

MISIL/IORSC/2024

November 12, 2024

The General Manager

Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.
By Courier & PUCAR

ISSUANCE OF RIGHT SHARES

Dear Sir,

We hereby enclose the draft Offer Document of Mughal Iron & Steel Industries Limited for your review and comments.

Furthermore, we would like to inform you that the Company does not intend to seek public comments on the draft Offer Document, as mentioned under Regulation 3(2)(iv) of the Companies (Further Issue of Shares) Regulations, 2020.

Yours Sincerely,

for **MUGHAL IRON & STEEL INDUSTRIES LIMITED**


MUHAMMAD FAHAD HAFEEZ

(Company Secretary)



CC: **The Executive Director**
Securities Market Division (SMD)
Securities & Exchange Commission of Pakistan
Islamabad

The Executive Director
Surveillance, Supervision and Enforcement Department,
Securities & Exchange Commission of Pakistan
Islamabad.

The Executive Director
Corporate Supervision Department (CSD)
Securities & Exchange Commission of Pakistan
Islamabad.

SCHEDULE I
CIRCULAR UNDER SECTION 83 OF THE COMPANIES ACT, 2017
The Companies (Further Issue of Shares) Regulations, 2020
Right Share - Offer Document

ADVICE FOR INVESTORS

INVESTMENT IN EQUITY SECURITIES AND EQUITY RELATED SECURITIES INVOLVES A CERTAIN DEGREE OF RISKS. THE INVESTORS ARE REQUIRED TO READ THE RIGHTS SHARE OFFER DOCUMENT (*HEREIN REFERRED TO AS 'OFFER DOCUMENT'*) AND RISK FACTORS CAREFULLY, ASSESS THEIR OWN FINANCIAL CONDITIONS AND RISK-TAKING ABILITY BEFORE MAKING THEIR INVESTMENT DECISIONS IN THIS OFFERING.

RIGHT ENTITLEMENT LETTER IS NOT TRADABLE ON PSX SINCE THE RESULTANT SECURITY (i.e. ORDINARY CLASS-C SHARES) WILL BE UNLISTED (i.e. NOT TRADABLE AT PSX)

This document is issued for the purpose of providing information to shareholders of the Company and to the public in general in relation to the rights issue of Rs. 1,500,000,000 consisting of Ordinary Class-C Shares of 50,000,000 by Mughal Iron & Steel Industries Limited. A copy of this document has been registered with the Securities Exchange.

This offer document is valid till _____ (i.e. 60 days from the last day of payment of subscription amount)



MUGHAL IRON & STEEL INDUSTRIES LIMITED (THE ISSUER)
Right share – Offer Document

Date and place of incorporation: February 16, 2010, Lahore
Incorporation number: 0071627
Address of registered / corporate office: 31-A Shadman I, Lahore, Pakistan.

Contact No: +92-42-35960841, **Website:** www.mughalsteel.com, **Contact Person:** Mr. Zeeshan Ejaz, Phone: +92-42-35960841, **Email:** fahadhafeez@mughalsteel.com (To contact during business hours i.e. from Monday to Saturday from 9:00 am to 6:00 pm).

Issue Size: The right issue consists of 50,000,000 Ordinary Class-C Right Shares (i.e. 14.90% of the existing paid-up capital of Mughal Iron & Steel Industries Limited) having a face value of Rs. 10/- each, at an offer price of Rs. 30/- each (i.e. including a premium of Rs. 20/- per share). The total amount to be raised through the right issue is Rs. 1,500,000,000/-.

Date of Placing Offer Document on PSX for Public Comments: N/A (Public comments were not sought).

Date of Final Offer Letter: [●], 2024

Date of Book Closure: From [●], 2024 to [●], 2024

Subscription Amount Payment Dates: From [●], 2024 to [●], 2024

Trading Dates for Letter of Rights: Not applicable

Detail of the relevant contact persons:

	Name of the Person	Designation	Contact No.	Office Address	E-mail I.D.
1. Authorized Officer of the Issuer	Muhammad Fahad Hafeez	Company Secretary	+92-42-35960841 Ext: 155	31-A Shadman I, Lahore, Pakistan	fahadhafez@mughalsteel.com
2. Underwriter to the issue	Abdul Aziz Habib (Dawood Equities Ltd.)	CEO	+92-21-32271883	17th Floor, Saima Trade Tower A, I.I. Chundrigar Road, Karachi, Pakistan	contact@dawoodequities.com
3. Bankers to the Issue					

Website: This offer letter can be downloaded from <https://www.mughalsteel.com> and <https://www.psx.com.pk>.

