

ANNUAL REPORT

2017

MUGHAL
STEEL

THE AGE OF
STEEL



COVER STORY

The progress of architectural design is an interesting tale for the ages, one that has been made possible due to advancements in metallurgy and the inclusion of steel in the construction of grand structures. Many of the monumental structures that stand as shining achievements today are supported by the sheer might of steel, which has paved the way for humanity's progress towards greater heights. This year, we celebrate some of the most remarkable structures that have stood the test of time, and have ushered in a glorious age of steel in the modern world.

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KEY FIGURES

Sales Revenue

(2016: 18,983)

18,803

Rs. in Millions

Profit Before Taxation

(2016: 1,292)

1,222

Rs. in Millions

Profit After Taxation

(2016: 893)

991

Rs. in Millions

EBITDA

(2016: 1,819)

1,607

Rs. in Millions

Return On Capital Employed

(2016: 18.28)

16.58

Percentage

Earnings Per Share (Basic and Diluted)

(2016: 3.80) – Restated

4.21

Rs.

Capital Expenditure

(2016: 678)

474

Rs. in Millions

Current Ratio

(2016: 1.34)

1.34

Rs.

Shareholders' Equity

(2016: 4,235)

6,637

Rs. in Millions

Break-Up Value Per Share

(2016: 33.67)

26.38

Rs.

Total Assets

(2016: 11,780)

16,024

Rs. in Millions

ABOUT THIS REPORT

We are pleased to present our annual report for the year ended June 30, 2017. This is our third annual report. With this report we aim to provide all our stakeholders with a transparent and balanced appraisal of the material issues that faced our business during the year under review. The report should be read in conjunction with the full financial statements.

Scope and boundary of this report

This annual report covers the period from July 01, 2016 to June 30, 2017. The previous annual report covered the 2015-2016 financial year. This annual report provides an account of the Company's operational, financial, economic, social and environmental performance, etc. as well as governance, during the period under review.

Our two reports

Annual report

This printed annual report also available online at http://www.mughalsteel.com/investor-report-and-presentation/#Annual_Reports is intended to provide readers with an overview of our operations during the year, about our ability to create value over the short, medium and long term, and our performance in managing our most material issues, which are listed as strategic objectives in this report. It includes messages from leadership, financial and operational reviews, corporate governance and risk management reports, summarized financial statements and information for shareholders.

Annual financial statements

The full financial statements included in this report and also available on our above mentioned website provide a comprehensive insight into the financial position and performance of the Company for the year under review.

Forward looking statements

This annual report contains certain "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and

financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," or "target." The statements include known and unknown risks and opportunities, other uncertainties and important factors that could turn out to be materially different following the publication of actual results. These forward looking statements speak only as of the date of this document. The company undertakes no obligation to update publicly or release any revisions to these forward looking statements, to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events.

Feedback

Please provide us with your feedback. We value feedback from our stakeholders and use it to ensure that we are reporting on the issues that are relevant to them. Please take the time to give us your feedback on this report. Your emails are welcomed at fahadhafeez@mughalsteel.com.

Signed by the CEO, who has been duly authorized thereto by the board.



Khurram Javed

Chief Executive Officer

Lahore: September 18, 2017



BURJ KHALIFA

Constructed: 2010

The Burj Khalifa is an iconic megatal skyscraper that stands as the tallest building in the world, and a prized jewel of the city of Dubai. Standing at 829.8 metres tall, this fascinating architectural marvel took 6 years to construct, and provides a breathtaking view of the city while also being unofficially considered the central point of the entire metropolis.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 8th Annual General Meeting of the members of MUGHAL IRON & STEEL INDUSTRIES LIMITED will be held on Saturday, October 28, 2017 at 3.00 p.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited financial statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2017.
2. To approve and declare final cash dividend @ 6% i.e. Rs. 0.60 per share of Rs. 10/- each for the year ended June 30, 2017, as recommended by the Board of Directors. This is in addition to interim cash dividend @ 20% i.e. Rs. 2.00 per share already paid.
3. To appoint Auditors for the year 2017-2018 and fix their remuneration. The Board of Directors has recommended, as suggested by the Audit Committee, the appointment of M/s. Fazal Mahmood & Co., Chartered Accountants, the retiring auditors, who being eligible, have given their consent for re-appointment.

Special Business

4. To consider, approve and adopt the alteration in Articles of Association and, if deemed fit, for this purpose, to pass the following resolutions as special resolutions, with or without modification(s):

"RESOLVED that existing clause 41 of the Articles of Association of the Company be hereby altered to read as under:

41. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing. For the purposes of e-voting, the instrument appointing the proxy shall be in such form and provided to the Company in the manner stipulated under applicable laws. A proxy must be a member of the Company, except, in case of e-voting, wherein, both members and non-members can be appointed as proxy. All other provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles, irrespective of the other provisions of these Articles of Association and notwithstanding anything contradictory therein."

"FURTHER RESOLVED that the Chief Executive Officer and Company Secretary be and are hereby authorized singly to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required for altering the Articles of Association of the Company including the filing of all requisite documents/

statutory forms as may be required to be filed with the Commission/ Registrar of the Companies and complying with all other regulatory requirements so as to effectuate the alterations in the Articles of Association and implementing the aforesaid resolution."

5. To ratify and approve transactions entered into by the Company with related parties in its ordinary course of business by passing the following ordinary resolutions:

"RESOLVED that the transactions entered into by the Company in its ordinary course of business with related parties during the year ended June 30, 2017 are hereby ratified and approved."

"FURTHER RESOLVED that the Chief Executive Officer of the Company be and is hereby authorized to execute / approve all the transactions to be carried out in its ordinary course of business with related parties during the ensuing year ending June 30, 2018 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

A statement as required by Section 134(3) of the Companies Act, 2017 in respect of Special Businesses to be transacted at the general meeting is being sent to the Members, along with this notice.

(By Order of the Board)



Muhammad Fahad Hafeez

Company Secretary

Lahore: October 05, 2017

NOTES:

1. Book Closure

Share transfer books of the Company will remain closed from October 21, 2017 to October 28, 2017 (both days inclusive). Physical transfers CDS Transaction IDs received in order by the Company's Share Registrar, M/s. THK Associates (Private) Limited 1st floor, 40-C, Block-6, P.E.C.H.S. Karachi, up to the close of business on October 20, 2017 will be treated in time for the above entitlement of cash dividend and to determine voting rights of the members for attending the meeting.

2. Participation in General Meeting

A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her. A Proxy must be a member of the Company. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notary attested copy of the power of attorney must be deposited at the Share Registrar Office of the Company, M/s. THK Associates (Private) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi at least forty eight (48) hours before the time of the meeting. For the convenience of the members, a Form of Proxy is being enclosed.

CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

a) For attending the meeting

- a. Individual CDC shareholders are requested to bring with them their CNIC / Passport in original along with Participants' ID Numbers and their Account Numbers to prove his/her identity at the time of attending the Meeting.
- b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

b) For appointing proxies

- a. In case of individuals, the account holder and/ or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- c. Attested copies of the CNIC or the Passport of beneficial owners and the proxy shall be furnished with the proxy form.

- d. The proxy shall produce his original CNIC or original Passport at the time of the Meeting.
- e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

3. Electronic Transmission of Financial Statements.

In compliance with SECP directive vide SRO. 787(1)/2014, dated September 08, 2014, soft copies of Annual Report 2017 are being emailed to the members having opted to receive such communication in electric format. Other members, who wish to receive the Annual Report and notice of Annual General Meeting through E-mail are requested to provide their written consent on the "Standard Request Form" available on the Company's website: www.mughalsteel.com. Members who have provided the consent to receive Annual Report through E-mail can subsequently request a hard copy which shall be provided free of cost within seven (07) days.

4. Video-Link Facility

Members can also avail video link facility. In this regard, please fill the following and submit to registered address of the Company ten (10) days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding, residing at a geographical location to participate in the meeting through video link at least ten (10) days prior to the date of meeting, the Company will arrange video link facility in that city subject to availability of such facility in that city.

"I/We, _____ of _____, being a member of Mughal Iron & Steel Industries Limited, holder of _____ ordinary share(s) as per Registered Folio No. _____ hereby opt for video-link facility at _____."

5. General Notes

It is the responsibility of the members to notify / submit the following, in case of book entry securities in CDS to respective CDS Participants and in case of physical shares to the Company's Share Registrar, if not earlier provided / notified:-

a) Change in address / email address

Members are requested to promptly notify any change in their addresses to our Share Registrar M/s. THK Associates (Private) Limited and in case of change in email addresses directly to us at our registered office, to ensure effective communication.

NOTICE OF THE ANNUAL GENERAL MEETING (Contd)

b) CNIC number

Members, who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company's Share Registrar. In case of non-availability of a valid copy of CNIC in the records of the Company, the Company will be constrained to withhold the Dividend, which will be transferred only upon compliance with the above.

c) Filer / non-filer status

Pursuant to the provisions of Finance Act 2017, effective 1 July 2017, deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S.No.	Nature of shareholder	Rate of deduction
1	Filers of income tax return	15%
2	Non - filer of income tax return	20%

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website. All the members whose names are not entered into the Active Taxpayer List, despite the fact that they are filers, are advised to make sure that their names are entered into the list before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @20% instead @15%. The corporate members having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or our Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

Members seeking exemption from deduction of income tax or those members who are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be.

Members who have joint shareholdings held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his/her shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the Annual General Meeting date.

Folio/CDC A/c No	Name of Shareholder	CNIC	Shareholding	Total Shares	Principal/ Joint Shareholder
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6. E-Dividend Mandate

Under the provisions of Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders ONLY through electronic mode directly into bank account designated by the entitled shareholders.

Keeping in view the same, members are requested to promptly provide/update their bank account details on the "Electronic Credit Mandate Form" enclosed herewith and also available on the Company's website: www.mughalsteel.com.

In case of non-availability of a valid bank account details in the records of the Company for transfer of cash dividend, the Company will be constrained to withhold the Dividend Warrant in terms of section 243(3) of the Companies Act, 2017, which will be transferred only upon compliance with the above.

7. Placement Of Financial Statements

The Company has placed the Audited Annual Financial Statements for the year ended June 30, 2017 along with Auditors' and Directors' Reports thereon on its website: www.mughalsteel.com or scan QR Code.



8. Contact Us

For any query/problem/information, the investors may contact the Company Secretary at +92-42-35960841(133) and email address fahadhafeez@mughalsteel.com and/or THK Associates (Private) Limited at +92-021-111-000-322 and email address secretariat@thk.com.pk.

Statement As Required By Section 134(3) Of The Companies Act, 2017 In Respect Of Special Businesses To Be Transacted At The Annual General Meeting Is Appended Below:

This statement sets out the material facts concerning the Special Businesses listed at agenda items 4 and 5, to be transacted at the forthcoming 8th Annual General Meeting of the Company to be held on October 28, 2017.

Agenda Item No. 4.

In order to define regulations for e-voting, SECP issued Companies (E-voting) Regulations, 2016, which amongst other requirements, allow members to appoint non-members as proxy.

In order to give effect to the above, the approval of the shareholders' is sought for alteration of the Articles of Association of the Company, so as to stipulate the relevant provisions by alteration of existing clause 41 of the Articles of Association of the Company as specified in the notice of the meeting.

The directors are not interested, directly or indirectly, in the above business except to the extent of their respective shareholding as has been detailed in the pattern of shareholding annexed herewith.

Agenda Item No. 5.

During the year, there were transactions entered into by the Company in its ordinary course of business with related parties. Since majority of Company's Directors were interested in these transactions due to their common directorship and holding of shares in the related parties, the quorum of directors could not be formed for approval of these transactions. In view of the above and in accordance with section 207(2), these transactions are being placed before the members for their

approval. Detail of these transactions have been disclosed in relevant notes to the financial statements and represent transactions incurred with Directors/Sponsors', Mughal Steel Metallurgies Corporation Limited and Al-Bashir (Private) Limited, duly carried out at arm's length.

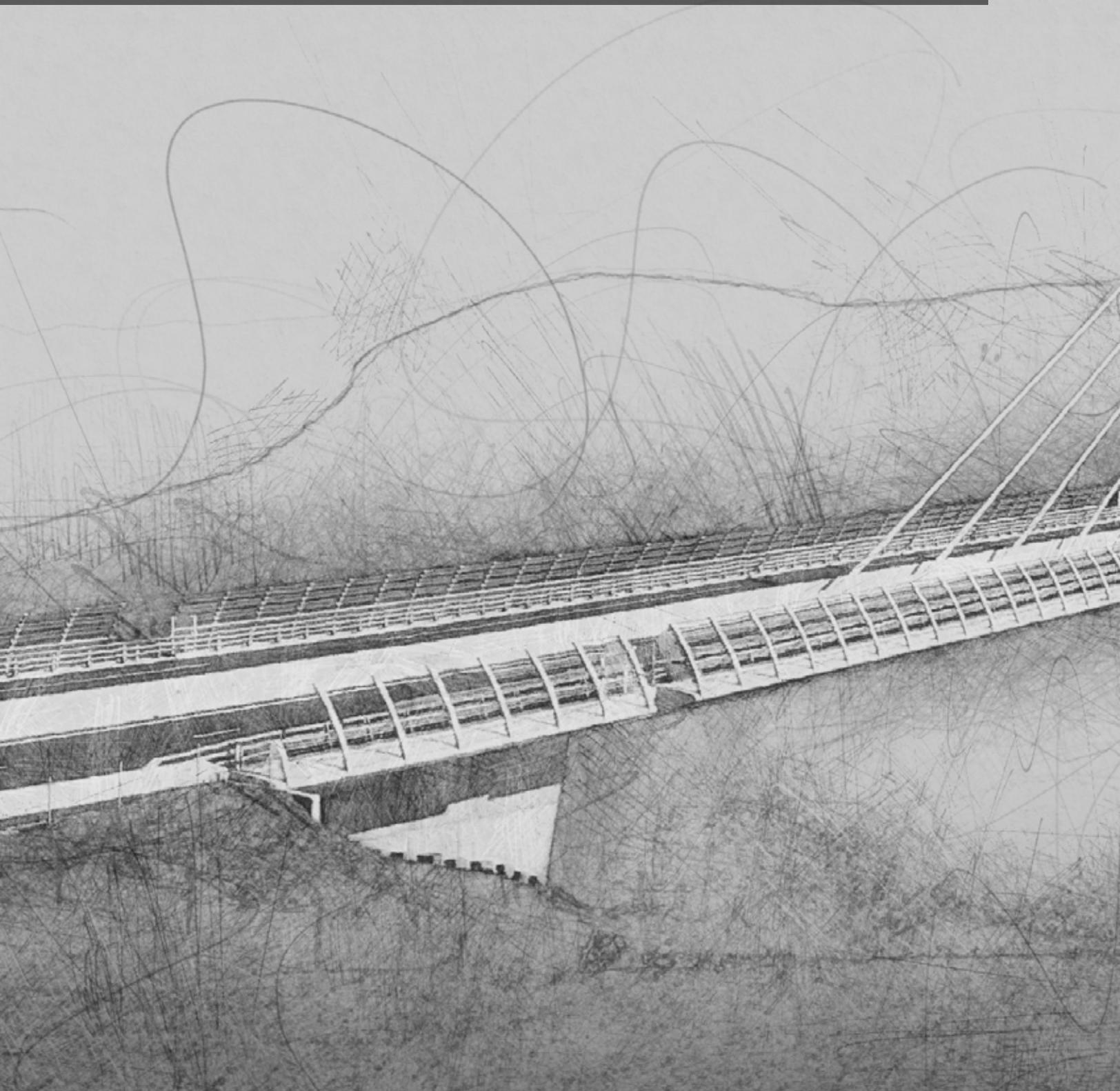
It is expected that the Company would be conducting related party transactions in the ordinary course of business in the upcoming financial year as well. The majority of Directors are expected to be interested in these transactions due to their relationships, common directorship and shareholding in these related parties. Therefore, such transactions with related parties would require to be approved by the shareholders. In view of the above and in order to comply with the provisions of clause 5.19.6(b) of the Code of Corporate Governance, 2012, the members are required to authorize the Chief Executive Officer to execute / approve transactions to be carried out in ordinary course of business with related parties during the ensuing year ending June 30, 2018.

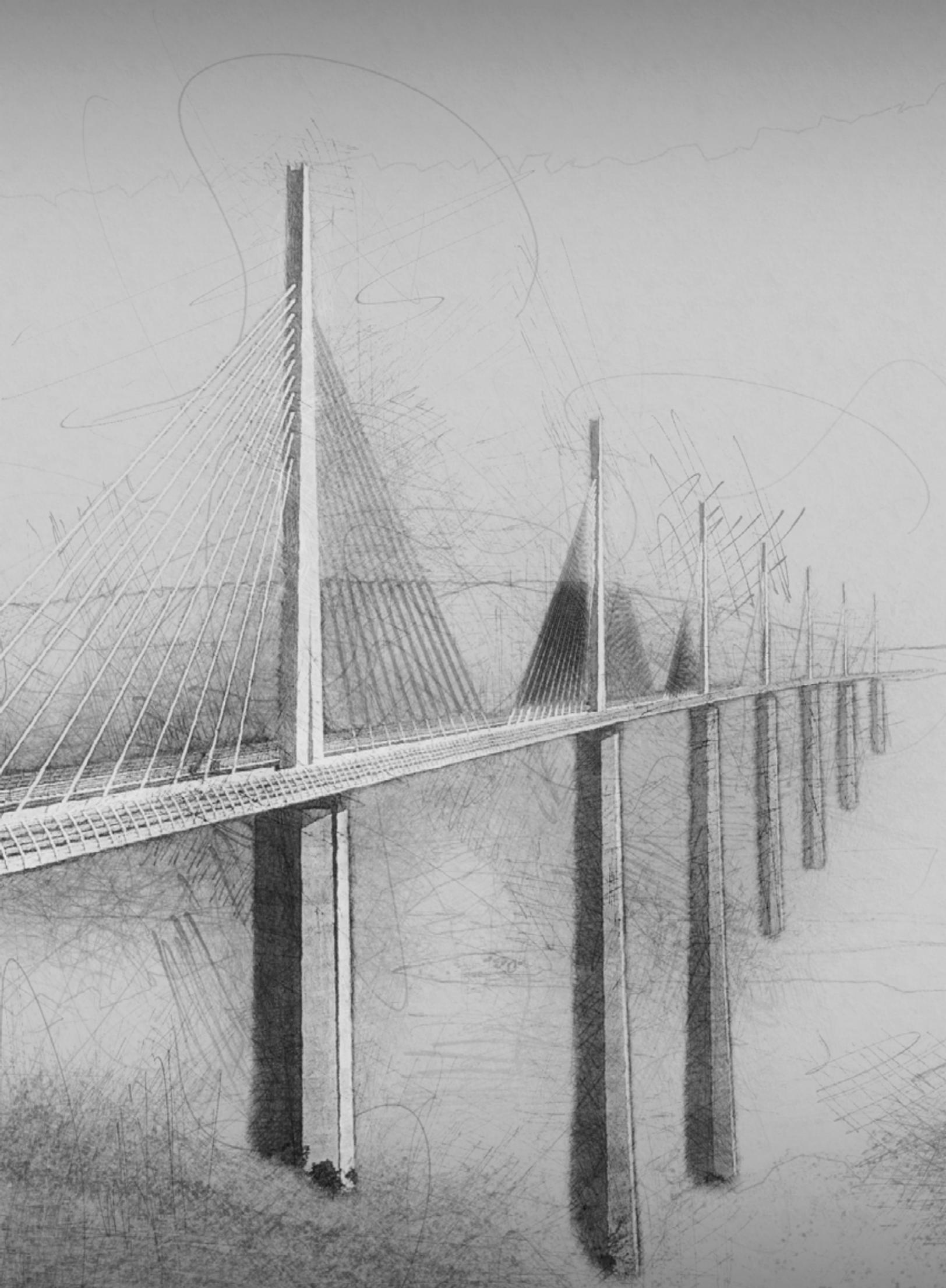
The Directors are interested in the resolution to the extent of their relationships, common directorships and their respective shareholding as has been detailed in the pattern of shareholding annexed herewith.

MILLAU VIADUCT

Constructed: 2004

The Millau Viaduct is the tallest bridge in the world, with a height of 343 metres and a total length of 2,460 metres. The bridge was constructed as part of a Franco-British partnership, and has been consistently ranked as one of the greatest engineering achievements of all time.







VISION STATEMENT

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

MISSION STATEMENT

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

CORPORATE STRATEGY

Maintaining our competitive position in the core business by employing professional and technical excellence, exploring new growth opportunities through diversification and creating value for our stakeholders.



CODE OF BUSINESS CONDUCT & ETHICAL PRINCIPLES

THE BASIC PRINCIPLES OF OUR CODE OF CONDUCT AND ETHICS

At Mughal Steel, we believe the best way to build and to maintain trust is to conduct every element of our business according to the highest standards of integrity. Our ability to do so rests on the behavior of those who work here, from employees to our chief executive to our directors. To that end, we select our people based not just on their skills, accomplishments and potential, but also on their principles and values.

A commitment to integrity and ethical behavior is a critical factor in our decisions regarding professional advancement and compensation.

It is impossible to predict the various different unique circumstances our people will face during their careers. As such, the policies outlined in this Code should be viewed as the baseline of expected behavior. While ethical behavior requires us to comply fully with all laws and regulations, "compliance" with the law is the minimum standard to which we hold ourselves. Those who work with us honor not just the letter of existing laws, but the spirit that underpins and informs them.

Our **Code of Conduct** consists of the following principles which all Directors and employees at Mughal Steel are required to apply in their daily work and observe in the conduct of Company's business.

