lead Management & Arrangement Fee                                       | 1.750% | 9,572,500         |
| Printing, Publication of Prospectus / Application Forms                 |        | 2,000,000         |
| KSE Listing Fee & Charges:                                              |        |                   |
| - Initial Listing Fee                                                   |        | 1,093,912         |
| - Annual Listing Fee                                                    |        | 379,696           |
| - Service Charges                                                       |        | 50,000            |
| LSE Listing Fee & Charges:                                              |        |                   |
| - Initial Listing Fee                                                   |        | 1,093,912         |
| - Annual Listing Fee                                                    |        | 215,845           |
| - Service Charges                                                       |        | 50,000            |
| KSE Software Charges for Book Building                                  |        | 500,000           |
| CDC Annual Fees for Eligible Security                                   |        | 200,000           |
| CDC Fresh Issue Fee                                                     | 0.16%  | 875,200           |
| SECP Application & Processing Fees                                      |        | 200,000           |
| Legal & Professional Charges                                            |        | 500,000           |
| Balloters & Share Registrar Fees etc.                                   |        | 150,000           |
| Miscellaneous Costs                                                     |        | 1,000,000         |
| <b>Total</b>                                                            |        | <b>34,278,251</b> |
| * These amounts represent the maximum possible costs under these heads. |        |                   |

## PART 5

### 5 OVERVIEW, HISTORY AND PROSPECTS

---

#### 5.1 COMPANY HISTORY

MISIL started business in the early 50s as a sole proprietorship firm and later on converted to a private limited company on February 16, 2010.

With a history of over 50 years of excellence to its credit, Mughal Iron & Steel Industries Limited (“MISIL”) is one of the leading companies of Pakistan in the iron and steel sector and the largest manufacturer of long rolled iron & steel products in Pakistan. The Company was established in the early 50s in the form of a proprietorship firm with the aim for to uplift trade, contribute to national economy and ensure industrial growth of the country.

In 1994, a production unit was established under the title of “Al-Bashir Steel Industries (Private) Limited” at 17-Km Sheikhpura Road, Lahore. The Company installed a melting unit along with medium Section Re-Rolling Mills to produce residential and structural sections like I-beams, H-beams, C-sections, L-sections etc.

In 1998 Mughal Steel (a partnership concern) was established. In the same year Mughal Steel stepped in to providing social services and as a result established an eye hospital under the name of “Mughal Trust”. Since its inception Mughal Trust has been involved in a number of charitable ventures. Mughal Trust commenced operation in 2001. To date it has catered about 100,000 outdoor patients and conducted 10,000 major surgeries, 15,000 minor surgeries and 5,000 Laser surgeries approximately. The hospital is equipped with the latest ophthalmology equipment.

In 1999, Mughal Steel imported and established 2 Induction Furnaces. In the same year an Argon Oxygen Decarboriser (“AOD”) was installed along with ladle refining furnace reaching a complete melting, refining alloying cycle. AOD was the first of its kind in Pakistan, capable of producing stainless steel of 200, 300 and 400 series.

In 2003, a Stainless Steel Sheet Rolling Mill was added to the previously established Mughal Steel. The new production unit resulted in increased product line and efficiency. Furthermore to compliment several production units and ensure quality standard Mughal Labs (“ML”) was established. ML is equipped with Chemical and Mechanical Analytics machines as well as an Optical Emission Spectrometer of the M8 Series.

In 2005-6 foreseeing the rising demand of electricity, “Mughal steel” imported and installed a 9.3 MW captive power plant in collaboration with GE Jenbacher.

In 2007, Mughal Ferros was established. The project was aimed at utilizing existing deposit of Manganese and Chromites in Pakistan for the formation of alloys such as Ferro Manganese & Ferro Chrome. It is used for reducing metals from their oxides as well as for deoxidizing steel and other ferrous alloys.

In 2008, Mughal Steel took over the Plant & Machinery of Al-Bashir Steel Industries (Private) Limited and installed two additional mini sectional mills.

In 2010 Mughal Iron & Steel Industries Limited (“MISIL”) was incorporated which took over the running business of “Mughal Steel” (Partnership concern). In the same year MISIL installed a bar re-rolling mill with capacity of 150,000 M/T.

In 2011 MISIL installed a coal gasification plant and further in 2013 installed a new tandem section mill with annual capacity of 300,000 M/T.

In 2014 the MISIL enhanced its melting capacity by installing two new induction furnaces of 7.5 MW and 6 MW. The Company further installed a continuous casting machine (CCM) to support enable direct rolling for its bar-re rolling mill will resulted in cost efficiency and reduction is wastage.

At present MISIL operates its manufacturing facilities which include melting furnaces, smelting facilities, re-rolling of different sections (both hot and cold rolling), power house & coal gasification plants etc and is involved in multidimensional activities such as making billets of Mild Steel, Spring Steel, Deformed bar, Re-bar, Cold Twisted Rebar and a huge range of Sections such as I. Beams, L.Sections, C-section, H.Beam, T-bar etc. in the downstream industry.

### **Shareholding Pattern**

| <b>Shareholders</b>              | <b>Number of Shares</b> | <b>Percentage</b> |
|----------------------------------|-------------------------|-------------------|
| Mirza Javaid Iqbal               | 25,799,905              | 31.45%            |
| Jamshed Iqbal                    | 24,437,144              | 29.79%            |
| Muhammad Mubeen Bin Tariq Mughal | 24,433,140              | 29.78%            |
| Fahad Javaid                     | 2,000,000               | 2.44%             |
| Khurram Javaid                   | 1,951,960               | 2.38%             |
| Fazeel Bin Tariq                 | 2,415,000               | 2.94%             |
| Waleed Bin Tariq                 | 503,904                 | 0.61%             |
| Mateen Jamshed                   | 500,000                 | 0.61%             |
| Syed Salman Shah                 | 100                     | 0.00%             |
| <b>Total</b>                     | <b>82,041,153</b>       | <b>100.00%</b>    |

## 5.2 LIST OF PLANT AND MACHINERY

The following is the list of Plant and Machinery of the Company:

| Induction Furnace        | Unit     | Origin                | Annual Capacity<br>(Tonnes) | Installation Year | Usefull Life |
|--------------------------|----------|-----------------------|-----------------------------|-------------------|--------------|
| Induction Furnace 7.5 MW | 1        | Electotherm, India    | 90,000                      | 2014-2015         | 20           |
| Induction Furnace 6.0 MW | 2        | EMT Megatherm , India | 144,000                     | 2013-2014         | 20           |
| Induction Furnace 5.0 MW | 1        | Electotherm, India    | 60,000                      | 1999              | 6            |
| Induction Furnace 4.0 MW | 1        | Electotherm, India    | 48,000                      | 1995              | 5            |
| Submerged Arc Furnace    | 1        | China                 | 42,000                      | 2007              | 13           |
| <b>Total No of unit</b>  | <b>6</b> | <b>Total Capacity</b> | <b>384,000</b>              |                   |              |

| Re Rolling Mills               | Unit     | Origin         | Annual Capacity<br>(Tonnes) | Installation Year | Usefull Life |
|--------------------------------|----------|----------------|-----------------------------|-------------------|--------------|
| Tandem Section Mill            | 1        | Italy / Turkey | 300,000                     | 2013              | 19           |
| Bar Rolling Mill               | 1        | Italy / Turkey | 150,000                     | 2010              | 20*          |
| Small Section Mills            | 2        | Pakistan       | 72,000                      | 2008              | 14           |
| Sheet Re-Rolling SS Blacks     | 1        | India          | 13,000                      | 2003              | 9            |
| Medium Section Re-Rolling Mill | 1        | India          | 140,000                     | 1994              | 0**          |
| <b>Total No of unit</b>        | <b>6</b> |                | <b>675,000</b>              |                   |              |

\* Plant recently Upgraded

\*\* Plant in the process of Upgradation

| Power                   | Unit | Unit    | Annual Capacity<br>(Tonnes) | Installation Year | Usefull Life |
|-------------------------|------|---------|-----------------------------|-------------------|--------------|
| Power Grid 20 MW        | 1    | N/A     | 175,200 MW                  | 2011-2012         | -            |
| Coal Gasification Plant | 1    | China   | 11.0 mmbTU                  | 2011              | 17           |
| Power Plant 9.3 MW      | 3    | Austria | 64,152 MW                   | 2006              | 12           |

After the issue, the Company will acquire a new 7.5MW Induction Furnace to feed molten steel directly to tandem section mill, this will result in reduce the cost of reheating for the rolling process. Additionally the Company will increase its tandem section mill capacity by 30% to 390,000 tonnes. To support current and future plant expansions, the Company will increase the current load capacity of its existing 132–KVA grid from 20 MW to 60 MW. This will ensure uninterrupted power supply to MISIL and improve productivity.

### PLANT LOCATION



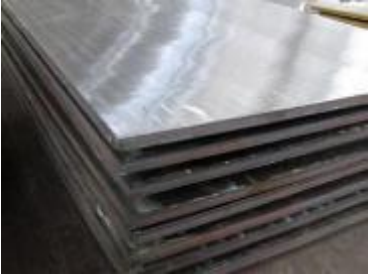


Manufacturing site of the Company is located at Sheikupura Road, Lahore on a freehold land that covers an area of 256,284 square yards. The manufacturing facilities cover 39,244 square yards. Storage areas cover 18,778 square yards. 1,549 square yards are covered by Administrative buildings.

## 5.3 PRODUCTS OFFERED

MISIL product range comprises of the following products:

- Girders
- Beams
- Deformed Bars
- Tee Iron
- Stainless Steel Flats / Blanks
- Mild Steel Billet
- Stainless Steel Billet
- Spring steel Billets, Alloys Steel Billet

- Ferro Manganese
- Ferro Silicone
- Ferro Chrome; and
- Ferro Silicone Manganese etc.

|                                                                                                                                                             |                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p style="text-align: center;"><b>Girder &amp; Beam</b></p>                | <p style="text-align: center;"><b>Deformed Bars</b></p>                                                                          |
| <p style="text-align: center;"><b>Stainless Steel Flats / Blanks</b></p>  | <p style="text-align: center;"><b>Mild Steel Billet, Stainless Steel Billet, Spring steel Billets, Alloys Steel Billet</b></p>  |
| <p style="text-align: center;"><b>Ferros</b></p>                        |                                                                                                                                                                                                                    |

#### **5.4 MANUFACTURING PROCESS BILLET (STEEL MELTING)**

The billet manufacturing process is detailed out as under:

##### **STAGE 1**

Iron and Steel Scrap (Shredded/Heavy Melting Scrap/Low melting Scrap) is transferred from Scrap Yard with the help of magnetic crane or otherwise to the platform of furnace. Before feeding the scrap to the furnace, the furnace is prepared with lining powder i.e. Quartz (SiO<sub>2</sub>) and boric acid. The furnace is heated to strengthen the lining. After preparation, Scrap is poured gradually into the furnace and heated until scrap is melted at a temperature of 1600° C. During the process of melting 10%-15% of the scrap is wasted. The waste either goes to slag or evaporates into the atmosphere in the form of iron oxide.

With the help of Magnetic Crane, material is filled up through small containers in to the furnace till the furnace is filled up with molten material. Melting procedure starts in induction furnace with the help of Electric Power ranging between 4 MW to 7.5 MW load dependent upon the furnace size. This process takes approximately 1 to 1.5 hours.

## **STAGE 2**

The required material such as Ferro Manganese, Ferro Chrome, Silico Manganese and Ferro Silicon are added as per the requirement. The components of Ferros are as under;

### **FERRO MANGANESE**

This material is utilized for the production of mild steel grade. The contents of Manganese in Ferro Manganese are normally 65%. The remaining balance of 35% contains carbon, phosphorus, Sulphur and iron etc. The above contents are oxidized from molten steel in the form of gases while the iron contents are oxidized into iron oxide.

Recovery of manganese content depends on the condition of the bath of the furnace which can result in 25% loss of Manganese. Manganese also reacts with Sulphur content already present in the molten steel to form Manganese Sulphide which drains through the slag.

### **FERRO CHROME**

This material is utilized for the production of different grades of steel. Chrome is added in steel to achieve hardness and have resistance against corrosion and abrasion. Ferro Chrome comprises of 55% chrome, 6% carbon & 2.5% other contents.

Chrome reacts with oxygen in melted bath and  $Cr_2O_3$  is formed, which is wasted along with slag during slag off process in furnace. Similarly other reactions of Silicone, carbon and Ferrous results in oxide which are wasted during slag off process. As a result the net recovery of Ferro Chrome is 45 %.

### **SILICO MANGANESE**

Silicon Manganese is utilized for the production of mild steel and the contents of silicone are 14% to 18% in silicone manganese, 60 % manganese content, 2.6% carbon, 0.2-0.3% phosphorus, 0.05% Sulphur and the remaining is again iron content. The above contents are oxidized into molten steel in the form of gases while the Iron contents are oxidized into iron oxide.

Recovery of manganese and silicone content again depends upon the condition of the bath of the furnace where loss of silicone and manganese can be up to 25%. Manganese also reacts with Sulphur content already present in the molten steel to form Manganese Sulfide which goes to the slag. Silicone is a de-oxidizer and is used to eliminate gases from molten steel at 1600 degree centigrade.

### **FERRO SILICON**

The properties of silicone are as per above except in case of Ferro Silicone, Silicone content is up to 65%.

### **STAGE 3**

After completion of melting process sample is drawn for Chemistry analysis which confirm the ratios of different components in the material processed to confirm the required standard of Billet.

Ferro chrome, Ferro manganese, Ferro silicon and Silico manganese are further added on the basis of sample taken from furnace and tested in lab before transfer of molten material to CCM (Continuous casting machine).

### **STAGE 4**

After confirmation of composition, final temperature is given for transferring molten material into already prepared and preheated ladle in order to save the material from sudden downfall in temperature. The molten steel is poured into the ladle from furnace for transfer to CCM.

High Aluminum Bricks, Fire Clay Tiles of different Sizes (AL<sub>2</sub>O<sub>3</sub>), Fire Clay (Paste) as a Binder, One Porous Plug, Ladle Nozzle, Collector Nozzle, Slide Gate Plate, Ladle Nozzle Block and Porous Plug Block are used for lining of the Ladle.

### **STAGE 5**

Now the ladle is shifted through crane from furnace to CCM (Continuous Casting Machine). CCM is used for casting of billet in different sizes as per requirement with the help of copper mould tubes of required size. This process requires approximately 60 minutes.

### **STAGE 6**

At this stage approximately 120 minutes are required for cooling and weighing of finished Billet at the cooling bed. End cuts of billets are reusable in the next heating process of the furnace.

## **5.5 MANUFACTURING PROCESS RE-ROLLING GIRDER (I-SECTION), STEEL BAR & TEE-IRON**

Hot Rolled billet is stored at billet yard where cranes lift the billet to put it into the furnace size i.e. 12 x 100 ft where temperature is approximately 1175-1220c created through burning of natural gas or gas generated through coal gasification or furnace oil or tyre driven oil. After heating, the billet is pushed into the rolling process, where it goes through five stands which convert it into the desired shape and length. First three stands make the shape and length and are called roughing stands while last two are called finishing stands. At the end, Mild Steel Product is ready as per the requirement of the customer.