UNDERTAKING BY THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCIAL OFFICER

WE, **KHURRAM JAVAID**, THE CHIEF EXECUTIVE OFFICER AND **MUHAMMAD ZAFAR IQBAL**, THE CHIEF FINANCIAL OFFICER OF THE COMPANY, CERTIFY THAT;

- i. THE OFFER DOCUMENT CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
- ii. THE INFORMATION CONTAINED IN THE OFFER DOCUMENT IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF;
- iii. THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
- iv. THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THE OFFER DOCUMENT AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
- v. ALL REQUIREMENTS OF THE COMPANIES ACT, 2017, THE COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020, THE CENTRAL DEPOSITORY COMPANY AND THAT OF PSX PERTAINING TO THE RIGHT ISSUE HAVE BEEN FULFILLED.

FOR AND ON BEHALF OF MUGHAL IRON & STEEL INDUSTRIES LIMITED

KHURRAM JAVAID
CHIEF EXECUTIVE OFFICER

MUHAMMAD ZAFAR IQBAL
CHIEF FINANCIAL OFFICER

UNDERTAKING BY THE OFFICERS OF THE COMPANY AUTHORIZED BY THE BOARD OF DIRECTORS OF THE COMPANY IN THIS BEHALF

WE, ON BEHALF THE BOARD OF DIRECTORS OF **MUGHAL IRON & STEEL INDUSTRIES LIMITED**, HEREBY CONFIRM THAT:

- i ALL MATERIAL INFORMATION AS REQUIRED UNDER THE COMPANIES ACT, 2017, THE SECURITIES ACT, 2015, COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020, THE LISTING OF COMPANIES AND SECURITIES REGULATIONS OF THE PAKISTAN STOCK EXCHANGE LIMITED HAS BEEN DISCLOSED IN THIS OFFER DOCUMENT AND THAT WHATEVER IS STATED IN OFFER DOCUMENT AND IN THE SUPPORTING DOCUMENTS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF AND THAT NOTHING HAS BEEN CONCEALED.
- ii WE UNDERTAKE THAT ALL MATERIAL INFORMATION, INCLUDING RISKS THAT WOULD ENABLE THE INVESTOR TO MAKE AN INFORMED DECISION, HAS BEEN DISCLOSED IN THE OFFER DOCUMENT.
- iii RIGHT ISSUE IS THE DISCRETION OF BOARD OF THE ISSUER AND IT NEITHER REQUIRE APPROVAL OF THE COMMISSION NOR THE SECURITIES EXCHANGE.
- iv COMMENTS FROM SECURITIES EXCHANGE AND THE SECP WERE RECEIVED ON _____.
- v THE BOARD HAS ENSURED THAT DRAFT OFFER DOCUMENT IS UPDATED IN LIGHT OF THE SECURITIES EXCHANGE AND SECP COMMENTS.
- vi THE FINAL OFFER DOCUMENT WAS SUBMITTED TO THE COMMISSION AND PLACED ON SECURITIES EXCHANGE WEBSITE ON _____ ALONG WITH THE BOOK CLOSURE DATES AND RELEVANT RIGHT ISSUANCE TIMELINES. (I.E. WITHIN 20 WORKING DAYS FROM THE DATE OF RECEIPT OF COMMENTS OF PSX AND SECP).
- vii THE JOINT STATUTORY AUDITORS M/S. FAZAL MAHMOOD & COMPANY, CHARTERED ACCOUNTANTS AND MUNIFF ZIAUDDIN & COMPANY CHARTERED ACCOUNTANTS, OF THE ISSUER SHALL SUBMIT HALF YEARLY REPORT TO THE ISSUER REGARDING UTILIZATION OF PROCEEDS IN THE MANNER REFERRED TO IN THE FINAL OFFER DOCUMENT. THE ISSUER WILL INCLUDE THE REPORT OF THE STATUTORY AUDITORS, ALONG WITH ITS COMMENTS THEREON, IF ANY, IN ITS HALF YEARLY AND ANNUAL FINANCIAL STATEMENTS.

FOR AND ON BEHALF OF MUGHAL IRON & STEEL INDUSTRIES LIMITED

**KHURRAM JAVAID
CHIEF EXECUTIVE OFFICER**

**MUHAMMAD ZAFAR IQBAL
CHIEF FINANCIAL OFFICER**

DISCLAIMER:

- In line with Companies Act, 2017 and Companies (Further Issue of Shares) Regulations, 2020, this document does not require approval of the Securities Exchange and the Securities Exchange Commission of Pakistan (SECP).

