

MISIL/CCRI/2024(1)

November 5, 2024

The General Manager

Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

DECLARATION OF RIGHT ISSUE – ORDINARY CLASS-C SHARES

Dear Sir,

Pursuant to the approval of the members vide special resolution, to issue Ordinary Class-C shares and in accordance with the applicable laws, rules and regulations, the provisions of the Memorandum and Articles of Association of the Company, it is hereby conveyed, that the Board of Directors of the Company, has approved to increase the paid-up share capital of the Company from Rs. 3,356,339,330/- to Rs. 3,856,339,330/- by issue of further 50,000,000 Unlisted Ordinary Class-C shares of the Company having face value of Rs. 10/- each, to be offered by way of right to the members of the Company, holding ordinary shares, at a value of Rs. 30/- per share (i.e. inclusive of a premium of Rs. 20/- per share) in ratio of approximately 14.90 Ordinary Class-C right shares for every 100 existing ordinary shares of Rs. 10/- each (i.e @ 14.90%) held as at the close of the business, prior to the closure of share transfer books, against payment to the Company for the price of the Ordinary Class-C shares subscribed.

The dates of closure of the Share Transfer Books of the Company, to determine the entitlement of Ordinary Class-C Right Shares will be communicated in due course after finalization of the Right Share - Offer Document (Schedule-1) in accordance with the provisions of the Companies (Further Issue of Shares) Regulations, 2020.

Please find enclosed the following details:

- **Annexure-A:** Statement pertaining to the quantum of right Issue, right issue size, right issue price, purpose of right issue, utilization of the proceeds, benefits of the issue to the Company and its shareholders, risk factors, etc. as required under Regulations 3(1)(iii) and 6(1)(ii) of the Companies (Further Issue of Shares) Regulations, 2020.
- **Annexure-B:** Certified true copy of the Extract of the Resolutions passed by the Board of Directors in their meeting held on November 05, 2024.
- **Annexure-C:** Draft copy of the Notice of Right Issue to the Shareholders prior to its publication in the newspapers.

You may please inform the TREC Holders of the Exchange accordingly.

Yours sincerely,

for **MUGHAL IRON & STEEL INDUSTRIES LIMITED**



MUHAMMAD FAHAD HAFEEZ
(Company Secretary)



Enclosed as above

CC:

- a) The Commissioner
Corporate Supervision Department
Securities and Exchange Commission of Pakistan
Islamabad
- b) The Director
Surveillance Supervision Enforcement (SMD)
Securities and Exchange Commission of Pakistan,
Islamabad

ANNEXURE A

STATEMENT PERTAINING TO THE QUANTUM OF RIGHT ISSUE, RIGHT ISSUE SIZE, RIGHT ISSUE PRICE, PURPOSE OF RIGHT ISSUE, UTILIZATION OF THE PROCEEDS, BENEFITS OF THE ISSUE TO THE COMPANY AND ITS SHAREHOLDERS, RISK FACTORS ETC., AS REQUIRED UNDER REGULATIONS 3(1)(iii) AND 6(1)(ii) OF THE COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020.

Quantum of the right issue (i.e. as percentage of existing paid up capital)

The quantum of the right issue is approximately 14.90% of the existing paid-up capital of the Company i.e. approximately 14.90 Ordinary Class-C right shares for every 100 ordinary shares held by the members of the Company.

Right issue size

The Company shall issue 50,000,000 Ordinary Class-C shares, at a price of Rs. 30/- per Ordinary Class-C share (including premium of Rs. 20/- per Ordinary Class-C share).

Right issue price

Rs. 30/- per Ordinary Class-C Shares (including premium of Rs. 20/- per Ordinary Class-C share).

Purpose of the right issue

The existing working capital of the Company is financed by mix of bank and debt instrument borrowings. The purpose of the right issue is to raise equity for injection in existing working capital of the Company to partly replace the debt financed portion with equity financing. This aligns with the Company's broader strategy to fortify its financial position in order to enhance profitability and, consequently, provide greater shareholder return.