This whole process takes about three hours approximately from re-heating Furnace to Final Finished Products.

## **5.6 SECTOR OVERVIEW**

Iron & Steel industry plays vital role in industrialization and development of the economy. In the period 2012-13 the international steel market remained volatile. In the near term there is likely be subdued demand from China being the biggest steel market. Furthermore there is excess supply due to surplus steelmaking capacity available globally.

However Pakistan being a steel deficit country is likely to witness improved demand scenario primarily due the current Government focus on the infrastructural project which

will translate into increase demand for steel. Furthermore improved business environment will translate into increased steel consumption which foster well for MISIL.

Pakistan’s Gross Domestic Product has grown at an average rate of 5% over the last 60 years. Pakistan is still amongst the lowest per capita consumer of crude steel at 16.1 kg in comparison to regional average of 262.5kg and world average of 238.2kg<sup>1</sup>. Please find below the demand and supply dynamics of Steel over the last 5 years.

| ( Thousand Tonnes)                 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|------|------|------|------|------|
| Crude Steel Production in Paksitan | 800  | 800  | 850  | 850  | 972  |
| Steel Consumption in Pakistan      | 2950 | 2898 | 2800 | 3242 | 3503 |

Source: Steel Statistical Year Book 2014

## 5.7 FUTURE PROSPECTS

Pakistan economy is the 27th largest<sup>2</sup> in the world in terms of purchasing power parity (PPP) and 44th largest in terms of nominal GDP<sup>3</sup>. Pakistan economy is a rapidly growing country with the country being in the Next Eleven countries that along with BRIC have a high potential to become the world largest economies in the 21st century. It is expected that going forward the business environment will likely to improve due to numerous reasons highlighted below which bodes well for steel sector:

- Pakistan has considerably low per capita steel consumption and the growing need to infrastructure building, Pakistan steel sector is poised for growth
- The incumbent government has laid special emphasis on the infrastructure building which will invariably entail increase steel consumption
- Continuation in the political stability and improvement in the law and order situation which will fuel business activity
- Renewed focus of the Government on resolving issues like energy crisis

In line with the above mentioned reasons, the management of MISIL wants to capitalize on the likely increase in consumption trend and in this regard has already undertaken several extensions in its existing melting and re-rolling manufacturing facilities, and has also installed a Continuous Casting Machine (CCM) in 2014 to improve the existing production process. The commencement of commercial operations of CCM has resulted in automation of the production process resulting in improved production efficiency, reduction in wastage and increase in overall gross margin.

## 5.8 RISK FACTORS

### 5.8.1 Business Risk

Decrease in demand for Company’s products may have an adverse impact on its profitability.

#### Mitigant

At present there is excess demand in Pakistan for Iron and steel products. A further increase in demand is expected due to multiple factors including economic growth of the country, renewed focus of the government on public sector development spending,

<sup>1</sup> Steel Statistical Yearbook, 2014

<sup>2</sup> CIA Fact Book

<sup>3</sup> World Bank DataBank

growing population leading to increased consumption of finished steel goods and change in consumption pattern as a result of increased affluence. Furthermore the Company has also mitigated its risk by exporting to Afghanistan so the impact of any decline in the domestic market is curtailed.

**5.8.2 Risk of Physical Damage**

Risk of damage to Property, Plant and Equipment

**Mitigant**

In order to mitigate the above risk, the Company has insured its Property, Plant and Equipment

**5.8.3 Foreign Exchange Risk**

Adverse foreign exchange movement .i.e. PKR depreciation will inflate the price of imports thus affecting the profitability of the Company.

**Mitigant**

With the Company sales split between export and import, any adverse impact on currency is neutralized through the composition of sales.

**5.8.4 Raw Material Supply / Price Risk**

Adverse price movement or non-availability of raw materials may deter smooth production.

**Mitigant**

MISIL with an experience of over 5 decades has developed procurement team who is well versed in acquiring the necessary raw material for production.

The Company mitigates the impact of raw material / price risk by employing adequate risk management measures to ensure that exposures remain within prudent limits. In addition, disaster recovery plans help mitigate the impact of risk arising from failure of infrastructure. Corporate governance is also employed to further facilitate this effort.

**5.8.5 Power Supply Risk**

The Company may not be able to operate at optimal capacity due to unavailability of electricity.

**Mitigant**

MISIL is equipped with a 9.3MW gas-fired power plant. This power plant contributes one third (1/3<sup>rd</sup>) of MISIL's total requirement. In order to ensure continuous supply the Company has also installed a captive 132 KVA Grid. Furthermore, the management of the Company is now focusing on the production of electricity through cheaper sources like coal and is in the phase of buying additional land to install coal based power house to meet its electricity requirements.

**5.8.6 Gas Supply Risk**

Unavailability of natural gas may result in loss of operations.

**Mitigant**

The Company invested PKR 40 million in the installation of a coal gasification industrial plant in 2011 located at 17-Km Sheikhpura, Lahore that prepares clean syngas, which can be used instead of natural gas in heating processes. These plants are operating

successfully to date, and the gas produced this way has considerably reduced the cost of re-rolling, thereby giving MISIL an edge over its competitors.

#### **5.8.7 Operational Risk**

The Company may not have sufficient expertise to operate the project.

##### **Mitigant**

MISIL has been in operation for over 5 decades. The Company's management has adequate experience to manage the operations.

#### **5.8.8 Competitor Risk**

Competition from business competitors may create a hostile environment for the Company and result in business loss.

##### **Mitigant**

Projects of such nature are capital intensive and require specialized technical knowledge to operate. Similarly procurement of raw material requires considerable experience. These factors act as barriers to entry for new firms. Being in the industry for over 5 decades has enabled MISIL to effectively compete with existing firms in the industry. Moreover, the recent CAPEX to have achieved this scale of economies along with fuel efficiency, help the Company to attain unmatched competitive advantage.

#### **5.8.9 Risk of Technological Obsolescence**

The technology employed is or may become obsolete in the near future leaving the Company unable to deliver the required level of expertise and support for consistent growth.

##### **Mitigant**

MISIL is equipped with state of the art high frequency electrical furnaces, argon oxygen convertor, ladle furnace, continuous casters, tandem section re-rolling mills, cross-country section re-rolling mills, continuous steel bar re-rolling mills, reheating furnaces, captive power generation, captive coal gasification units, and submerged furnaces for smelting of indigenous ores for making of Ferro Alloys. All this equipment ensures continued growth for the Company and smooth running of its operations.

#### **5.8.10 Capital Market Risk**

Price of shares will depend on the stock market behavior and performance of the Company. Hence, price may rise or fall and result in increase or decrease in the value of shares.

##### **Mitigant**

Although the rise or fall in market price is mainly governed by market forces, however from a fundamental point of view, the investor's sentiment is mainly driven by strong financial performance. We believe that the Company is likely to perform in future due to its experienced management, strong group profile & proven track record.

#### **5.8.11 Diversification Risk**

Risk of being dependent on one particular buyer or market

##### **Mitigant**

MISIL has achieved diversification through selling to extensive clients belonging to varied industries. This mitigates the risk of over concentration on one particular client pertaining to a specific market thereby exposing the Company to fluctuation in sales from one client

or industry. The Company has also mitigated its risk by exporting to Afghanistan so the impact of any decline in the domestic market is curtailed.

**5.8.12 Regulatory Risk**

This is the risk that the regulatory policies unfavorable for the steel sector are imposed.

**Mitigant**

The Company always ensures that it complies with the regulatory requirements. However Pakistan has witnessed a continued phase of economic growth, supported inter alia by continuity in investments and economic growth friendly policies. These policies are expected to continue and adverse shift in regulatory and policy framework is considered unlikely.

**5.8.13 Under subscription Risk**

There is a risk that the Public Issue may get under-subscribed on account of lack of investors' interest.

**Mitigant**

The lower limit price is attractively set at PkR 20 per share. The cut-off price of the offer will be determined by demand for the shares in the book building process. This coupled with the strong profile of the sponsors, management profile and performance of the Company, reduces the probability of under-subscription.

**NOTE: IT IS STATED THAT ALL MATERIAL RISK FACTORS HAVE BEEN DISCLOSED AND THAT NOTHING HAS BEEN CONCEALED IN THIS RESPECT.**

PART 6

6 FINANCIAL INFORMATION

6.1 AUDITORS REPORT UNDER SECTION 53(1) READ WITH CLAUSE 28 OF SECTION 2 OF PART I OF THE SECOND SCHEDULE TO THE COMPANIES ORDINANCE, 1984 FOR THE PURPOSE OF INCLUSION IN THE PROSPECTUS OF MUGHAL IRON & STEEL INDUSTRIES LIMITED

AUDITORS' REPORT ON STAND ALONE BASIS

December 09, 2014

The Board of Directors  
Mughal Iron & Steel Industries Limited  
31 - Shadman 1,  
Lahore.

Dear Sir(s)

AUDITORS' REPORT UNDER SECTION 53(1) READ WITH CLAUSE 28(1) OF SECTION 2 OF PART I OF SECOND SCHEDULE TO THE COMPANIES ORDINANCE, 1984.

We have audited the financial statements of Mughal Iron & Steel Industries Limited ("the Company"), for the period / years ended September 30, 2014, June 30, 2014, June 30, 2012 and June 30, 2011. The financial statements of the Company for the year ended June 30, 2013 were audited by Aie Imran & Co. Chartered Accountants.

In accordance with section 53(1) read with section 28(1) of Section 2 of Part 1 of Second Schedule to the Companies Ordinance, 1984, we report that:

The assets and liabilities of the company as at September 30, 2014 and June 30, 2014 were as follows:

| Rupees                                     | Note | 2014<br>September<br>(Audited) | 2014<br>June<br>(Audited) |
|--------------------------------------------|------|--------------------------------|---------------------------|
| <b>ASSETS</b>                              |      |                                |                           |
| <b>NON - CURRENT ASSETS</b>                |      |                                |                           |
| Property, plant & equipment                | 2    | 2,849,237,326                  | 2,865,374,803             |
| Long-term deposits & loans                 | 3    | 48,098,956                     | 19,007,848                |
|                                            |      | <u>2,897,336,282</u>           | <u>2,884,382,651</u>      |
| <b>CURRENT ASSETS</b>                      |      |                                |                           |
| Stores, spare parts & loose tools          |      | 299,836,158                    | 189,741,050               |
| Stock-in-trade                             | 4    | 3,503,757,749                  | 2,683,315,636             |
| Trade debts                                | 5    | 477,479,382                    | 321,049,463               |
| Advances                                   | 6    | 224,342,318                    | 294,549,694               |
| Short term prepayments & other receivables | 7    | 17,731,441                     | 13,939,045                |
| Refunds due from the Government            | 8    | 655,237,960                    | 569,897,941               |
| Cash and bank balances                     | 9    | 255,115,735                    | 117,345,747               |
| <b>Total Current Assets</b>                |      | <u>5,433,500,743</u>           | <u>4,189,338,576</u>      |
| <b>TOTAL ASSETS</b>                        |      | <u>8,330,837,025</u>           | <u>7,073,721,227</u>      |
| <b>EQUITY AND LIABILITIES</b>              |      |                                |                           |
| <b>SHARE CAPITAL &amp; RESERVES</b>        |      |                                |                           |
| Share capital                              | 10   | 820,411,530                    | 820,411,530               |
| Revenue reserve                            | 11   | 636,803,099                    | 505,906,156               |
| <b>Shareholders' Equity</b>                |      | <u>1,457,214,629</u>           | <u>1,326,317,686</u>      |
| <b>NON - CURRENT LIABILITIES</b>           |      |                                |                           |
| Long term financing - banking companies    | 12   | 203,038,772                    | 254,645,565               |
| Long term loans from related parties       | 13   | 2,139,678,302                  | 1,834,464,178             |
| Deferred liabilities                       | 14   | 37,498,476                     | 39,968,644                |
| <b>Total non current liabilities</b>       |      | <u>2,380,215,550</u>           | <u>2,129,078,387</u>      |
| <b>CURRENT LIABILITIES</b>                 |      |                                |                           |
| Trade and other payables                   | 15   | 888,098,483                    | 586,300,571               |
| Mark-up accrued on secured loans           | 16   | 76,947,432                     | 40,512,933                |
| Short term borrowings                      | 17   | 3,327,655,501                  | 2,802,741,491             |
| Current maturity of long term financing    | 12   | 200,705,430                    | 188,770,159               |
| <b>Total current liabilities</b>           |      | <u>4,493,406,846</u>           | <u>3,618,325,154</u>      |
| <b>Total liabilities</b>                   |      | <u>6,873,622,396</u>           | <u>5,747,403,541</u>      |
| <b>CONTINGENCIES AND COMMITMENTS</b>       | 18   | -                              | -                         |
| <b>TOTAL EQUITY &amp; LIABILITIES</b>      |      | <u>8,330,837,025</u>           | <u>7,073,721,227</u>      |