- The Securities Exchange and the SECP disclaims:
 - a. any liability whatsoever for any loss however arising from or in reliance upon this document to any one, arising from any reason, including, but not limited to, inaccuracies, incompleteness and/or mistakes, for decisions and/or actions taken, based on this document.

 - b. any responsibility for the financial soundness of the Company and any of its schemes/projects stated herein or for the correctness of any of the statements made or opinions expressed with regards to them by the Company in this Offer document.

 - c. any responsibility w.r.t quality of the issue

- It is clarified that information in this Offer document should not be construed as advice on any particular matter by the SECP and the Securities Exchange and must not be treated as a substitute for specific advice.

Glossary of Technical Terms / Definitions

Act	Companies Act, 2017
CDC	Central Depository Company of Pakistan Limited
CDS	Central Depository System
Commission / SECP	Securities and Exchange Commission of Pakistan
Issuer / Company	Mughal Iron & Steel Industries Limited
NCCPL	National Clearing Company of Pakistan Limited
Ordinary Class-C Shares / Class-C Shares	Ordinary Class-C shares of the Company having face value of Rs. 10/- per share.
Ordinary Shares	Ordinary Shares of the Company having face value of Rs. 10/- per share
PSX / Stock Exchange / Securities Exchange	Pakistan Stock Exchange Limited
Regulations	The Companies (Further Issue of Shares) Regulations, 2020
Rupees / Rs.	Pakistani Rupees
Right Shares	Shares offered by a Company to its members strictly in proportion to the shares already held in respective kinds and classes.
Right Issue / Issue	50,000,000 Right Shares of Ordinary Class-C shares representing 14.90% of total paid-up capital of the Company.
Sponsors	<p>A person who has contributed initial capital in the issuing company or has the right to appoint majority of the directors on the board of the issuing company directly or indirectly;</p> <p>A person who replaces the person referred to above; and</p> <p>A person or group of persons who has control of the issuing company whether directly or indirectly.</p>

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1. SALIENT FEATURES OF THE RIGHT ISSUE

1.1 Brief terms of the right issue

a) Description of the Issue	C-R1 - 14.90% Right Issue of Ordinary Class-C Shares at issue price of Rs. 30.00/- per Ordinary Class-C share (including premium of Rs. 20.00/- per Ordinary Class-C Share) i.e. approximately 14.90 right shares (of Ordinary Class-C Shares) for every 100 ordinary shares held by the ordinary shareholders of the Company.
b) Size of the proposed issue	Rs. 1,500,000,000 divided into 50,000,000 Ordinary Class-C Shares of Rs. 10/- per share to be offered at issue price of Rs. 30.00/- (including premium of Rs. 20.00/-) per Ordinary Class-C Share.
c) Face value of the Ordinary Class-C Share	Rs. 10/- per Ordinary Class-C Share.
d) Basis of determination of price of the right issue	Current market price of Ordinary Share is Rs. 80.05 (October 28, 2024). The Ordinary Class-C share (with the face / par value of Rs. 10.00 per share) is being offered at premium of Rs. 20.00 per Share. Since 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.
e) Proportion of new issue to existing issued shares with condition, if any	The quantum of the Right Issue is approximately 14.90% of the existing paid-up capital of the Company i.e. approximately 14.90 right shares (in the form of Class-C Shares) for every 100 ordinary shares held by the members of the Company.
f) Date of meeting of board of directors (BoD) wherein the right issue was approved	November 05, 2024
g) Names of directors attending the BoD meeting	<ul style="list-style-type: none"> • Mr. Mirza Javed Iqbal • Mr. Abdul Rehman Qureshi • Mr. Shoaib Ahmad Khan • Ms. Mariam Khawar • Mr. Jamshed Iqbal • Mr. Khurram Javaid • Mr. Muhammad Mateen Jamshed
h) Brief purpose of utilization of right issue proceeds	The funds will be utilized for partly financing existing working capital.
i) Purpose of the Right Issue - Details of the main objects for raising funds through present 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.
j) Minimum level of subscription (MLS)	None
k) "Application Supported by Blocked amount" (ASBA) facility, if any, will be provided for subscription of right shares	Not Applicable

1.2 Principal Purpose of the Issue and funding arrangements

a) Details of the principal purpose of the 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.