Utilization of proceeds of the issue

Below is the break-up of utilization of the right issue proceeds:

Purpose of the issue	Amount	% of Right issue proceeds
Existing working capital financing	1,500,000,000	100%

Benefits of the issue to the Company and its shareholders

This will result in savings in the form of reduction in overall markup cost, injection of permanent capital, increase in equity, improved cash flows, and lowering of leveraging. Further, the Ordinary Class-C shares have no right to dividend, therefore, there will be no dilution of Earnings per share as well, which will instead improve on account of markup savings.

Risk factors associated with the right issue

1. The right issue would be completely underwritten as per requirements of the applicable regulations. Due to this factor, there appears to be somewhat minimal investment risk associated with the Right Issue. Other specific business risks are covered in the draft Notice, which may further be expanded and disclosed, as and when deemed appropriate by the Board, the shareholders or the regulator.
2. Ordinary Class- C shares will be unlisted, have no right to any dividend / bonus shares declared by the Company from time to time. However, these shares are participatory in surplus assets in case of liquidation of the Company. However, non-dividend/ bonus feature is compensated by the voting rights that it entails.

Justification for issue of shares at premium to face value

Current market price of the ordinary share is Rs. 80.05 (October 28, 2024). The Ordinary Class-C share (with the face/par value of Rs. 10/- per share) is being offered at premium of Rs. 20/- per share. Since, the Ordinary Class-C shares will have no right to dividend and bonus, thus, this price/premium reflects to the voting rights attached to the Ordinary Class-C shares.

Provision of ASBA facility (optional)

The Company is not opting for the option.

Minimum Subscription Amount

The Company is not opting for the option of Minimum Subscription Amount as envisaged in Regulation 3(6) of the Companies (Further Issue of Shares) Regulations, 2020.

Additional Information required under regulation 6(1)(ii) of the Companies (Further Issue of Shares) Regulations, 2020.

Description of different kind of shares:	Ordinary Class – C shares.
Description of different rights such as different class in each kind, rights and privileges attached to each class or kind of capital:	In voting at any General Meeting, in respect of any matter, Ordinary Class-C shares carry fifty voting rights per each Ordinary Class-C share.
Whether the shares are being issued as right or other than right:	Issuance to existing ordinary shareholders of the Company by way of Right.
Whether the holders of such shares shall be entitled to participate in profits or surplus funds of the Company:	Ordinary Class- C shares have no right to any dividend or bonus shares declared by the Company from time to time.

Whether the holders of such shares shall be entitled to participate in surplus assets and profits of the company on its winding-up which may remain after the ordinary shareholders has been repaid:	Ordinary Class-C shares are participatory in surplus assets in case of liquidation of the Company.
Whether payment of dividend on preference shares is on cumulative or noncumulative basis:	Not applicable
In case the shares being issued are convertible into ordinary shares, then mode, mechanism and manner of such conversion:	Non-convertible
Rights of holders of preference shares regarding dividend, participation in general meetings and voting therein before and after conversion of preference shares into ordinary shares:	Not applicable
In case the shares are partially or wholly redeemable, then mode and manner of redemption:	Not applicable
Any other feature as deem appropriate by the board:	<p>i) Ordinary Class-C shareholders will have no right over any right shares issued by the Company from time to time.</p> <p>ii) Ordinary Class-C shares shall be unlisted.</p>

THE DRAFT OFFER DOCUMENTS SHALL BE SUBMITTED TO THE PSX AND THE COMMISSION WITHIN DUE COURSE. THE COMPANY AND ITS BOARD EXERCISED ITS DISCRETION NOT TO SEEK PUBLIC COMMENTS ON THE OFFERING DOCUMENTS.

ANNEXURE B

EXTRACT OF THE RESOLUTIONS PASSED AT THE BOARD MEETING OF MUGHAL IRON & STEEL INDUSTRIES LIMITED HELD ON NOVEMBER 05, 2024 AT 11:45 AM AT 31-A, SHADMAN I, LAHORE.