Compliance with Laws, Rules and Regulations

Every Director and employee must comply with all applicable laws, rules and regulations, including those related to insider trading, financial reporting, money laundering, fraud, bribery and corruption.

Personal Conflicts of Interest

Every Director and Employee is prohibited from indulging in actions or relationships that create personal conflicts of interest unless approved by the Company. It is important that every Director and employee carefully considers whether any of their activities or relationships, including business or volunteer positions outside the Company, could cause a conflict (or the appearance of a conflict) with the interests of the Company. Additionally, personal gain or advantage must never take precedence over one's obligations to the Company. No Director or

employee must ever use or attempt to use their position at the Company to obtain any improper personal benefit for themselves, their family member(s) or any other individual or group.

Fair and Ethical Competition

Every Director and employee must deal fairly with customers, suppliers, competitors and each other. No one at the Company may seek competitive advantage through illegal or unethical business practices. Taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practice is a violation of this Code.

Protecting Confidential Information

Every Director and employee must maintain the confidentiality of the information with which they are entrusted, including complying with information barrier procedures applicable to our business. The only exception is when disclosure is authorized or legally mandated.

Equal Employment Opportunities and Commitment to Diversity

We do not tolerate any type of discrimination prohibited by law, including harassment. We value diversity as an important asset that enhances our culture, helps us satisfy customers well and maximizes return for shareholders. For us to excel, we must create for our people an inclusive environment that welcomes and supports differences and encourages input from all perspectives.

Political Contributions and Activities

Directors and employees are prohibited from making or soliciting political contributions or engaging in political activities.

Protecting and Properly Using Company's Assets

Everyone should protect the Company's assets and ensure their efficient use. All Company assets should be used for legitimate business purposes only.

Public Relations

All employees share a responsibility for the Company's good public relations particularly at the community level. Their readiness to help with religious, charitable, educational and civic activities is accordingly encouraged provided it does not create an obligation that interferes with their commitment to the Company's best interests.

Health & Safety

The Company has strong commitment to the health and safety of its employees and preservation of environment. The Company perseveres towards achieving continuous improvement of its Health, Safety and Environment (HSE) performance by reducing potential hazards, preventing pollution and improving awareness. Employees are required to operate the Company's facilities and processes keeping this commitment in view.

Commitment and team work are key elements to ensure that the Company's work is carried out effectively and efficiently. Also all employees will be equally respected and actions such as sexual harassment and disparaging remarks based on gender, religion, race or ethnicity will be avoided.

Non-Retaliation Policy

The Company strictly prohibits retaliation against anyone who reports in good faith a possible violation of the Code, no matter whom the report involves.

We pledge to comply and enforce the basic principles of Code of Conduct and prevent its violation. Any employee observing any violation or abuse of this Code of Conduct may bring the same to the notice of the Management in writing.

CORE VALUES

At Mughal Steel we attribute our persistent growth to the strength of our deep rooted values, which distinguish us and guide our actions. We conduct our business in a socially responsible and ethical manner. We respect the law, support universal human rights, protect the environment and benefit the communities where we work.



INTEGRITY

We are dedicated to maintaining the highest ethical standards and ensuring openness and honesty in all our dealings by maintaining utmost integrity at all times.



TRUST

We trust, respect and support each other, and we strive to earn the trust of our customers and shareholders.



DIVERSITY

We provide equal opportunities to all our employees without any bias against gender, race, ethnicity and religion.



INGENUITY

We seek new opportunities and out-of-the-ordinary solutions. We use our creativity to find unexpected and practical ways to solve problems. Our experience, technology and perseverance enables us to overcome challenges and deliver value.



EXCELLENCE

We make sure that we always do what we say we will and strive for excellence and quality in everything that we do.



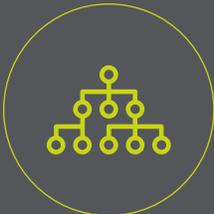
PERSONNEL DEVELOPMENT

We are endeavored to foster a culture where people come first and we hire, develop, train and retain our people to work as synergized teams in line with our mission and vision.



FAIRNESS

We are devoted to implement such policies and procedures, which translate into fair and equitable treatment of all stakeholders, including selection hiring, rewarding and compensating all employees.



TEAMWORK

We are committed to fostering a culture where employees work as a team, listen to and respect each other, provide support to one another, work co-operatively and highly regard one another's views – making our work environment fun and enjoyable.



CUSTOMER SATISFACTION

Our experience shows that if we satisfy our customers well, our own success will follow.



LAWS & REGULATIONS

We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard.



SHAREHOLDERS

Profitability is critical to achieving superior returns, building our capital, and attracting and keeping our best people.



INNOVATION

While recognizing that the old way may still be the best way, we constantly strive to find a better way of doing things. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry.

OVERALL STRATEGIC OBJECTIVES

A simple, effective and achievable strategy that derives efficiencies and creates stakeholder value.

Our ultimate objective is to be a leading participant in the country's steel industry, improving our operations continuously, enhancing profitability and creating value addition. We strive to supply the best quality products for pioneering infrastructure projects, with zero defects whilst comprehensively meeting our customer's needs. We aim to provide safe working conditions, appropriately evaluating and training our workforce and rewarding our people for delivering results and working responsibly. We create value for our stakeholders by capitalizing upon the competitive advantages of our assets.

The six pillars of our overall strategy are designed to deliver earnings and growth for all our stakeholders. We measure our progress against these pillars by continually monitoring our performance against our key financial and non-financial performance indicators:

Across all geographies and products we aim to be one of the highest quality and lowest cost producers, in each of our product line, throughout the cycle.

Leadership positions in most of the markets where we operate.

A diversified portfolio of steel products, which combined with superior customer service, represents a unique value proposition to our customers.

Effective and improved capacity utilization of the Company's existing production facilities.

Drive business transformation to achieve excellence in safety, people, plants and processes by modernization of production facilities in order to ensure the most effective production.

Explore alternative energy resources.



WILLIS TOWER

Constructed: 1973

The Willis Tower (formerly known as the Sears Tower) is an American landmark in the city of Chicago. Standing at 442.1 metres tall, the 108-storey tall skyscraper held the title for the world's tallest building for nearly 25 years.

COMPANY PROFILE & NATURE OF BUSINESS

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

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

At Mughal Steel we work with passion and expertise to develop high-quality products and intelligent industrial processes that create sustainable infrastructures and promote efficient use of resources. We combine our engineering capabilities with traditional strengths in materials. This means we create value for our customers and can successfully exploit the diverse opportunities in the markets of the future. The Company's ability to generate profits throughout the fluctuations of the steel cycle is testimony to the success of years of intensive business re-engineering and the cultivation of a continuous improvement culture that has embedded the Company's position amongst the lowest cash cost producers of steel.

Our primary goal is to supply quality, reliable and durable steel products into the local and nearby markets. Currently we supply in Pakistan and export the rest to Afghanistan.

Geographical Presence

The registered office of the Company is situated in Shadman, Lahore, while the factory is located 17 KM's Sheikhpura road.

Nature of Business

Mughal Steel is one of the largest steel producers in the long-rolled steel products industry in Pakistan, with approximate installed annual production capacity of 688,000 M/t of re-rolled steel per annum. The re-rolling capacities are complimented by 546,000 M/t of annual installed capacity for melting. Further, the Company has also leased in two melting units with total annual installed capacity of 96,000 M/t.

The Company is involved in multidimensional activities from 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-beams, T-bar etc. in the downstream industry.

The Company is equipped with the most modern set of production facilities consisting of but not limited to:

Dedicated Steel Rebar Re-Rolling Mill

The dedicated steel rebar re-rolling mill is a straight and continuous mill, capable of cutting customized lengths from a single bar of 1300 ft. (approximately). The mill produces deformed and reinforced bar in conformance with international standards. Continuous casting technology has been introduced for the mill which enables hot and thermodynamic rolling enabling it to produce steel bars directly from melt shop. The bar re-rolling mill is equipped with three induction furnaces.

Dedicated Tandem Section Mill

Tandem section mill was introduced for the first time in Pakistan by Mughal Steel in line with Universal Stand (the ultimate re-rolling technology). The mill is capable of continuous rolling, which by far is the best suitable technological solution based on European technology and state of the art Italian design by ABB, AMB & SCADA. The mill follows the procedure of four-dimensional rolling, as compared to conventional uniform rolling techniques, making the re-rolling technology at Mughal Steel energy efficient and cost effective. The mill has recently been equipped with two induction furnaces to enable hot rolling.

Mini Section Mills

The Company has two mini section mills capable of producing sections like I. beam, H. beam, C. section, L. Section, T-bar etc. The mills are equipped with auto-control reheating furnaces; facilitating further to produce the required section of any kind.

Macro Factors Affecting Business

Economy

Pakistan's economy continued to perform impressively with its economic fundamentals gaining further traction in the FY 2016-17. Prudent macroeconomic policies, financial discipline, and a consistency and continuity in policies started yielding positive results. As per Pakistan Economic Survey 2016-2017, Pakistan achieved the highest annual growth in a decade, with size of the country's economy surpassing the \$300 billion mark resulting in real GDP growth from 4 percent in FY 2013-14 to 5.28 percent in FY 2016-17, which is the highest in 10 years. Given these positive developments, the broad based growth is expected to continue. The country's outlook is brightened and looks promising on the back of agricultural recovery, rebound in industrial activities and inflow of investment under CPEC. The development of infrastructure, energy and communication will provide much needed impetus to the growth of capital formation, productivity growth and employment.

Inflation

The current year started with inflation at 4.1 percent in July 2016. It reached to 4.9 percent in March 2017 and then slowed down to 3.9 percent in June 2017. On average during Jul-June 2017, it was recorded at 4.1 percent. Increasing oil and commodity prices are expected to remain a concern. Global commodity and oil prices are expected to move in upward direction, which will be affecting domestic inflation. However, given the increase in agriculture production and sufficient food supplies, stable exchange rate, effective monetary policy, inflation is expected to remain below the target.

Public sector development budget

Public sector development is one of the prime focus of the current Government which has resulted in significant increase in PSDB over the years. The trend continued in 2017 as well, with the Government's infrastructure spending leading to buoyancy in construction activity, and increased production in steel and allied industries etc. The estimated size of Public Sector Development Programme (PSDP) for FY 2017-18 is Rs. 1,001 billion.

Fiscal development

Fiscal deficit increased, rising from 3.5 percent of GDP during July-March 2016 to 3.9 percent of GDP in the same period of 2017. Fiscal deficit has increased on account of higher development & security related expenditures and lower growth in tax revenues. However, fiscal deficit has been reduced from 8.2 percent of GDP in FY 2012-2013 to 4.6 percent of GDP in FY 2015-2016.

Industry

Pakistan's steel industry currently produces approximately six million metric tons (MT) every year. This market is mainly divided into raw product (iron ore and scrap); flat products (sheets and plates used in the automotive sector); long products (steel bars, wire rods, rails and structural used in infrastructure development), tubes and pipes. The steel sector has experienced significant growth in the last few years and it is expected that it will continue in the years to come, with the Government's continuing focus on development projects. Despite of increase in duties and taxes, high cost energy resources and fall in steel prices, the major players have managed to register increased profitability.

Construction activity

The construction activity continues to experience significant boost due to initiation of various, public sector development, housing and commercial projects in Pakistan. Along the CPEC route, new industrial zones should open opportunities for investment. CPEC is not only a short-term economic growth booster, but its impact is far reaching and will trickle down in future.

Money & credit

Keeping in view the macroeconomic stability, SBP kept the policy rate at 5.75 percent in May 2016 and maintained the same in the subsequent monetary policy decisions, which is the lowest rate since early 1970's. Healthy credit expansion, along with higher production of Kharif crops, recovery in LSM/ industrial growth, uptick in CPEC related activities in energy sector and favorable business environment supported SBP's decision to keep the policy rate unchanged during FY-2017. Balance of payments also improved with foreign exchange reserves closing at \$ 21,367 million as at June, 30 2017.

Main Markets

The main market of the Company is domestic retail and corporate market. However, the Company also exports to Afghanistan.

Legal Environment

Operations of the Company are subject to different environmental and labor laws. The Company is fully complying with all applicable environmental, labor, corporate and other relevant laws.

Micro Factors Affecting Business

Business Model

Our business model is to provide quality, reliable and durable steel products and customer satisfaction. We apply our overall strategy to create long-term value by capitalizing upon the competitive advantages of our products, people and assets.

Product Portfolio

The company's product range comprises of the following products:

- **Steel Re-bars**
Steel re-bars are used as a tension device in reinforced concrete structures to strengthen and hold the concrete in tension. Rebar's surface is often patterned to form a better bond with the concrete. The steel re-bar is used both in building infrastructural projects and residential ventures.
- **I-Beams (Girders)**
I-beams are usually made of structural steel and are used in construction and civil engineering. I-beams may be used both on their own, or acting compositely with another material, typically concrete. The horizontal elements of the "I" are known as flanges, while the vertical element is termed the "web". The web resists shear forces, while the flanges resist most of the bending moment experienced by the beam. Beam theory shows that the I-shaped section is a very efficient form for carrying both bending and shear loads in the plane of the web.
- **T-Iron**
T-iron used in construction is a load-bearing structure of reinforced concrete, wood or metal, with T-shaped cross section. The top of the T-shaped cross section serves as a flange or compression member resisting compressive stresses. The web (vertical section) of the beam below the compression flange serves to resist shear stress and to provide greater separation for the coupled forces of bending.

- **Mild Carbon Billets**

Plain-Carbon steel, commonly known as Mild steel, is the most typical form of steel because of its relatively low price while it provides additional metal properties more so than iron that are acceptable for most of applications. Mild steel has a relatively low malleable strength, but it is economical and easy to formulate; surface toughness can be increased through carburizing. Mild steel is frequently used when large quantities of steel are needed, for example as structural steel.

Competition

Mughal steel is amongst the top companies in the steel sector with such diversified product mix. Being in the industry for over 5 decades has enabled the Company to effectively compete with existing companies in the industry. Moreover, the CAPEX in recent years to achieve cost efficiency and backward integration has enabled the Company to attain additional competitive advantage.

Suppliers

The Company has built strong relationship with its suppliers and developed a procurement team who is well versed in acquiring the necessary raw material for production. Re-meltable scrap is being imported mainly from United Kingdom, while billet, if any, is being procured locally.

The Fundamentals Of Our Strategy

- Health, safety and environment
- Human capital
- Customer focus
- Growth of business

We create value by capitalizing on our core strengths. These strengths provide lasting benefits which are critical to our ability to generate, protect and capture value over long term;

LOW COST PRODUCTION

Low cost, operations; efficient, steel making and rolling facilities; program of continuous improvement.

STRONG POSITION IN STEEL MARKETS

Strong position in steel market due to broad range of high quality and durable products serving high value markets.

LEADING PRODUCER OF LONG STEEL

Leadership in construction related steel products confers the benefits of scale, innovation, quality control, security of supply and service excellence.

VERTICALLY INTEGRATED BUSINESS

Vertical integration enables us to control each stage in the value chain:

a. access to key raw materials and energy for steel production;

b. expertise in steel processing and finished products;

c. secure logistics and supply chain;

d. effective customer driven sales function

STRONG MANAGEMENT & GOVERNANCE

Low cost, operations; efficient, steel making and rolling facilities; program of continuous improvement.

Value Drivers

These drivers of value highlight the features which sustain the Company's performance in differing and competitive market environments.

- Our growth is primarily driven by expansion in sales revenue, powered by strong demand for our products and effective clientele network all over the Country.
- Efficiency enhancement is our long term goal. We continuously seek opportunities to improve efficiency of our business processes to optimize costs, utilizing less to produce more.
- Human capital is by far our most valuable asset, directly affecting performance while ensuring success each year.
- We are continuously investing in our production facilities to enhance operational efficiency and fuel the key growth drivers. Our extensive clientele network extends to almost all provinces of the Country, ensuring maximum market presence.

COMPANY INFORMATION

Board of Directors

Mirza Javed Iqbal
Syed Salman Ali Shah
Jamshed Iqbal
Khurram Javed
Muhammad Mubeen Tariq Mughal
Fazeel Bin Tariq
Muhammad Mateen Jamshed
Fahad Javaid
Muhammad Waleed Bin Tariq Mughal

Audit Committee

Syed Salman Ali Shah
Fazeel Bin Tariq
Muhammad Mateen Jamshed
Fahad Javaid

Human Resource & Remuneration Committee

Mirza Javed Iqbal
Fahad Javaid
Fazeel Bin Tariq
Muhammad Mateen Jamshed

Chief Operating Officer

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

Chief Financial Officer

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

Company Secretary

Muhammad Fahad Hafeez
Tel: +92-42-35960841 Ext: 133
E-mail: fahadhafeez@mughalsteel.com

Auditors

Fazal Mahmood & Company
Chartered Accountants

Legal advisor

H.M. Law Associates

Tax Advisors

Akhtar Ali Associates
Juris Counsel (Butt & Company)

Shares Registrar / Transfer Agent

THK Associates (Private) Limited
1st floor, 40-C, block-6, P.E.C.H.S
Karachi, Pakistan
Tel: +92-21-111-000-322
Fax: +92-21-34168271
Email: secretariat@thk.com.pk

Bankers

Askari Bank Limited
Allied Bank Limited
Bank Alfalah Limited
BankIslami Pakistan Limited
Bank of Punjab (Islamic Taqwa Division)
Dubai Islamic Bank Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Summit Bank Limited
Samba Bank Limited
Standard Chartered Bank Limited
United Bank Limited

Geographical presence

Registered / corporate office

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

Factory

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

Company website

www.mughalsteel.com



SHAREHOLDERS' INFORMATION

Registered Office

31 –A Shadman I
Lahore, Pakistan
Tel: +92+42-35960841-3
Fax: +92+42-35960846
Email: fahadhafeez@mughalsteel.com

Stock Exchange Listing

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

Listing Fee

The annual listing fee for the financial year 2016 – 2017 was paid to PSX and Central Depository Company of Pakistan Limited within the prescribed time limit.

Statutory Compliance

During the year, the Company has complied with all applicable provisions, filed all returns / forms and furnished all relevant particulars / information as required under the repealed Companies Ordinance, 1984, Companies Act, 2017 and allied rules, the listing requirements and any other relevant laws, rules and regulations prescribed by the Securities and Exchange Commission of Pakistan (SECP).

Declaration and Payment Of Dividend

The Board of Directors has recommended a final cash dividend @ Rs. 0.60/- per share i.e. 6% for the year ended June 30, 2017. This is in addition to interim cash dividend @ Rs. 2.00 i.e. 20% per share already paid for the year ending June 30, 2017 making total payout of 26% for our shareholders. Interim cash dividend warrants were duly dispatched on June 06, 2017 within time.

Last year, the Company paid final cash dividend of Rs. 3.00/- per share i.e. 30%. Cash dividend warrants were duly dispatched on November 25, 2016 within time.

Date of Book Closure

The register of the members and shares transfer books of the Company will remain closed from October 21, 2017 to October 28, 2017(both days inclusive).

Share Transfer System

The Company's share department is operated by M/s. THK Associates (Private) Limited.

Annual General Meeting

Date: October 28, 2017
Time: 03:00 PM
Venue: Pearl Continental Hotel, Lahore

Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all shareholders at least 21 days before the meeting and also advertised in at least one English and Urdu newspaper. All shares issued by the Company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. The voting by show of hands operates on the principle of "One member-One Vote". If majority of the shareholder raise their hands in favor of a particular resolution, it is taken and passed, unless a poll is demanded.

Proxies

According to section 137 of the Companies Act, 2017 and the Articles of association of the Company, every shareholder of the Company who is entitled to attend and vote at a General Meeting of the Company can appoint another member as his/her proxy to attend and vote instead of him/her.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the Share Registrar not less than forty eight (48) hours before the meeting.

Change Of Address / Email Address

All registered shareholders should send information of change of address to our share registrar M/s. THK Associates (Private) Limited and change in email address, if any, directly to us at our registered office address.

Company Website

The Company is operating website www.mughalsteel.com containing updated information regarding the Company.

Note: MISIL's Annual & Interim Financial Statements are also available at the above website.