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

b) Additional disclosures relating to purpose of the issue:

Activities that are classified as working capital
Working capital includes but not limited to inventories, trade debts, taxes, advances, prepayments and/or payment of trade liabilities, working capital borrowings etc.
Basis of estimate of working capital requirement along with relevant assumptions
The basis of estimation of the Company's working capital requirements are as follows: <ul style="list-style-type: none"> a) Historical data of the Company's operations and requirements b) Current prevailing market rates vis-à-vis costs, taking into account inflation and market conditions. c) Inventories days: 112* d) Receivable days: 37* e) Payable days: 78* f) Operating cycle: 71*
Note: *The above are based on the average of last three years Company's annual audited financial statements i.e from 2021-22 to 2023-24.
Reasons for raising additional working capital, substantiating the same with relevant facts and figures
The Company is not raising additional working capital, instead it will be replacing existing debt financing being used for working capital with equity financing. Consequently, equity raised funds utilized for working capital purposes is a more prudent business and strategic approach, which will reduce the short-term borrowings and consequently the finance cost.

Total envisaged working capital requirement in a tabular form, the margin money thereof and the portion to be financed by any bank(s) or otherwise.			
This working capital is only part and portion of the overall working capital requirements of the Company. Apart from Rs. 1,500,000,000/- remaining requirement will continue to be financed by banks and otherwise, including and future increase in working capital requirements. No margin money.			
	Cash Conversion Cycle		
	No. of Days		
	2024	2023	2022
Inventory	94	130	111
Debtors	40	40	30
Payables	(89)	(87)	(59)
Operating cycle	45	83	82
General Requirements	Nothing except provided above.		

1.3 Financial effects arising from right issue

	Measuring Unit	Pre-issue	Post-issue	% Change
Authorized Capital				
Ordinary Shares	Nos.	700,000,000	700,000,000	0.00%
Ordinary Class-B	Nos.	250,000,000	250,000,000	0.00%
Ordinary Class-C	Nos.	50,000,000	50,000,000	0.00%
Ordinary Shares	Rs. /share	10.00	10.00	
Ordinary Class-B	Rs. /share	10.00	10.00	
Ordinary Class-C	Rs. /share	10.00	10.00	
Ordinary Shares	Rs. in 000	7,000,000	7,000,000	0.00%
Ordinary Class-B	Rs. in 000	2,500,000	2,500,000	0.00%
Ordinary Class-C	Rs. in 000	500,000	500,000	0.00%
		10,000,000	10,000,000	
Paid-up-Capital				
Ordinary Shares	Nos.	335,633,933	335,633,933	0.00%
Ordinary Class-C	Nos.	-	50,000,000	100.00%
Ordinary Shares	Rs. in 000	3,356,339	3,356,339	0.00%
Ordinary Class-C	Rs. in 000	-	500,000	100.00%
		3,356,339	3,856,339	14.90%
Net asset/breakup value per share	Rs. /Share	78.52	71.66	-8.73%
Gearing ratio	times	1.32	1.20	-9.53%
Production capacity			Not applicable	
Market share			Not applicable	

1.4 Total expenses to the issue (provisional)

	Rs.
Consultant to the Issue	5,000,000
Underwriting Commission	7,000,000
Bankers' to the Issue	1,500,000
Others	2,000,000
	15,500,000

1.5 Detail of underwriters

Name of Underwriter	Amount Underwritten (Rs.)	Associated Company / Undertaking of the Issuer
Dawood Equities Limited	1,500,000,000	No

1.6 Commitments from substantial shareholders/directors: NIL

Issue is 100% underwritten.

1.7 Fractional shares

Fractional shares, if any, shall not be offered and all fractions less than a share shall be consolidated and disposed of by the company and the proceeds from such disposition shall be paid to such of the entitled shareholders as may have accepted such offer.