“RESOLVED that Pursuant to the approval of the members vide special resolution, to issue Ordinary Class-C shares and in accordance with the applicable laws, rules and regulations, the provisions of the Memorandum and Articles of Association of the Company, approval is hereby accorded to increase the paid-up share capital of the Company from Rs. 3,356,339,330/- to Rs. 3,856,339,330/- by issue of further 50,000,000 Unlisted Ordinary Class-C shares of the Company having face value of Rs. 10/- each, to be offered by way of right to the members of the Company, holding ordinary shares, at a value of Rs. 30/- per share (i.e. inclusive of a premium of Rs. 20/- per share) in ratio of approximately 14.90 Ordinary Class-C right shares for every 100 existing ordinary shares of Rs. 10/- each (i.e @ 14.90%) held as at the close of the business, prior to the closure of share transfer books, against payment to the Company for the price of the Ordinary Class-C shares subscribed, details of which are as follows:

Type of Security	Face Value	Right Price	Right Issue	Share Capital	Share Premium	Right Issue
	Rs./Share	Rs./Share	Nos.	Rs.	Rs.	Rs.
Ordinary Class-C Share	10.00	30.00	50,000,000	500,000,000	1,000,000,000	1,500,000,000

- 1. The issue of Ordinary Class-C shares along with their rights and privileges were approved by the members of the Company in the Extraordinary General Meeting held on September 19, 2023 with the powers delegated to the Board of Directors to allot, forfeit, surrender, rectify or otherwise dispose of the same on such terms and conditions and at any such time as they deem fit.*
- 2. Right Issue Entitlement – 14.90 Ordinary Class-C Shares for every 100 Ordinary Shares held by the ordinary shareholders of the Company (i.e. 14.90%) against payment to the Company.”*

“FURTHER RESOLVED that the following quantum of right issue, right issue size, right issue price, purpose of right issue, utilization of proceeds, benefits of the issue to the Company and the shareholders, risk factors etc. as required under Regulations 3(1)(iii) and 6(1)(ii) of the Companies (Further Issue of Shares) Regulations, 2020, be and hereby is approved:

Quantum of the right issue (i.e. as percentage of existing paid up capital)

The quantum of the right issue is approximately 14.90% of the existing paid-up capital of the Company i.e. approximately 14.90 Ordinary Class-C right shares for every 100 ordinary shares held by the members of the Company.

Right issue size

The Company shall issue 50,000,000 Ordinary Class-C shares, at a price of Rs. 30/- per Ordinary Class-C share (including premium of Rs. 20/- per Ordinary Class-C share).

Right issue price

Rs. 30/- per Ordinary Class-C Shares (including premium of Rs. 20/- per Ordinary Class-C share).

Purpose of the right issue

The existing working capital of the Company is financed by mix of bank and debt instrument borrowings. The purpose of the right issue is to raise equity for injection in existing working capital of the Company to partly replace the debt financed portion with equity financing. This aligns with the Company's broader strategy to fortify its financial position in order to enhance profitability and, consequently, provide greater shareholder return.

Utilization of proceeds of the issue

Below is the break-up of utilization of the right issue proceeds:

Purpose of the issue	Amount	% of Right issue proceeds
Existing working capital financing	1,500,000,000	100%

Benefits of the issue to the Company and its shareholders

This will result in savings in the form of reduction in overall markup cost, injection of permanent capital, increase in equity, improved cash flows, and lowering of leveraging. Further, the Ordinary Class-C shares have no right to dividend, therefore, there will be no dilution of Earnings per share as well, which will instead improve on account of markup savings.