MARKET PRICE DATA

The following table shows month end wise share price of the Company that prevailed during the financial years 2016-2017 and 2015-2016 in PSX/ KSE:

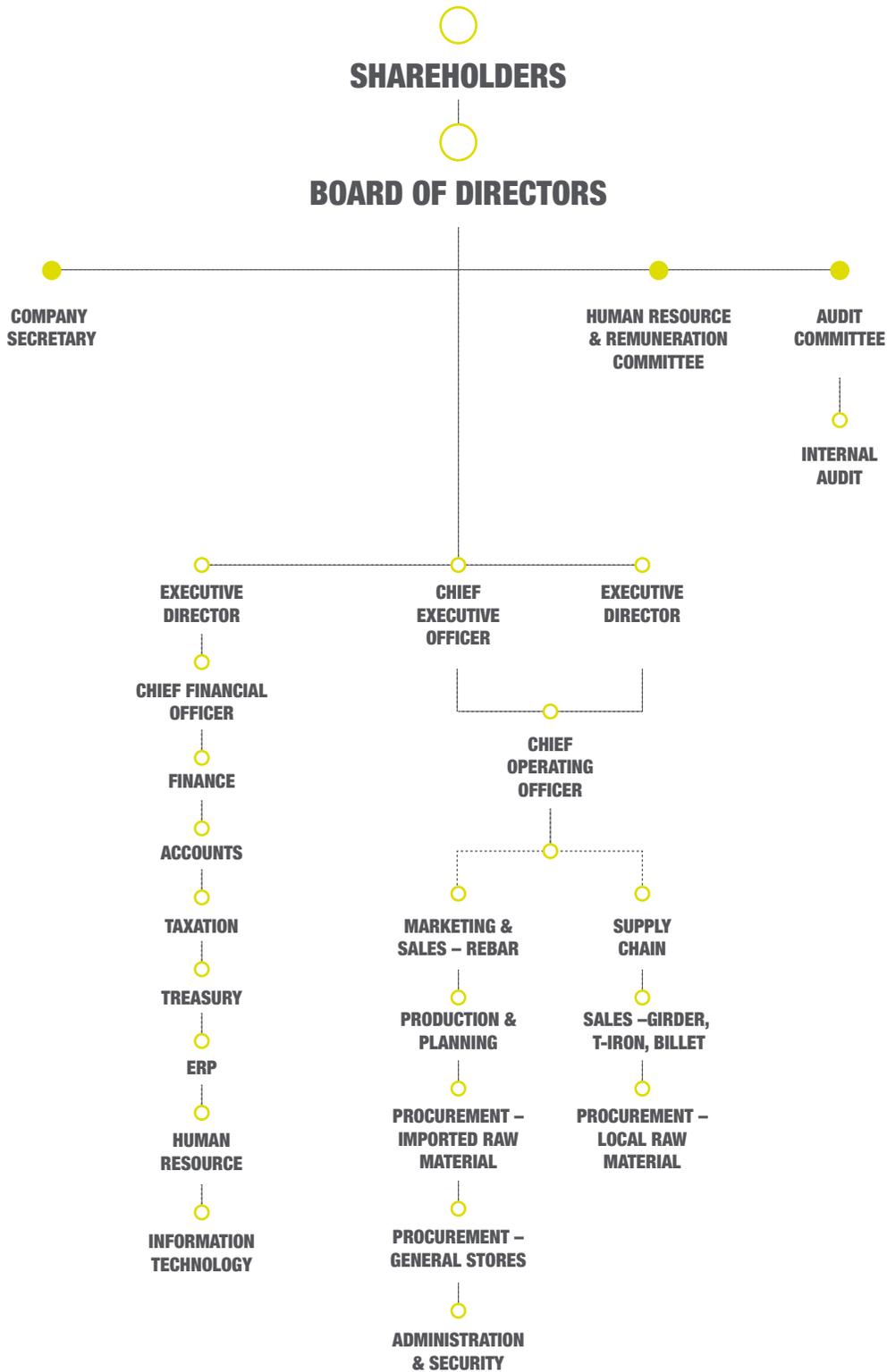
PSX / KSE					
MONTHS	2016-2017		2015-2016		
	High	Low	High	Low	
July	75.7	75	61.4	60.4	
August	81	79	67.2	65.02	
September	86	84.3	65.02	62.9	
October	86.98	84.95	75.2	70.85	
November	98	94.26	79	74.72	
December	89.20	87.50	70.12	69.35	
January	105.27	101	73.50	71.50	
February	115.80	112.50	69.20	66.01	
March	141.98	137.11	69	68.10	
April	76	71.60	70.58	69.52	
May	92.97	88.71	71.50	70.50	
June	82	78.06	68.21	67.05	

AWARDS AND ACCOLADES



The Company bagged joint 1st position under Engineering & Auto Sector for “Best Corporate Report 2015” and joint third position for “Best Corporate Report 2016” in the award ceremonies jointly hosted by the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) on 7th October 2016 and 25th August 2017 respectively. This award for Best Corporate Report secured by the Company is a reflection of best ethical values and management practices in corporate reporting. The Company has promoted accountability and transparency through provision of accurate, informative, factual and reader friendly Annual Reports on timely basis for the valuable stakeholders.

ORGANOGRAM OF COMPANY





TOKYO TOWER

Constructed: 1958

The Tokyo Tower is a communications and observation tower that stands at 332.9 metres, making it the current second-tallest structure in Japan. Constructed to facilitate electronic communications and broadcasting while also standing as a symbol of Japan's global economic ascendance, the tower was completed in one year to become a city landmark, attracting visitors from all over the country and beyond frequently since. The base of the tower houses a 4-story building containing a variety of attractions, such as an aquarium, restaurants, an amusement park and a museum.

BOARD PROFILE

The key skills and experience of the Directors, and the extent to which they are represented on the Board of Directors and its committees, are set out below. In summary, the Non-Executive Directors contribute operational experience and understanding of the industry sector in which the Company operates.



Mirza Javed Iqbal

Chairman / Non-Executive Director

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.

Other Engagements:

Indus Steel Mills Corporation (Private) Limited	CEO / Director
Mughal Steel Metallurgies Corporation Limited	CEO / Director
Al-Bashir (Private) Limited	CEO / Director
Mughal Steel Re-Rolling Industries Limited	Director
Mughal International IMPEX Limited	Director
Mughal Holding (Private) Limited	CEO / Director
Mughal Green Storage (Private) Limited	CEO / Director



Syed Salman Ali Shah

Independent Non-Executive Director

Mr. Salman holds a Ph.D. in Finance from the Kelley School of Business Administration, Indiana University, USA. He has served as the Advisor to the Prime Minister of Pakistan on various fields: Finance, Revenue, Economic Affairs and Statistics. Mr. Shah has worked as the Former Chairman of the Privatization Commission and Pakistan Mercantile Exchange (PMEX). He has served on the Board of Governors of the State Bank of Pakistan, Pakistan International Airlines, Foundation University and the Bank of Punjab. His contribution to the Board is of great importance and is highly valued.

Other Engagements:

MCB-Arif Habib Savings & Investment Limited	Director
World Call Telecom Limited	Chairman / Director
Synthetic Products Enterprise Limited	Independent Director



Khurram Javed

CEO / Director

Mr. Khurram Javed holds an MBA from the Coventry University, UK and a BSc. from the Lahore School of Economics in Pakistan. He has made substantial contributions towards the development of the Company's production capabilities and sales network within the country, ensuring that each is at par with the international standards of the steel industry. Also, since Mr. Javed is a strong advocate of human resource development, he is the man behind incorporating effective HR planning, policymaking and training which is the corner stone behind the Company's success today

Other Engagements:

Mughal Energy Limited	CEO / Director
Mughal Steel Re-Rolling Industries Limited	CEO / Director
Mughal International IMPEX Limited	CEO
Indus Engineering (Private) Limited	CEO / Director
Mughal Holding (Private) Limited	Director
Mughal Modaraba Management Limited	Director
Al-Bashir (Private) Limited	Director



Jamshed Iqbal

Executive Director

Mr. Jamshed has over the years played a pivotal role in developing the Company's 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 is highly beneficial at the Board Level.

Other Engagements:

Mughal Energy Limited	Director
Mughal Steel Metallurgies Corporation Limited	Director
Al-Bashir (Private) Limited	Director / CEO (Pending)
Mughal Steel Re-Rolling Industries Limited	Director
Mughal International IMPEX Limited	Director
Indus Steel Mills Corporation (Private) Limited	Director
Mughal Green Storage (Private) Limited	Director



Muhammad Mubeen Tariq Mughal

Executive Director

Mr. Mubeen has academic background in economics & finance and is currently pursuing his Executive MBA (Strategy) from London Business School (LBS). He is responsible for entire Financial Management of the Company including treasury, investments, accounting, internal control systems, budgetary controls and corporate governance. He has been responsible for initiating professionalization of the organization by developing and reorganizing the human resource function, making it more effective as a strategic business function. At personal, professional as well as business level, Mr. Mubeen strongly believes in "Social and Sustainable Development" and he has proven his involvement in various social philanthropic activities.

Other Engagements:

Indus Engineering (Private) Limited	Director
Mughal Steel Metallurgies Corporation Limited	Director
Al-Bashir (Private) Limited	Director
Mughal Steel Re-Rolling Industries Limited	Director
Mughal International IMPEX Limited	Director
Mughal Holding (Private) Limited	Director
Mughal Modaraba Management Limited	CEO / Director
Mughal Green Storage (Private) Limited	Director



Fazeel Bin Tariq

Non-Executive Director

Mr. Fazeel holds a Bachelor's Degree in Business Administration from the Lahore School of Economics, Pakistan and a Postgraduate degree in Professional Accounting from the Swinburne University of Technology, Australia. He has also done Masters in Leadership from Northeastern University, Boston, USA. He joined the Company in 2011 and since then worked in various roles, obtaining extensive knowledge and experience of production processes before being inducted as a member of the Board of Directors..

Other Engagements:

Mughal Modaraba Management Limited	Director
Mughal Steel Re-Rolling Industries Limited	Director
Indus Engineering (Private) Limited	Director



Muhammad Mateen Jamshed

Non-Executive Director

Mr. Mateen holds a Bachelor's Degree in Business Administration from the Lahore School of Economics, Pakistan. He has experience in the field of accountancy & finance.

Other Engagements:

Mughal Steel Re-Rolling Industries Limited
Indus Engineering (Private) Limited

Director
Director



Fahad Javaid

Non-Executive Director

Mr. Fahad Javed holds a Bachelor's Degree in International Business from Australian National University, Australia. Before becoming member of board of Directors, Mr. Fahad obtained extensive experience in imported raw material procurement and supply chain management.

Other Engagements:

Mughal Energy Limited



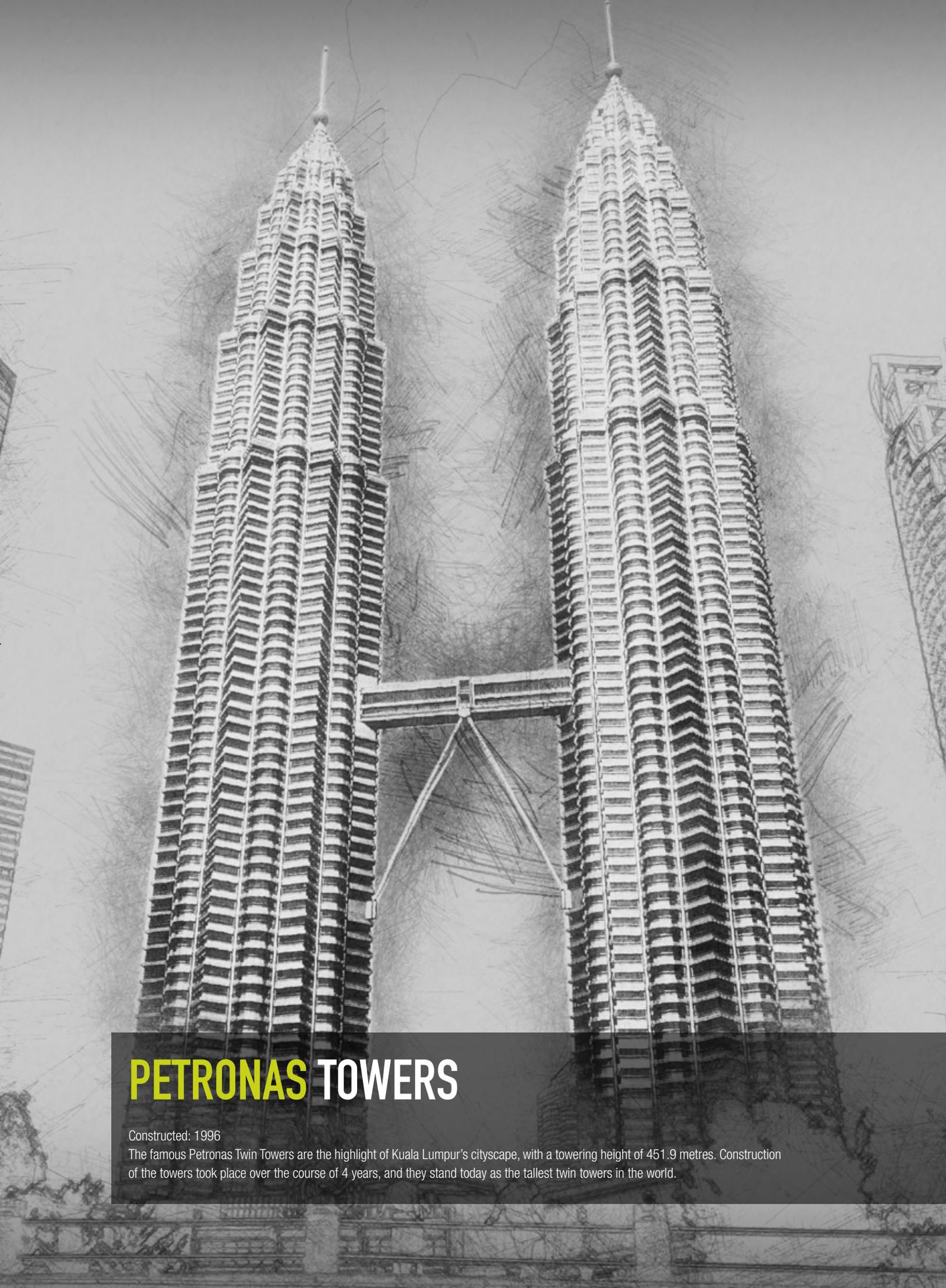
Muhammad Waleed Bin Tariq Mughal

Non-Executive Director

Mr. Waleed is currently pursuing his bachelors in mechanical engineering.

Other Engagements:

Mughal Energy Limited



PETRONAS TOWERS

Constructed: 1996

The famous Petronas Twin Towers are the highlight of Kuala Lumpur's cityscape, with a towering height of 451.9 metres. Construction of the towers took place over the course of 4 years, and they stand today as the tallest twin towers in the world.

CHAIRMAN'S REVIEW REPORT

U/S 192 OF COMPANIES ACT, 2017 ON OVERALL BOARD PERFORMANCE AND BOARD'S ROLE IN ACHIEVING THE COMPANY'S OBJECTIVES

Board effectiveness is mostly about how the persons seated around the table choose to work with each other – how they define their role, how they allocate the work, how they come to grips with the issues and how they work together. Much of this is within the Board's power to control. At Mughal Steel we have put in place a mechanism for undertaking annual self-evaluation of the performance of the Board.

As Chairman of the Board, I hereby present the review on the overall performance of the Board.

Overall, the Board is working well given its organizational model and board structure, with Board members having the appropriate range of skills, knowledge and experience, as well as the degree of diversity, necessary to enable it to effectively govern the business. Individual board members appear to be hard-working and demonstrate a strong commitment towards overall performance of the Company. Behavior in the boardroom is mostly seen to be constructive. Board appears very focused on and committed to Company's values and mission. Appropriate proportion of time is given to both strategic and operational level discussion and issues.

Attendance of board members at board meetings and committee meetings was 100%, with zero absences against a target of 95%. During the year board was reconstituted subsequent to election of directors. New board members attendance in orientation program was 100%. There was no code of conduct violation. Performance objectives were reviewed against actual results and were found satisfactory. Majority of the directors have attended Directors' Training Program conducted by ICAP.

The role of the Board has been pivotal in achieving the Company's objectives. The Board has developed short, medium and long-term plans to achieve its strategic objectives. The Board regularly reviews the principal risks and mitigating factors against them. The Board's role in dealing with energy crisis and maintain sustained production levels has been very effective. The relationship between the Board and its committees is very constructive and productive.

The contribution and efforts of all Board members has been very vital. Independent and non-executive directors provide depth of expertise and support for effective decision making. In pursuit of its objectives, the Board approved expansion plan during the year to enhance dedicated rebar re-rolling mill capacity to 430,000 MT from 150,000 MT along enhancement of gross power generation capacity from 9.3 MW to 27.9 MW. These expansions will play a key role in strengthening the competitive position of the Company.



Mirza Javed Iqbal

Chairman of the Board

Lahore: September 18, 2017



DIRECTORS' REPORT TO THE **SHAREHOLDERS**

The Directors take pleasure in presenting this Report, together with the Audited Financial Statements of the Company for the year ended June 30, 2017

CHAIRMAN'S LETTER TO THE SHAREHOLDERS



“ In the coming years, the country will require investment in infrastructure to meet the needs of public sector development projects and a growing population shifting from an emerging middle class to a largely urbanized society. Mughal Steel is positioned to capture this demand. ”

Whether paving roads, building bridges / mega structures or constructing residential homes / societies, Mughal Steel's products are helping to build a better country. And we're doing the same for our business. We're on a journey of continuous improvement in critical areas such as quality, efficiency, safety and technology, working to grow stronger every day.

The year 2017 saw a number of challenges, including imposition of regulatory duty on billets, removal of significant discount on billet prices by China, international currency volatility, fall in steel prices in local markets, increase in demand for self-manufactured billet and related increase in energy requirements.

However, despite of significant challenges, there was no shortage of highlights, as we once again succeeded to extend our earnings growth year-on-year, increasing earnings-per-share nearly by 22.84% since 2015 purely through organic growth, and at the same time managed to maintain our topline as well. The earnings during the year increased from Rs. 3.80 per share in 2016 to Rs. 4.21 in 2017 per share, while turnover was maintained at Rs. 18.803 billion.

With view of strategically positioning the company to capitalize upon the upcoming opportunities, expansion plan to the tune of approx. Rs. 1.750 billion was approved to increase installed capacity of dedicated rebar re-rolling mill to 430,000 MT along with enhancing gross installed captive power generation capacity to 27.9 MW. The expansion will result in increase in overall re-rolling installed capacity from 688,000 MT to 968,000 MT making it one step closer to reaching the 1 million MT installed re-rolling capacity milestone.

The success of the rights issue was another highlight. 100% right issue was announced at par value of Rs. 10/- each. The right issue was 99.61% subscribed and raised Rs. 1.257 billion proceeds out of which 75% was injected by the Sponsors / Directors of the company. The funds will be used to finance the expansion projects.

At the heart of our growth strategy, is the desire of both the Board and management to maximize shareholder value and return, that is why we have consistently been paying out cash dividends as well as issuing

bonus shares in past. Keeping in view the same, on behalf of the Board of Directors, I'm pleased to announce final cash dividend @ Rs. 0.60/- per share i.e. 6% for the year ended June 30, 2017 to you, our owners. This is in addition to interim cash dividend @ Rs. 2.00 i.e. 20% per share already paid for the year ending June 30, 2017 making total payout of 26% for our shareholders.

I would like to recognize the efforts of our executive management team for their prudent and insightful leadership during the past year together with their ability to be flexible and react quickly when it became necessary to protect the business against various adversities. I would also like to express my gratitude for the efforts of all our workers for their dedication and stakeholders for their trust in us.

During the year, the Board of Directors was reconstituted and I feel honored to be re-elected as Chairman of the Board. I also welcome the new members on the board. As Chairman of your Company, I'll continue to be responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard and ensuring that the board hears from an appropriate range of senior management. I'll remain firmly committed to ensuring that your Company complies with all the relevant codes and regulations and ensuring that our management team continues to make decisions that will create value for you in the short, medium and long term.

On behalf of the Board, I hereby present to you, the Directors' Report for the FY-2017.



Mirza Javed Iqbal

Chairman of the Board

Lahore: September 18, 2017

CHIEF EXECUTIVE OFFICER'S REMARKS



“ The steel industry is the foundation industry of any economy especially in developing countries whose material intensity is likely to increase significantly in the future for infrastructure investment. ”

2017 was a challenging yet exciting year for Mughal Steel, as we made substantial progress in executing our long-term strategy. Our results during the year demonstrated the success of the entire team in executing our strategy. Throughout the year, we continued to enhance the financial strength of our Company through improved profitability and various capital market transactions. Our new brand Mughal Supreme received considerable and positive feedback, with demand expecting to increase further in future. We successfully recommenced operations of our 9.3 MW gas fired captive power plant and managed to obtain approval from Sui Northern Gas Pipelines Limited ('SNGPL') for enhancement of gas load for captive power generation from 1.8 MMCFD to 2.8 MMCFD.

Our financial results reflected our strategy to reduce our exposure to unviable imported billets. As a result, the gas fired power plant was made operational and two additional melting units were leased in. This enabled us to make important progress to enhance our self-manufactured billet production. Our efforts to optimize our footprint, relentlessly focus on costs, and reduce exposure to imported billets generated sustained margins. This, along with the successful completion of capital market transaction, which generated Rs. 1.257 billion, allowed us to strengthen our balance sheet.

In long-term perspective, expansion plan was approved, encompassing increase in installed capacity of dedicated rebar re-rolling from 150,000 MT to 430,000 MT along with increase in installed generation capacity from 9.3 MW to 27.9 MW. These actions position us well for the future. The overall cost of the projects is estimated to be Rs. 1.750 billion. Out of total project cost, Rs. 1.257 billion is being financed by way of equity with the remaining cost along with any escalation to be financed through internal resources. The expansion is expected to play a significant role in further increasing the turnover and improving the margins of the Company.

We continue to strive for growth and increasing shareholder value and I am yet again overwhelmed and highly pleased to report yet another hallmark year for Mughal Steel, which saw increase in profits of your

business resulting in net profit of Rs. 990.760 million with earnings per share of Rs. 4.21, compared to earnings per share of Rs. 3.80 in the last year. As management we are strongly committed towards continuously improving the operational performance of your Company.

The Company has not defaulted in any repayment of debts. During the year, the Company has contributed approximately Rs. 1,979.552 million towards national exchequer in shape of taxes, duties, cess, levies etc. The Company has also contributed through earnings of valuable foreign exchange amounting to Rs. 590.506 million.

We expect improved production and sales volumes following enhancement of rebar re-rolling capacity and power generation capacity. We expect export sales to remain low, however, any adverse fall is expected to be curtailed by increase in local sales.

Lastly, I'd like to thank our employees and our shareholders for their support. In 2018, we will work to enhance our profitability and align all of our resources with the needs of our business to ensure we are getting a return on those resources we are investing in our business. We will focus on controlling those items within our control. I am confident that the entire Mughal Steel team will collectively work to make us a stronger Company.