2. Property, Plant & Equipment

|                             | September 2014       | June 2014            |
|-----------------------------|----------------------|----------------------|
|                             | (Rupees)             | (Rupees)             |
| Property, Plant & Equipment | 2.1 2,834,550,052    | 2,558,660,278        |
| Capital work in progress    | 2.2 14,687,274       | 3,057,14,525         |
|                             | <u>2,849,237,326</u> | <u>2,865,374,803</u> |

| 2.1 Property, Plant & Equipment        | Rupees            |                           |                      |                    |                  |                  |                                   |                      |                   |                     |                  |                         |                      | Total |
|----------------------------------------|-------------------|---------------------------|----------------------|--------------------|------------------|------------------|-----------------------------------|----------------------|-------------------|---------------------|------------------|-------------------------|----------------------|-------|
|                                        | Land - Freehold   | Building on Freehold Land | Plant and Machinery  | Power Plant        | Weighing Machine | Office Equipment | Electric Equipment & Installation | Furniture & fittings | Vehicles          | Arms and Ammunition | Computer         | Development of property |                      |       |
| <b>As At June 30, 2013</b>             |                   |                           |                      |                    |                  |                  |                                   |                      |                   |                     |                  |                         |                      |       |
| Cost                                   | 63,325,863        | 41,659,583                | 1,951,686,326        | 258,281,114        | 91,434           | 774,921          | 114,871,773                       | 1,122,577            | 76,360,635        | 260,693             | 1,117,266        | -                       | 2,509,552,185        |       |
| Accumulated depreciation               | -                 | 3,250,115                 | 39,159,520           | 25,004,008         | 13,207           | 75,138           | 5,793,320                         | 168,196              | 18,476,444        | 29,467              | 394,394          | -                       | 92,363,819           |       |
| <b>Net book Value</b>                  | <b>63,325,863</b> | <b>38,409,468</b>         | <b>1,912,526,796</b> | <b>233,277,106</b> | <b>78,227</b>    | <b>699,783</b>   | <b>109,078,453</b>                | <b>954,381</b>       | <b>57,884,191</b> | <b>231,226</b>      | <b>722,872</b>   | <b>-</b>                | <b>2,417,188,366</b> |       |
| Depreciation Rate (%)                  | -                 | 4                         | 2.50                 | 3.50               | 2.50             | 10               | 5                                 | 10                   | 15                | 10                  | 30               | -                       | -                    |       |
| <b>Year ended June 30, 2014</b>        |                   |                           |                      |                    |                  |                  |                                   |                      |                   |                     |                  |                         |                      |       |
| Opening Net book value                 | 63,325,863        | 38,409,468                | 1,912,526,796        | 233,277,106        | 78,227           | 699,783          | 109,078,453                       | 954,381              | 57,884,191        | 231,226             | 722,872          | -                       | 2,417,188,366        |       |
| Additions                              | -                 | 27,713,985                | 152,207,816          | -                  | -                | 87,500           | 699,750                           | 26,395               | 2,243,000         | -                   | 4,966,898        | 30,400,000              | 218,345,344          |       |
| Depreciation charged for the year      | -                 | (2,011,175)               | (49,438,420)         | (8,164,659)        | (1,856)          | (70,704)         | (5,453,923)                       | (98,070)             | (9,018,157)       | (23,123)            | (566,538)        | (2,026,667)             | (76,873,432)         |       |
| <b>Closing Net book value</b>          | <b>63,325,863</b> | <b>64,112,278</b>         | <b>2,015,296,192</b> | <b>225,112,407</b> | <b>76,271</b>    | <b>716,579</b>   | <b>104,324,280</b>                | <b>882,706</b>       | <b>51,109,034</b> | <b>208,103</b>      | <b>5,121,232</b> | <b>28,373,333</b>       | <b>2,558,660,278</b> |       |
| <b>As At June 30, 2014</b>             |                   |                           |                      |                    |                  |                  |                                   |                      |                   |                     |                  |                         |                      |       |
| Cost                                   | 63,325,863        | 69,373,568                | 2,103,894,142        | 258,281,114        | 91,434           | 862,421          | 115,571,523                       | 1,148,972            | 78,603,635        | 260,693             | 6,084,164        | 30,400,000              | 2,727,897,529        |       |
| Accumulated depreciation               | -                 | 5,261,290                 | 88,597,950           | 31,168,707         | 15,163           | 145,847          | 11,247,243                        | 266,266              | 27,494,501        | 52,590              | 660,932          | 2,026,667               | 169,237,251          |       |
| <b>Net book Value</b>                  | <b>63,325,863</b> | <b>64,112,278</b>         | <b>2,015,296,192</b> | <b>225,112,407</b> | <b>76,271</b>    | <b>716,579</b>   | <b>104,324,280</b>                | <b>882,706</b>       | <b>51,109,034</b> | <b>208,103</b>      | <b>5,121,232</b> | <b>28,373,333</b>       | <b>2,558,660,278</b> |       |
| Depreciation Rate (%)                  | -                 | 4                         | 2.50                 | 3.50               | 2.50             | 10               | 5                                 | 10                   | 15                | 10                  | 30               | -                       | -                    |       |
| <b>Period ended September 30, 2014</b> |                   |                           |                      |                    |                  |                  |                                   |                      |                   |                     |                  |                         |                      |       |
| Opening Net book value                 | 63,325,863        | 64,112,278                | 2,015,296,192        | 225,112,407        | 76,271           | 716,579          | 104,324,280                       | 882,706              | 51,109,034        | 208,103             | 5,121,232        | 28,373,333              | 2,558,660,278        |       |
| Additions                              | -                 | 44,928,984                | 253,041,525          | -                  | -                | -                | -                                 | -                    | -                 | -                   | 244,040          | -                       | 268,214,549          |       |
| Depreciation charged for the period    | -                 | (1,090,413)               | (19,177,111)         | (1,949,754)        | (477)            | (17,914)         | (1,304,054)                       | (22,068)             | (1,916,589)       | (5,203)             | (402,545)        | (1,418,667)             | (22,324,775)         |       |
| <b>Closing Net book value</b>          | <b>63,325,863</b> | <b>107,950,849</b>        | <b>2,254,160,606</b> | <b>223,142,673</b> | <b>75,794</b>    | <b>698,665</b>   | <b>103,020,226</b>                | <b>860,638</b>       | <b>49,192,445</b> | <b>202,900</b>      | <b>4,964,727</b> | <b>26,954,666</b>       | <b>2,834,550,052</b> |       |
| <b>As At September 30, 2014</b>        |                   |                           |                      |                    |                  |                  |                                   |                      |                   |                     |                  |                         |                      |       |
| Cost                                   | 63,325,863        | 114,302,552               | 2,356,935,667        | 258,281,114        | 91,434           | 862,421          | 115,571,523                       | 1,148,972            | 78,603,635        | 260,693             | 6,328,704        | 30,400,000              | 3,026,112,078        |       |
| Accumulated depreciation               | -                 | 6,351,793                 | 102,775,061          | 35,138,441         | 15,640           | 163,766          | 12,551,237                        | 288,334              | 29,411,160        | 57,793              | 1,453,477        | 3,448,334               | 191,562,028          |       |
| <b>Net book Value</b>                  | <b>63,325,863</b> | <b>107,950,849</b>        | <b>2,254,160,606</b> | <b>223,142,673</b> | <b>75,794</b>    | <b>698,665</b>   | <b>103,020,226</b>                | <b>860,638</b>       | <b>49,192,445</b> | <b>202,900</b>      | <b>4,964,727</b> | <b>26,954,666</b>       | <b>2,834,550,052</b> |       |
| Depreciation Rate (%)                  | -                 | 4                         | 2.50                 | 3.50               | 2.50             | 10               | 5                                 | 10                   | 15                | 10                  | 30               | -                       | -                    |       |

2.1.1 Depreciation for the period / year has been allocated as follows:

|                         | September<br>2014<br>3 Months<br>(Rupees) | June<br>2014<br>12 Months<br>(Rupees) |
|-------------------------|-------------------------------------------|---------------------------------------|
| Cost of Goods Sold      | 20,368,204                                | 67,686,501                            |
| Administrative Expenses | 1,956,571                                 | 9,186,931                             |
|                         | <u>22,324,775</u>                         | <u>76,873,432</u>                     |

2.1.2 The company has leased out its power plant, sheet mill unit and ferro alloy unit aggregating to Rs. 494,361 million respectively to Mughal Steel Metallurgies Corporation Limited.

2.2 Following is the movement in capital work in progress:

|                              | Opening<br>balance | Expenditure        | Capitalized          | Closing<br>balance |
|------------------------------|--------------------|--------------------|----------------------|--------------------|
|                              | September 30, 2014 |                    |                      |                    |
| <b>Plant &amp; machinery</b> |                    |                    |                      |                    |
| - Civil work                 | 52,614,758         | -                  | (44,928,984)         | 7,685,774          |
| - Plant & machinery          | 247,098,267        | 5,943,258          | (253,041,525)        | -                  |
| <b>Intangible</b>            |                    |                    |                      |                    |
| - Software                   | 7,001,500          | -                  | -                    | 7,001,500          |
| <b>September 30, 2014</b>    | <b>306,714,525</b> | <b>5,943,258</b>   | <b>(297,970,509)</b> | <b>14,687,274</b>  |
|                              | June 30, 2014      |                    |                      |                    |
| <b>Plant &amp; machinery</b> |                    |                    |                      |                    |
| - Civil work                 | -                  | 52,614,758         | -                    | 52,614,758         |
| - Plant & machinery          | -                  | 247,098,267        | -                    | 247,098,267        |
| <b>Intangible</b>            |                    |                    |                      |                    |
| - Software                   | 6,369,000          | 632,500            | -                    | 7,001,500          |
| <b>June 30, 2014</b>         | <b>6,369,000</b>   | <b>300,345,525</b> | <b>-</b>             | <b>306,714,525</b> |

| Rupees                                                               | Note                                                                                                                                                                                                                                                                                                                          | 2014<br>September<br>(Audited) | 2014<br>June<br>(Audited) |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------|
| <b>3. LONG TERM DEPOSITS &amp; LOANS</b><br><i>(Considered good)</i> |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| Long term deposits                                                   | 3.1                                                                                                                                                                                                                                                                                                                           |                                |                           |
| Related parties                                                      |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| - Al-Bashir Steel Industries (Private) Limited                       |                                                                                                                                                                                                                                                                                                                               | 500,000                        | 500,000                   |
| Others                                                               |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| - Lesco                                                              |                                                                                                                                                                                                                                                                                                                               | 12,852,000                     | 12,852,000                |
| - Others                                                             |                                                                                                                                                                                                                                                                                                                               | 1,915,062                      | 4,831,313                 |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>15,267,062</u>              | <u>18,183,313</u>         |
| Long term loan to related parties                                    |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| - Employees - secured                                                | 3.2                                                                                                                                                                                                                                                                                                                           | 3,569,070                      | 1,442,715                 |
| Less: Current maturity                                               |                                                                                                                                                                                                                                                                                                                               | (838,176)                      | (618,180)                 |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>2,730,894</u>               | <u>824,535</u>            |
| - Mughal Energy Limited                                              | 3.3                                                                                                                                                                                                                                                                                                                           | 30,101,000                     | -                         |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>48,098,956</u>              | <u>19,007,848</u>         |
| 3.1                                                                  | These are classified as 'loans and receivables' under IAS 39 (Financial Instruments-Recognition and Measurement) which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impartibly to determine. |                                |                           |
| 3.2                                                                  | This represents interest free vehicle loan to employees which are secured against post dated cheques.                                                                                                                                                                                                                         |                                |                           |
| 3.3                                                                  | This represents loan given to Mughal Energy Limited an associated undertaking. The loan carries markup @ 12.50%.                                                                                                                                                                                                              |                                |                           |
| <b>4. STOCK IN TRADE</b>                                             |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| Raw material                                                         |                                                                                                                                                                                                                                                                                                                               | 2,125,559,015                  | 1,082,698,119             |
| Finished goods                                                       |                                                                                                                                                                                                                                                                                                                               | 506,574,253                    | 547,927,209               |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>2,632,133,268</u>           | <u>1,630,625,328</u>      |
| Stock in transit                                                     |                                                                                                                                                                                                                                                                                                                               | 871,624,481                    | 1,052,690,308             |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>3,503,757,749</u>           | <u>2,683,315,636</u>      |
| <b>5. TRADE DEBTS</b>                                                |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| Considered good - unsecured                                          |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| Related parties                                                      |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| - Mughal Steel Metallurgies Corporation Limited                      |                                                                                                                                                                                                                                                                                                                               | 143,170,341                    | 141,686,862               |
| Others                                                               |                                                                                                                                                                                                                                                                                                                               | 333,983,431                    | 179,036,991               |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>477,153,772</u>             | <u>320,723,853</u>        |
| Considered doubtful                                                  |                                                                                                                                                                                                                                                                                                                               | 325,610                        | 325,610                   |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>477,479,382</u>             | <u>321,049,463</u>        |
| 5.1                                                                  | The maximum aggregate amount of balance outstanding in respect of related parties at the end of any month during the period was Rs. 144.170 million. (2014: Rs. 166.586 million). Balance amounting to Rs. 134.120 million in respect of related party is past due 90 days.                                                   |                                |                           |
| <b>6. ADVANCES</b><br><i>(Considered good)</i>                       |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| <b>Related party</b>                                                 |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| - Employees - secured                                                |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| - Executives                                                         | 6.1                                                                                                                                                                                                                                                                                                                           | 2,504,864                      | 1,858,641                 |
| - Others                                                             |                                                                                                                                                                                                                                                                                                                               | 7,312,466                      | 6,141,217                 |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>9,817,330</u>               | <u>7,999,858</u>          |
| - Advances against expenses                                          |                                                                                                                                                                                                                                                                                                                               | 3,317,349                      | 190,245                   |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>13,134,679</u>              | <u>8,190,103</u>          |
| <b>Others</b>                                                        |                                                                                                                                                                                                                                                                                                                               |                                |                           |
| - Suppliers                                                          |                                                                                                                                                                                                                                                                                                                               | 211,207,639                    | 286,359,591               |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>224,342,318</u>             | <u>294,549,694</u>        |
| 6.1                                                                  | These are provided to employees under their terms of employment. These are secured against gratuity. Directors & Chief Executive have not received any advances from the Company during the period end.                                                                                                                       |                                |                           |
| 6.1.1                                                                | Reconciliation of carrying amount of advances to employees                                                                                                                                                                                                                                                                    |                                |                           |
| Opening balance                                                      |                                                                                                                                                                                                                                                                                                                               | 7,999,858                      | 6,495,025                 |
| Add: Disbursements                                                   |                                                                                                                                                                                                                                                                                                                               | 3,710,807                      | 7,968,122                 |
|                                                                      |                                                                                                                                                                                                                                                                                                                               | <u>11,710,665</u>              | <u>14,463,147</u>         |
| Less: Repayments                                                     |                                                                                                                                                                                                                                                                                                                               | (1,893,335)                    | (6,463,289)               |
| Closing balance                                                      |                                                                                                                                                                                                                                                                                                                               | <u>9,817,330</u>               | <u>7,999,858</u>          |