Risk factors associated with the right issue

1. The right issue would be completely underwritten as per requirements of the applicable regulations. Due to this factor, there appears to be somewhat minimal investment risk associated with the Right Issue. Other specific business risks are covered in the draft Notice, which may further be expanded and disclosed, as and when deemed appropriate by the Board, the shareholders or the regulator.
2. Ordinary Class- C shares will be unlisted, have no right to any dividend / bonus shares declared by the Company from time to time. However, these shares are participatory in surplus assets in case of liquidation of the Company. However, non-dividend/ bonus feature is compensated by the voting rights that it entails.

Justification for issue of shares at premium to face value

Current market price of the ordinary share is Rs. 80.05 (October 28, 2024). The Ordinary Class-C share (with the face/par value of Rs. 10/- per share) is being offered at premium of Rs. 20/- per share. Since, the Ordinary Class-C shares will have no right to dividend and bonus, thus, this price/premium reflects to the voting rights attached to the Ordinary Class-C shares.

Provision of ASBA facility (optional)

The Company is not opting for the option.

Minimum Subscription Amount

The Company is not opting for the option of Minimum Subscription Amount as envisaged in Regulation 3(6) of the Companies (Further Issue of Shares) Regulations, 2020.

Additional Information required under regulation 6(1)(ii) of the Companies (Further Issue of Shares) Regulations, 2020.	
Description of different kind of shares:	Ordinary Class – C shares.
Description of different rights such as different class in each kind, rights and privileges attached to each class or kind of capital:	In voting at any General Meeting, in respect of any matter, Ordinary Class-C shares carry fifty voting rights per each Ordinary Class-C share.
Whether the shares are being issued as right or other than right:	Issuance to existing ordinary shareholders of the Company by way of Right.
Whether the holders of such shares shall be entitled to participate in profits or surplus funds of the Company:	Ordinary Class- C shares have no right to any dividend or bonus shares declared by the Company from time to time.
Whether the holders of such shares shall be entitled to participate in surplus assets and profits of the company on its winding-up which may remain after the ordinary shareholders has been repaid:	Ordinary Class-C shares are participatory in surplus assets in case of liquidation of the Company.
Whether payment of dividend on preference shares is on cumulative or noncumulative basis:	Not applicable
In case the shares being issued are convertible into ordinary shares, then mode, mechanism and manner of such conversion:	Non-convertible

Rights of holders of preference shares regarding dividend, participation in general meetings and voting therein before and after conversion of preference shares into ordinary shares:	Not applicable
In case the shares are partially or wholly redeemable, then mode and manner of redemption:	Not applicable
Any other feature as deem appropriate by the board:	<p>i) Ordinary Class-C shareholders will have no right over any right shares issued by the Company from time to time.</p> <p>ii) Ordinary Class-C shares shall be unlisted.”</p>

“FURTHER RESOLVED that the Chief Executive Officer, and/or Company Secretary and/or the Chief financial Officer, be and are hereby authorized severally to prepare, revise, and to finalize the draft offer document / letter along with the circular, as per the prescribed format, as required under section 83(3) of the Companies Act, 2017, to accompany the letter of offer, and share it with the Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange Limited (PSX), and revise the same based on the observations and changes of the SECP and PSX as may be deemed fit by them, in the manner prescribed under the applicable regulations, along with preparing and submitting other documents in this respect. While the draft offer letter may be placed on the PSX website, public comments on the same shall not be required to be solicited.”

“FURTHER RESOLVED that the Chief Executive Officer and any of the Directors of the Company, be and are hereby authorized by the Board of Directors of the Company, to sign the circular required under section 83(3) of the Companies Act, 2017 accompanying the letter of offer, once finalized in accordance with the procedure stipulated under the applicable law.”

“FURTHER RESOLVED that the Chief Executive Officer and the Chief Financial Officer of the Company, be and are hereby authorized by the Board of Directors of the Company, to provide undertakings as required to be provided in the circular required under section 83(3) of the Companies Act, 2017 on behalf of the Board of Directors.”

“FURTHER RESOLVED that the letter of offer may be issued / signed by the Chief Executive Officer and any of the Directors of the Company in compliance with the applicable laws.”