Khurram Javed

Director / Chief Executive Officer

Lahore: September 18, 2017

FINANCIAL REVIEW & OPERATIONAL PERFORMANCE

Industry Overview

Steel industry is considered as the backbone of the modern society and has direct correlation with the industrial development, given its utility in all industrial processes and sectors ranging from infrastructure, construction, automobiles, and transportation and home appliances. The demand for steel follows a cyclical trend and correlates directly with the general economic/ industrial conditions prevalent locally and globally. Steel products are generally classified into 4 broad categories: Long steel products, flat steel products, semi-finished products and tubes. The long products include re-enforcing bars, structural sections, wire rods and forgings. Flat products include Hot Rolled Coil (HRC), Cold Rolled Coil (CRC), Hot Dipped Galvanized Coil (HDGC) and Color Coated Coils. Pipes include seamless pipes and welded pipes. The products which are classified as semi-finished or unfinished are generally not sold to end-consumers and are instead further processed into finished products.

Demand for total steel in Pakistan is estimated at 6 million MT and has seen a rising trend over the last few years due to strong growth in construction activity. As per the State Bank of Pakistan's annual report for 2015, the domestic steel production grew by 35.4 percent which is the highest level in the last five years. Pakistan is still amongst the lowest per capita consumers of steel at 29.4 kg/capita which is well below the world average approximately 233 kg/capita and indicates the immense potential for growth in the domestic steel manufacturing and processing industry.

An important factor set to fuel growth is the \$46 billion China Pakistan Economic Corridor (CPEC) infrastructure project which is expected to increase the demand for steel products significantly. As per Pakistan's Steel Re-Rolling Mills Association (PSRMA), the start of mega development schemes and power projects under (CPEC) will boost the annual demand for long rolled steel products by more than 30% to 6 million MT from 4 million MT. It is expected that in the early stages of economic development, steel consumption is expected to increase at a faster rate because huge quantities of steel are required to build basic infrastructure, including bridges, dams, railways, and power generation, distribution and transmission projects, etc. In order to meet this higher demand without resorting to imports over the medium- to long-term, the country will need sizable investment in this industry in the coming years.

Overview Of Financial Performance

The Directors are pleased to inform the shareholders that their Company registered net sales of Rs. 18.803 billion against Rs. 18.983 billion in the corresponding period. The decrease in sales revenue was adversely affected due to completion of one time sale order for sale of billet which was executed and completed in last year. However, most of the short fall created due to fall in billet sales was overcome by increase in sale of steel re-bars. Sales revenue was also adversely affected by fall in sales prices in the first two quarters.

Gross margin decreased to Rs. 1.942 billion in the current period, compared to Rs. 2.059 billion in the corresponding period. As a percentage gross margin decreased from 10.85% to 10.33%. Gross margin for the year was effected adversely and in adversely by imposition of duties and taxes, fall in steel prices locally and internationally and variation in costs of electricity.

Distribution & marketing costs mainly comprised of freight outward and marketing expenses and increased by 73.19%. The increase was mainly attributed to advertisement expenses incurred on marketing and promotional campaign for Mughal Supreme.

Administrative expenses increased by 16.36% due to increase in salaries accompanied with increase in routine administrative costs.

Other charges mainly included provisions for workers' profit participation fund and workers' welfare fund which increased in line with increase in profits.

Other income decreased from Rs. 47.357 million to Rs. 33.977 million mainly due to decrease in rental income, gain on sale of fixed assets and balances written back.

Finance costs decreased from Rs. 425.033 million to Rs.256.551 million. Finance cost positively affected by elimination of notional interest on sponsor shareholders' loan and decrease in exchange loss on deferred letters of credits. Markup on short-term and long-term borrowings increased from Rs. 146.976 million to Rs. 232.018 million. The increase in markup was associated with increase in short term borrowings due to opening of LCs on sight terms rather than Deferred.

Taxation decreased significantly from Rs. 398.836 million to Rs. 231.538 million as a result of adjustment of tax credits and brought forward minimum taxes.

Resultantly, net profits rose to Rs. 990.760 million during the year, compared to Rs. 893.412 million in the corresponding period last year.

Earnings per share for the current year stood at Rs. 4.21 per share as compared to Rs. 3.80 per share in the last year.

Financial results for the year ended June 30, 2017 have been summarized below:

	Rupees in millions
Sales	18,802.810
Gross profit	1,941.831
Operating costs	719.533
Profit before taxation	1,222.298
Taxation	231.538
Profit after taxation	990.760
Basic & diluted earnings per share	4.21

Non-Financial Performance

Quality, customer's satisfaction, employee's development and professional standards are Company's key areas where management has taken necessary measures to improve them. The Company is currently producing and supplying high quality products which ensure maximum satisfaction to the customers. During the year, Company conducted various training courses for the development of existing human capital. The Company is maintaining satisfactory relationship with all stakeholders.

Overview Of Operational Performance

The furnaces generated an overall production of 116,207 M/t of billet, recording an increase of 16.61% from previous year. Further, 19,279 M/t of billet production was outsourced to contract manufacturers. The overall production of rolling mills was recorded at 241,773 M/t showing a decrease of 1.59% over the previous year. However, 12,316 M/t of re-rolling production was outsourced to contract manufacturers. Out of the total production of rolling 57.93% was allocated to steel rebars and 41.37% to girder with remaining production being allocated to T-iron.

During the year, Company recommenced operations of its 9.3 MW gas fired power plant, obtained approval from SNGPL for enhancement in gas load capacity from 1.8 MMCFD to 2.8 MMCFD and leased in two melting units with total annual capacity of 96,000 M/t.

Capacity utilization is subject to availability of electricity and current available electricity load and comprises of current active mills. Currently, the company is fully utilizing its available load capacity from its dedicated grid station and captive gas fired power plant. Melting production is dependent on availability of surplus load capacity after meeting re-rolling production.

Safety, quality, innovation and productivity are key factors in our business and hallmarks of our success. In 2017, we experienced another year of outstanding safety performance. Our quality focus also continued, establishing Company best records for internal quality performances. Finally, our relentless concentration on productivity gains and initiatives to lower operating costs generated sustained margins in 2017.

Principal Activities Of The Company

The principal activities of the Company are manufacturing and sale of mild steel products.

Changes In Nature Of Business

There has been no change in nature of the business of the Company during the year.

Distributions And Appropriations – Subsequent Events

	Rupees in millions
Un-appropriated profit brought forward	2,112.329
Final dividend 2016	(377.399)
Profit for the year 2017	990.760
Transaction cost related to issuance of shares	(12.340)
Other comprehensive loss	(4.098)
Transfer to contingency reserve	(980.00)
Interim dividend 2017	(251.600)
Profit available for appropriations	1,477.651
Appropriations	
Final cash dividend for the year ended June 30, 2017 @ Rs. 0.60 per share i.e. 6%	(150.960)
Un-appropriated profit carry forward	1,326.691

The Board of Directors has always been committed to maximize returns for shareholders of the Company and that is why we have consistently been paying out cash dividend in past. In line with this commitment, the Board of Directors has recommended a final cash dividend @ Rs. 0.60/- per share i.e. 6% for the year ended June 30, 2017 to you, our owners. This is in addition to interim cash dividend @ Rs. 2.00 i.e. 20% per share already paid for the year ending June 30, 2017.

The proposed final cash dividend is subject to the approval of the members at the forthcoming Annual General Meeting to be held on October 28, 2017. These financial statements do not include the effect of the above proposal which will be accounted for in the period in which it is approved by the members.

Entity's Most Significant Resources

The significant resources comprise but are not limited to human, financial and technological resources. We hire teams of professionals and technical experts who continuously strive to ensure that our production and control processes and systems are working efficiently and effectively and are constantly being modernized. Further, financial resources are managed effectively through optimized credit control and efficient treasury management, focusing on cash flow forecasting.

Liquidity Analysis And Strategies To Overcome Liquidity Problems

The management of the Company has years of experience in liquidity management and liquidity management system and tend to maintain a strong liquidity position to ensure availability of sufficient working capital

besides identification and mitigation of cash flow risks.

The key working capital requirements of the Company are managed through internal liquidity generation sources comprising of sales revenues and external means of financing. Revenue receipts from sales are managed through optimized control of customer credit, in addition to securing advance customer orders and cash sales. Regular forecasting of cash flows and aging analysis are also carried out to maintain an optimum working capital cycle. Operating cash flows are mainly used for repayment of debt firstly.

The aggregate net working capital stood at Rs. 3,005.386 million at the close of June 30, 2017, as compared to Rs. 1,990.226 million in last year increasing by 51.01%.

Plans To Manage Repayment Of Debt And Recovery Of Losses

Long-term financing comprised of loan from banking companies and sponsor shareholders loan. Loan from banking companies stood at Rs. 31.712 million as at June 30, 2017 as compared to Rs. 109.208 million as at June 30, 2016. The outstanding amount represents current maturity and will be fully repaid in the upcoming period. During the year, no further interest bearing funds were borrowed on long-term basis as the management intends to maintain minimal level of interest bearing long-term financing from banking companies.

Out of the total sponsor shareholders loan Rs. 1,224.037 million was classified as equity and remaining was transferred to short term loan from sponsor shareholders. This amount is now repayable at the discretion of the Company.

Short-term borrowings from banking companies amounted to Rs. 6,616.207 million, representing an increase of Rs. 3,787.501 million from last year. The increase was in line with increase in working capital requirement. Short-term loan from sponsor shareholders decreased from Rs. 382.295 million to Rs. 37.082 million.

Cash flow projections indicate availability of sufficient funds for timely retirement of long-term and short-term debt liabilities.

Cash Flow Analysis

Analysis of cash flows for the year ended June 30, 2017 is presented through the following major liquidity generation activities:

- Operating activities**

Net cash utilized in operations stood at Rs. 1,272.825 million, as compared to Rs. 577.272 million last year, after adjustment of finance cost of Rs. 219.433 million and income tax payments aggregating to Rs. 224.664 million during the year. The increase was associated with investment in stock-in-trade and increase in stores, spares & loose tools.

- **Investing activities**

The Company incurred fixed capital expenditure of Rs. 473.866 million during the year as compared to Rs. 678.980 million in last year. The investment in fixed capital expenditure was in line with Company's growth plan.

Short-term investments made during the year amounted to Rs. 197.171 million. Consequently, net cash used in investing activities stood at Rs. 649.583 million, up by Rs. 411.554 million from Rs. 238.028 million last year.

- **Financing activities**

The Company repaid long-term financing resulting in cash utilization of Rs. 407.496 million. The Company further obtained short-term borrowings to the tune of Rs. 1,275.837 million to finance its operating activities. Cash injected from proceeds from issuance of ordinary shares amounted to Rs. 1,257.998 million.

Consequently, net cash generated from financing activities stood at Rs. 1,500.834 million, as compared to Rs. 391.154 million last year.

- **Cash and cash equivalents at year end**

The Company recorded a net decrease in cash and cash equivalents of Rs. 421.575 million during 2017, as compared to Rs. 424.146 million recorded in cash and cash equivalents last year.

Financing Arrangements

Long-term financing from banking companies amounted to Rs. 31.713 million.

Total short-term borrowings from banking companies under conventional arrangements stood at Rs. 6,616.207 million as compared to Rs. 2,828.707 million in previous year. Short-term borrowings under Shariah compliant arrangements stood at Rs. 1,360.704 million as compared to Rs. 601.280 million in previous year. The increase is mainly due to increase in stock-in-trade and other working capital requirements.

The above short-term borrowings have been availed against aggregate financing facilities of Rs. 15,021.500 million with various banks, under mark-up / profit arrangements. Letters of credit lines and letter of guarantee lines up to Rs. 17,478.135 million are available out of which Rs. 12,095.383 million remained unutilized at the year end. External financing is arranged after extensive cash flow forecasting for working capital, investment or asset acquisition requirements.

Human Capital

Human Capital is considered to be the Company's most valuable resource, with significant contributions over the years towards its growth. The Company ensures provision of the best employee development programs, health care, safety and market commensurate compensation packages.

- **Succession Planning**

The Company has formulated a firm succession plan which includes performance evaluation and appropriate training requirements for development of potential future leaders. Detail of Succession Planning is available in the Human Resources portion of the 'Corporate Governance' Section.

- **Retirement Benefit Plans**

The Company is operating an unfunded gratuity plan for its employees ensuring financial security upon retirement. Detail of retirement benefit funds have been disclosed in note 24 of the financial statements.

Capital Structure

Capital structure represents ordinary share capital and long-term / short-term debts from banking companies.

As at June 30, 2017 capital structure comprised of Rs. 2,515.996 million of share capital representing 251.599 million ordinary shares of Rs. 10/- each. Major shareholding is owned by the sponsor shareholders with 75% equity holding.

Total long-term financing stood at Rs. 31.713 million at close of the year, while, total short-term debt of the Company stood at Rs. 7,976.911 million at close of the year, with a debt / equity ratio of 1.21 as compared to 0.84 in 2016.

The above indicators provide adequate evidence as to the adequacy of the capital structure for the foreseeable future.

Significant Changes In Financial Position, Liquidity & Performance Compared With Those Of Previous Period

Property, Plant & Equipment comprises of operating assets, capital work-in-progress and major spare parts & standby equipments. Additions in operating assets amounted to Rs. 109.190 million and represented mainly routine additions in plant & machinery due to capitalization of ancillary equipment and additional spares along with purchase of vehicles for employees and executive Director. Capital work-in-progress

DIRECTORS' REPORT TO THE **SHAREHOLDERS** (contd)

amounted to Rs. 211.195 million. This represented capital expenditure incurred on expansion projects comprising of captive power plant expansion project and steel rebar re-rolling mill BMR project. Major spare parts & standby equipment amounted to Rs. 162.265 million and represented various spare parts & standby equipment to be consumed in the upcoming period.

Stores, spares & loose tools increased from Rs. 298.305 million in 2016 to Rs. 462.744 million in 2017. The increase was mainly associated with re-commencement of power plant operations, increased utilization of furnaces, lease in of 2 melting units and increased in furnace oil prices.

Stock-in-trade increased from Rs. 4,220.729 million in 2016 to Rs. 5,381.802 million in 2017. The significant increase was mainly attributable towards increase in raw material in-transit, which increased from Rs. 1,264.362 million in 2016 to Rs. 2,668.165 million in 2017. Raw material in-transit mainly represented LC's for re-meltable scrap which had been opened before June 30, 2017 due to availability of scrap at substantially lower prices as compared to scrap prices, which have been increased significantly by \$30 to \$50 per M/t subsequently. Further, the inventory levels are in line with the Company's forecasted production plans.

Trade debts increased from Rs. 939.887 million in 2016 to Rs. 1,347.039 million in 2017 resulting in an increase of 43.32% and mainly represented receivable on account of sale of steel re-bars to various corporate clients and Government projects. The aging of the trade debts have been disclosed in the financial statements, however, none of the balances are considered as bad or require any provision against them. Out of the total balance of the trade debts, Rs. 354.833 million is secured by way of in-land letter of credit.

Advances increased from Rs. 201.799 million in 2016 to Rs. 287.294 million in 2017 and represented advances given to employees and suppliers for local stores and furnace oil.

Short-term deposits and prepayments increased by 17.22%. This mainly included security deposit against custom duty on import of alloy billets.

Due from the Government have increased from Rs. 1,458.917 million in 2016 to Rs. 1,870.882 million in 2017 and comprised of advance income tax, sales tax and export regulatory duty. Advance tax mainly represented income tax deducted on exports and imports and will be adjusted against income tax liabilities in future years. The increase in sales tax is mainly associated with increase in purchase of re-meltable scrap and will be adjusted against future sales tax liability on electricity bills. The matter of export regulatory duty is currently pending before Customs Appellate Tribunal. The management is rigorously contesting the case. The management and legal advisor are of the opinion that the matter would be decided in favor of the Company, therefore, it's not considered bad nor there any need to provide provision against it.

Short-term investments increased from Rs. 108.493 million in 2016 to Rs. 305.664 million in 2017 and mainly represented funds, invested temporarily in term-deposit receipts.

Cash and bank balances increased significantly from Rs. 576.058 million in 2016 to Rs. 2,033.228 million in 2017. Out of the total balance of cash and bank balances Rs. 1,257.998 million represented proceed from right issue.

During the year, the Company increased its authorized capital from Rs. 1,500 million in 2016 to Rs. 3,000 million in 2017 in order to issue right shares. Accordingly, the Company issued further ordinary shares amounted to Rs. 1,257.998 million resulting in increase of issued, subscribed and paid-up capital to Rs. 2,515.996 million as at June 30, 2017.

Reserves comprised of share premium reserve, contingency reserve and revenue reserve. Contingency reserve represented Rs. 980 million transferred from revenue reserve to meet the future catastrophic events. Revenue reserve decreased from Rs. 2,112.328 million to Rs. 1,477.651 million due to payment of dividend to the tune of Rs. 628.999 million and transfer to contingency reserve.

Equity portion of sponsor shareholders loan decreased from Rs. 425.689 million in 2016 to Rs. nil in 2017. This represented discount arising upon interest-free loan from sponsor shareholders at fair value due to net present value adjustment. This has been re-recognized as part of equity contribution from sponsor shareholders.

Equity contribution from sponsor shareholders increased from Rs. nil in 2016 to Rs. 1,224.037 million in 2017. This represented interest free and unsecured equity contribution from sponsor shareholders and Directors received in previous years. Since, it is now repayable at discretion of the Company, therefore, it has been recognized in equity.

Long-term financing comprised of loan from banking companies and sponsor shareholders loan. Loan from banking companies amounted to Rs. 31.712 million and has been transferred to current maturity. Total face value of the sponsor shareholders loan amounted to Rs. 1,554.037 million out of which the discounted value of the loan stood at Rs. 937.096 million. During the year, terms of loan were changed and it was agreed that Rs. 1,224.037 million out of the total of Rs. 1,554.037 million will be repaid at the discretion of the Company as and when deemed fit. Accordingly, the aforesaid modification in the agreement was accounted for by de-recognition of the existing financial liability, related deferred tax liability and related equity portion of sponsor shareholders loan and their re-recognition as part of equity contribution from sponsor shareholders in accordance with TR-32 issued by ICAP. The balance amount was agreed to be repayable upon demand of the lenders and hence was transferred to short-term loan from sponsor shareholders.

Deferred liabilities comprised of deferred taxation, defined benefit obligation and deferred income and mainly decreased due to elimination of deferred taxation on sponsor shareholders loan.

Trade & other payables decreased from Rs. 2,253.821 million in 2016 to Rs. 1,991.935 million in 2017. The decrease is mainly attributed to shift from deferred acceptance letter of credits towards sight letter of credits.

Accrued profit/interest/mark-up increased from Rs. 36.558 million in 2016 to Rs. 66.547 million in 2017. Increase is mainly attributed to increase in short-term borrowings due to increase in sight LC's and overall working capital requirement.

Short-term borrowings comprised of short-term borrowings from banking companies, loan from sponsor shareholders and temporary overdraft. Short-term borrowings from banking companies amounted to Rs. 6,616.207 million, representing an increase of Rs. 3,787.501 million from last year. The increase was in line with increase in working capital requirement. Short-term loan from sponsor shareholders decreased from Rs. 382.295 million to Rs. 37.082 million.

Company's net worth as at June 30, 2017 stood at Rs. 6,637.098 million with a breakup value of Rs. 26.38 per share.

There was no major change in contingencies during the year. Financial commitments of the Company stood at an aggregate of Rs. 3,285.578 million at the close of the year in respect of purchase of goods and capital expenditure. Details of these commitments are disclosed in the relevant notes to the financial statements.

Resultantly, the Company's asset base recorded an increase of Rs. 4,243.433 million compared to last year, primarily due to increase in profits, issue of further shares, increase in working capital and further capital expenditure made during the year.

Analysis Of Prospects Of The Entity Including Targets For Financial And Non-Financial Measures

Prospects of the Entity

Efficient use of available resources, modernization of production facilities through technology advancement and innovation, development of innovative products, exploration of alternative energy resources, reduction in costs of production and diversification, provide sufficient support to the management's projection of sustained profitability and return to the shareholders.

Targets for financial measures

Various factors and variables were considered and estimated in projecting targets for financial year June 30, 2017. The results of some of these factors can be monitored while for others they can only be

improved to some extent. Absolute commitment, continuous evaluation and steady implementation have resulted in achievement of set goals and objectives.

This is evident from the fact that despite of insufficient electricity load capacity sustained production levels were achieved and operating targets were met.

Efficient utilization of available energy, recommencement operations of captive gas fired power plant, lease in of melting units, enabled the Company to maintain turnover at Rs. 18.803 billion and earn a net profit after taxation of Rs. 990.760 million despite adverse market conditions

Targets for non-financial measures

The Company has identified the following areas as key non-financial performance measures:

- Stakeholders' engagement
- Relationship with customers
- Employee satisfaction
- Maintenance of product quality for fulfillment of buyer needs
- Responsibilities towards the society
- Healthy and safe environment
- Transparency, accountability and good governance.

Responsibility for implementation has been delegated to the management, with continuous monitoring and control by the Board.

Segmental Review Of Business Performance

The financial statements of the Company have been prepared on the basis of single reportable segment. Revenue from sale of mild steel products represents 100% of gross sales of the Company. The Company operates locally as well as exports to Afghanistan, however, majority of the sale comprises of local sales. Moreover, all assets of the Company as at June 30, 2017 are located within Pakistan.

Capital Market & Market Capitalization

As at June 30, 2017, Pakistan Stock Exchange Limited ("PSX") had a market capitalization of Rs. 7,584.179 billion.