1.8 Important Dates:

MUGHAL IRON & STEEL INDUSTRIES LIMITED			
Tentative Schedule for Issuance of Letter of Rights (Unlisted Ordinary Class-C shares)			
Book Closure: From [●], 2024 to [●], 2024 (both days inclusive)			
S.No.	Procedure	Day	Date
1	Date of credit of unpaid Rights into CDC in Book Entry Form		
2	Dispatch of Letter of Right (LOR) to physical certificate-holders		
3	Intimation to Stock Exchange (s) for dispatch of physical Letter of Rights		
4	Last date for splitting and deposit of Requests into CDS		
5	Last date for acceptance and payment of certificates in CDC and physical form - Last payment date		
6	Allotment of shares and credit of book entry of Shares into CDC		
7	Date of dispatch of physical shares certificates		

2. SUBSCRIPTION AMOUNT PAYMENT PROCEDURE:

- i. Payment as indicated above should be made by cash or crossed cheque or demand draft or pay order made out to the credit of “**Mughal Iron & Steel Industries Limited-Right Shares Subscription Account (CR1)**” through any of the authorized branches of above mentioned bank(s) on or before _____ along with this Right Subscription Request* duly filled in and signed by the subscriber(s).
- ii. Right Subscription Request can be downloaded from www.mughalsteel.com.
- iii. In case of Non-Resident Pakistani / Foreign shareholder, the demand draft of equivalent amount in Pak Rupees should be sent to the Company Secretary, **Mughal Iron & Steel Industries Limited** at the registered office of the issuer along with Right Subscription Request (both copies) duly filed and signed by the subscriber(s) with certified copy of NICOP / Passport well before the last date of payment.
- iv. All cheques and drafts must be drawn on a bank situated in the same city where Right Subscription Request is deposited. Cheque is subject to realization.
- v. The Bank will not accept Right Subscription Request delivered by post which may reach after the closure of business on _____, unless evidence is available that these have been posted before the last date of payment.
- vi. Payment of the amount indicated above to the issuer’s Banker(s) to the issue on or before _____ shall be treated as acceptance of the Right offer.
- vii. After payment has been received by the Company’s banker(s), the Right Securities will be credited into respective CDS Accounts within 14 business days from the last payment date. Paid Right Subscription Request will not be traded or transferred.

3. PROFILE OF MANAGEMENT AND SPONSORS

3.1 Profile of directors along with directorships held in other companies

Name, Designation, Tenor	Directorship in Other Companies
Mr. Mirza Javed Iqbal Chairman / Non-Executive Director Since: October 31, 2022	Mughal Energy Limited Mughal International IMPEX (Private) Limited (CEO) Mughal Logistics (Private) Limited Mughal Mining & Steel Industries (Private) Limited J&J Mughal Enterprises (Private) Limited Mughal Holding (Private) Limited
Mr. Jamshed Iqbal Executive Director Since: October 31, 2022	Al-Bashir (Private) Limited Mughal Energy Limited Mughal Logistics (Private) Limited Mughal Mining & Steel Industries (Private) Limited Mughal Holding (Private) Limited J&J Mughal Enterprises (Private) Limited
Mr. Khurram Javaid Executive Director Since: October 31, 2022	Mughal Energy Limited Al-Bashir (Private) Limited Mughal Holding (Private) Limited Mughal Logistics (Private) Limited (CEO) Mughal Mining & Steel Industries (Private) Limited Mughal Properties (Private) Limited J&J Mughal Enterprises (Private) Limited
Mr. Abdul Rehman Qureshi Independent Director Since: October 31, 2022	Mahmood Textile Mills Limited Kohat Textile Mills Limited Bannu Woollen Mills Limited Allawasaya Textile & Finishing Mills Limited Sardar Chemical Industries Limited Saif Textile Mills Limited
Mr. Shoaib Ahmad Khan Independent Director Since: October 31, 2022	Reliance Weaving Mills Limited Berylstone Consultants (Private) Limited
Ms. Mariam Khawar Independent Director Since: October 31, 2022	Pakistan Expo Centres (Private) Limited (CEO)
Mr. Muhammad Mateen Jamshed Non-Executive Director Since: October 31, 2022	Mughal Energy Limited Mughal Properties (Private) Limited J&J Mughal Enterprises (Private) Limited
Mr. Muhammad Mubeen Tariq Mughal Executive Director Since: October 31, 2022	Al-Bashir (Private) Limited Mughal Holding (Private) Limited Mughal Logistics (Private) Limited TM Enterprises (Private) Limited Mughal Pavers & Concrete (Private) Limited
Mr. Fazeel Bin Tariq Non-Executive Director Since: October 31, 2022	TM Enterprises (Private) Limited

3.2 Profile of Sponsors

Mr. Mirza Javed Iqbal (Non – Executive Director - Chairman of the Board)

Having joined his family business in 1976, Mr. Javed Iqbal rose to become a pioneer of the steel industry of Pakistan. During his exemplary career, Mr. Iqbal challenged and changed the personal and industry mindset, both within and beyond the business framework. He has not only developed new pathways to achieve energy efficiency and economies of scale, but has made remarkable contributions towards the technological advancement and effective documentation of the national steel industry. With his visionary leadership and unparalleled expertise, Mr. Iqbal has been the driving force behind the Company's success – making the Company reach new heights of growth and expansion.