| Rupees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Note        | 2014<br>September<br>(Audited)                                   | 2014<br>June<br>(Audited) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------------------------------------------------------|---------------------------|
| <b>7. SHORT TERM PREPAYMENTS &amp; OTHER RECEIVABLES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |             |                                                                  |                           |
| <i>(Considered good)</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |             |                                                                  |                           |
| Prepayments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |             | 863,858                                                          | 687,650                   |
| Letters of credit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |             | 6,934,235                                                        | 8,144,419                 |
| Other receivables                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |             |                                                                  |                           |
| - Related parties                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |             |                                                                  |                           |
| - Mughal Energy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 7.1         | 192,744                                                          | -                         |
| - Employees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |             | 838,176                                                          | 618,180                   |
| - Mughal Steel Metallurgies Corporation Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             | 6,813,633                                                        | 2,400,000                 |
| - Other                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |             | 2,088,795                                                        | 2,088,796                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             | 9,933,348                                                        | 5,106,976                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             | 17,731,441                                                       | 13,939,045                |
| 7.1 This represents markup receivable in respect of loan given to Mughal Energy Limited (Refer Note.7.2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |             |                                                                  |                           |
| <b>8. REFUNDS DUE FROM THE GOVERNMENT</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |             |                                                                  |                           |
| Advance income tax                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |             | 333,614,228                                                      | 297,273,252               |
| Export regulatory duty refundable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 8.1         | 54,148,408                                                       | 54,148,408                |
| Sales tax refundable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |             | 267,475,324                                                      | 218,476,281               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             | 655,237,960                                                      | 569,897,941               |
| 8.1 Government of Pakistan (GoP) imposed regulatory duty on export of scrap and steel products with the objective to protect the local steel industry. This duty was not applicable in respect of goods manufactured and exported from raw material imported under the DTRE scheme or in manufacturing bonded warehouse. However, the company under protest deposited the regulatory duty to clear the export consignments at that time. This fact is also evident from the subsequent withdrawal by Federal Board of Revenue (FBR) from exports made out of finished goods manufactured from raw material imported in manufacturing bonded warehouse or under DTRE regime. The matter is pending with custom authorities after decision of Honorable High Court. The Company is highly confident that the duty would be refunded. |             |                                                                  |                           |
| <b>9. CASH AND BANK BALANCES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |             |                                                                  |                           |
| Cash in hand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |             | 1,865,022                                                        | 724,424                   |
| Cash at banks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |             |                                                                  |                           |
| - Current accounts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |             | 252,661,349                                                      | 108,361,188               |
| - Saving accounts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |             | 589,364                                                          | 8,260,135                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             | 253,250,713                                                      | 116,621,323               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             | 255,115,735                                                      | 117,345,747               |
| 9.1 These carry return @ 7% to 9.5% (June 2014: 7% to 9.5%) per annum.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |             |                                                                  |                           |
| <b>10. SHARE CAPITAL</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |             |                                                                  |                           |
| <i>Authorized share capital</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             |                                                                  |                           |
| Number                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |             |                                                                  |                           |
| 150,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 150,000,000 | Ordinary shares of Rs. 10/- each                                 | 1,500,000,000             |
| 150,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 150,000,000 |                                                                  | 1,500,000,000             |
| <i>Issued, Subscribed &amp; paid up capital</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             |                                                                  |                           |
| Number                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |             |                                                                  |                           |
| 8,801,710                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 8,801,710   | Ordinary shares of Rs. 10/- each allotted for consideration paid | 88,017,100                |
| 58,579,553                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 58,579,553  | Ordinary shares of Rs. 10/- each allotted for consideration of   | 585,795,530               |
| 14,659,890                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 14,659,890  | Ordinary shares of Rs. 10/- each allotted as bonus shares        | 146,598,900               |
| 82,041,153                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 82,041,153  |                                                                  | 820,411,530               |
| 10.1 Ordinary shares issued for consideration otherwise than cash represents shares issued against purchase of business comprising of assets and liabilities of Mughal Steel (AoP).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |             |                                                                  |                           |
| <b>11. REVENUE RESERVE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |             |                                                                  |                           |
| <i>Un-appropriated profit</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |             |                                                                  |                           |
| Opening balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             | 505,906,156                                                      | 128,667,062               |
| Profit after taxation for the period / year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |             | 130,896,943                                                      | 390,859,859               |
| Share issue costs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |             | -                                                                | (1,501,200)               |
| Actuarial (loss) on defined benefit plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |             | -                                                                | (12,119,565)              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             | 636,803,099                                                      | 505,906,156               |

| Rupees                                                                                                                                                                                                          | Note                                                                                                                                                                                                                                                                                                                                                                         | 2014<br>September<br>(Audited) | 2014<br>June<br>(Audited) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------|
| <b>LONG TERM FINANCING - BANKING COMPANIES</b>                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| <i>(Secured)</i>                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| Bank Alfalah Limited (BAFL)                                                                                                                                                                                     | 12.1                                                                                                                                                                                                                                                                                                                                                                         | 329,071,500                    | 350,788,250               |
| MCB Bank Limited (MCB)                                                                                                                                                                                          | 12.2                                                                                                                                                                                                                                                                                                                                                                         | 74,672,702                     | 92,627,474                |
|                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                              | <b>403,744,202</b>             | <b>443,415,724</b>        |
| Less: Current maturity shown under current liabilities                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                              | <b>(200,705,430)</b>           | <b>(188,770,159)</b>      |
| Long term portion                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                              | <b>203,038,772</b>             | <b>254,645,565</b>        |
| <b>12.1 Bank Alfalah Limited (BAFL)</b>                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| Terms & conditions of financing from Bank Alfalah Limited are as follows:                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| Loan outstanding                                                                                                                                                                                                | 108.584 million                                                                                                                                                                                                                                                                                                                                                              | 220.487 million                |                           |
| Nature of facility                                                                                                                                                                                              | LTFF (P&M)-I                                                                                                                                                                                                                                                                                                                                                                 | Term Finance / LTFF-II         |                           |
| Sanctioned limit                                                                                                                                                                                                | 153.000 million                                                                                                                                                                                                                                                                                                                                                              | 250.000 million                |                           |
| Markup Rate                                                                                                                                                                                                     | SBP rate +1.50 % p.a.                                                                                                                                                                                                                                                                                                                                                        | 6MK+2% p.a.                    |                           |
| Total installments                                                                                                                                                                                              | 12 quarterly                                                                                                                                                                                                                                                                                                                                                                 | 12 quarterly                   |                           |
| No. of installments outstanding                                                                                                                                                                                 | 5 quarterly                                                                                                                                                                                                                                                                                                                                                                  | 12 quarterly                   |                           |
| Date of final repayment                                                                                                                                                                                         | October 05, 2015                                                                                                                                                                                                                                                                                                                                                             | October 04, 2017               |                           |
| Purpose:                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| For already financed new plant and machinery of new re-rolling mill.                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| To finance new electrical induction melting furnace, ancillary equipment and construction.                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| Security / Collateral:                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| -                                                                                                                                                                                                               | 1st exclusive charge of Rs. 100.000 million on land, building & steel structure of new re-rolling mill section by way of EM and TRM of Rs.0.05 million.                                                                                                                                                                                                                      |                                |                           |
| -                                                                                                                                                                                                               | 1st hypothecation charge of Rs. 650.000 Million on plant & machinery of new re-rolling mill.                                                                                                                                                                                                                                                                                 |                                |                           |
| -                                                                                                                                                                                                               | Exclusive charge of Rs. 250.000 million on Plant & machinery of new Electric Furnace, CCM, Load Management System and auxiliary components.                                                                                                                                                                                                                                  |                                |                           |
| -                                                                                                                                                                                                               | Personnel guarantees of all directors including Chief Executive Officer.                                                                                                                                                                                                                                                                                                     |                                |                           |
| <b>12.2 MCB Bank Limited (MCB)</b>                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| Terms & conditions of financing from MCB Bank Limited are as follows:                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| Loan outstanding                                                                                                                                                                                                | 32.000 million                                                                                                                                                                                                                                                                                                                                                               | 42.673 million                 |                           |
| Nature of facility                                                                                                                                                                                              | DF                                                                                                                                                                                                                                                                                                                                                                           | LF I&II                        |                           |
| Sanctioned limit                                                                                                                                                                                                | 40.000 million                                                                                                                                                                                                                                                                                                                                                               | 142.050 million                |                           |
| Markup Rate                                                                                                                                                                                                     | 3MK+1.5% (Floating rate)                                                                                                                                                                                                                                                                                                                                                     | 3MK+1.5% (Floating rate)       |                           |
| Total installments                                                                                                                                                                                              | 10 quarterly                                                                                                                                                                                                                                                                                                                                                                 | 13-14 quarterly                |                           |
| No. of installments outstanding                                                                                                                                                                                 | 8 quarterly                                                                                                                                                                                                                                                                                                                                                                  | 2-6 quarterly                  |                           |
| Date of final repayment                                                                                                                                                                                         | July 01, 2016                                                                                                                                                                                                                                                                                                                                                                | January 12, 2016               |                           |
| Purpose:                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| To finance cost of construction of building / civil works, electric panel / wires and erection of induction furnace.                                                                                            |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| To finance two brand new induction furnaces and parts of related accessories. To finance electrical equipment and associated costs for grid station purchased directly from LESCO against their demand notices. |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| Security / Collateral:                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| -                                                                                                                                                                                                               | 1st specific charge of Rs. 876.000 million over specific fixed assets of the Company (by way of equitable / token registered mortgage with respect to land & building and by hypothecation of machinery)                                                                                                                                                                     |                                |                           |
| -                                                                                                                                                                                                               | 1st pari passu charge of Rs. 507.000 million, 2nd charge of Rs. 310.000 million and 5th charge of Rs. 100.000 million over current assets of the Company, making the aggregate charge amount as Rs. 917.000 million.                                                                                                                                                         |                                |                           |
| -                                                                                                                                                                                                               | Personnel guarantees of all directors and Chief Executive Officer                                                                                                                                                                                                                                                                                                            |                                |                           |
| <b>LONG TERM LOANS FROM RELATED PARTIES</b>                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| <i>(Unsecured and Interest free)</i>                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| Loan from:                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                              |                                |                           |
| -Mughal steel                                                                                                                                                                                                   | 13.1                                                                                                                                                                                                                                                                                                                                                                         | 844,855,926                    | 964,004,469               |
| -Directors & Sponsors                                                                                                                                                                                           | 13.2                                                                                                                                                                                                                                                                                                                                                                         | 1,294,822,376                  | 870,459,709               |
|                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                              | <b>2,139,678,302</b>           | <b>1,834,464,178</b>      |
| 13.1                                                                                                                                                                                                            | This represents interest free and unsecured loan from Mughal Steel, an unincorporated entity. The loan is not repayable within the next twelve months. There is no fixed tenure for repayment of this liability and in the absence of the availability of a defined repayment schedule, the fair value of the loan is not determinable and hence it has been stated at cost. |                                |                           |
| 13.2                                                                                                                                                                                                            | This represents interest free and unsecured loan from the directors of the Company. The loan is not repayable within the next twelve months. There is no fixed tenure for repayment of these liabilities and in the absence of the availability of a defined repayment schedule, the fair value of these loans is not determinable and hence they have been stated at cost.  |                                |                           |

| Rupees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Note | 2014<br>September<br>(Audited) | 2014<br>June<br>(Audited) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|--------------------------------|---------------------------|
| <b>14. DEFERRED LIABILITIES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      |                                |                           |
| Retirement benefit obligation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 14.1 | 34,735,231                     | 35,258,666                |
| Deferred taxation - net                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 14.2 | -                              | 1,946,733                 |
| Deferred income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 14.3 | 2,763,245                      | 2,763,245                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | <u>37,498,476</u>              | <u>39,968,644</u>         |
| <b>14.1 Retirement benefit obligations - unfunded gratuity plan</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |      |                                |                           |
| Opening balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | 35,258,666                     | 15,579,684                |
| Provision for the period / year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | -                              | 6,215,282                 |
| Remeasurements recognized in other comprehensive income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |      | -                              | 13,847,244                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | <u>35,258,666</u>              | <u>35,642,210</u>         |
| Less: benefits paid                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |      | (523,435)                      | (383,544)                 |
| Closing balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | <u>34,735,231</u>              | <u>35,258,666</u>         |
| The Company operates a defined benefit plan which comprises of an unfunded gratuity scheme for its permanent employees. The scheme defines the amounts of benefit that an employee will receive on or after retirement subject to a minimum qualifying period of service under the scheme. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out on June 30, 2014 using Projected Unit Credit method by an approved actuary.                                                                                                                                                                                                                                                                                             |      |                                |                           |
| <b>14.2 Deferred taxation - net</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |      |                                |                           |
| Opening balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | 1,946,733                      | (3,095,976)               |
| Charge for the period / year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |      |                                |                           |
| - Profit & loss account                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |      | (1,946,733)                    | 6,770,389                 |
| - Other comprehensive income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |      | -                              | (1,727,679)               |
| Closing balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | <u>-</u>                       | <u>1,946,733</u>          |
| <b>14.2.1 Net deferred tax asset not recognized is as follows:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |      |                                |                           |
| <u>Credit balance arising in respect of taxable temporary differences:</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |      |                                |                           |
| Accelerated depreciation allowance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |      | 95,870,641                     | 144,186,201               |
| <u>Debit balance arising in respect of deductible temporary differences:</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |      |                                |                           |
| Retirement benefit obligation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |      | (5,003,567)                    | (4,399,119.00)            |
| Losses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |      | (33,063,556)                   | (42,745,869)              |
| Minimum tax & tax credits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |      | (102,352,847)                  | (95,094,480)              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | <u>(140,419,970)</u>           | <u>(142,239,468)</u>      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | <u>(44,549,329)</u>            | <u>1,946,733</u>          |
| <b>14.2.2</b> The Company has not recognized deferred tax asset on prudent basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |      |                                |                           |
| <b>14.3</b> This represents unearned income in respect of vehicle loans to employees.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |      |                                |                           |
| <b>15. TRADE &amp; OTHER PAYABLES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |      |                                |                           |
| Creditors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |      | 128,268,197                    | 123,063,481               |
| Murabahah -secured                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 15.1 | 27,563,120                     | 20,073,401                |
| Accrued liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |      | 101,786,167                    | 87,157,104                |
| Tax deducted at source                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |      | 538,354                        | 622,010                   |
| Advances from customers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |      |                                |                           |
| - Export advances                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |      | 426,580,898                    | 252,909,412               |
| - Local advances                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |      | 196,574,894                    | 81,547,255                |
| Workers' profit participation fund                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 15.2 | 6,786,853                      | 20,927,908                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | <u>888,098,483</u>             | <u>586,300,571</u>        |
| <b>15.1</b> This represents Murabaha / Import Murabahah facility with sanctioned limit of Rs. 750.000 million (June 30, 2014: 750.000 million) for purchase of used / bailed tyres, direct reduced iron, cobble plates, steel scrap/billet, ferro silicone / ferromanganese / ferro chrome and silicone manganese etc and retirement of LCs. This facility is operative for 180 days and carries profit rate of respective KIBOR + 1.25 % per annum. The facility is secured against 1st pari passu charge of Rs. 667.000 million over present and future current assets of the Company, ranking charge of Rs. 333.000 million over present and future current assets of the Company to be upgraded in to 1st pari passu charge within 180 days from the date of sanction advice. |      |                                |                           |
| <b>15.2 Workers' profit participation fund:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      |                                |                           |
| Opening balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | 20,927,908                     | 6,161,494                 |
| Allocation for the period / year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |      | 6,786,853                      | 20,927,908                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | <u>27,714,761</u>              | <u>27,089,402</u>         |
| Amount paid during the period / year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |      | (20,927,908)                   | (6,161,494)               |
| Closing balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |      | <u>6,786,853</u>               | <u>20,927,908</u>         |



| Rupees                                                         | Note                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 2014<br>September<br>(Audited) | 2014<br>June<br>(Audited) |
|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------|
| <b>16. MARK-UP ACCRUED ON SECURED LOANS</b>                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                |                           |
| <i>From banking companies in respect of:</i>                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                |                           |
| Long term financing                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 10,573,701                     | 11,612,591                |
| Short term borrowing                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>66,373,731</u>              | <u>28,900,342</u>         |
|                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>76,947,432</u>              | <u>40,512,933</u>         |
| <b>17. SHORT TERM BORROWINGS</b>                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                |                           |
| <i>(Secured)</i>                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                |                           |
| From banking companies                                         | 17.1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                |                           |
| Cash finance                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 646,159,938                    | 563,501,952               |
| Running finance                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 262,571,541                    | 266,174,717               |
| Other financing facilities                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>2,418,924,022</u>           | <u>1,973,064,822</u>      |
|                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>3,327,655,501</u>           | <u>2,802,741,491</u>      |
| 17.1                                                           | These finances are obtained against a total facility of Rs. 4,964.000 million (June 2014: 4,864.000 million) and carry markup ranging from 3 months Kibor or SBP rate plus 1 % to 2.25%. These are secured against pledge of stocks, 1st pari passu charge of Rs.1,974.000 million, second charge of Rs. 310.00 million and 5th charge of Rs. 100.00 million over the present & future current assets of the Company, ranking charge of Rs. 333.00 million over the present and future current assets of the company, Lien on import documents, Duly executed trust receipts, Lien on export documents, Shipping guarantees & personal guarantees of directors. |                                |                           |
| <b>18. CONTINGENCIES AND COMMITMENTS</b>                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                |                           |
| <i>Contingencies</i>                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                |                           |
| Guarantees issued by banks in favor of SNGPL, LESCO & Railways |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 137,211,746                    | 124,539,400               |
| <i>Commitments</i>                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                |                           |
| <i>Capital commitments</i>                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                |                           |
| Raw material                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 722,672,000                    | 1,045,055,729             |
| Stores & spares                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 24,735,000                     | 43,422,522                |
| <i>Non-capital commitments</i>                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                |                           |
| Capital expenditure                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | -                              | 825,425,000               |