The market capitalization of the Company's share stood at Rs. 20,312 million as at June 30, 2017. The share traded at an average of Rs. 93 per share. Market price experienced fluctuations between the highest of Rs. 148.04 per share to the lowest of Rs. 64.39 per share since July 01, 2016, mainly due to market psychology, speculative investors and material events occurring during the year. Trading in equity during the year. Trading in equity during the year amounted to 160.442 million shares.

OBJECTIVES AND STRATEGIES

Management's Objectives And Strategies For Meeting Those Objectives

The ultimate objective is to ensure achievement of the overall corporate and strategic objectives by becoming the leading Company in the local steel industry, continuously improving our operations and hence enhancing profitability and return to shareholders.

We believe, we have been highly successful in achieving our objectives which have been built on a consistent strategy that emphasizes size and scale, backward integration, competitiveness, product diversity, continuous growth in higher value products and a strong customer focus.

We tend to meet the needs of diverse markets by maintaining high degree of product diversification and seeking opportunities to increase the proportion of our product mix consisting of higher value-added products. The Company produces a broad range of high-quality finished, semi-finished long-rolled steel products.

We tend to ensure ready access to high-quality and low-cost raw materials through captive sources, long-term contracts and backward integration.

We ensure efficient use of existing resources to improve productivity and profitability. In amidst of energy crisis due to insufficient load availability, the focus remains on enhancing productivity and efficiency through innovation, modernization of production techniques and implementation of new technology.

We are strongly committed to exploring new alternative means of energy.

We continuously strive to revive, refine and implement our human resource policies and Standard Operating Procedures (SOPs).

We have implemented Total Quality Management (TQM) function that seeks to lower non-conformance costs through active focus on health, safety, environment and operations.

We tend to achieve zero fatal accidents at our works site. We believe that we can achieve this goal through extensive employee training and initiatives to create a culture of personal involvement and responsibility.

We work continuously to improve the quality of our products and aim to provide excellent quality to ensure the loyalty of our customers. We search for opportunities in new geographies, products and markets.

Significant Changes In Objectives And Strategies From Previous Period

There is no material change in the Company's objective and strategies from the previous year.

Relationship Between Entity's Results And Management's Objectives

Financial and non-financial results are the reflection of achievement of management's objective which are strategically placed to increase the wealth of each stakeholder. The said results are properly evaluated against the respective strategic objectives to confirm the achievement.

Critical Performance Indicators

Following are some of the critical performance indicators against stated objectives of the Company.

- Increase in employee retention
- Decrease in accidental claims
- Increase in installed capacity
- Introduction of new technology
- Improved debt: equity structure
- Increasing shareholder's wealth
- Improvement in operational performance
- Diversified product portfolio

Management believes that current critical performance measures continue to be relevant in future as well.

Entity's Significant Relationships

The Company has very prominent and good relationships with all stakeholders. We maintain collaborative relations with our stakeholders through a good harmony, effective communication and customer focused approach because without doing this, we may affect our Company's performance and values of our entity. We follow the best policy to maintain the relationship with our stakeholders which includes satisfaction of customers by providing quality products and timely payments to all creditors.

RISK AND OPPORTUNITY REPORT

We recognize that effective risk management is critical to our continued profitability and the long-term sustainability of our business.

Like all businesses, we are equally affected by, and must manage, risks and uncertainties that can impact our ability to deliver our strategy. While the risks can be numerous, the principal risks faced by the Company in 2017 and valid as of the date of this report's publication and as identified by the Board, are described below along with the corresponding mitigating actions and changes in the risk level during the year.

Risk Management System

The Board oversees the risk management process primarily through its Audit Committee which monitors the Company's risk management process quarterly, or more frequently if required, focusing primarily on financial and regulatory compliance risks, while, the Human Resource & Remuneration Committee focuses on risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk, in addition to succession planning with a view to ensure availability of talented functionaries in each area of critical Company operations.

Board and its committees have adopted a set of policies and procedures, to promote a culture of ethics and values and delegate the authority to senior management for implementation of approved policies and procedure.

Senior management assesses the risks and places appropriate controls to mitigate these risks.

A continuous cycle of monitoring performance of the implemented controls has been established to identify weaknesses and devising strategic plans for improvement, which has enabled identification of majority of performance risks.

Description of Principal Risks

The Company is exposed to the risks identified in the following sections, which are subject to diverse levels of uncertainty against which the Company has implemented effective mitigating strategies as discussed below.

The strategic, commercial, operational and financial risks can emanate from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate aggressive actions from an adversary, or events of uncertain or unpredictable nature.

These key sources of uncertainty in estimation carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Strategic Risks

Strategic risks are associated with operating in a particular industry and are beyond our control.

Operational Risks

These are risks associated with operational and administrative procedures, such as workforce turnover, supply chain disruption, IT system shutdowns, changes in Board structure or control failures.

Commercial Risks

These risks emanate from the commercial substance of an organization. Cut down in an entity's market share, product price regulation or a new constitutional amendment posing adverse threat to the organization's profitability and commercial viability are a few examples of this risk.

Financial Risks

Financial risks are divided in the following categories:

- **Credit risk**

Credit risk is the risk of financial loss to a company if a customer or counterparty to a financial instrument fails to meet their contractual obligations, and arises principally from loans and advances, deposits, trade debts, other receivables, short term investments and bank balances. We limit our exposure to credit risk by investing only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Company has invested with counterparties having high credit ratings only, management does not expect any counterparty to fail in meeting its obligations.
- **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.
- **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods to assist in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand, including lines of credit, to meet expected operational expenses for a reasonable period, including the servicing of financial obligation.

PLANS AND STRATEGIES FOR MITIGATING RISKS

Risk	Mitigating strategy
Strategic risk	
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.	At Mughal steel we believe in regular balancing, modernization and replacements of all our production facilities, ensuring our production facilities are state of the art while utilizing latest technological developments for cost minimization, energy efficiency and output optimization.
Commercial risk	
Decrease in the demand for Company's products may have an adverse impact on its profitability.	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 and growing population leading to increased consumption of finished steel goods. We aim to utilize this opportunity by maintaining healthy margins through cost minimization and output optimization.
Competition from business competitors may create a hostile environment for the Company and result in business loss.	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 investors. Being in the industry for over 5 decades has enabled Mughal Steel to effectively compete with existing companies in the industry. Moreover, the recent CAPEX to achieve cost efficiency, helped the Company to attain unmatched competitive advantage.
Operational risk	
Increase in employee turnover at critical positions.	The Company has a detailed succession plan and a culture of employee training and development, continuously promoting and rotating employees within the departments.
Gas shortages	The Company has invested in installation of the first ever coal gasification industrial plant in Pakistan that prepares clean syngas, which can be used instead of natural gas in heating processes. The Company has recently obtained 2.8 MMCFD of gas load approval from SNGPL.
The Company may not be able to operate at an optimal capacity due to the unavailability of electricity.	The Company has installed a 9.3 MW gas-fired captive power plant, whose capacity is being enhanced to 27.9 MW. In order to ensure continuous supply, the Company has also installed a captive 132 KVA Grid. Furthermore, the management of the Company is in process of enhancing its existing grid load capacity and exploring alternate energy options.
Adverse price movement or no availability of raw materials may deter smooth production.	With an experience of over 5 decades, the Company has developed a procurement team who is well versed in acquiring the necessary raw material for production. Further, the Company has built strong relationship with its suppliers.
IT security risk	
Risk of major accidents impacting employees, records and property	IT controls are in place to prevent unauthorized access to confidential information.
	Implementation of strict and standardized operating procedures, employee trainings and operational discipline.
Financial risk	
Customers and banks will default in payments to the company.	Most of our sales are either against cash or advance. For credit sales, credit limits have been assigned to customers. Risk of default by banks has been mitigated by placements funds with banks having satisfactory credit ratings.
Insufficient cash available to pay liabilities resulting in a liquidity problem.	The Company has a proactive cash management system. Committed credit lines from banks are also available to bridge a liquidity gap, if any.
Fluctuations in foreign currency rates.	With the Company sales split between export and import, any adverse impact on currency is neutralized through the composition of sales.

Potential Opportunities

We are committed to investing in new projects and increasing the productivity of existing ones for fueling our future growth. We have strengthened the basis for further growth in the coming years by making strategic investments to modernize and improve our existing businesses processes while at the same time developing innovative ideas to support our achievement of Company's stated vision.

Key Sources Of Uncertainty

Preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Detail of significant accounting estimates and judgments including retirement benefits, estimation of useful life of property, plant and equipment along with provision for taxation etc. have been disclosed in relevant notes to the annexed financial statements.

Uncertainties Facing The Company

The Company is mainly exposed to following uncertainties:

- Power supply
- Raw material price volatility
- Political instability

Materiality Approach Adopted

Materiality as a key component of an effective communication with stakeholders. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company.

MARKET OVERVIEW

Market Share

The Company has 22% market share for long-rolled structural steel products and 15% market share for long rolled steel re-bars products, making it a leading brand in Pakistan with a diverse customer base and presence in almost all cities of Pakistan

Procedures Adopted For Quality Assurance Of Products

We believe in providing the highest quality and best value for money products. The Company has implemented an extensive and effective quality assurance system for its products.

Quality Management Systems

The Company is ISO-9001:2015 certified and truly implements Quality Management System. The Company manufactures mild steel products based on state of the art technology.

The quality of all products is ensured at all stages of the steel making process through systematic and effective adoption, implementation, monitoring and continuous enhancement of quality control systems using latest methods of analysis. All stages of the production process right from the selection of raw materials, processing of materials and the finished product are subjected to rigorous testing, to ensure that each item is of the highest quality.

Invariable standard compliance could not have been possible without an unmatched source of reliability and particularly quality control trained personnel.

Our Laboratory is equipped with traditional chemical and mechanical analytical machines besides the world's renowned Optical Emission Spectrometer of M8 series. The machine is capable of analyzing 43 metal canals within 3 minutes from sample preparation to complete detail analysis. We have two Universal Testing Machine units (100 tons & 200 tons) to carry mechanical tests such as yield, tensile strength and bend tests on various bars and sections.

Mughal Supreme is produced in accordance with the ASTM, BS, JIS and AUS/NZ standards as required by Pakistan Standards and Quality Control Authority (PSQCA). The product also conforms to the Company's consistent quality assurance principles. As tested and verified, the Supreme has the highest yield and tensile strength, besides the highest elongation, ductility, fatigue and corrosion resistant qualities than any other steel product in the country. Deformed rebars are also produced in compliance with Pakistan Standards Quality Control Authority (PSQCA) requirements and conform to PSI set standards along with other international standards.

CORPORATE GOVERNANCE

Compliance Of The Code Of Corporate Governance

At Mughal Steel, we are firmly committed to ensuring the highest level of good governance through adoption of best business practices and standards. The Board reviews the Company's strategic direction and business plans on regular basis. The Audit Committee is empowered for effective compliance of the Code of Corporate Governance. The Board is strongly committed to maintain a high standard of good corporate governance.

The Company is fully compliant with all the best practices of Code of Corporate Governance as at June 30, 2017.

Directors' Statement Of Compliance

As part of compliance of the Code of Corporate Governance and Companies Act, 2017, the Directors are pleased to confirm the following:

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
 - b) Proper books of account of the Company have been maintained.
 - c) Except as disclosed in annexed financial statements, appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
 - d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom has been adequately disclosed and explained.
 - e) The system of internal control including internal financial controls is sound in design and has been effectively implemented and monitored.
 - f) There are no significant doubts upon the Company's ability to continue as a going concern.
 - g) The Company operates an unfunded gratuity scheme and does not hold any investment out of the scheme.
 - h) The Company has not defaulted in repayment of any debt nor is it likely to default in future.
- i) The number of employees as at June 30, 2017 was 706 (2016: 578).
 - j) There has been no material changes since June 30, 2017 other than those disclosed in this report and the Company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the Company for the year ended June 30, 2017.

As required by the Code of Corporate Governance and Companies Act, 2017, we have included the following information separately, either in this report or in the financial statement as appropriate;

- a) Significant deviations from last year in operating results of the Company and reasons for such deviations.
- b) Key operational and financial data for the last six years.
- c) Information regarding statutory payments (if any) on account of taxes, duties, levies and charges outstanding as at June 30, 2017.
- d) Details of significant plans, decisions (if any) along with future prospects, risks and uncertainties surrounding the Company.
- e) Number of board and committees' meetings held during the year and attendance by each Director.
- f) The details of training program attended by Directors.
- g) Statement of Pattern of shareholding.
- h) Trading in shares of Company by Directors, executives and their spouses and minor children.

During the year, the Company has complied with all applicable provisions, filed all returns / forms and furnished all the relevant particulars as required under the repealed Companies Ordinance, 1984, Companies Act, 2017 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements and there has been no material departure from best practices of corporate governance as detailed in listing regulations.

Actual Or Perceived Conflict Of Interest Among Board Members

All the Directors exercise their due rights of participation in Board proceedings, which are generally undertaken through consensus. All observations / suggestions raised during Board proceedings are duly recorded for evaluation in addition to description and quantification of any conflict of interest before finalization of the agenda point.

Board Structure And Its Committees

Board Structure

The structure of the Board of Directors has been formulated with a view to ensure a balance of executive and non-executive directors, including Independent Directors with the requisite skills, competence, knowledge and experience so that the board as a group includes core competencies and diversity, including gender, considered relevant in the context of the Company's operations.

The qualification and composition of the Board of Directors has been defined by the regulatory framework, which has been fully implemented by the Company to ensure transparency, good governance and awareness of board responsibilities for smooth functioning of business operations.

The Board consists of nine (09) Directors, effectively representing the interest of shareholders. There are six (6) non-executive Directors and three (3) executive Directors. The non-executive Directors include one (1) independent Director. The Board comprises of suitably experienced and qualified professionals in order to ensure effective and efficient decision making. Detailed profiles of Directors have been stated in the annual report. The status of directorship (independent, executive, non-executive) is indicated in the Statement of Compliance with the Code of Corporate Governance, issued by the Company.

Following are the names of the persons who, at any time during the financial year, were Directors of the Company:

S. No.	Name of Directors	Designation
1.	Mirza Javed Iqbal	Chairman
2.	Mr. Khurram Javed	CEO
3.	Dr. Salman Ali Shah	Director
4.	Mr. Jamshed Iqbal	Director
5.	Muhammad Mubeen Tariq Mughal	Director
6.	Mr. Fazeel Bin Tariq	Director
7.	Muhammad Mateen Jamshed	Director
8.	Fahad Javaid	Director
9.	Muhammad Waleed Bin Tariq Mughal	Director

Roles And Responsibilities Of The Board Of Directors

The Directors are fully aware of the level of trust entrusted in them by the shareholders for managing the affairs of the Company and safeguarding their interests. Thereby, the Board exercises its powers and carries out its fiduciary duties with a sense of objective judgment and independence in the best interests of the Company.

The Board participates actively in major decisions of the Company including but not limited to appointment of key management, reviewing the annual business plan, approval of budgets for capital expenditures, investments in new ventures, issuance of shares to raise capital, approval of related party transactions, review of matters recommended / reported by Board committees, review of status of any law suits and report on governance, risk management and compliance issues.

The Board also monitors Company's operations by approval of interim and annual financial statements and dividend, review of internal and external audit observations regarding internal controls and their effectiveness.

For the purpose of ensuring consistency and standardization, the Board has devised formal policies for conducting business and ensures their monitoring through an independent Internal Audit Department, which continuously monitors adherence to Company policies.

Changes To The Board

During the year, Board was reconstituted subsequent to election of Directors. Consequently, the new Board of Directors comprises of nine (9) Directors as mentioned in preceding paragraphs.

Directors' Remuneration

A formal and transparent procedure for fixing the remuneration packages of the individual Directors has been established. As per these procedures and in compliance with legal requirements, no Director is involved in deciding his / her own remuneration. The Directors' remuneration packages encourage value creation within the Company. Levels of remuneration are ensured to be appropriate in order to attract and retain Directors needed to govern the Company successfully.

Non-Executive Directors are paid remuneration as decided by the Board of Directors with view of attracting and retaining Directors needed to govern the Company successfully. However, no such remuneration is set at a level that could be perceived to compromise their independence.

DIRECTORS' REPORT TO THE **SHAREHOLDERS** (contd)

The aggregate amount of remuneration paid to executive and non-executive Directors (if any), including salary/fee, benefits and performance-linked incentives etc. has been disclosed in the financial statements.

Board Committees

Audit Committee

Composition Of Audit Committee

Syed Salman Ali Shah Chairman	Independent Non-Executive Director
Mr. Fahad Javaid Member	Non-Executive Director
Mr. Fazeel Bin Tariq Member	Non-Executive Director
Muhammad Mateen Jamshed Member	Non-Executive Director

During the year four (4) meetings of the committee were conducted which were duly attended by all the members except for Mr. Jamshed Iqbal and Mr. Fahad Javaid, who could only attend two (2) meetings each, since the Audit Committee was re-constituted subsequent to the election of Directors resulting in replacement of Mr. Jamshed Iqbal with Mr. Fahad Javaid as member of the committee.

Salient Features And Terms Of Reference

The Board of Directors has approved the terms of reference of the Audit Committee. The Board provides adequate resources and authority to enable the Audit Committee to carry out its responsibilities effectively. The committee meets at least once every quarter of the financial year.

The Audit Committee is, among other things, responsible for determination of appropriate measures to safeguard the Company's assets, reviewing the quarterly, half yearly and annual accounts, review of management letter issued by external auditors and management's response thereto, ensuring coordination between the internal and external auditors of the listed company, review of preliminary announcements of results prior to publication, reviewing and approving related party transactions, recommending to the Board of Directors the appointment of external auditors by Company's shareholders and considers any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements and consideration of any other issue or matter as may be assigned by the Board of Directors.

At least once a year, the Audit Committee meets the external auditors without the CFO and the Head of Internal Audit being present. Further, at least once a year, the Audit Committee meets the head of internal audit and other members of the internal audit function without the CFO and the

external auditors being present. The CFO, the Head of Internal Audit and external auditors attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed.

In the absence of strong grounds to proceed otherwise, the Board of Directors acts in accordance with the recommendations of the Audit Committee.

The Committee comprises of four (4) non-executive Directors with the Chairperson being an independent non-executive Director. The Chairperson of the Committee is a Ph.D. in Finance from the Kelley School of Business Administration, Indiana University, USA lending significant financial and accounting insight to the proceedings of the Audit Committee. He has also served as the Advisor to the Prime Minister of Pakistan on various fields: Finance, Revenue, Economic Affairs and Statistics.

The Head of Internal Audit has been appointed as secretary of the Audit Committee.

Human Resource & Remuneration Committee.

Composition Of Human Resource & Remuneration Committee.

Mirza Javed Iqbal Chairman	Non-Executive Director
Mr. Fahad Javaid Member	Non-Executive Director
Muhammad Mateen Jamshed Member	Non-Executive Director
Mr. Fazeel Bin Tariq Member	Non-Executive Director

During the year one (1) meeting of the Committee was conducted which was attended by all the members. HR & R Committee was re-constituted subsequent to the election of Directors resulting in replacement of Mr. Khurram Javed with Mr. Fahad Javaid as member of the Committee.

The Human Resource & Remuneration Committee comprises of four (4) non-executive Directors. They are not connected with any business or other relationships that could interfere materially with, or appear to affect, their judgment.

Salient Features And Terms Of Reference

The role of the Human Resources & Remuneration Committee is to assist the Board of Directors in its oversight of the evaluation and approval of the employee benefit plans, welfare projects and retirement emoluments. The Committee recommends any adjustments, which are fair and required to attract / retain high caliber staff, for consideration and approval.

The Committee is responsible for:

- Recommending human resource management policies to the board;
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
- Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

The Committee meets on as required basis or when directed by the Board of Directors. The Company Secretary sets the agenda, time, date and venue of the meeting in consultation with the Chairman of the Committee. The Manager Human Resources acts as Secretary of the Committee and submits the minutes of the meeting duly signed by its Chairman to the Company Secretary. These minutes are then circulated to the Board of Directors.

Meetings Of The Board Of Directors

Legally, the Board is required to meet at least once per quarter to monitor the Company's performance aimed at effective and timely accountability of its Management.

Special meetings are also called to discuss other important matters on need basis.

The Board held six (06) meetings during the year, the notices / agendas of which were circulated least seven days prior to the meetings.

Decisions made by the Board during the meetings were clearly recorded in the minutes of the meetings maintained by the Company Secretary, and were duly circulated to all the Directors for endorsement and were approved in the subsequent Board meetings. Dissenting notes (if any) of all Directors are appropriately appended to the minutes. All meetings of the Board during the year had attendance more than requisite quorum prescribed by the Code of Corporate Governance.

All the meetings were attended by the Chief Financial Officer and the Company Secretary. However, they did not attend such part of a meeting, which involved consideration of an agenda item relating to them.

During the year under review, six (06) meetings of the Board of Directors were held. Attendance by each Director was as follows:-

S. No.	Name of Directors	Meetings held	Meetings attended
1.	Mirza Javed Iqbal	6	6
2.	Mr. Khurram Javed	6	6
3.	Dr. Salman Ali Shah	6	6
4.	Mr. Jamshed Iqbal	6	6
5.	Muhammad Mubeen Tariq Mughal	6	6
6.	Mr. Fazeel Bin Tariq	6	6
7.	Muhammad Mateen Jamshed	6	6
8.	Mr. Fahad Javaid	4	4
9.	Muhammad Waleed Bin Tariq Mughal	4	4

No meetings were held outside Pakistan during the year.

Since, the Board of Directors was reconstituted and number of Directors increased from seven (7) to nine (9) resulting in induction of Mr. Fahad Javaid and Muhammad Waleed Bin Tariq Mughal as Directors therefore, these two (2) members could only attend four (4) meetings.