Mr. Jamshed Iqbal (Executive Director)

Mr. Jamshed has over the years played a pivotal role in developing and maintaining the clientele network across Pakistan to ensure that all kinds of geographical requirements are met by the Company, a feat that has resulted in expanded growth of the Company. Today his vast experience and in-depth knowledge of the steel sector and consumer market is highly beneficial at the Board and operational level.

Mr. Muhammad Mubeen Tariq Mughal (Executive Director)

Mr. Mubeen has academic background in economics & finance and has done his Executive MBA (Leadership & Strategy) from London Business School (LBS). His astute financial has over the years resulted in improved utilization of funds, better working capital management and strengthening of internal and financial controls

4. FINANCIAL DETAILS OF THE ISSUER

4.1 Financial highlights of issuer for last three years:

		2024	2023	2022
Name of the statutory auditors		Fazal Mahmood & Company, Chartered Accountants And Muniff Ziauddin & Company Chartered Accountants		Fazal Mahmood & Company, Chartered Accountants
Gross revenue	Rs. in 000	105,554,327	76,492,908	75,643,726
Gross profit	Rs. in 000	7,717,627	9,671,028	10,127,888
Net profit before interest & tax	Rs. in 000	6,982,874	8,769,579	8,824,130
Profit after tax	Rs. in 000	1,999,888	3,480,485	5,410,960
Net profit	Rs. in 000	1,999,888	3,480,485	5,410,960
Accumulated profit	Rs. in 000	15,733,717	14,712,766	11,167,653
Total assets	Rs. in 000	69,077,171	59,831,987	53,085,459
Net equity	Rs. in 000	26,135,490	25,372,435	20,847,078
Break-up value per share	Rupees / share	78.87	75.60	62.11
Earnings per share	Rupees / share	5.96	10.37	16.12
Dividend announced	Rupees / share	-	3.20	3.00
Bonus issue	%	-	-	15

4.2 Financial highlights for preceding one year of consolidated financial statements

		2024
Name of the Statutory Auditors		Fazal Mahmood & Company, Chartered Accountants And Muniff Ziauddin & Company Chartered Accountants
Gross Revenue	Rs. in 000	104,820,678
Gross profit	Rs. in 000	7,671,388
Net profit before interest & tax	Rs. in 000	6,881,391
Profit after tax	Rs. in 000	1,907,519
Net profit	Rs. in 000	1,907,519
Accumulated profit	Rs. in 000	15,628,729
Total assets	Rs. in 000	70,184,197
Net equity	Rs. in 000	26,353,596
Break-up value per share	Rupees / share	78.52
Earnings per share	Rupees / share	5.68
Dividend announced	Rupees / share	-
Bonus issue	Number	-

4.3 Detail of issue of capital in previous five years

	2024	2023	2022	2021	2020
Percentage	-	-	-	16%	-
Number of Shares	-	-	-	40,255,944	-
Amount Raised	-	-	-	2,737,404,192	-
Unsubscribed portion	-	-	-	22,490,602	-
Unsubscribed portion allotted by BoD	-	-	-	22,490,602	-
Unsubscribed portion taken up by the Underwriter	-	-	-	-	-
Proceed utilization break up - retirement of debt related to bar re-rolling mill.	-	-	-	2,737,404,192	-

4.4 Average market price of the share of the issuer during the last six months

Rs. 82.90 per share

4.5 Share Capital and Related Matters

4.5.1 Pattern of shareholding of the issuer in both relative and absolute terms (as on June 30, 2024).

Category of Shareholders	Shares Held	% of Holding
Directors, CEO and their spouse and dependent children	144,991,243	43.20%
Associated Companies, undertakings and related parties	107,935,975	32.16%
Banks, DFI and NBFIs	17,310,807	5.16%
Insurance Companies	3,728,192	1.11%
Modarabas and Mutual Funds	19,567,098	5.83%
General Public Local	23,679,368	7.05%
General Public Foreign	2,885,895	0.86%
Others	15,357,920	4.58%
Foreign Companies	177,435	0.05%
Total	335,633,933	100.00%