|                                                          | 2014<br>September<br>(Audited)<br>3 Months | 2014<br>June<br>(Audited)<br>12 Months | 2013<br>June<br>(Audited)<br>12 Months<br>Restated | 2012<br>June<br>(Audited)<br>12 Months<br>Restated | 2011<br>June<br>(Audited)<br>12 Months |
|----------------------------------------------------------|--------------------------------------------|----------------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------|
| Sales - net                                              | 1,709,090,575                              | 5,857,176,563                          | 3,928,513,675                                      | 3,657,421,806                                      | 3,006,891,283                          |
| Less: Cost of sales                                      | 1,436,987,331                              | 5,131,793,211                          | 3,553,973,719                                      | 3,358,903,485                                      | 2,740,120,027                          |
| <b>GROSS PROFIT</b>                                      | <b>272,103,244</b>                         | <b>725,383,352</b>                     | <b>374,539,956</b>                                 | <b>298,518,321</b>                                 | <b>266,771,256</b>                     |
| Less:                                                    |                                            |                                        |                                                    |                                                    |                                        |
| Distribution cost                                        | 9,669,837                                  | 10,678,119                             | 19,396,763                                         | 14,128,774                                         | 7,666,578                              |
| Administrative expenses                                  | 22,649,608                                 | 81,648,797                             | 77,675,389                                         | 52,610,446                                         | 57,914,175                             |
| Loss on de-recognition of available for sale investments | -                                          | 561,600                                | -                                                  | -                                                  | -                                      |
| Workers' profit participation fund                       | 6,786,853                                  | 20,927,908                             | 6,161,494                                          | 6,079,581                                          | 3,515,844                              |
| Worker's Welfare Fund                                    | -                                          | -                                      | -                                                  | -                                                  | 1,336,021                              |
|                                                          | 39,106,298                                 | 113,816,424                            | 103,233,646                                        | 72,818,801                                         | 70,432,618                             |
| Add:                                                     |                                            |                                        |                                                    |                                                    |                                        |
| Other income                                             | 1,753,374                                  | 3,663,214                              | 5,529,415                                          | 18,703,519                                         | 20,435,552                             |
| <b>PROFIT FROM OPERATIONS</b>                            | <b>234,750,320</b>                         | <b>615,230,142</b>                     | <b>276,835,725</b>                                 | <b>244,403,039</b>                                 | <b>216,774,190</b>                     |
| Less: Finance cost                                       | 105,800,110                                | 217,599,894                            | 152,270,740                                        | 135,393,624                                        | 151,309,167                            |
| <b>PROFIT BEFORE TAXATION</b>                            | <b>128,950,210</b>                         | <b>397,630,248</b>                     | <b>124,564,985</b>                                 | <b>109,009,415</b>                                 | <b>65,465,023</b>                      |
| Taxation - net                                           | (1,946,733)                                | 6,770,389                              | (3,095,976)                                        | 2,114,817                                          | 23,760,647                             |
| <b>PROFIT AFTER TAXATION</b>                             | <b>130,896,943</b>                         | <b>390,859,859</b>                     | <b>127,660,961</b>                                 | <b>106,894,598</b>                                 | <b>41,704,376</b>                      |
| <b>EARNING PER SHARE</b>                                 |                                            |                                        |                                                    |                                                    |                                        |
| Basic                                                    | 1.60                                       | 4.76                                   | 1.72                                               | 1.46                                               | 1.42                                   |
| Diluted                                                  | 1.30                                       | -                                      | -                                                  | -                                                  | -                                      |

No cash dividend has been declared by the Company during the previous 4 years.

No financial statements of the Company have been audited or reviewed, subsequently to the audit of the Company for the three months period September 30, 2014.

Assuring you of our professional services

Thanking you  
Yours faithfully,

*Fazal Mahmood*  
Fazal Mahmood & Company  
Chartered Accountants



## 6.2 SHARE BREAK-UP VALUE CERTIFICATE



December 09, 2014

The Board of Directors  
Mughal Iron & Steel Industries Limited  
31 Shadman -1  
Lahore.

Dear Sir(s),

### BREAK – UP VALUE PER SHARE

Based on the audited interim financial statements of Mughal Iron & Steel industries Limited for the three months period ended September 30, 2014, the break-up value of an ordinary share of Rs. 10/- each is calculated as follows;

|                                          |                             |
|------------------------------------------|-----------------------------|
| Share capital                            | 820,411,530                 |
| Revenue reserve – un-appropriated profit | <u>636,803,099</u>          |
| Shareholders' Equity                     | <u><b>1,457,214,629</b></u> |
| Total Number of shares                   | 82,041,153                  |
| Break-up value per share                 | <u><b>17.76</b></u>         |

Assuring you of our best professional services

Thanking you  
Yours faithfully,

*Fazal Mahmood & Co*

Fazal Mahmood & Company  
Chartered Accountants



147-SHADMAN-1, LAHORE-54000 (PAKISTAN) TEL: +92-42-37576986, 37580236, 37531445 FAX: +92-42-37560971



E-mail: info@fmc.com.pk, fazalm@brain.net.pk  
Web: www.fmc.com.pk  
A Member Firm of *jhi* & Task International



TASK INTERNATIONAL  
MEMBER OF THE  
FORUM OF FIRMS

**6.3 AUDITOR CERTIFICATE ON ISSUED, SUBSCRIBED, AND PAID-UP-CAPITAL OF THE COMPANY**



December 09, 2014

The Board of Directors  
Mughal Iron & Steel Industries Limited (the Company)  
31 Shadman 1,  
Lahore.

Dear Sir(s),

**AUDITORS' CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID UP CAPITAL OF THE COMPANY AS AT SEPTEMBER 30, 2014.**

We have verified from the books of accounts and the records of Mughal Iron & Steel Industries Limited that the issued, subscribed and paid up capital of the Company as at September 30, 2014 was Rs. 820,411,530 divided in to 82,041,153 ordinary shares of Rs. 10/- each. The break-up of shareholding as at September 30, 2014 is as follows;

| Ordinary shares of Rs. 10/- each         | Number of shares  | Rupees             |
|------------------------------------------|-------------------|--------------------|
| Issued for cash                          | 8,801,710         | 88,017,100         |
| Issued for consideration other than cash | 58,579,553        | 585,795,530        |
| Issued as fully paid up bonus shares     | 14,659,890        | 146,598,900        |
|                                          | <b>82,041,153</b> | <b>820,411,530</b> |

**The shareholders of the Company:**

**Ordinary shares of Rs. 10/- each**

**Directors**

|                                  |                   |
|----------------------------------|-------------------|
| Mirza Javaid Iqbal               | 25,799,905        |
| Khurram Javaid                   | 1,951,960         |
| Fahad Javaid                     | 2,000,000         |
| Muhammad Mubeen Bin Tariq Mughal | 24,433,140        |
| Fazeel Bin Tariq                 | 2,415,000         |
| Muhammad Waleed Bin Tariq        | 503,904           |
| Muteen Jamshed                   | 500,000           |
| Syed Salman Ali Shah             | 100               |
| Jamshed Iqbal                    | 24,937,144        |
| <b>Total</b>                     | <b>82,041,153</b> |

Assuring you of our best professional services

Thanking you  
Yours faithfully,

*Fazal Mahmood*

Fazal Mahmood & Company  
Chartered Accountants



147-SHADMAN-1, LAHORE-54000 (PAKISTAN) TEL: +92-42-37576986, 37580236, 37531445 FAX: +92-42-37560971



E-mail: info@fmc.com.pk, fazalm@brain.net.pk  
Web: www.fmc.com.pk  
A Member Firm of *jhi* & Task International



TASK INTERNATIONAL  
MEMBER OF THE  
FORUM OF FIRMS

#### 6.4 SUMMARY FINANCIAL HIGHLIGHT

| Financial Highlights         |            |            |            |            | (PKR in mn) |
|------------------------------|------------|------------|------------|------------|-------------|
|                              | FY2011     | FY2012     | FY2013     | FY2014     | Q1-FY2015   |
| Revenue                      | 3,007      | 3,657      | 3,929      | 5,857      | 1,709       |
| Gross Profit                 | 267        | 299        | 375        | 725        | 272         |
| Profit Before Taxation       | 65         | 109        | 125        | 398        | 129         |
| Profit After Taxation        | 42         | 107        | 128        | 391        | 131         |
| Non-Current Assets           | 1,035      | 1,852      | 2,445      | 2,884      | 2,897       |
| Current Assets               | 1,941      | 2,182      | 1,525      | 4,189      | 5,434       |
| Non-Current Liabilities      | 381        | 1,176      | 1,500      | 2,129      | 2,380       |
| Current Liabilities          | 1,967      | 2,124      | 1,520      | 3,618      | 4,493       |
| Total Liabilities            | 2,348      | 3,300      | 3,020      | 5,747      | 6,873       |
| Equity                       | 627        | 734        | 949        | 1,326      | 1,457       |
| Total Equity and Liabilities | 2,976      | 4,034      | 3,969      | 7,074      | 8,331       |
| Earnings Per Share (PKR)     | 0.71       | 1.82       | 1.56       | 4.76       | 1.60        |
| Book Value Per Share (PKR)   | 10.70      | 12.52      | 11.56      | 16.17      | 17.76       |
| No of Share                  | 58,639,553 | 58,639,553 | 82,041,153 | 82,041,153 | 82,041,153  |

#### 6.5 FINANCIAL RATIOS

| Financial Ratios               |            |            |            |            |            |
|--------------------------------|------------|------------|------------|------------|------------|
|                                | FY2011     | FY2012     | FY2013     | FY2014     | Q1-FY2015  |
| EPS (PKR)                      | 0.71       | 1.82       | 1.56       | 4.76       | 1.60       |
| Break Up Value Per Share (PKR) | 10.70      | 12.52      | 11.56      | 16.17      | 17.76      |
| ROE (%)                        | 6.65%      | 14.56%     | 13.46%     | 29.47%     | 8.98%      |
| ROA (%)                        | 1.40%      | 2.65%      | 3.22%      | 5.53%      | 1.57%      |
| Gross Margin (%)               | 8.87%      | 8.16%      | 9.53%      | 12.38%     | 15.92%     |
| Net Margin (%)                 | 1.39%      | 2.92%      | 3.25%      | 6.67%      | 7.66%      |
| Asset Turnover Ratio (x)       | 1.01       | 0.91       | 0.99       | 0.83       | 0.21       |
| Debt to Asset (%)              | 68%        | 42%        | 35%        | 46%        | 45%        |
| Debt to Equity (%)             | 76:24      | 70:30      | 59:41      | 71:29      | 72:28      |
| EBITDA to Sales (%)            | 7.82%      | 7.30%      | 8.36%      | 11.82%     | 15.04%     |
| No Of Shares                   | 58,639,553 | 58,639,553 | 82,041,153 | 82,041,153 | 82,041,153 |

## PART 7

## 7 MANAGEMENT

## 7.1 BOARD OF DIRECTORS OF THE COMPANY

| Serial | Name & Address                                                                                       | Designation            | Directorship in Other Companies                                                                                                                                                                                                                                                                                                 |
|--------|------------------------------------------------------------------------------------------------------|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1)     | <b>Mirza Javaid Iqbal</b><br>House No 31<br>Shadman Colony 1<br>Race Course Road<br>Lahore           | Director /<br>Chairman | <ul style="list-style-type: none"> <li>▪ Mughal Steel Metallurgies Corporation Ltd.</li> <li>▪ Mughal Energy Ltd.</li> <li>▪ Indus Steel Mills Corporation Ltd</li> <li>▪ Al-Bashir Steel Industries (Pvt) Ltd</li> <li>▪ Kalabagh Steel Mills Corporation Ltd</li> <li>▪ Mughal Steel Re-Rolling Industries Limited</li> </ul> |
| 2)     | <b>Muhammad Mubeen Bin Tariq Mughal</b><br>E-111 Phase 1 DHA<br>Lahore Cantt                         | Director               | <ul style="list-style-type: none"> <li>▪ Mughal Steel Metallurgies Corporation Ltd.</li> <li>▪ Mughal Energy Ltd.</li> <li>▪ Indus Engineering (Pvt) Ltd</li> <li>▪ Al-Bashir Steel Industries (Pvt) Ltd</li> <li>▪ Mughal Steel Re-Rolling Industries Limited</li> </ul>                                                       |
| 3)     | <b>Khurram Javaid</b><br>House No 130-F<br>Street No 5 Phase 5<br>DHA Lahore                         | Director / CEO         | <ul style="list-style-type: none"> <li>▪ Mughal Steel Metallurgies Corporation Ltd.</li> <li>▪ Mughal Energy Ltd.</li> <li>▪ Indus Engineering (Pvt) Ltd</li> <li>▪ Mughal Steel Re-Rolling Industries Limited</li> </ul>                                                                                                       |
| 4)     | <b>Jamshed Iqbal</b><br>E-111 Phase 1 DHA<br>Lahore Cantt                                            | Director               | <ul style="list-style-type: none"> <li>▪ Mughal Steel Metallurgies Corporation Ltd.</li> <li>▪ Mughal Energy Ltd.</li> <li>▪ Al-Bashir Steel Industries (Pvt) Ltd</li> <li>▪ Kalabagh Steel Mills Corporation Ltd</li> <li>▪ Mughal Steel Re-Rolling Industries Limited</li> </ul>                                              |
| 5)     | <b>Muhammad Mateen Jamshed</b><br>E-111 Phase 1 DHA<br>Lahore Cantt                                  | Director               | <ul style="list-style-type: none"> <li>▪ Indus Engineering (Pvt)</li> <li>▪ Mughal Steel Re-Rolling Industries Limited</li> </ul>                                                                                                                                                                                               |
| 6)     | <b>Fazeel Bin Tariq</b><br>E-111 Phase 1 DHA<br>Lahore Cantt                                         | Director               | <ul style="list-style-type: none"> <li>▪ Indus Engineering (Pvt)</li> <li>▪ Mughal Steel Re-Rolling Industries Limited</li> </ul>                                                                                                                                                                                               |
| 7)     | <b>Syed Salman Ali Shah</b><br>Askari Villas house # 5<br>opposite polo ground<br>Sarwar Road Lahore | Director               | <ul style="list-style-type: none"> <li>▪ Lahore Stock Exchange Limited</li> <li>▪ MCB-Arif Habib Savings &amp; Investment Limited</li> <li>▪ WorldCall Telecom Limited</li> </ul>                                                                                                                                               |

## 7.2 OVER DUE LOANS

There are no overdue loans (both foreign and local currency) on the Company or its Directors.