Annual Evaluation Of Board Performance And Evaluation Criteria For Board Performance

Corporate governance requires boards to have effective processes and to evaluate their performance and appraise Directors at least once a year.

The Board of Directors has put in place a mechanism for undertaking annual evaluation of the performance of the Board. The mechanism evaluates as to how the Directors work as a team; what are their interpersonal skills; is the Chairman an effective leader; do all Directors contribute; what is the level of commitment (preparedness, engagement, absenteeism); is the Board objective in acting on behalf of the Company; is it robust in taking and sticking to difficult

DIRECTORS' REPORT TO THE **SHAREHOLDERS** (contd)

decisions; are decisions reached by the whole Board; do decisions take account of shareholders' views; are there any "unmanaged" conflicts of interest etc.

When completing the performance evaluation, Board considers the following main performance evaluation process or behavior:

- Has the Board set itself clear performance objectives and how well has it performed against them?
- What has been the whole Board's contribution to the testing and development of strategy?
- What has been the Board's contribution to ensuring robust and effective risk management?
- Is the composition of the Board and its committees appropriate with the right mix of knowledge and skills sufficient to maximize performance in the light of future strategy?
- How has the Board responded to any problems or crises that have emerged and could or should they have been foreseen?
- What is the relationship between the Board and its main committees and between the committees themselves?
- How well does the Board communicate with the management team, Company employees and others? How effectively does it use mechanisms such as the AGM, the business review and the annual report?
- Is the Board as a whole up to date with latest developments in the regulatory environment and the market?

Offices Of The Chairman & Chief Executive Officer

As part of our governance structure, the position of the Chairman of the Board of Directors and the office of the Chief Executive Officer are held separately, with clear division of roles and responsibilities.

Brief Role & Responsibilities Of Chairman & CEO

The Chairman represents the non-executive Directors of the Board and is entrusted with the leadership of the Board's proceedings. The Chairman acts as the head of the Board meetings and is responsible for avoidance of conflicts of interests. He has the power to set the agenda, give directions and sign the minutes of the Board meetings. The Chairman is also responsible for assessing and making recommendations regarding the effectiveness of the Board, the committees and individual Directors. The Chairman ensures effective role of the Board in fulfilling all its responsibilities.

The CEO is an executive Director who also acts as the head of the Company's Management. He is entrusted with responsibility of:

- Safeguarding of Company assets
- Creation of shareholder value
- Identification of potential diversification / investment projects
- Implementation of projects approved by the Board
- Ensuring effective functioning of the internal control system
- Identifying risks and designing mitigation strategies
- Preservation of the Company's image
- Development of human capital and good investors' relations
- Compliance with regulations and best practices

CEO Performance Review

The performance of the CEO is regularly evaluated by the Board of Directors. The performance evaluation is based on the criteria defined by the Board of Directors which includes various financial and non-financial key performance indicators. The Board periodically evaluates the actual performance against those KPIs during the year and discusses the future course of action to attain the Company's stated goals. The CEO also appraises to the Board regarding an assessment of senior management and their potential to achieve the objectives of the Company.

Formal Orientation At Induction

Each new member of the Board is taken through a detailed orientation process at the time of induction, and is trained extensively for enhancement of management skills.

A formal familiarization program mainly features amongst other things giving briefing relating to the Company's visions and strategies, Company's core competencies, organizational structure and other related parties, major risks both external and internal, including legal and regulatory risks and constraints, role and responsibility of the Director as per the Companies' Act, 2017 including Code of Corporate Governance and any other regulatory laws applicable in Pakistan along with an overview of the strategic plans, marketing analysis, forecasts, budget and business plans etc.

Directors' Training Program

Following are the Directors who have successfully completed directors training program conducted by Institute of Chartered Accountants of Pakistan (ICAP):

1. Mirza Javed Iqbal
2. Khurram Javed
3. Dr. Salman Ali Shah
4. Jamshed Iqbal
5. Muhammad Mubeen Tariq Mughal
6. Fazeel Bin Tariq
7. Muhammad Mateen Jamshed

Issues Raised At Last AGM

Although general clarifications were sought by the shareholders on Company's published financial statements during the 7th Annual General Meeting of the Company held on October 31, 2016, no significant issue was raised.

Transaction / Trade Of Company's Shares

During the year, Muhammad Mateen Jamshed, Director was gifted 2,136,593 and 320,271 shares by from Mirza Javed Iqbal, Director and Muhammad Mubeen Tariq Mughal, Director respectively.

The following Directors subscribed to right shares issued by the Company:

	No. of Shares
Mirza Javed Iqbal	27,697,836
Khurram Javed	2,244,754
Fahad Javaid	2,300,000
Muhammad Mubeen Tariq Mughal	27,942,379
Fazeel Bin Tariq	2,777,250
Muhammad Waleed Bin Tariq Mughal	579,489
Jamshed Iqbal	28,267,254
Muhammad Mateen Jamshed	3,031,864
Syed Salman Ali Shah	115

Ms. Sameera Shakeel spouse of Mr. Shakeel Ahmad, COO subscribed to 2,725 right shares issued by the Company.

Besides this, none of the Directors or executives including Chief Executive

Officer made any transaction in Company's shares including their spouses and minor children. The stock exchange is being regularly updated on trading of Company's shares by management employees. The thresholds for identification of 'Executives' in addition to Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary which has already been specified by the Code of Corporate Governance as 'Executives', is determined by the Board in compliance with the Code, which is reviewed on an annual basis.

Related Party Transactions

In compliance with the Code of Corporate Governance and applicable laws & regulations, details of all related party transactions are placed before the Audit Committee and upon recommendations of the Audit Committee, the same are placed before the Board for review and approval.

The related party transactions, (if any) which are not executed at arm's length price are also placed separately at each Board meeting along with necessary justification for consideration and approval of the Board on recommendation of the Audit Committee. However, there were no such transactions.

Detail of related party transactions and justifications thereof:

Related Party	Transaction	Justification
Mughal Steel Metallurgies Corporation Limited	Purchase of raw material	To purchase Ms. Billet to support the re-rolling operations.
-do-	Reimbursement of expenses	There are certain expenses which are incurred on behalf of the related party in ordinary course of the business. However, such expenses are reimbursed by the related party on timely basis.
	Rental income	This represents ferro plant given on lease to related party. Due to sales tax regime, the plant has been leased out.

DIRECTORS' REPORT TO THE **SHAREHOLDERS** (contd)

Related Party	Transaction	Justification
Al-Bashir (Private) Limited	Rent payments	Part of factory land is in name of related party. Therefore, for smooth operations, such land has been taken on lease from related party.
Sponsor / Directors / Employees	Short-term/long term loan from sponsor shareholders	For interest free working capital.
-do-	Remunerations	In accordance with their terms of contract. To encourage value creation within the Company and to attract and retain directors needed to govern the Company successfully.

Quarterly And Annual Financial Statements

Quarterly unaudited financial statements of the Company along with Directors' Review, are approved, published and circulated to shareholders on timely basis. Second quarterly financial statements were subjected to a limited scope review by the statutory auditors.

The annual financial statements have been audited by the external auditors and approved by the Board and will be presented to the shareholders in the Annual General Meeting for approval. Other non-financial information to be circulated to governing bodies and other stakeholders were also delivered in an accurate and timely manner.

Periodic financial statements of the Company were circulated to Directors, duly endorsed by the CEO and the Chief Financial Officer. The second quarterly and annual accounts were initialed by the external auditors before presenting it to the audit committee and the Board of Directors for approval.

Auditors

The present auditors of the Company M/s. Fazal Mahmood & Co., Chartered Accountants have completed their audit for the year ended June 30, 2017 and have issued an unmodified audit report.

The auditors will retire at the conclusion of the upcoming Annual General Meeting of the Company, and being eligible; have given their consent for re-appointment as auditors for the year ended June 30, 2018 at following proposed remuneration:

	Rupees
Audit fee	1,000,000/-
Interim audit fee	125,000/-
Review Report on CCG	50,000/-
Out of pocket expenses	20,000/-

The Board has recommended the appointment of M/s. Fazal Mahmood & Co., Chartered Accountants as auditors for the ensuing year, as suggested by the Audit Committee, subject to approval of the members in the forthcoming Annual General Meeting.

Pattern Of Shareholding

The total number of shareholders as at June 30, 2017 was 6,754. The Sponsor's, Directors and Executives of the Company held the following number of shares:

	No. of Shares
Sponsors / Directors	189,188,035
Director	230
Executives	Nil

Detailed pattern of shareholding of the Company in accordance with the Companies Act, 2017 and Code of Corporate Governance as at June 30, 2017 is annexed.

Chief Financial Officer (CFO), Company Secretary And Head Of Internal Audit

The Chief Financial Officer and the Head of Internal Audit possess the requisite qualifications and experience as prescribed in the Code of Corporate Governance. The Company secretary possesses the requisite qualifications and experience as prescribed in the Companies Act, 2017.

The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer (CFO), the Company Secretary and the Head of Internal Audit of listed Companies are determined by the Board of Directors. The removal of the CFO and Company Secretary is made with the approval of the Board of directors while the removal of Head of Internal Audit is made with the approval of the Board only upon recommendation of the Chairman of the Audit Committee.

Whistle Blowing Policy

As part of our firm commitment to highest standards of ethical, moral and legal business conduct and in line with our policy towards open communication, we have devised a transparent and effective whistle blowing mechanism for sounding of alerts against deviations from policies, controls, applicable regulations, or violation of the code of professional ethics / conduct. The aim is to provide an avenue for employees to raise concerns and reassurance that they will be protected from reprisals or victimization for whistle blowing.

The whistle blowing policy is applicable to all employees, management & the Board and extends to every individual associated with the Company including contractors, suppliers, business partners and shareholders etc., who can participate effectively and in confidentiality, without fear of reprisal or repercussions.

If an employee has a reasonable belief that anyone has engaged in any action that violates any applicable law, or regulation, the employee is required to report concerns directly to immediate supervisors. However, where reporting to supervisors is impracticable, the level may be raised to the senior management. The policy has been designed to encourage all stakeholders to raise questions and concerns, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding.

The policy covers unethical conduct, offence, breach of law or failure to comply with legal obligations and possible fraud / corruption. Due emphasis has also been placed on health, safety and environmental risks. Inappropriate or malicious reporting leading to wrongful convictions have been specifically forbidden, with clear definition of consequences for the persons making wrongful accusations.

No material incidence was reported to the Audit Committee during the year regarding improprieties in financial, operating, legal or other matters.

Human Resource Management

Human Resource Management (HRM) is an integral part of our business strategy. The Company fosters leadership, individual accountability and teamwork.

The main objectives of the Company's HRM policy are:

- Selecting the right person, with the right experience, at the right time and offering the right compensation.
- Developing management philosophies and practices to promote and encourage motivation and retention of the best employees.
- Recognizing and rewarding employees' contribution to the business.

- Fostering the concept of team work and synergetic efforts.
- Encouraging and supporting team concepts and team building techniques.
- Nurturing a climate of open communications between management and employees.
- Making all reasonable efforts to achieve a high quality of work-life balance.

Succession Planning

The Company believes in proactive approach towards succession planning. We recruit employees, develop their knowledge, skills, abilities, and prepare them for advancement or promotion into ever more challenging roles. Rigorous succession planning is also in place throughout the organization. Succession planning ensures that employees are constantly developed to fill each needed role. We look for people who exemplify continuous improvement when we are spotting future successors.

The desired results of the succession planning program are to:

- Identify high-potential employees capable of rapid advancement to positions of higher responsibility than those they presently occupy.
- Ensure the systematic and long-term development of individuals to replace key job incumbents as the need arises due to deaths, disabilities, retirements, and other unexpected losses.
- Provide a continuous flow of talented people to meet the organization's management needs.
- Meet the organization's need to exercise social responsibility by providing for the advancement of protected labor groups inside the organization.

Social And Environmental Responsibility Policy

The Social and Environmental Responsibility Policy reflects the Company's recognition that there is a strong, positive

correlation between financial performance and corporate, social and environmental responsibility. We are committed to act responsibly towards the community and environment for our mutual benefit. Our Social and Environmental practices have been elaborated in the section relating to 'Corporate Social Responsibility', with the following distinct features:

- Community investment & welfare schemes
- Rural development programs
- Corporate Social Responsibility
- Environmental protection measures
- Occupational health & safety
- Business ethics & anti-corruption measures
- Consumer protection measures
- Energy conservation
- Industrial relations
- Employment of special persons
- National cause donations
- Contribution to National Exchequer

Investors' Grievances Policy

Investor queries and complaints constitute an important voice of Investor, and this policy details grievance handling through a structured grievance framework. Grievance policy is supported by a review mechanism, to minimize the recurrence of similar issues in future. The Company's Grievances policy follows the following principles:

- Investors are treated fairly at all times.
- Complaints raised by Investors are dealt with courtesy and in a timely manner.
- Investors are informed of avenues to raise their queries and complaints within the organization, and their rights if they are not satisfied with the resolution of their complaints.
- Queries and complaints are treated efficiently and fairly.

- The Company's employees work in good faith and without prejudice, towards the interests of the Investors.

Stakeholders' Engagement

The development of sustained stakeholder relationships is paramount to the performance of any Company. From short-term assessments to long-term strategic relationship building, 'Stakeholders' Engagement' lies at the core of our business practices to promote improved risk management, compliance with regulatory and lender requirements in addition to overall growth of the Company.

Below is a list of our stakeholders, why they and their concerns are important and how we engage with each group:

Stakeholder group	Why are they important	Nature of Engagement	Frequency
Customers	Provide markets for our products Provide revenue without which the business could not function	Customer services and support Market visits by sales force Customer satisfaction survey	Continuous Continuous Continuous
Employees	Integral to delivery on our strategic objectives Provide skilled labor to produce and market our products Our most important and valued ambassadors	Annual get together Team cultural activities	Annually Occasionally
Government/ Regulator	Develop legislation and policies that impact the environment in which we operate Have the ability to grant or revoke licenses necessary to operate	Submission of applicable statutory returns Responding / enquiring various queries / information	Periodic basis As required
Shareholders	We are accountable to shareholders who expect returns on their investments Influence decisions taken by the board	Annual general meeting Annual report / Quarterly reports Analyst briefing	Annually Annually / Quarterly Regularly
Suppliers	Directly influence raw material and other input costs Reliable delivery impacts our ability to deliver customer needs and expectations	Meeting with major suppliers	Occasionally
Local communities	Live in the vicinity of our operations, their environment and employment opportunities being directly impacted by our business Direct beneficiaries of our corporate social investments and economic opportunities presented by our operations	Environmental campaign Society welfare program	Continuous Continuous
Bankers	Provide financing for our projects	Business briefing Periodic meetings Financial reporting	Occasionally As required Continuous
Media & analysts	Has the potential to influence public perception and brand reputation	Media announcements and briefings Corporate briefing and analysis	As required As required

Investors' Relations Section On Website

Detailed Company information regarding financial highlights, investor information, share pattern/value and other requisite information specified under the relevant regulations, has been placed on the corporate website of the Company, which is updated on regular basis. In order to promote investor relations and facilitate access to the Company for grievance / other query registration, an 'Investor Relations' section has also been introduced on our website <http://mughalsteel.com/investors/contacts/>.

INFORMATION TECHNOLOGY

IT Governance Policy

At Mughal Steel we are strongly committed in continuously exploring the prospects of implementing the best and latest IT technologies and infrastructure to enable efficient and timely decision making, in addition to economizing on the costs related to operating and decision making processes.

IT Governance policy consists of the following:

- Providing an organized decision making process around IT investment decisions
- Promoting governance, transparency, accountability and dialogue about technology that facilitates effective strategy adoption;
- Ensuring compatibility, integration and avoiding redundancy
- Maximizing return on technology investment through controlled spending
- Securing the Company's data
- Keeping the IT function proactive from an innovation perspective, providing ideas to the business; and
- To create a culture of paperless environment within the Company.

Review By The Board Of Business Continuity & Disaster Recovery Plan

The Company' Business Continuity & Disaster Recovery plan is regularly reviewed by the Board of Directors to ensure that critical business functions will be available to all the stakeholders that have access to those functions even under extraordinary circumstances and includes measures and arrangements to ensure the continuous delivery of critical services and products, which permits the organization to recover its facility, data and assets, identification of necessary resources to support business continuity, including personnel, information, equipment, financial allocations, legal counsel, infrastructure protection and accommodations in such circumstances.

The primary activities of the Board for the execution of the plan include but not limited to developing and maintaining a formal plan that is responsive to the Company's business needs and operating

environment, ensuring that the business continuity recovery team includes representatives from all business units, providing ongoing business continuity training to all employees including the executive management and the Board, ensuring that thorough current business impact analysis and risk assessments are maintained and ensuring a centralized executive view of the business continuity plan and programs.

Policy For Safety & Security Of Records

Safety and security of IT data / record is ensured through effective implementation of the Company's policy for "Safety of Records" which includes access controls by way of security codes/passwords etc., in addition to establishment of on-site and remote reserve sites to maintain real-time backup of all primary data. All record must be retained for as long as it is required to meet legal, administrative, operational and other requirements of the Company.

CORPORATE SOCIAL RESPONSIBILITY

The Sustainability Challenge

In this report we present a framework, focusing on various sustainable development outcomes we will work to achieve. Over the course of 2017, we worked hard to develop these, looking at what is material to us and viewing these issues through the lens of long-term social and environmental trends as well as the current operating context of our business.

As you will see, we are only at the start of our journey towards achieving our outcomes, but we are energized about their potential to generate sustainability and business improvements.

Corporate / Social Responsibility

The aim is to become a Company that is accepted by the society. Throughout our business process, we impact the society in many ways, striving to be a good corporate citizen and believing in giving back to the society. For community investment and welfare, the Company acknowledges its responsibility towards society. Giving away our share of kindness is not a part of a philanthropic endeavor, but a larger social responsibility that the society itself has entrusted upon us.

Throughout our business process we gladly look for ways through which we may extend a helping hand towards the society. In an attempt to fulfill this responsibility we have successfully launched, social and health welfare projects.

Mughal Steel and its sponsors have been part of various projects, the primary one being the Mughal Eye Hospital (Trust) that is entirely devoted to patients and has conducted 10,000 major surgeries, 15,000 minor surgeries and 5,000 laser surgeries approximately, on annual basis.

Energy Conservation

The Company is firmly committed to efficient use of limited energy resources. In this regard, gas and electricity is being produced at Mughal Steel. Further, successful turnaround in form of new energy efficient furnaces and rolling mills have brought desired results of efficient performance in addition to overall improvement in energy consumption indices.

The efforts of the Company for energy conservation have also been recognized by the Ministry of Industries, Engineering Development Board, FPCCI and other industrial forums of the country particularly for its contribution to energy efficiency measures.

Impact Of Company's Business On Environment And Environmental Protection Measures

The production of steel is grossly dependent on large amount of coal feedstock that releases clouds of carbon dioxide emissions in the atmosphere. Clean coal technology is an efficient technology which reduces the emissions of Sulfur Dioxide and Nitrogen Dioxide resulting in plant efficiency. The Company is the pioneer in augmenting the utilization of coal gasification also known as the clean coal technology introduced in the industrial sector of Pakistan. Similarly, production of billets results in significant amount of smoke which is released into the atmosphere. In order to control this, the Company has installed state of the art dust collection system.

The coal gasification and dust collection system also accredits the Company in fulfilling its strong commitment towards environmental sustainability. This has further strengthened the image of Mughal Steel as an environmental sensitive Company that operates in compliance to the international health and environmental standards.

Further, the elimination of re-heating furnaces by enabling direct-rolling for re-rolling mills has further, reduced the need for use of coal gasification and furnace oil.

Community Investment & Welfare Schemes

The Company has a tradition of good community relations. We believe that investing in our communities is an integral part of our social commitment to ensure the sustained success of the Company. We aim to ensure that our business and factory have the resources and support to identify those projects, initiatives and partnerships that make a real difference in their communities and that mean something to employees and their families. Wedding ceremonies are arranged for underprivileged individuals of the society. Educational scholarships also are given to needy students who have shown praiseworthy academic performance.

Consumer Protection Measures

The Company takes care and applies appropriate procedures to manufacture steel products so as to ensure that no harmful substances are present in its products. The Company has strict policy to control any activity which is against the consumer rights.

Industrial Relations

The Company has set procedures, rules and regulations which regulate employment guidance. The Company has allocated Gratuity and Worker's Profit Participation Fund for its employees. The Company also pays bonuses to employees on the basis of Company's profitability and also awards performance incentives to star performers.

Employees are required to ensure compliance with regulations and the Company fully recognizes employee rights including the Collective Bargaining Agent (CBA). The Company is committed to provide equal opportunity to all existing and prospective employees without any discrimination on the basis of religion, gender, race, age etc. The Company also organizes rewards and recognition programs for acknowledgment of work done by its employees.

Employment Of Special Persons

The Company ensures employment of disabled persons in compliance with the rules set out by the Government of Pakistan in respect of quota of the total workforce necessitated to be allocated to disabled persons.

Occupational Health & Safety (OHS)

We are firmly committed to maintaining a safe and healthy working environment for our employees. Health management involves strengthening our employees' physical, mental and social wellbeing.

A free medical Centre has been established at site providing medical facilities to the employees. Keeping in view the occupational health of employees, regular first aid and CPR training programs are conducted to ensure safe health of workers.

Business Ethics & Anticorruption Measures

The Company ensures ethical compliance with all regulatory and governing bodies while conducting its operations.

The Company has formulated various policies including "Code of Conduct", "Whistle Blowing Policy" and "Policy on Sexual Harassment". The Company ensures effective implementation of these policies through its training, management standards and procedures, with an aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Employees are encouraged to report any "kickbacks" deals. No employee is allowed to run a parallel business.