4.5.2 Shares held by Directors, Sponsors and Substantial Shareholders of the Issuer (both Existing and Post Right Issue)

Shares held by	Existing Shareholding	% of Holding
Directors		
Mr. Mirza Javed Iqbal	8,950,420	2.67%
Mr. Khurram Javaid	36,437,840	10.86%
Mr. Jamshed Iqbal	8,328,653	2.48%
Mr. M. Mateen Jamshed	35,459,591	10.57%
Mr. M. Mubeen Tariq Mughal	23,793,777	7.09%
Mr. Fazeel Bin Tariq	23,574,653	7.02%
Mr. Abdul Rehman Qureshi	133	0.00%
Mr. Shoaib Ahmad Khan	2,334	0.00%
Mr. Mariam Khawar	305	0.00%
Sponsors/Substantial Shareholders		
Mr. Muhammad Sayyam	35,459,591	10.57%

- Since, the directors or the sponsors have not provided any undertaking and the entire issue has been underwritten, therefore, the post right shareholding cannot be provided at this point of time.

4.5.3 Group structure along with respective shareholding in subsidiary and associates

The Group comprises of Mughal Iron & Steel industries Limited and Mughal Energy limited. Mughal Iron & Steel Industries Limited (holding company) holds 90% ordinary share and 100% Class-B shares of Mughal Energy Limited (subsidiary company).

5. RISK FACTORS

5.1 RISK ASSOCIATED WITH THE RIGHT ISSUE

- 5.1.1** 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.
- 5.1.2** 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.

5.2 RISK ASSOCIATED WITH ISSUER

5.2.1 Internal Risk Factors

Operational Risk

Operational risk summarizes the uncertainties and hazards a business faces when it attempts to conduct its day-to-day business activities specifically in relation to plant operation. It can result from breakdowns in internal procedures, people and systems. A high turnover ratio of skilled staff, disruption in the Company's supply chain or inappropriate planning could be a major determinant to operational risk for the Company.

To mitigate operational risk, the company is proactively implementing measures such as staff retention initiatives, which include training programs and competitive benefits, to address the challenges associated with high turnover rates. Additionally, the Company is adopting a diversified approach to supply chain planning and implementing robust strategies to counter disruptions, ensuring continuity and stability in its operations.

Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause to the other party by failing to discharge a financial obligation. The Company manages credit risk inter alia by setting credit limits in relation to individual customers and by obtaining advance against sales and also obtaining collaterals, where considered necessary. The Company has established an allowance for the doubtful trade debts that represents its estimate of incurred losses in respect of trade debts. Consequently, the Company believes that it is not exposed to any major concentration of credit risk.

Liquidity Risk

Liquidity risk is where an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. As at June 30, 2024 the Company has unutilized borrowing facilities of Rs. 38,311.000 million in addition to balances at banks of Rs. 3,541.298 million. Based on the above, the management believes the liquidity risk to be insignificant.

Risk of Non-compliance with Regulations of SECP and PSX

In the event of non-compliance with any regulatory requirements of SECP or PSX, the Company may be placed on the defaulter segment of PSX which may potentially hamper trading in the Company's shares, leading to potential suspension in trading of its shares as well as delisting.

To mitigate the risk of non-compliance with SECP and PSX regulations, the Company has engaged legal counsel and financial advisors for ongoing guidance, continuously monitoring regulatory changes and maintaining open communication with regulatory bodies. The aim of such measures is to ensure adherence to regulatory requirements in timely manner

5.2.2 External Risk Factors

Business Risk

Business risk is the possibility of the Company reporting lower than anticipated profits or loss due to factors such as:

- Increase in input costs such as raw materials
- Increase in conversion / utility costs
- Decrease in customer demand

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Company has short term borrowings on variable interest rate exposing the Company to interest rate risk. When interest rates are high, borrowing costs increase, making it more expensive for the Company to finance its operations. This can lead to reduced business spending, lower economic growth, and decreased profitability. It also discourages business investment as financing new projects becomes more expensive.

Foreign Exchange Risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risks arise mainly from future economic transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to foreign exchange risk arising from currency value fluctuations, primarily with respect to the USD.

Economic Slowdown

Slow down and/or deterioration of macroeconomic conditions could trigger a reduction in disposable incomes, compelling consumers to postponing their purchase. The growth of any sector is affected by the economic conditions prevailing in the country. An economic slowdown may adversely affect the growth and performance of the sector, as a whole.