### **7.3 DIVIDEND PAYOUT BY GROUP LISTED COMPANIES**

None of the group companies are listed on the Stock Exchange(s).

### **7.4 PROFILE OF DIRECTORS**

#### **Mr. Mirza Javaid Iqbal – Chairman / Non-Executive Director**

Mr. Javed Iqbal is the Chairman of Mughal Iron & Steel industries Limited. He joined the family business in 1976 under the supervision of his father. He is responsible for the expansion and growth of MISIL over the last three decades. He is also the Chairman of Human Resource & Remuneration Committee.

#### **Mr. Khurram Javaid – Chief Executive Officer**

Mr. Khurram Javaid is currently serving as Chief Executive Officer of MISIL. He is integral in business expansion and in enhancing the production capacity of the Company. He holds MBE from Coventry University, U.K. and BSc. from Lahore School of Economics in Pakistan. He is also the member of Human Resource & Remuneration Committee.

#### **Dr. Syed Salman Ali Shah – Independent Director**

Dr. Shah is the former Caretaker Finance Minister of Pakistan. He has served as an Advisor to the Finance Minister, Mr. Shaukat Aziz on finance, economic affairs, statistics and revenues and also served as an economic consultant to different Pakistani governments. He has several years of teaching experience at international and local universities. Dr. Shah has served as the Chairman of the Privatization Commission and was a member on the Board of Directors of the State Bank of Pakistan, Pakistan International Airlines, and Lahore University of Management Sciences. He is associated with various international institutions and has published papers in journals of international repute.

An experienced academic and consultant, Dr. Shah holds a Ph.D. in Finance & Economics from Indiana University, Bloomington's Kelley School of Business Administration, USA. Currently he is serving on the Board of MCB-Arif Habib Savings and Investment Limited, World Call Telecom Limited and Lahore Stock Exchange Limited.

He is currently serving as independent director in MISIL and is also the Chairman of the Audit Committee.

#### **Mr. Muhammad Mubeen bin Tariq Mughal – Executive Director**

Muhammad Mubeen Bin Tariq Mughal is looking after Accounts, Finance and Audit functions of the Company. After completing his Bachelors in Economics and Finance from Lahore School of Economics Pakistan, he joined the Company. He has an experience of 5 years in steel sector

#### **Mr. Jamshed Iqbal – Non-Executive Director**

Mr. Jamshed Iqbal along with Mirza Javed Iqbal are the pioneers of MISIL. He has vast in depth experience and knowledge of steel sector, especially relating to managing local and export sales. He is member of Audit Committee and Human Resource & Remuneration Committee.

**Mr. Fazeel Bin Tariq- Non-Executive Director**

Mr. Fazeel holds a Bachelor's Degree in Business Administration from Lahore School of Economics and Post Graduate Degree in Professional Accounting from Swinburne University of Technology – Melbourne, Australia. He has recently joined the Board as Director and is member of the Audit Committee.

**Mr. Muhammad Mateen Jamshed – Non-Executive Director**

Mr. Mateen holds a Bachelor's Degree from Lahore School of Economics and has recently joined the Board as Non – Executive Director and is member of the Audit Committee and Human Resource & Remuneration Committee.

**7.5 PROFILE OF OTHER KEY MANAGEMENT**

**Mr. Shakeel Ahmad - Chief Operating Officer**

With strong academic background, M. Phil in Management Sciences and MBA in marketing, Mr. Shakeel Ahmad has years of practical experience behind him and has been with the Company for more than 10 years. He is the key element in maintaining the strategic & competitive positioning of the Company in the market through relationship building, in depth market research & analysis, creating & implementing strategic sales growth initiatives, networking and brand building. He has highly developed leadership skills and is a leader who leads with integrity, passion and compassion to attain revenue & profit objectives within the organization. His contributions towards the success and growth of the Company are highly valued.

**Mr. Muhammad Zafar Iqbal – Chief Financial Officer**

He is working as CFO since incorporation of the Company. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan. He has vast experience of dealing in accounts, finance, and taxation and company law related matters. With over 16 years of experience in leadership positions, he plays an active role in the financial /strategic planning of the Company.

**Mr. Pervaiz Iqbal – Company Secretary**

Mr. Pervez Iqbal is working with MISIL as company secretary since 2010. He has done his Masters in Commerce (M.Com) from The University of the Punjab in 2006.

**Mr. Muhammad Fahad Hafeez - Head of Internal Audit**

Muhammad Fahad Hafeez is a member of Association of Certified Chartered Accountants of, Certified Internal Control Auditors and Pakistan institute of Public finance Accountants. He has more than 7 years of experience of audit, implementation of internal control charter, risk assessment and measure to mitigate risks.

**Mr. Khalid Javed - Senior Manager Accounts**

Mr. Javed has been working with MISIL since 2009 and is responsible for managing accounts for MISIL. He holds a Bachelor's Degree from Punjab University in commerce after which he completed his Articles from M/S M. Hussain Chaudhary and Company Chartered Accountants, Lahore. Prior to working with MISIL he was employed in the construction industry for twenty eight years.

**Mr. Muhammad Usman - Senior Systems Analyst**

Mr. Usman is an associate member of Institute of Chartered Accountants of Pakistan. His responsibilities include working with project teams to understand and clarify business requirements, understanding system design, enterprise architecture, application data models and entity relationships to effectively contribute in finalizing the business requirements with respect to system development and analyzing multiple modules in a system to include work processes, modifications, interfaces, and reports.

**Mr. Samein Shoukat - Corporate Commercial Manager**

Mr. Shoukat has over 25 year of work experience. He joined MISIL in 2012 and is currently responsible for procurement of raw material through imports. Mr. Shoukat holds Undergraduate and Post graduate degrees in Business Administration from the University of Louisiana and University of New Orleans respectively. Prior to joining MISIL he had worked with organizations such as the United Nations, Highland Group and Nestle Pakistan.

**Ms. Sumaira Manzoor - Manager Marketing**

Having completed her Masters in Business Administration from University of the Punjab, she joined the Company in 2005 and since then she has been pivotal for the marketing team. Currently, her responsibilities include monitoring and analyzing market trends, identifying target markets, developing strategies, preparing and managing marketing plans, formulating, directing and coordinating marketing activities and policies to promote products, working with advertising and promotion managers, developing pricing strategies, balancing firm objectives and customer satisfaction.

**Mr. Rizwan Malik - Senior Manager Procurement**

Mr. Rizwan has decades of work experience with the Company. He is responsible for working closely with the selected suppliers and managing the Company's procurement activities, providing leadership for the purchasing department, motivating staff to achieve maximum performance and efficiency and ensuring that the purchasing department works within all of the companies operational procedures.

**Mr. Tahir Mahmood - Senior Manager Power Plant**

Mr. Mahmood has been working with MISIL since 2005. He is currently looking after operational activities of Power Plant. Mr. Mahmood holds an Undergraduate Degree in Mechanical Engineering from the University of Engineering Technology, Lahore. Prior to joining MISIL he had worked thirty years with Saudi Consolidated Electric Company, Ibrahim Group, WAPDA and Nishat Power Plant.

**Mr. Muhammad Ashraf - Manager Production**

Mr. Ashraf has been working with MISIL since 2013 in the capacity of Manager Production – Girder Mill Plant. He holds an MSC in Mechanical Engineering from National University of Science & Technology, Islamabad. Mr. Ashraf prior to joining MISIL had spent twenty years working for organizations such Army Jerrican Manufacturing Plant, National Logistics Cell, Electrical & Mechanical Engineering Workshop, Inspection and Technical Development Directorate and Pakistan Ordinance factories.

**Mr. Muhammad Imran - Senior Engineer**

Mr. Imran has been employed with MISIL since 2011 as Senior Engineer - Girder Mill Plant. He is currently responsible for operations and maintenance of the furnace linked to the girder plant. Mr. Imran holds Bachelor's in Mechanical Engineering from Bahauddin Zakariya University, Multan.

**Mr. Aftab Akram - Incharge Inventory**

Mr. Akram has been working with MISIL since 2013. Mr. Akram holds a Masters in Business Administration from Bahauddin Zakariya University, Multan. Prior to joining MISIL he had worked with Ghandhara Nissan, Dadabhoy Cement Industries, Feroze Textile Group, Agility Logistics, Descon Oxychem Ltd & Descon Chemicals Ltd.

**Mr. Tasneem Ahmed - Deputy Manager Production - Melting Furnace**

Mr. Ahmed has been working with MISIL since 2005. He holds a Bachelors degree in Metallurgy Engineering from the University of Engineering & Technology, Lahore.

**Mr. Muhammad Tahzaib ul Hassan - Deputy Manager Production - Ferro Alloys**

Mr. Hassan has been employed with MISIL since 2007, as Deputy Manager Production at the Ferro Alloys Plant. He is currently responsible for ensuring initiation, execution and closing of production procedure that take place at the Ferro Alloys. Mr. Hassan holds an undergraduate degree in Metallurgy Engineering from University of Engineering & Technology, Lahore.

**Mr. Muhammad Usman Saleem - Assistant Manager Production - Melting Furnace**

Mr. Saleem has been employed with MISIL since 2009 as Assistant Manager Production - Melting Furnace. He is currently responsible for ensuring smooth function of initiation, execution and closing procedure that take place at the melting furnace in order to ensure product quality. He holds an undergraduate degree in Metallurgy Engineering from University of the Punjab, Lahore.

**Mr. Muhammad Awais Arif - Senior Engineer - Bar Mill Plant**

Mr. Arif has been employed with MISIL since 2011 as Senior Engineer - Bar Mill Plant. He is currently responsible for production process, preventive maintenance and their operation at the Bar Mill Plant .He holds Bachelors in Mechanical Engineering from University of Engineering and Technology, Lahore.

**Mr. Abraiz Manzoor - Senior Metallurgy Engineer - Ferro Alloys Plant**

Mr. Manzoor has been working as Senior Metallurgy Engineer at Ferro Alloys Plant since 2011. He is currently responsible for production process at MISIL Ferro Alloys Plant. He holds a Bachelor degree in Metallurgy Engineering from University of the Punjab, Lahore.

**7.6 NUMBER OF DIRECTORS**

Pursuant to Section 174 of the Companies Ordinance, 1984 a listed Company shall not have less than seven directors. At present the Board consists of 7 Directors, including the Chief Executive Officer.

## **7.7 QUALIFICATION OF DIRECTORS**

No qualification shares are prescribed for becoming a director of the Company. However as per section 187 of the Ordinance, the director is to be a member of the Company. This condition does not apply to the nominee directors.

## **7.8 REMUNERATION OF THE DIRECTORS**

Pursuant to the Article 49 of the Article of Association of the Company the remuneration of a Director for performing extra services including holding of the office of Chairman and remuneration to be paid to any Director for attending the meetings of the Directors or a committee of Directors shall from time to time be determined by the Board of Directors in accordance with the law.

## **7.9 BENEFITS TO PROMOTERS AND OFFICERS**

No amount of benefits has been paid or given during the last year or is intended to be paid or given to any promoter or to any officer of the Company other than as remuneration for services rendered as whole-time executive of the Company.

## **7.10 INTEREST OF DIRECTORS**

The directors may be deemed to be interested to the extent of fees payable to them for attending Board meetings. The Directors performing whole time services in the Company may also be deemed interested in the remuneration payable to them by the Company. The nominee directors have interest in the Company to the extent of representing the sponsors in the capital of the Company.

## **7.11 INTEREST OF DIRECTORS IN PROPERTY ACQUIRED BY THE COMPANY**

None of the Directors of the Company had or has any interest in any property acquired by the Company or proposed to be acquired by the Company.

## **7.12 ELECTION OF DIRECTORS**

The Directors of the Company are elected for a term of three years in accordance with the procedure laid down in section 178 of the Ordinance.

The Directors shall comply with the provisions of Sections 174 to 178 and Sections 180 and 184 relating to the election of Directors and matters ancillary thereto.

Subject to the provisions of the Ordinance, the Company may from time to time increase or decrease the number of Directors.

Any casual vacancy occurring on the Board of Directors may be filled up by the Directors, but the person so appointed shall be subject to retirement at the same time as if he/she had become a Director on the day on which the Director in whose place he/she is chosen was last elected as Director.

The Company may remove a Director in accordance with the provisions of the Ordinance.

The present Directors of the Company were elected on October 31, 2013 for the period of three years.

### **7.13 VOTING RIGHTS**

At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded, be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded. Unless a poll is so demanded, a declaration by the chairman that resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.

A poll may be demanded only in accordance with the provision of Section 167 of the Ordinance. If a poll is duly demanded, it shall be taken in accordance with the manner laid down in Section 167 of the Ordinance and the result of the poll shall be deemed to be resolution of the meeting at which the poll was demanded.

### **7.14 COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

The company has started compliance with the Code of Corporate Governance. In this regard, the Board has been re-structured. The new structure consists of two executive directors, one independent director and four non – executive directors.

The Board has approved a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

The Board has approved a vision / mission statement, overall corporate strategy and significant policies of the Company.

The board has also formed an Audit Committee and Human Resource & Remuneration Committee. The audit committee comprises of four members, all of them are non-executive directors and the chairman of the committee is an independent director. The HR&R committee consists of three non- executive directors and one executive director and the chairman of the committee is a non-executive director.

The Board has set up an effective internal audit function within the Company.

The related party transactions have been placed before the Board for their approval; however from future onwards the related party transactions will be placed before the Audit Committee for recommendation and then approved by the Board of Directors.

### **7.15 INTERNAL AUDIT**

The Board of Directors has setup an effective internal audit function managed by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis. Internal Audit department is headed by Muhammad Fahad Hafeez who is ACCA, CICA, APFA. He has more than 7 years of experience of audit, implementation of internal control charter, risk assessment and measure to mitigate risks.

#### **7.16 HUMAN RESOURCE AND REMUNERATION COMMITTEE**

The Company has formed Human Resource and Remuneration Committee comprising of the following members:

- Mirza Javaid Iqbal (Chairman)
- Jamshed Iqbal
- Muhammad Muteen Jamshed
- Khurram Javed

#### **7.17 BORROWING POWERS OF DIRECTORS**

Subject to the provision contained in the Article of Association of the Company, the Directors may exercise all the power of the Company to borrow money and to mortgage or charge its undertaking and property or any part thereof and to issue securities and debentures whether outright or as securities for any debt, liability or obligation of the Company or of any third party.

#### **7.18 POWERS OF DIRECTORS**

The business of the Company shall be managed by the Directors, who may pay all expenses incurred in promoting and registering the Company, and may exercise all such powers of the Company as are required to be exercised subject to the Ordinance, the Articles of Association of the Company and any regulations prescribed by the Company in the General Meeting.

#### **7.19 INVESTMENT IN SUBSIDIARIES**

The Company has not sponsored nor acquired any subsidiaries nor has any resolution been passed for sponsoring or acquiring any subsidiaries under Section 208 of the Ordinance.