National Cause Donations

The company encourages contributing to the national cause in the form of donations to Government Schemes.

Contribution To National Exchequer

During the year, the Company has contributed an amount of Rs. 1,979.552 million towards national exchequer in shape of taxes, duties, cess, levies etc. The Company has also contributed through earnings of valuable foreign exchange amounting to Rs. 590.506 million.

Rural Development Programs

The Company is working hard to initiate and sustain rural development programs for the enhancement of health of the rural population along with infrastructure development of the areas.

Mitigating Efforts To Control Industry Effluents

In order to mitigate the effects of industrial effluents on the surrounding environment, the Company is putting forth all efforts for providing a healthy environment to employees and natives. In this regard following major environment friendly efforts are carried out by the Company:

- Installation of dust collection system for environment protection.
- Introduction of clean coal technology to reduce the emissions of sulfur dioxide and nitrogen dioxide.
- Plantation is carried out to ensure a healthy and green environment.
- Keeping in view the occupational health of employees, regular first aid and CPR training programs are conducted to ensure the safe health of workers.

Further, the Company is in compliance with ISO-14001:2004.

Energy Saving Measures Taken By The Company And The Company's Plans To Overcome The Escalating Energy Crisis

At Mughal Steel our main priority is efficient use of limited energy resources available. Successful operations of new energy efficient melting furnaces and re-rolling mills have contributed towards efficient performance in addition to overall improvement in energy consumption.

FORWARD LOOKING STATEMENT

This Statement Presents Main Trends & Factors Likely to Effect the Future Development, Performance & Position of the Company's Business

Analysis Of Prior Period's Forward Looking Disclosures

Company sales and production levels remained broadly in line with the targets. The uncontrollable fluctuations in sale prices and imposition of regulatory duties resulted in a decrease in turnover and increase in costs, which had to be absorbed, whereas other operating costs remained mostly at projected levels, except for the variances discussed above in the financial review section. Finance cost witnessed a considerable decrease due to elimination of notional interest on sponsor shareholders' loan and significant decline in exchange loss on deferred acceptance letter of credits.

Sale of steel re-bars is also expected to increase as a result of new infrastructure development projects coming on line. Efficiency and cost reduction efforts continue to be the main focus in all operational areas and the Company has adopted various strategies to reduce cost including use of alternative fuels and optimization of operations of the plants. It is expected that the BMR of the dedicated steel rebar re-rolling mill will contribute towards reduction in manufacturing costs, resulting in improved margins.

The Board remains committed in providing sustained returns to our shareholders, in addition to maintaining our reputation for good governance.

Future Prospects / Forward Looking Statement

The growth and profitability of the Company is dependent upon a number of external factors such as economic development, political stability, consistent economic policies and law and order situation of the country. The year under review was yet another best performing year in the history of the Company. The Company successfully managed to achieve its desired objectives in terms of sustained growth, innovation, profitability, efficiency and governance. The trend is expected to remain consistent in the upcoming period as a result of increased demand of steel for public sector projects like small dams, roads and bridges together with increase in construction activities in the private sector giving a boost to steel consumption.

The Company's growth strategy has enabled it to keep investing in opportunities which would continue to bring in economies of scale and energy efficiency resulting in increase shareholder value in the years to come. The initiatives of the Government which includes infrastructure development across the country will continue to be fruitful for your Company. The key aspiration for the management in the years to come will not only to maintain the current performance standards but to add more feathers to the consistent track record of the Company.

The dedicated steel rebar re-rolling mill is expected to be operational within the 4th quarter of FY 2017-18. The 6 additional engines for the gas fired power plant are also expected to be operational within the same quarter.

Sale of steel re-bars volume is expected to increase in the upcoming years, mainly due to strong demand for Mughal Supreme, which has been launched recently and since its launch has shown considerable growth in demand. This demand would be driven by increased activity in housing and real estate sector.

ABSTRACTS UNDER SECTION 218 (1) OF THE REPEALED COMPANIES ORDINANCE, 1984

November 24, 2016

Dear Valued Shareholder(s),

Abstract U/S 218(2) Of The Companies Ordinance, 1984

The members are notified that consequent upon constitution of the new "Board" as a result of election of directors in the 7th Annual General Meeting held on October 31, 2016, the following resolutions have been passed by the Board of Directors in its meeting held on November 08, 2016.

Re-appointment of Chief Executive Officer and Fixation of his Remuneration

"RESOLVED that the Board hereby approves the re-appointment of Mr. Khurram Javaid (Director) as Chief Executive Officer of the Company and to hold this office with effect from November 08, 2016 for a term of three years."

"FURTHER RESOLVED that the Board hereby approves and authorizes the payment of gross remuneration to Mr. Khurram Javaid not exceeding Rs. 1,000,000/- per month inclusive of perquisites and benefits. This remuneration is subject to such increases, adjustments and restructuring within approved limits including bonus/profit-shares/gratuity as may be granted at any time and from time to time by the Company in accordance with the Company policies and terms of his appointment. Further, he is authorized for free use of Company maintained vehicle for official and private purpose."

Mr. Khurram Javaid, being interested did not participate in the resolution.

Appointment of Executive Directors & Fixation of their Remuneration

"RESOLVED that the Board hereby approves and authorizes the payment of gross remuneration to Executive Directors, the details which are mentioned below. The approved remuneration is inclusive of perquisites and benefit and is subject to such increases, adjustments and restructuring within approved limits including bonus/profit-shares/gratuity as may be granted at any time and from time to time by the Company in accordance with the Company policies and terms of their appointment."

Muhammad Mubeen Tariq Mughal and Mr. Jamshed Iqbal, being interested did not participate in the resolution.

Name	Designation	Present Remuneration
Muhammad Mubeen Tariq Mughal	Executive Director	Rs. 1,000,000/- per month along with company maintained car and reimbursement of expenses for business purpose, if any.
Jamshed Iqbal	Executive Director	Rs. 1,200,000/- per month along with company maintained car and reimbursement of expenses for business purpose, if any.

Meeting Fee of Non-Executive Directors

"RESOLVED that Meeting Fee of Rs.50,000/- per meeting along with reimbursement of expenses incurred in respect of attending Board will be paid to Non-executive Directors."

The non-executive directors being interested did not participate in the resolution to the extent of matters that related to their remuneration.

Fee for Holding of Office of Chairman

"RESOLVED that in addition to the said meeting fee, Rs.100,000/- per meeting has been approved to be paid to Mirza Javaid Iqbal for holding the office of Chairman."

Mirza Javaid Iqbal being interested did not participate in the resolution to the extent of matters that related to their remuneration.

Meeting Fee of Independent Director

"RESOLVED that Meeting Fee of Rs.50,000/- per meeting along with reimbursement of expenses incurred in respect of attending Board will be paid to Independent Directors."

The independent director being interested did not participate in the resolution to the extent of matters that related to his remuneration.

Yours Truly,

for MUGHAL IRON & STEEL INDUSTRIES LIMITED

s/d

Muhammad Fahad Hafeez

(Company Secretary)

February 27, 2017
Dear Valued Shareholder(s),

The members are notified that the Board of Directors in their meeting held on February 27, 2017 has approved remuneration and meeting fee structure for Non-Executive Directors and Independent Director by passing the following resolutions:

Remuneration of Non-Executive Directors

"RESOLVED that the Board hereby approves and authorizes the payment of gross remuneration to non-executive directors, the details of which are mentioned below. The approved remuneration package has been designed to retain non-executive directors, having appropriate skills with view of encouraging value generation within the Company and shall be inclusive of meeting attendance fee and fee for extra services.

Name	Designation	Present Remuneration
Mirza Javed Iqbal	Non-Executive Director / Chairman	Rs. 415,000/- per month inclusive of meeting fee and fee for performing extra services associated with holding office of Chairman, along with reimbursement of expenses for business purpose, if any.
Fazeel Bin Tariq	Non-Executive Director	Rs. 300,000/-per month inclusive of meeting fee along with reimbursement of expenses for business purpose, if any.
Muhammad Mateen Jamshed	Non-Executive Director	Rs.150,000/-per month inclusive of meeting fee along with reimbursement of expenses for business purpose, if any."

Mirza Javed Iqbal, Fazeel Bin Tariq and Muhammad Mateen Jamshed, being interested did not participate in the resolution.

Meeting Fee of Directors

"RESOLVED that gross meeting fee at the rate of Rs.50,000 per meeting shall only be paid to following non-executive / independent directors for attending Board and other Committee meetings:

Syed Salman Ali Shah	(Independent / Non-executive Director)
Fahad Javed	(Non-executive Director)
Muhammad Waleed Bin Tariq Mughal	(Non-executive Director)"

Syed Salman Ali Shah, Fahad Javed and Muhammad Waleed Bin Tariq being interested did not participate in the resolution to the extent of matters that related to their fee.

Yours Truly,
for MUGHAL IRON & STEEL INDUSTRIES LIMITED

s/d
Muhammad Fahad Hafeez
(Company Secretary)

Messages Of The Chairman And Chief Executive Officer

The Directors endorse the contents of the Chairman's, Chief Executive Officer's messages and Director's statement of compliance.

The Board acknowledges their responsibility for maintenance of internal financial controls and to ensure that system of internal financial control is sound in design and is continually evaluated for effectiveness and adequacy.

Acknowledgements

The Board expresses its gratitude for the efforts of all its employees, executives, workers and stakeholders which enabled the management to run the Company smoothly throughout the year. It is expected that the same co-operation would be forthcoming in future years.

On behalf of the Board,

for MUGHAL IRON & STEEL INDUSTRIES LIMITED



Mirza Javed Iqbal

Chairman



Khurram Javed

Chief Executive Officer

Lahore: September 18, 2017



STAKEHOLDERS' INFORMATION

HORIZONTAL ANALYSIS

	2017 Rs. in '000	17 vs 16 %	2016 Rs. in '000	16 vs 15 %	2015 Rs. in '000	15 vs 14 %	2014 Rs. in '000	14 vs 13 %	2013 Rs. in '000	13 vs 12 %	2012 Rs. in '000	12 vs 11 %	2011 Rs. in '000
Balance Sheet													
Total equity	6,637,098	56.70	4,235,430	24.39	3,404,959	107.03	1,644,679	73.44	948,287	29.16	734,194	17.04	627,308
Total non-current liabilities	643,053	(61.80)	1,683,226	34.61	1,250,475	(30.90)	1,809,684	20.63	1,500,230	27.58	1,175,926	208.27	381,458
Total current liabilities	8,743,576	49.17	5,861,637	(13.95)	6,811,927	88.26	3,618,325	138.00	1,520,279	(28.42)	2,123,833	7.96	1,967,245
Total equity & liabilities	16,023,727	36.02	11,780,293	2.73	11,467,361	62.14	7,072,689	78.21	3,968,796	(1.62)	4,033,953	35.55	2,976,011
Total non-current assets	4,274,764	8.82	3,928,430	17.12	3,354,165	14.33	2,933,832	19.17	2,461,935	32.96	1,851,684	78.97	1,034,605
Total current assets	11,748,963	49.63	7,851,863	(3.22)	8,113,195	96.03	4,138,857	174.67	1,506,861	(30.95)	2,182,269	12.41	1,941,406
Total assets	16,023,727	36.02	11,780,293	2.73	11,467,361	62.14	7,072,689	78.21	3,968,796	(1.62)	4,033,953	35.55	2,976,011
Profit And Loss Account													
Sales	18,802,811	(0.95)	18,983,479	55.08	12,241,272	104.95	5,972,673	52.03	3,928,514	7.41	3,657,422	21.63	3,006,891
Cost of Sales	16,860,980	(0.38)	16,924,658	55.06	10,914,917	108.11	5,244,696	47.58	3,553,752	5.80	3,358,903	22.58	2,740,120
Gross profit	1,941,831	(5.68)	2,058,821	55.22	1,326,355	82.20	727,977	94.25	374,762	25.54	298,519	11.90	266,771
Distribution cost	164,049	73.19	94,723	53.16	61,847	438.31	11,489	(40.77)	19,397	37.29	14,128	84.29	7,666
Administrative expenses	241,459	16.36	207,515	29.44	160,323	102.58	79,142	1.89	77,675	47.64	52,610	(9.16)	57,914
Other charges	91,451	5.53	86,658	91.77	45,188	75.29	25,779	318.42	6,161	1.35	6,079	25.29	4,852
Other operating income	(33,977)	(28.25)	(47,357)	220.50	(14,776)	303.39	(3,663)	(33.75)	(5,529)	(70.44)	(18,703)	(8.48)	(20,435)
	462,982	35.56	341,540	35.22	252,581	124.02	112,747	15.40	97,704	80.55	54,114	8.23	49,997
Profit from operations	1,478,849	(13.88)	1,717,281	59.93	1,073,774	74.53	615,230	122.06	277,058	13.36	244,405	12.75	216,774
Finance costs	256,551	(39.64)	425,033	(3.33)	439,678	69.24	259,788	70.61	152,271	12.47	135,394	(10.52)	151,309
Profit before taxation	1,222,298	(5.41)	1,292,248	103.79	634,096	78.40	355,442	184.84	124,787	14.47	109,011	66.52	65,465
Taxation	231,538	(41.95)	398,836	(1,691)	(25,070)	250.58	(7,151)	130.98	(3,096)	(246.38)	2,115	(91.10)	23,760
Profit after taxation	990,760	10.90	893,412	35.54	659,166	81.79	362,593	183.53	127,883	19.63	106,896	156.31	41,705

VERTICAL ANALYSIS

	2017		2016		2015		2014		2013		2012		2011	
	Rs. in '000	%												
Balance Sheet														
Total equity	6,637,098	41.42	4,235,430	35.95	3,404,959	29.69	1,644,679	23.25	948,287	23.89	734,194	18.20	627,308	21.08
Total non-current liabilities	643,053	4.01	1,683,226	14.29	1,250,475	10.90	1,809,684	25.59	1,500,230	37.80	1,175,926	29.15	381,458	12.82
Total current liabilities	8,743,576	54.57	5,861,637	49.76	6,811,927	59.40	3,618,325	51.16	1,520,279	38.31	2,123,833	52.65	1,967,245	66.10
Total equity & liabilities	16,023,727	100.00	11,780,293	100	11,467,361	100.00	7,072,689	100.00	3,968,796	100.00	4,033,953	100.00	2,976,011	100.00
Total non-current assets	4,274,764	26.68	3,928,430	33.35	3,354,165	29.25	2,933,832	41.48	2,461,935	62.03	1,851,684	45.90	1,034,605	34.76
Total current assets	11,748,963	73.32	7,851,863	66.65	8,113,195	70.75	4,138,857	58.52	1,506,861	37.97	2,182,269	54.10	1,941,406	65.24
Total assets	16,023,727	100.00	11,780,293	100.00	11,467,361	100.00	7,072,689	100.00	3,968,796	100.00	4,033,953	100.00	2,976,011	100.00
Profit And Loss Account														
Sales	18,802,811	100.00	18,983,479	100.00	12,241,272	100.00	5,972,673	100.00	3,928,514	100.00	3,657,422	100.00	3,006,891	100.00
Cost of Sales	16,860,980	89.67	16,924,658	89.15	10,914,917	89.16	5,244,696	87.81	3,553,752	90.46	3,358,903	91.84	2,740,120	91.13
Gross profit	1,941,831	10.33	2,058,821	10.85	1,326,355	10.84	727,977	12.19	374,762	9.54	298,519	8.16	266,771	8.87
Distribution cost	164,049	0.87	94,723	0.50	61,847	0.51	11,489	0.19	19,397	0.49	14,128	0.39	7,666	0.25
Administrative expenses	241,459	1.28	207,515	1.09	160,323	1.31	79,142	1.33	77,675	1.98	52,610	1.44	57,914	1.93
Other charges	91,451	0.54	86,658	0.51	45,188	0.41	25,779	0.49	6,161	0.17	6,079	0.18	4,852	0.18
Other operating income	(33,977)	(0.18)	(47,357)	(0.25)	(14,776)	(0.12)	(3,663)	(0.06)	(5,529)	(0.14)	(18,703)	(0.51)	(20,435)	(0.68)
	462,982	2.46	341,540	1.80	252,581	2.06	112,747	1.89	97,704	2.49	54,114	1.48	49,997	1.66
Profit from operations	1,478,849	7.87	1,717,281	9.05	1,073,774	8.77	615,230	10.30	277,058	7.05	244,405	6.68	216,774	7.21
Finance costs	256,551	1.36	425,033	2.24	439,678	3.59	259,788	4.35	152,271	3.88	135,394	3.70	151,309	5.03
Profit before taxation	1,222,298	6.50	1,292,248	6.81	634,096	5.18	355,442	5.95	124,787	3.18	109,011	2.98	65,465	2.18
Taxation	231,538	1.23	398,836	2.10	(25,070)	(0.20)	(7,151)	(0.12)	(3,096)	(0.08)	2,115	0.06	23,760	0.79
Profit after taxation	990,760	5.27	893,412	4.71	659,166	5.38	362,593	6.07	127,883	3.26	106,896	2.92	41,705	1.39

SUMMARY OF CASH FLOW STATEMENT

	2017	2016	2015	2014	2013	2012	2011
	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000	Rs. in '000
Cash generated from / (used in) operations	(756,354)	(4,931)	2,348,439	(1,508,589)	740,876	533,284	249,889
Net (increase) / decrease in long-term deposits	-	-	(75)	561	(857)	22,446	(25,390)
Net decrease / (increase) in long-term loans to employees	1,143	491	(722)	-	-	-	-
Defined benefits paid	(5,504)	(4,390)	(3,727)	(384)	-	-	-
Finance cost paid	(219,433)	(224,401)	(347,323)	(205,149)	(164,327)	(139,654)	(106,930)
Workers' profit participation fund paid	(68,013)	(38,157)	(20,928)	(6,161)	(6,080)	(3,516)	-
Profit received	-	-	-	-	-	1,016	-
Income tax paid	(224,664)	(305,885)	(260,107)	(116,416)	(63,812)	(43,965)	(114,460)
Net cash (utilized in) / generated from operating activities	(1,272,826)	(577,272)	1,715,557	(1,836,139)	505,801	(785,520)	1,677,360
Purchase of property, plant & equipment	(473,866)	(678,981)	(514,808)	(518,691)	(640,083)	(861,976)	(364,998)
Proceeds from disposal of property, plant & equipment	2,641	6,061	2,610	-	22,407	-	2,000
Profit received on short-term investments	18,813	18,763	3,755	-	-	-	-
Short-term investments - matured / (purchased)	(197,171)	416,128	(524,620)	-	-	-	-
Sale proceeds from disposal of available for sale investments	-	-	-	438	-	(14,607)	(7,800)
Payments to acquire long term investments	-	-	-	-	-	-	1,000
Net cash (used in) investing activities	(649,583)	(238,029)	(1,033,063)	(518,252)	(617,676)	(876,583)	(369,798)
Long-term financing - net	(407,496)	(144,457)	(470,177)	637,493	360,578	825,860	407,124
Short-term borrowings - net	1,275,837	590,012	(1,039,403)	1,630,790	542,276	1,322,907	460,251
Proceeds from issuance of ordinary shares	1,257,998	-	929,900	-	-	-	-
Share issue costs	(12,340)	-	(52,900)	(1,501)	87,417	-	-
Dividends paid	(613,166)	(54,401)	-	-	-	-	-
Net cash (used in) / generated from financing activities	1,500,834	391,154	(632,579)	2,266,782	990,271	2,148,767	867,375
Net increase / (decrease) in cash and cash equivalents	(421,575)	(424,147)	49,914	(87,610)	878,395	(104,310)	34,160
Cash and cash equivalents at the beginning of the year	(886,563)	(462,417)	(512,331)	(424,721)	(1,303,116)	124,101	89,941
Cash and cash equivalents at the end of the year	(1,308,138)	(886,563)	(462,417)	(512,331)	(424,721)	19,791	124,101

COMMENTS ON SEVEN YEAR ANALYSIS

Comments On Horizontal Analysis

Balance sheet

Total equity showed an increasing trend from year 2011 due to continuous improvement in profitability of the Company on account of increased sales revenue and further injection of equity. The increase was also attributable to fresh injection of equity in 2017 along with year-on-year increase in profits.

Total non-current liabilities showed an increasing trend over the years till 2016, which was mainly due to injection of interest-free loan from sponsor shareholders, however in 2017, the declined was due to transfer of Directors loan to Equity. Further, loans from banking companies witnessed decline due to timely repayments. Current liabilities showed an increasing trend mainly due to increase in working capital requirements.

Profit & Loss Account

Turnover increased over the years from 2011 to 2016, due to increase in sales prices and sales volume. However, in 2017, turnover witnessed a slide declined mainly due to fall in sale prices.

Gross profit has remarkably increased over the years till 2016 due to increase in margins on account of better sale prices and cost efficiencies. However in 2017, gross profit declined mainly due to removal of discount by China and imposition of regulatory duty on imported of billet and fall in steel prices in local markets.

Finance costs over the years has fluctuated adversely / inadversely due to various reasons, however in 2017, the decrease was due to elimination of notional interest and reduction in exchange loss due to shifting from DA LCs to sight LCs.

Profit before taxation improved on account of increased margins and sale revenue till 2016, however in 2017, the declined was mainly due to reasons mentioned in above paragraphs.

Profit after taxation increased significantly over the years mainly due to the reasons mentioned above. Reduced tax liabilities as a result of available tax credits also helped to increase the profit after taxation.

Comments On Vertical Analysis

Balance sheet

Debt: Equity Ratio showed continuous improvement over the years as the Company's equity share was increased over the years due to fresh injection of capital, high year-on-year profits on account of better margins and reduction in debts on account of repayments.