Global Economic and Financial Market Risk

Due to ongoing geopolitical disruption causing high commodity prices, all major economies of the world including USA, UK and European countries are facing inflationary pressure. Some of the major global financial institutions are foreseeing signs of recession in major countries which may cause volatility in international financial markets. The ripple down effect may affect the Pakistani economy and financial markets adversely which could impact the overall macro condition of the Country, which in turn could affect the PKR/USD parity.

Regulatory Risk

Regulatory risk pertains to the possibility of future changes in government policies and regulations which could potentially impact the various business segments the Company operates in. Modifications in the regulatory landscape, such as change in import tariffs which have the potential to notably impact the industry's overall performance. Additionally, any change in regulatory duties or taxes related to the import of raw materials or finished products could directly affect the Company's profitability and operational efficiency.

5.2.3 Additional Risk Factors

Capital Risk Management

The Company's objectives in managing capital is to ensure the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders while maintaining an optimal capital structure to reduce the cost of capital. The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate balance between the various sources of finance to minimize risk and cost.

Profitability

The Company's after-tax profit for FY 2024 amounted to Rs. 2,000 million, compared to Rs. 3,480 million in FY 2023. This decrease was primarily attributed to the surge in the discount rate to a historic high of 22% led to elevated financial charges, impacting the bottom line after operating profit.

NOTE: IT IS STATED THAT TO THE BEST OF OUR KNOWLEDGE AND BELIEF, ALL MATERIAL RISK FACTORS HAVE BEEN DISCLOSED AND THAT NOTHING HAS BEEN CONCEALED IN THIS RESPECT.

6. LEGAL PROCEEDINGS

6.1 OUTSTANDING LEGAL PROCEEDINGS OF THE COMPANY

There is no material litigation, other than in the ordinary course of business, that would have an adverse effect on the Company. Moreover, these litigation matters have already been disclosed in note 30 to the audited financial statements for the year ended June 30, 2024.

6.2 ACTION TAKEN BY THE SECURITIES EXCHANGE AGAINST THE ISSUER OR ASSOCIATED LISTED COMPANIES OF THE ISSUER DURING THE LAST THREE YEARS DUE TO NONCOMPLIANCE OF THE ITS REGULATIONS

None.

6.3 ANY OUTSTANDING LEGAL PROCEEDING OTHER THAN THE NORMAL COURSE OF BUSINESS INVOLVING THE ISSUER, ITS SPONSORS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND ASSOCIATED COMPANIES, OVER WHICH THE ISSUER HAS CONTROL, THAT COULD HAVE MATERIAL IMPACT ON THE ISSUE

None.

Signatories to the Offer document:

FOR AND ON BEHALF OF MUGHAL IRON & STEEL INDUSTRIES LIMITED

**KHURRAM JAVAID
CHIEF EXECUTIVE OFFICER**

**MUHAMMAD ZAFAR IQBAL
CHIEF FINANCIAL OFFICER**

ANNEXURE A

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
<p>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.</p> <p>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.”</p>						

“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:

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

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.

<i>Additional Information required under regulation 6(1)(ii) of the Companies (Further Issue of Shares) Regulations, 2020.</i>	
<i>Description of different kind of shares:</i>	<i>Ordinary Class – C shares.</i>
<i>Description of different rights such as different class in each kind, rights and privileges attached to each class or kind of capital:</i>	<i>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.</i>
<i>Whether the shares are being issued as right or other than right:</i>	<i>Issuance to existing ordinary shareholders of the Company by way of Right.</i>
<i>Whether the holders of such shares shall be entitled to participate in profits or surplus funds of the Company:</i>	<i>Ordinary Class- C shares have no right to any dividend or bonus shares declared by the Company from time to time.</i>
<i>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:</i>	<i>Ordinary Class-C shares are participatory in surplus assets in case of liquidation of the Company.</i>

<i>Whether payment of dividend on preference shares is on cumulative or noncumulative basis:</i>	<i>Not applicable</i>
<i>In case the shares being issued are convertible into ordinary shares, then mode, mechanism and manner of such conversion:</i>	<i>Non-convertible</i>
<i>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:</i>	<i>Not applicable</i>
<i>In case the shares are partially or wholly redeemable, then mode and manner of redemption:</i>	<i>Not applicable</i>
<i>Any other feature as deem appropriate by the board:</i>	<p><i>i) Ordinary Class-C shareholders will have no right over any right shares issued by the Company from time to time.</i></p> <p><i>ii) Ordinary Class-C shares shall be unlisted.”</i></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)