#### **7.20 INVESTMENT IN ASSOCIATED COMPANIES**

The Company has not sponsored nor acquired any associated Company nor has any resolution been passed for sponsoring or acquiring any associated Company under Section 208 of the Ordinance.

#### **7.21 REVALUATION OF FIXED ASSETS**

There is no revaluation of fixed assets as at September 30, 2014.

#### **7.22 CAPITALIZATION OF RESERVES**

The Company issued 14,659,890 Bonus Shares of restated Face Value of PKR 10/- each on 11th June 2013 against Reserves. Other than these shares, there has been no capitalization of Reserves since the incorporation of MISIL.

**PART 8**

**8 MISCELLANEOUS INFORMATION**

**8.1 REGISTERED OFFICE / CORPORATE OFFICE**

**Mughal Iron & Steel Industries Limited**  
31-Shadman Colony-I  
Lahore

**8.2 PLANT ADDRESS**

**Mughal Iron & Steel Industries Limited**  
17-KM Sheikhpure Road  
Lahore

**8.3 BANKER TO THE ISSUE FOR BOOK BUILDING**

Faysal Bank Limited

**8.4 BANKERS TO THE ISSUE**

1. Bank Alfalah Limited
2. Faysal Bank Limited
3. Habib Bank Limited
4. Habib Metropolitan Bank Limited
5. MCB Bank Limited
6. Samba Bank Limited
7. Silk Bank Limited
8. Soneri Bank Limited
9. Summit Bank Limited
10. United Bank Limited

**8.5 BID COLLECTION CENTERS**

**Karachi**

|                 |                                                                                                               |
|-----------------|---------------------------------------------------------------------------------------------------------------|
| Contact:        | <b>Mr. Syed Furqan Ahmed</b>                                                                                  |
| Direct No.:     | +92-21-3536-0533                                                                                              |
| PABX No.:       | +92-21-111-253-111 Ext. 621                                                                                   |
| Fax No.:        | +92-21-3537-4291, +92-21-3537-3211                                                                            |
| Email:          | <a href="mailto:sfurqan.ahmed@akdsecurities.net">sfurqan.ahmed@akdsecurities.net</a>                          |
| Postal Address: | <b>AKD Securities Limited</b><br>6 <sup>th</sup> Floor, Continental Trade Centre<br>Block 8, Clifton, Karachi |

**Lahore**

|                 |                                                                                                       |
|-----------------|-------------------------------------------------------------------------------------------------------|
| Contact:        | <b>Mr. Ehsan Ahmad Qureshi</b>                                                                        |
| Direct No.:     | +92-42-36280742-4                                                                                     |
| PABX No.:       | +92-42-111-253-111                                                                                    |
| Mobile No.:     | +92-334-411-1253                                                                                      |
| Fax No.:        | +92-42-3628-0745                                                                                      |
| Email:          | <a href="mailto:ehsan.ahmad@akdtrade.com">ehsan.ahmad@akdtrade.com</a>                                |
| Postal Address: | <b>AKD Trade</b><br>Room No. 512/513, 5 <sup>th</sup> Floor<br>Lahore Stock Exchange Building, Lahore |

**Islamabad**

Contact: **Mr. Khalid Hussain**  
Direct No.: +92-51-2894325  
Mobile No.: +92-332-212-5525, +92-333-532-6580  
PABX No.: +92-51-289-4321  
Fax No.: +92-51-289-4323  
Email: [malik.khalid@akdtrade.com](mailto:malik.khalid@akdtrade.com)  
Postal Address: **AKD Trade**  
303, 3<sup>rd</sup> Floor, ISE Tower  
Jinnah Avenue, Blue Area, Islamabad

**8.6 BANKERS TO THE COMPANY**

1. Allied Bank Limited
2. Askari Bank Limited
3. Bank Al-Habib Limited
4. Habib Bank Limited
5. Habib Metropolitan Bank Limited
6. National Bank of Pakistan
7. Sindh Bank Limited
8. Soneri Bank Limited
9. Summit Bank Limited
10. United Bank Limited
11. First Women Bank Limited
12. MCB Bank Limited
13. Samba Bank Limited
14. Bank Alfalah Limited

**8.7 AUDITORS OF THE COMPANY**

**M/s Fazal Mahmood & Company**

Chartered Accountants  
147- Shadman-1  
Lahore  
Phone - +92 42 37576986  
Fax - +92 42 37560971  
Email – [fazalm@live.com](mailto:fazalm@live.com)  
Website – [www.fmc.com.pk](http://www.fmc.com.pk)

**8.8 LEGAL ADVISOR OF THE COMPANY**

**M/s Butt and Company**

Peoples Building 5-Fareed Kot Link Road  
Lahore

**8.9 LEGAL ADVISOR TO THE ISSUE**

**M/s Mohsin Tayebaly & Co**

Barristers & Advocates  
2nd Floor Dime Centre, BC-4 Block 9  
KDA Scheme 5, Clifton, Karachi

PABX + 92-21-35375658, + 92-21-35838077  
 Fax - (00-92-21) 35870240  
 Email - contact@mtclaw.com.pk

**8.10 LEAD MANAGER & ARRANGER**

**AKD Securities Limited**  
 602, 6<sup>th</sup> Floor, Continental Trade Centre  
 Block – 8, Clifton, Karachi  
 PABX- +92-21-111-253-111 Ext: 621  
 Fax - 92-21-3537-4291  
 Email: [sfurgan.ahmed@akdsecurities.net](mailto:sfurgan.ahmed@akdsecurities.net)

**8.11 BOOK RUNNER TO THE ISSUE**

**AKD Securities Limited**  
 602, 6<sup>th</sup> Floor, Continental Trade Centre  
 Block – 8, Clifton, Karachi  
 PABX: +92-21-111-253-111 Ext: 621  
 Fax: +92-21-3537-4291  
 Email: [sfurgan.ahmed@akdsecurities.net](mailto:sfurgan.ahmed@akdsecurities.net)

**8.12 COMPUTER BALLOTTER & SHARES REGISTRAR**

**THK Associates (Pvt.) Ltd**  
 Head office Karachi  
 2nd Floor, State Life Building-3  
 Dr. Ziauddin Ahmed Road, Karachi 75530, Pakistan  
 Phone - +92 (21) 111-000-322  
 Fax - +92 (21)35655595  
 Email - secretariat@thk.com.pk

**8.13 UNDERWRITING AGREEMENTS**

| S.No         | Underwriters | No. of Shares | Date of Agreement |
|--------------|--------------|---------------|-------------------|
|              |              |               |                   |
|              |              |               |                   |
| <b>Total</b> |              |               |                   |

**8.14 DUE DILIGENCE REPORTS**

| S.No | Underwriters | Date of Agreement |
|------|--------------|-------------------|
|      |              |                   |
|      |              |                   |
|      |              |                   |

## 8.15 MATERIAL CONTRACTS & DOCUMENTS

### 8.15.1 Details of Short-term Financing Facility

| Short Term Financing Facilities |                 |             |                    |                 |                    |
|---------------------------------|-----------------|-------------|--------------------|-----------------|--------------------|
| Bank                            | Facility        | Limit in Mn | Mark up Commission | Date sanctioned | Expiry/Review Date |
| BankIslami                      | Istisna         | 750.00      | 6MK+1.25%          | 10th June 2014  | 31st May 2015      |
|                                 | Karobar Finance | 750.00      | 6MK+1.25%          |                 |                    |

### 8.15.2 Details of Long-term Financing Facility

| Long Term Financing Facilities |              |             |                    |                    |                         |
|--------------------------------|--------------|-------------|--------------------|--------------------|-------------------------|
| Bank                           | Facility     | Limit in Mn | Mark up Commission | Date sanctioned    | Expiry/Review Date      |
| MCB Bank Limited               | LF-I         | 77.00       | 3MK+1.5%           | 16th July 2014     | 3.25 year from each IDA |
|                                | LF-II        | 65.05       | 3MK+1.5%           |                    |                         |
|                                | DF           | 40.00       | 3MK+1.5%           |                    |                         |
| Bank Alfalah Limited           | LTFE         | 153.00      | SBP+1.5%           | 17th February 2014 | 5th October 2015        |
|                                | Term Finance | 250.00      | 6MK+2.0%           |                    | 31st January 2015       |

### 8.15.3 Details of Non-Funded Facilities

| Non Funded Facilities |                            |             |                                                                               |                    |                               |
|-----------------------|----------------------------|-------------|-------------------------------------------------------------------------------|--------------------|-------------------------------|
| Bank                  | Facility                   | Limit in Mn | Mark up Commission                                                            | Date sanctioned    | Expiry/Review Date            |
| MCB Bank Limited      | LC(S)F                     | 900.00      | 3MK+1.0% (Retirement < 30 days)* or As Per Bank Policy (Retirement > 30day)** | 16th July 2014     | 31st March 2015               |
|                       | LC(DA)F                    | 200.00      | ASC                                                                           |                    |                               |
|                       | ERF-II                     | 100.00      | SBP+1.0%                                                                      |                    |                               |
|                       | BG                         | 80.00       | ASC                                                                           |                    |                               |
| Summit Bank           | LC - Sight (Import)        | 500.00      | 0.10% p.q                                                                     | 9th April 2014     | 28th February 2015            |
|                       | ERF-II                     | 100.00      | SBP+1.0%                                                                      |                    | 2 years from date of issuance |
|                       | LG                         | 50.00       | 0.10% p.q                                                                     |                    |                               |
| Meezan Bank           | Murabaha                   | 500.00      | To be negotiated at the time of disbursement                                  | 22nd August 2014   | 30th May 2015                 |
|                       | LC - Sight (Import)        | 250.00      | 0.07% p.q                                                                     |                    |                               |
| Soneri Bank           | SLC Foreign                | 750.00      | 0.07% p.q                                                                     | 29th August 2014   | 31st October 2015             |
| Bank Alfalah Limited  | SLC Foreign                | 500.00      | 0.10% p.q                                                                     | 17th February 2014 | 31st January 2015             |
|                       | FATR-120 days              | 500.00      | 3MK+1.0%                                                                      |                    |                               |
|                       | FAPC-II                    | 100.00      | SBP+1.0%                                                                      |                    |                               |
| JS Bank               | LC - Sight (Import/Inland) | 200.00      | 0.10% p.q                                                                     | 31st October 2014  | 30th November 2014            |

|            |                              |        |           |                |               |
|------------|------------------------------|--------|-----------|----------------|---------------|
| BankIslami | Murabahah / Import Murabahah | 750.00 | 6MK+1.25% | 10th June 2014 | 31st May 2015 |
|            | LC - Sight (Import)          | 750.00 | 0.10% p.q |                |               |

\* If Borrowing is settled with in a period of 30 days

#### 8.16 COMPANY RELATED AGREEMENTS

| Key contract / Agreement                                                                                                         | Counter Party                  | Date of Agreement              |
|----------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| Contract for Gas Supply                                                                                                          | Sui Northern Gas Pipelines Ltd | 16 <sup>th</sup> October, 2003 |
| Contract for sanction of load of 3000 KW industrial plus 5 KW (General) for induction Furnace on 11 KV Supply under Tariff B-III | LESCO                          | 5 <sup>th</sup> December, 1989 |
| Contact for Extension of load from 3000 KW to 4000 KW                                                                            | LESCO                          | 24 <sup>th</sup> January, 2000 |
| Contract for Extension of load from 4000 KW to 4500 KW                                                                           | LESCO                          | 5 <sup>th</sup> May, 2001      |
| Contract for Extension of load from 4500 KW to 19990 KW                                                                          | LESCO                          | 24 <sup>th</sup> October, 2008 |
| Maintenance and Operation                                                                                                        | LESCO                          | 11 <sup>th</sup> July, 2013    |

#### 8.17 BORROWINGS FROM RELATED PARTIES

| Party                | Amount (PKR)         |
|----------------------|----------------------|
| Mughal Steel         | 844,855,926          |
| Directors & Sponsors | 1,294,822,376        |
| <b>Total</b>         | <b>2,139,678,302</b> |

These represent interest free and unsecured loans. The loans are not repayable within the next twelve months. There is no fixed tenure for repayment of these liabilities and in the absence of the availability of a defined repayment schedules, the fair value of the loans is not determinable and hence they have been stated at cost.

#### 8.18 INSPECTION OF DOCUMENTS AND CONTRACTS

Copies of the Memorandum and Articles of Association, the audited financial statements, the Auditor's Certificates, Information Memorandum and copies of agreements referred to in this Prospectus may be inspected during usual business hours on any working day at the registered office of the Company from the date of publication of this Prospectus until the closing of the subscription list.

#### 8.19 LEGAL PROCEEDINGS

There are no legal proceedings pending in the court of law which may have adverse material impact on the business of the Company as at June 30, 2014

#### 8.20 MEMORANDUM OF ASSOCIATION

The Memorandum of Association, inter alia, contains the objects for which the Company was incorporated and the business which the Company is authorized to undertake. A copy

of the Memorandum of Association is annexed to this Prospectus and with every issue of the Prospectus except the one that is released in newspapers as advertisement.

**8.21 FINANCIAL YEAR OF THE COMPANY**

The financial year of the Company commences on July 1<sup>st</sup> and ends on 30<sup>th</sup> June each year.

## PART 9

### 9 APPLICATION AND ALLOTMENT INSTRUCTIONS

---

#### 9.1 Eligible investors include:

- a. Pakistani citizens resident in or outside Pakistan or Persons holding two nationalities including Pakistani nationality;
- b. Foreign Nationals whether living in or outside Pakistan
- c. Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
- d. Mutual Funds, Provident/pension/gratuity funds/trusts, (subject to the terms of the Trust Deed and existing regulations); and
- e. Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

#### 9.2 APPLICATION MUST BE MADE ON THE COMPANY'S PRINTED FORM

- 9.3 Copies of this Prospectus and applications forms can be obtained from members of KSE & LSE, the Bankers to the Issue and their Branches, the Lead Manager, Arranger & Book Runner, and the registered office of the Company. The Prospectus and the application form can also be downloaded from the following website:

[www.akdsecurities.net](http://www.akdsecurities.net), [www.mughalsteel.com](http://www.mughalsteel.com)

- 9.4 The applicants opting for scripless form of shares are required to complete the relevant sections of the application. In accordance with the provisions of the Central Depositories Act, 1997 and the CDCPL Regulations, credit of such shares is allowed ONLY in the applicant's own CDC account. In case of discrepancy between the information provided in the application form and the information already held by CDS, the Company reserves the right to issue shares in physical form.

- 9.5 Name(s) and address(es) must be written in full block letters, in English and should not be abbreviated.

- 9.6 All applications must bear the name and signature corresponding with that recorded with the applicant's banker. In case of difference of signature with the bank and Computerized National Identity Card (CNIC) or National Identity Card for Overseas Pakistanis (NICOP) or Passport both the signatures should be affixed on the application form.

#### 9.7 APPLICATIONS MADE BY INDIVIDUAL INVESTORS

- (i) In case of individual investors, an attested photocopy of CNIC (in case of Resident Pakistanis)/Passport (in case of Non-Resident Pakistanis) as the case may be, should be enclosed and the number of CNIC/Passport should be written against the name of the applicant. Copy of these documents can be attested by any Federal/Provincial Government Gazetted Officer, Councilor, Oath Commissioner or Head Master of High School or bank manager in the country of applicant's residence.
- (ii) Original CNIC/Passport, along with one attested photocopy, must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the

Banker to the Issue) at the time of presenting the application. The attested photocopy will, after verification, be retained by the bank branch along with the application.