“FURTHER RESOLVED that all fractional entitlements will be consolidated in the name of the Company Secretary (under trust) and unpaid letter of right in respect thereof shall be disposed of, the net proceeds from which, once realized, shall be distributed/ paid to the entitled shareholders in accordance with their respective entitlements as per applicable laws.”

“FURTHER RESOLVED that Chairman of the Board of Directors be and is hereby authorized on behalf of the Board of Directors, to offer and allot the unsubscribed shares to such persons as he may deem fit in accordance with Section 83(1)(a)(iv) of the Companies Act, 2017, including the sponsors / substantial shareholders, directors or associated undertakings of the Company or any third party, before calling upon the underwriters to subscribe to any unsubscribed shares.”

“FURTHER RESOLVED that the Chief Executive Officer and the Company Secretary of the Company be and is hereby authorized singly to close the share transfer books of the Company and to determine the entitlements of the shareholders of the Company with respect to the right issue and perform all ancillary acts.”

“FURTHER RESOLVED that the Chief Executive Officer, Chief Financial Officer and the Company Secretary be and are hereby severally authorized to do the following acts on behalf of the Company:

- i. To appoint/negotiate with consultants/advisors/share registrar/auditors and underwriters to the right issue; to finalize terms and conditions and sign underwriting agreements, other documents and settle/ finalize fees, underwriting commission, take-up commission and third party expenses and/or any other expenses relating to the right issue;
- ii. To prepare the schedule for issue of right share including date of payment, and to make any amendments in the said schedule, appointment of banker(s) to the issue, announce the book closure dates, and to take all necessary actions, in respect of the right issue and ancillary matters thereto, and as required by the Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange Limited, Central Depository Company of Pakistan Limited (CDC), including but not limited to induction of the offer for right shares in the Central Depository System of the CDC or any other authority;
- iii. To open, maintain, operate and close bank accounts for the purpose of amounts received from subscription of Ordinary Class-C Right Shares;

- iv. To make necessary corrections, amendments and file necessary documents in case of any mistake or omission is pointed out by any regulatory authorities;
- v. To allot / credit right shares and file return as required by the Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange Limited, Central Depository Company of Pakistan Limited (CDC) along with the auditors' certificates; and;
- vi. To take all other necessary steps, and do all other acts, deeds and things, to prepare the offer letter, circular and schedule for right issue and any other documents and to make any amendments in the aforementioned documents and schedule and to take all necessary actions as may be required in this regard including execution of any documents and agreements or any ancillary or incidental actions to give effect to the above resolutions."

Certified that the above mentioned is as true and valid extract from the meeting of the Board of Directors of Mughal Iron & Steel Industries Limited

Yours sincerely,

for **MUGHAL IRON & STEEL INDUSTRIES LIMITED**



MUHAMMAD FAHAD HAFEEZ
(Company Secretary)

ANNEXURE C

NOTICE OF RIGHT ISSUE – ORDINARY CLASS-C SHARES

Members are hereby notified that Board of Directors of Mughal Iron & Steel Industries Limited ('the Company') in their meeting held on November 05, 2024 has decided to issue Unlisted Ordinary Class-C shares as follows:

Type of Security	Face Value	Right Price	Right Issue	Share Capital	Share Premium	Right Issue
	Rs./Share	Rs./Share	Nos.	Rs.	Rs.	Rs.
Ordinary Class-C Share	10.00	30.00	50,000,000	500,000,000	1,000,000,000	1,500,000,000

- I. Above Right Issue Entitlement – 14.90 Ordinary Class-C Shares for every 100 Ordinary Shares held by the ordinary shareholders of the Company (i.e. 14.90%) against payment to the Company.
- II. The dates of closure of the Share Transfer Books of the Company, to determine the entitlement of Ordinary Class- C Right Shares will be communicated in due course after finalization of the Ordinary Class- C Right Share - Offer Document (Schedule-1) in accordance with the provisions of the Companies (Further Issue of Shares) Regulations, 2020.