#### **9.8 APPLICATIONS MADE BY INSTITUTIONAL INVESTORS**

- (i) Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by an attested photocopy of their Memorandum and Articles of Association or equivalent instrument/document. Where applications are made by virtue of Power of Attorney, the same should also be submitted along with the application. Any Federal/Provincial Government Gazetted Officer, Councilor, Bank Manager, Oath Commissioner and Head Master of High School or bank manager in the country of applicant's residence can attest copies of such documents.
- (ii) Attested photocopies of the documents mentioned in 8(i) must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with the application.

#### **9.9 Only one application will be accepted against each account, however, in case of joint account, one application may be submitted in the name of each joint account holder.**

**9.10** Joint application in the name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit attested copies of their CNICs/Passport. The Shares will be dispatched to the person whose name appears first on the application form while in case of CDS, it will be credited to the CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit or return. Please note that joint application will be considered as a single application for the purpose of allotment of Shares.

**9.11** Subscription money must be paid by cheque drawn on applicant's own bank account or pay order/bank draft payable to one of the Bankers to the Issue “**IPO of Mughal Iron & Steel Industries Limited**” and crossed “**A/C PAYEE ONLY**”.

**9.12** For the applications made through pay order/bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order/bank draft individually for each application.

**9.13** The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of Shares.

**9.14** Applications are not to be made by minors and/or persons of unsound mind.

**9.15** Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.

**9.16** Applicants should retain the bottom portion of their application forms as provisional acknowledgement of submission of their applications. This should not be construed as an

acceptance of the application or a guarantee that the applicant will be allotted the number of Shares for which the application has been made.

- 9.17** Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.
- 9.18** Bankers to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the Issue.
- 9.19** It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.
- 9.20** Submission of Fictitious and multiple applications (more than one application by same person) is prohibited and such application money shall be liable to confiscation under section 18A of the Securities and Exchange Ordinance, 1969.

**9.21 ADDITIONAL INSTRUCTIONS FOR FOREIGN/NON-RESIDENT INVESTORS**

- 9.22** In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of memorandum of association or an equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copies of these documents can be attested by the bank manager in the country of applicant's residence.
- 9.23** Applicants may also subscribe using their Special Convertible Rupee Account (SCRA) as set out under the State Bank of Pakistan's Foreign Exchange Manual.

**9.24 BASIS OF ALLOTMENT**

The basis and conditions of transfer of shares to the General Public shall be as follows:

- a) The minimum amount of application for subscription of 500 Shares is PKR [X]/-. Application for Shares below the total value of PKR [X]/- shall not be entertained.
- b) Application for Shares must be made for 500 Shares or in multiple thereof only. Applications, which are neither for 500 Shares nor for multiple thereof, shall be rejected.
- c) Allotment / Transfer of Shares to successful applicants shall be made in accordance with the allotment criteria/ instructions disclosed in the Prospectus.
- d) Allotment of Shares shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and/or the instructions by the Securities & Exchange Commission of Pakistan.

- e) Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the Application Form.
- f) The Company will dispatch Shares to successful applicants through their Bankers to the Issue or credit the respective CDS accounts of the successful applicants (as the case maybe).

#### 9.25 BANKERS TO THE ISSUE

| Code No. | Banks                           |
|----------|---------------------------------|
| 01       | Bank Alfalah Limited            |
| 02       | Faysal Bank Limited             |
| 03       | Habib Bank Limited              |
| 04       | Habib Metropolitan Bank Limited |
| 05       | MCB Bank Limited                |
| 06       | Samba Bank Limited              |
| 07       | Silk Bank Limited               |
| 08       | Soneri Bank Limited             |
| 09       | Summit Bank Limited             |
| 10       | United Bank Limited             |

#### 9.26 E-IPO Facilities

In order to facilitate the investors, the Issuer has arranged provision of e-IPO facility through United Bank Limited (“UBL”) that is among the Bankers to the Issue. The accountholders of UBL can use UBL net-banking to submit their applications online via link <http://www.ubldirect.com/corporate/ebank>.

The accountholders of UBL can submit their applications through these links 24 hours a day during the subscription period which will close at 12:00 midnight on MM DD, 2015

#### 9.27 CODE OF OCCUPATION

| Code No. | Occupation         | Code No. | Occupation    |
|----------|--------------------|----------|---------------|
| 01       | Business           | 06       | Professional  |
| 02       | Business Executive | 07       | Student       |
| 03       | Service            | 08       | Agriculturist |
| 04       | Housewife          | 09       | Industrialist |
| 05       | Household          | 10       | Others        |

#### 9.28 NATIONALITY CODE

| Code No. | Name of Country | Code No. | Name of Country |
|----------|-----------------|----------|-----------------|
| 001      | U.S.A           | 006      | Bangladesh      |
| 002      | U.K             | 007      | China           |
| 003      | U.A.E           | 008      | Bahrain         |
| 004      | K.S.A           | 009      | Other           |
| 005      | Oman            |          |                 |

**PART 10**

**10. BIDDING FORM OF MUGHAL IRON & STEEL INDUSTRIES LIMITED**

---

*(this space has been left blank intentionally)*

**PART 11**

**11. SIGNATORIES TO THE PROSPECTUS**

|                                  |      |
|----------------------------------|------|
| Mirza Javaid Iqbal               | Sd/- |
| Muhammad Mubeen Bin Tariq Mughal | Sd/- |
| Khurram Javaid                   | Sd/- |
| Jamshed Iqbal                    | Sd/- |
| Fazeel Bin Tariq Mughal          | Sd/- |
| Muhammad Mateen Jamshed          | Sd/- |
| Dr. Salman Ali Shah              | Sd/- |

**Signed by the above in the presence of witnesses:**

Sd/-

**Name: Pervez Iqbal**

**Designation:** Company Secretary

**CNIC:** 31203-1908871-7

**Address:** Furniture Market, H. No. 17-F, St No. 25,  
Opposition Shan-e-Masjid, Bund Road,  
Lahore.

**Date:** October 14, 2014

Sd/-

**Name: Raheel Shaukat**

**Designation:** Account Officer

**CNIC:** 35201-0732079-9

**Address:** E-96/5/H-I, Umer Street,  
Farooq colony, Walton Road,  
Lahore Cantt.

**Date:** October 14, 2014

PART 12

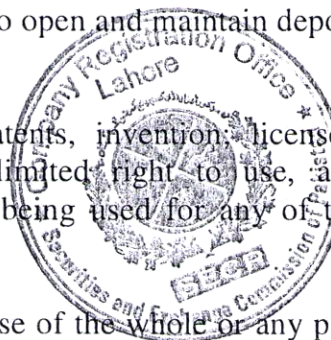
12. MEMORANDUM OF ASSOCIATION

THE COMPANIES ORDINANCE, 1984  
(COMPANY LIMITED BY SHARES)  
MEMORANDUM OF ASSOCIATION  
OF  
“MUGHAL IRON AND STEEL INDUSTRIES LIMITED”

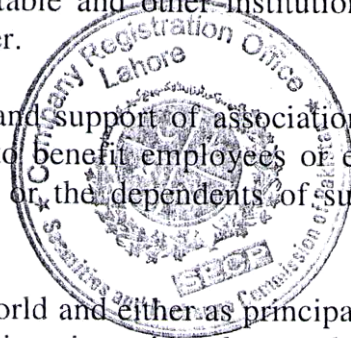
- I. That the name of Company is **Mughal Iron And Steel Industries Limited**
- II. The Registered Office of the Company shall be situated in the Province of Punjab.
- III. The object for which the Company is established are:-
  1. To take over all assets and rights of the existing firm “**Mughal Steel**” including, but not limited to, benefit of all agreement, contracts, goodwill, conveyances, accounts, credit facilities, utilities, licenses, permissions and to assume all liabilities and obligation for any debts, taxes, fees, rents, liabilities, etc for such consideration and by such means as may be agreed between the Company and members of the partnership firm being acquired.
  2. To acquire by lease, purchase, grant, license or otherwise such land, building, material water works, plant, machinery, stock in trade, store, rights, privileges, easement and other property as may from time to time deemed necessary for carry on the business of the company specially for manufacturing of Ferro Alloys and Generation of Electricity and to build upon any land of the company howsoever any kind or type of building, civil works, road way, gate ways etc , etc. for manufacturing as well as for staff/officer of the company and to erect, install, fabricate, manufacture any kind or type of plant and machinery etc. as necessary for carry on the business of the company.
  3. To act as general traders in steel items like Iron bar, angles, Channels etc; trading in other Steel items can also be done according to the needs of the business.
  4. To set up a new Steel Re-Rolling Mills or acquire or purchase, in running condition any Steel Re-Rolling Mills according to the need and requirement of business.
  5. To set up new Steel Mills and melting Furnaces, the Company can also take over or purchase any Steel Mill and melting Furnace in running condition according to the need and its requirement.



6. To import old ships for ship-breaking purpose and re-meltable / re-roll able scrap for own business use and for sale in the open market.
7. To purchase and import machinery, chemicals and other alloys necessary and connected with running of steel melting furnaces and steel re-rolling mills.
8. To invest the surplus moneys of the Company not immediately required for its purpose in such a lawful manner as may deem fit but not to act as an investment company.
9. To borrow or raise money for the purpose of the Company's business and from such institutions or banks as the company may think fit for the purposes of the Company's business and with a view there-to-mortgage and subject to charge the undertaking and the company's property both present and future.
10. To carry on agency business and to acquire and hold selling agencies and to act as selling agents, commission agents, manufacturer's representatives and distributing agents of and for the distribution of all kind of legally permissible merchandise, goods, commodities, products, materials, substances, articles and things whether finished, raw, under process, refined, treated or otherwise pertaining to trade and commerce and for that purpose to remunerate them and to open and maintain depots and branches.
11. To apply for, purchase or otherwise acquire any patents, inventions, licenses, concessions, and the like, conferring exclusive or limited right to use, any information or invention which may seem capable of being used for any of the purposes of the Company.
12. To lease, let out, hire, mortgage, sell or otherwise dispose of the whole or any part of the undertaking or any land, business or property, rights or assets of any kind of the Company or any share of interest therein, in such manner and for such consideration as the Company may think fit.
13. To sell or dispose of the undertaking of the Company or any part thereof in such a manner and for such a consideration as the Company may think fit and in particular for shares fully or partly paid up, debenture stock or securities of any other company whether promoted by this Company or not and to improve, manage, develop, exchange, lease, dispose of, turn to account, otherwise deal with all or any of the property and rights of the Company.
14. To enter into partnership or arrangement with any person, firm, company or corporation engaged or interested or about to become engaged or interested in carrying on or conduct any business which company is authorized to carry on or from which the Company would or might derive any benefit directly or indirectly.



15. To amalgamate with any person or company whether by sale or purchase (fully or partly paid up shares or otherwise) of the undertaking subject to the liabilities of this or any such other company as aforesaid with or without winding up or by purchase of all the shares or stock of any such other company or in any other manner.
16. To enter into arrangements with the government / semi government or authority (supreme municipal, local or otherwise) or any corporation, Company or person that may seem conducive to the company's objects or any of them and to obtain from any such government, authority, corporation, Company or person any charters, contracts, rights, privileges and commission which the Company may think desirable and to carry on exercise and comply with any such charters, contracts, decrees, rights, privileges and concessions.
17. To open and close banking accounts and to draw, make, accepts, endorse, discount, and issue cheques, promissory notes, bills of exchange, bills of lading, warrants, debentures and other negotiable or transferable instruments.
18. To Grant pensions, gratuities and bonuses to employees and directors of the Company or its predecessors in business or the dependents of such persons and to support or to give to any religious, educational charitable and other institutions, clubs, societies or funds, or subjects of a public character.
19. To establish and support or aid in the establishment and support of associations, institutions, funds, trusts and convenience calculated to benefit employees or ex-employees, directors or ex-directors of the Company or the dependents of such persons.
20. To do all or any of the above things in any part of the world and either as principals, agents, trustees or otherwise and either along or in conjunction with others and by or through the agents, sub-contractors, trustees or otherwise.
21. To distribute any of the property of the company in specie or in any manner whatsoever among the members, at the event of winding up of the company.
22. To guarantee the performance of contracts, agreements, obligations, or discharge of any debts of the company or on behalf of any company or persons in relation to the payment of any financial facility including but not limited to loans, advances, letters of guarantee or other obligations through creation of any or all types of mortgages, charges, pledge, hypothecation on execution of the usual banking documents or instruments or otherwise encumbrances on any or all the moveable and immovable properties of the company either present or future or both and issuance of any other security or surety by any other means in favor of banks, non-banking finance companies (NBFC) or any financial institution or to borrow money for purpose of the company on such terms & conditions as may be considered proper.



23. To provide guarantees for due performance of obligations of any associated undertaking or a third party with which in view of business relationship it would be to the benefit of the company to issue a guarantee and also to create a security on its assets to secure obligations of such undertakings and third parties.
24. To do such other things as are incidental or conducive to the attainment of the above objects.
25. It is declared that notwithstanding anything contained in the foregoing object clause of this Memorandum of Association nothing shall be construed to empower the company to indulge in or undertake the business of a banking company, investment insurance, leasing, managing agency, or banking business directly indirectly as restricted under law or any other lawful operation.

IV. The liability of the member is limited.

- V. “The Capital of the company is Rs. 1,000,000,000/- (Rs. One Thousand Million only) divided into 10,000,000 ordinary shares of Rs. 100/- each with the power to Company to increase and reduce the aforesaid capital of the Company in accordance with the provision of law”.

We the several persons whose names and addresses are given below subscribed are desirous of being formed into a company, in pursuance of this Memorandum of association, and we respectively agree to take the number of shares in the capital of the company set opposite our respective names.

| Name and surname (Present & Former) in Full (in Block Letter) | Father's/ Husband's Name in full | Nationality with any former Nationality | Occupation | Residential address in full                                 | Number of shares taken by each subscriber | Signature |
|---------------------------------------------------------------|----------------------------------|-----------------------------------------|------------|-------------------------------------------------------------|-------------------------------------------|-----------|
| Mirza Javaid Iqbal<br>35201-9761226-7                         | Mirza Bashir Ahmed               | Pakistani                               | Business   | House No. 31, Shadman Colony 1, Race Course Road Lahore.    | 2000                                      |           |
| Jamshed Iqbal<br>35201-2176101-7                              | Bashir Ahmed                     | Pakistani                               | Business   | House No. 111-E, Phase-I, Defence Housing Authority Lahore. | 2000                                      |           |
| Muhamamd Mubeen Bin Tariq Mughal<br>35201-0221455-5           | Muhammad Tariq Iqbal Mughal      | Pakistani                               | Business   | House No. 111-E, Phase-I, Defence Housing Authority Lahore. | 2000                                      |           |
| TOTAL SHARE                                                   |                                  |                                         |            |                                                             | 6000                                      |           |