Liquidity position of the Company showed continuous improvement over the years. Current assets were 73.32% of the total assets of the Company in year 2017 as compared to 66.65% in year 2016. Total current liabilities were 54.57% of total equity and liabilities as compared to 49.76% in 2016. The increase is due to increase in working capital requirements. Current ratio improved significantly from 0.99 in 2011 to 1.34 in 2017.

Profit & Loss Account

Gross profit % age came out to be 10.33% in year 2017 which was lowest in year 2012 i.e. 8.16%. This growth over the years was mainly due to increase in sales prices, effective mix of local and export sales and various cost efficiency measures. However, gross profit declined from 2015 onwards mainly due to imposition of regulatory duty and reduction in significant discount by China on imported billet and reduction in sale prices in local markets.

Net profits of the Company increased at a good pace from 1.39% in year 2011 to 6.07% in year 2014, however, the net profit ratios experienced a dip from 2015 onwards, mainly as a result of fall in gross margins, recognition of notional interest on shareholders' loan and recognition of income tax and deferred taxation.

COMMENTS ON CASH FLOW STATEMENTS

Cash flows from operating activities showed a mix trend over the years. In 2016 cash utilized in operations amounted to Rs. 577.272 million which increased to Rs. 1,272.826 million in 2017 due to investments in stock-in-trade and increase in store, spares & loose tools levels.

Net cash used in investing activities depicts cash utilization on account of fixed capital expenditure and investments in term-deposit receipts. Moreover, in current year fixed capital expenditures mainly represented capital work-in-progress relating to power plant expansion project and BMR of bar mills. The trend depicts management's strong focus on investing in the Company to refuel its growth and expansion ideology.

Cash flows from financing activities exhibit a mix trend and depends on net cash requirements.

ANALYSIS OF FINANCIAL RATIOS

	2017	2016	2015	2014	2013	2012	2011
Ratio Description							
Profitability Ratios							
Gross profit ratio	10.33%	10.85%	10.84%	12.19%	9.54%	8.16%	8.87%
Net profit to sales	5.27%	4.71%	5.38%	6.07%	3.26%	2.92%	1.39%
EBITDA margin to sales	8.55%	9.58%	9.52%	11.60%	8.37%	7.30%	7.82%
Operating leverage ratio	14.59	1.09	0.71	2.35	1.80	0.59	1.00
Return on equity	14.93%	21.09%	19.36%	22.05%	13.49%	14.56%	6.65%
Return on capital employed	16.58%	18.28%	16.60%	12.02%	5.56%	6.91%	3.86%
Liquidity Ratios							
Current ratio	1.34	1.34	1.19	1.14	0.99	1.03	0.99
Quick / Acid test ratio	0.68	0.57	0.45	0.35	0.59	0.67	0.54
Cash to current liabilities	0.23	0.10	0.07	0.03	0.07	0.01	0.06
Cash flow from operations to sales	(0.07)	(0.03)	0.14	(0.31)	0.13	(0.21)	0.56
Activity / Turnover Ratios							
Inventory turnover ratio	3.51	3.75	2.91	3.32	7.84	6.97	5.17
No. of days in Inventory	103.94	97.40	125.33	109.83	46.56	52.36	70.60
Debtor turnover ratio	8.02	13.30	12.16	13.50	4.10	2.97	17.12
No. of days in Receivables	45.51	27.44	30.02	27.04	89.05	122.78	21.32
Creditor turnover ratio	3.19	3.34	2.76	3.76	4.86	5.46	4.81
No. of days in payables	114.46	109.13	132.09	97.11	75.16	66.88	75.90
Total Assets turnover ratio	1.17	1.61	1.07	0.84	0.99	0.91	1.01
Fixed assets turnover ratio	4.85	4.87	4.17	2.33	1.63	3.23	4.58
Operating cycle	34.98	15.71	23.26	39.76	60.45	108.26	16.02
Investment / Market Ratios							
		Restated	Restated	Restated	Restated	Restated	Restated
Earnings per share	4.21	3.80	3.23	2.37	0.83	0.10	0.07
Price earnings ratio	19.18	17.68	17.41	-	-	-	-
Dividend yield ratio	3%	4%	1%	-	-	-	-
Dividend pay-out ratio	62%	79%	15%	-	-	-	-
Dividend cover ratio	1.62	1.27	6.46	-	-	-	-
Cash dividend per share	2.60	3.00	0.50	-	-	-	-
Stock dividend per share	-	-	15%	-	-	-	-
Market value per share							
- Closing	80.73	67.19	56.24	-	-	-	-
- High	141.98	75.2	69.31	-	-	-	-
- Low	71.60	57.88	35.69	-	-	-	-
Break up value per share	26.38	33.67	31.13	20.05	11.56	12.52	10.7
Capital Structure Ratios							
Financial leverage ratio	1.21	1.06	1.04	2.81	3.45	3.03	2.31
Weighted average cost of debt	0.04	0.05	0.11	0.09	0.11	0.10	0.23
Debt to equity ratio	0.00	0.25	0.32	1.10	1.73	1.74	0.72
Interest cover ratio	6.27	8.62	2.86	2.89	1.86	1.88	1.47

COMMENTS ON RATIO ANALYSIS

Profitability Ratios

Profitability ratios depicted mix trend. Sales and profits over the years increased. However, sales and margins in 2017 dropped due to removal of discount by China and imposition of regulatory duty on imported of billet and fall in steel prices in local markets. Net profit margins increased due to reduction in finance cost and tax liabilities.

Liquidity Ratios

As sales volume increased over the years, liquidity position of the Company improved and resulted in better cash flows. Therefore, ratios started improving from year 2011 and ended in much better condition in 2017 as compared to year 2011.

Activity / Turnover Ratios

The ratios depicted an overall mixed trend over the years. Inventory days during the year increased due to increase in raw material-in-transit. Receivables days increased due to increase in sale of steel re-bars on credit.

Investment / Market Ratios

Increased profitability means increased EPS and this is evident from the figure which has gone up to 4.21 from 3.80 last year. The market value of the share also closed on a big high of 80.73 because of the performance of the Company, which was significantly higher than the last year. However, break-up value decreased during the year due to issuance of right shares.

Capital Structure Ratios

These ratios have continued to get better since 2011 based on improved results and healthy cash flows, which have helped the Company pay its debts at accelerated rates and the trend is evident this year. However, during the year interest cover ratio decrease due to decrease in gross margins and financial leverage ratio increased due to increase in short-term borrowings.

DUPONT ANALYSIS

Year	Return on Equity (Equity multiplier * Return on Assets)	Equity Multiplier (Avg Assets / Avg Equity)	Return on Assets	Total Assets Turnover (Sales / Avg Assets)	Profit margin (Pre tax profit / Sales)
2017	22%	2.56	9%	1.35	6.50%
2016	34%	3.04	11%	1.63	6.81%
2015	25%	3.67	7%	1.32	5.18%
2014	27%	4.26	6%	1.08	5.95%
2013	15%	4.76	3%	0.98	3.18%
2012	16%	5.15	3%	1.04	2.98%
2011	10%	2.89	4%	1.66	2.18%

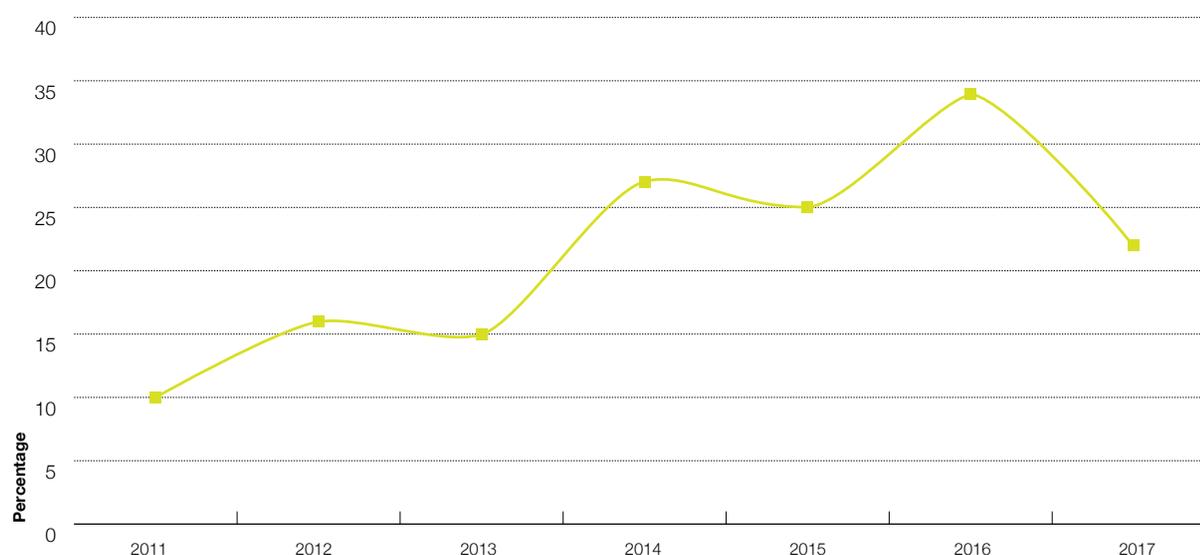
Following are the main DuPont analysis highlights:

- Operating efficiency of the Company measured in terms of profit margins showed increasing trend mainly due to increase in sales volumes, better cost control measures including continuous reduction in finance cost. However, the profit margins in 2017 were effected due to removal of discount by China and imposition of regulatory duty on imported of billet and fall in steel prices in local markets.
- Total assets turnover of the Company has improved over the years due to increasing revenue by using the Company's resources more efficiently. However, in the current year, the decrease was due to temporary increase in stock-in-trade and fall in turnover, which is expected to reverse in the upcoming period.
- Return on Assets i.e. the combined effect of the above two factors also showed the continuous improvement in profits earned on assets over the years. However, due to the reasons mentioned above, current year return on assets witnessed a decline.
- Equity multiplier improved due to better continuous equity improvement on account of better profits over the years. However, fall in current year was mainly due to injection of fresh equity and decrease in gross margins.

Conclusion:

- Overall DuPont analysis depicts improvement in the overall performance of the Company. From year 2011 to year 2014, return on equity has increased. In year 2015 and 2017 return on equity declined mainly due to injection of fresh equity and decrease in profit margins. However, 2016 witnessed significant improvement mainly due to improved utilization of assets.

DUPONT GRAPH



KEY OPERATING AND FINANCIAL DATA

	2017	2016	2015	2014	2013	2012	2011
Quantitative Data (M.Tons)							
Total production							
-Melting	116,207	99,657	59,557	46,732	19,845	26,198	20,147
-Re-rolling	241,773	245,675	180,230	112,771	36,443	46,052	45,976
Rupees in '000							
Sales	18,802,811	18,983,479	12,241,272	5,972,673	3,928,514	3,657,422	3,006,891
Sales							
Local Sales	18,066,885	18,317,200	10,605,375	3,723,039	1,509,445	928,123	1,044,639
Export Sales	735,926	666,279	1,635,897	2,249,634	2,419,069	2,729,299	1,962,253
Total Sales	18,802,811	18,983,479	12,241,272	5,972,673	3,928,514	3,657,422	3,006,891
Profitability							
Gross profit	1,941,831	2,058,821	1,326,355	727,977	374,762	298,519	266,771
Profit before taxation	1,222,298	1,292,248	634,096	355,442	124,787	109,011	65,465
Provision for taxation	(231,538)	(398,836)	25,070	7,151	3,096	(2,115)	(23,760)
Profit after taxation	990,760	893,412	659,166	362,593	127,883	106,896	41,705
Financial Position							
Fixed assets	4,250,866	3,908,262	3,285,942	2,865,375	2,417,188	1,131,782	656,349
Other non current assets	23,898	20,167	20,010	19,008	20,950	16,766	25,597
	4,274,764	3,928,429	3,305,952	2,884,383	2,438,138	1,148,548	681,946
Current assets	11,748,963	7,851,863	8,113,195	4,138,857	1,506,861	2,182,269	1,941,406
Less: current liabilities	8,743,576	5,861,637	6,811,927	3,618,325	1,520,279	2,123,833	1,967,245
Net working capital	3,005,387	1,990,226	1,301,269	520,532	(13,418)	58,436	(25,839)
Capital employed	7,280,151	5,918,656	4,655,434	3,454,364	2,448,517	1,910,120	1,008,766
Less: Non current liabilities	643,053	1,683,226	1,250,475	1,809,684	1,500,230	1,175,926	381,458
Shareholders equity	6,637,098	4,235,430	3,404,959	1,644,679	948,287	734,194	627,308
Represented By:							
Share capital	2,515,997	1,257,998	1,093,912	820,412	820,412	586,396	586,396
Capital reserve	1,419,413	439,413	603,501	319,394	-	-	-
Revenue reserve	1,477,651	2,112,329	1,224,519	504,874	127,875	147,798	40,912
Equity portion of sponsor shareholders loan	-	425,689	483,027	-	-	-	-
Equity contribution from sponsor shareholders	1,224,037	-	-	-	-	-	-
	6,637,098	4,235,429	3,404,959	1,644,679	948,287	734,194	627,308

STATEMENT OF CASH FLOW DIRECT METHOD

Rupees	2017	2016
Cash Flows From Operating Activities		
Cash receipt from customers	8,764,159,366	18,516,834,890
Cash paid to suppliers and employees	(9,520,513,437)	(18,521,765,995)
Cash (used in)	(756,354,071)	(4,931,105)
Increase in long-term loans to employees	1,142,685	491,020
Defined benefits paid	(5,504,109)	(4,389,899)
Finance cost paid	(219,433,011)	(224,401,144)
Workers' profit participation fund paid	(68,013,042)	(38,156,726)
Income tax paid	(224,664,034)	(305,884,556)
	(516,471,511)	(572,341,305)
Net cash (utilized in)	(1,272,825,582)	(577,272,409)
Cash Flow From Investing Activities		
Capital expenditure incurred	(473,866,042)	(678,980,549)
Short-term investments - matured / purchased	(197,171,199)	416,127,853
Profit received on short-term investments	18,812,847	18,763,448
Proceeds from disposal of property, plant & equipment	2,641,480	6,060,800
Net cash (used in) investing activities	(649,582,914)	(238,028,448)
Cash Flow From Financing Activities		
Long-term financing - net	(407,495,915)	(144,457,294)
Share issue costs	(12,340,105)	-
Proceeds from issuance of ordinary shares	1,257,998,250	-
Short-term borrowings - net	1,275,837,402	590,012,627
Dividend paid	(613,166,100)	(54,401,005)
Net cash generated from Financing activities	1,500,833,532	391,154,328
Net (decrease) in cash and cash equivalents	(421,574,964)	(424,146,529)
Cash and cash equivalents at the beginning of the year	(886,563,110)	(462,416,581)
Cash and cash equivalents at the end of the year	(1,308,138,074)	(886,563,110)

RESULTS REPORTED IN INTERIM FINANCIAL STATEMENTS AND FINAL ACCOUNTS

	Interim report results						Annual Result	
	September Qtr		December Qtr		March Qtr		Full year	
	Rupees in 000'	%	Rupees in 000'	%	Rupees in 000'	%	Rupees in 000'	%
Turnover	3,713,586	-	4,970,407	-	4,581,825	-	18,802,811	-
Gross profit	447,730	12.06%	423,037	8.51%	474,055	10.35%	1,941,831	10.33%
Net profit before tax	270,514	7.28%	289,647	5.83%	314,680	6.87%	1,222,298	6.50%
Taxation	13,403	0.36%	72,532	1.46%	61,973	1.35%	231,538	1.23%
Net profit after tax	257,111	6.92%	217,115	4.37%	252,707	5.52%	990,760	5.27%
Debt: Equity Ratio	983,583	22%	68,461	1%	50,087	0.9%	31,713	0%
	4,492,541		5,124,603		5,377,310		6,637,098	
Current ratio	7,385,880	1.44	7,543,235	1.29	7,313,499	1.38	11,748,963	1.34
	5,121,487		5,864,180		5,414,085		8,743,576	

Analysis of variation in Results Reported in Interim Financial Statements with the Final Accounts

3 Months Ended September 30, 2016

Gross profit ratio for the 1st Quarter was 12.06 % as compared to annual GP of 10.33% and net profit before tax was 7.28% as compared to annual 6.50% mainly due to availability of cheaper imported billet in 1st Quarter. Net profit after tax was 6.92% as compared to 5.27% . This was mainly due to recognition of income tax provision in annual accounts as a result of exhaustion of brought forward minimum taxes. Debt : Equity Ratio improved from 22% in first quarter to 0% in annual. This was mainly due to increase in share capital and reduction in debt due to timely repayment. Current ratio decreased from 1.44 to 1.34 in annual. This was mainly due to increase in liabilities to finance non-current assets.

6 Months Ended December 31, 2016

Gross profit ratio for the 2nd Quarter was 8.51 % as compared to annual GP of 10.33%. The decrease in second Quarter was mainly attributed to increase in cost of production due to shift from imported billet to self manufactured billet and decrease in sale prices in local market. Net profit before tax was 5.83% as compared to annual 6.50%. Net profit after tax was 4.37% as compared to 5.27% in annual as impact of prior taxation was taken in second quarter. Debt :

Equity Ratio improved from 1% to 0% mainly due to decrease in long-term financing. Current ratio increased from 1.29 to 1.34 mainly due to issuance of right shares.

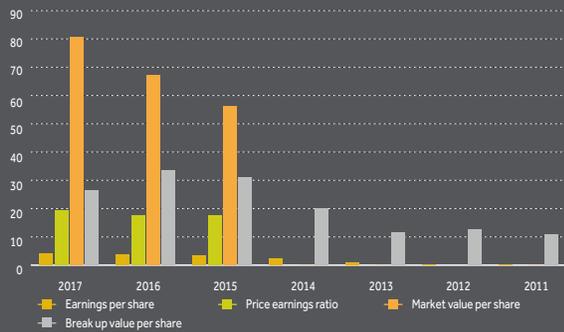
9 Months Ended March 31, 2017

Gross Profit Ratio was 10.35% as compared to annual GP of 10.33% and net profit before tax was 6.87% as compared to annual 6.50%. Margins in third quarter increased mainly due to increase in sale prices. Similarly Net profit after tax was 5.52% as compared to 5.27% in annual. The growth margin in annual improved due to recovery of sales prices in last quarter. Debt : Equity and current Ratio remained stable.

GRAPHICAL ANALYSIS

Market Ratios

Rupees



Profitability Ratios

Percentage



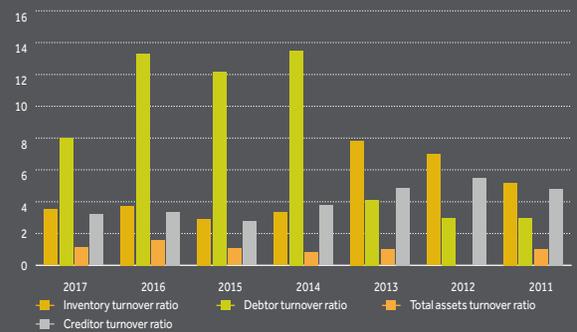
Liquidity Ratios

Times



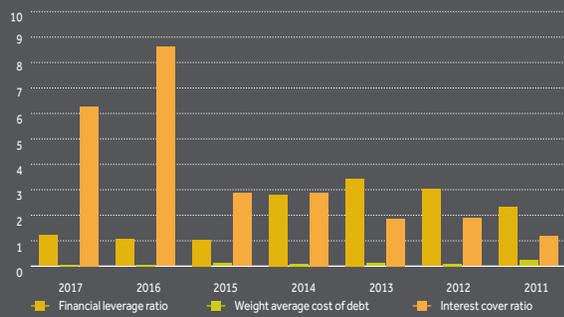
Turnover Ratios

Times



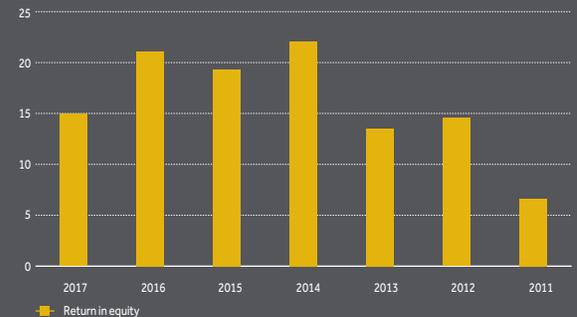
Capital Structure Ratio

Times



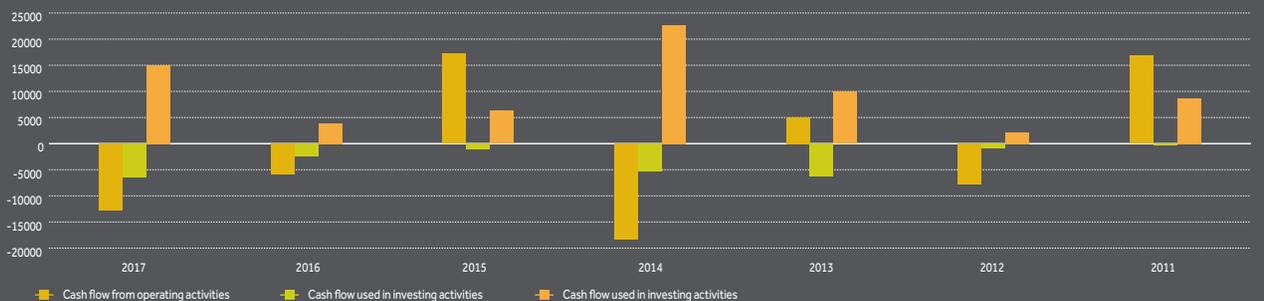
Return On Equity

Percentage



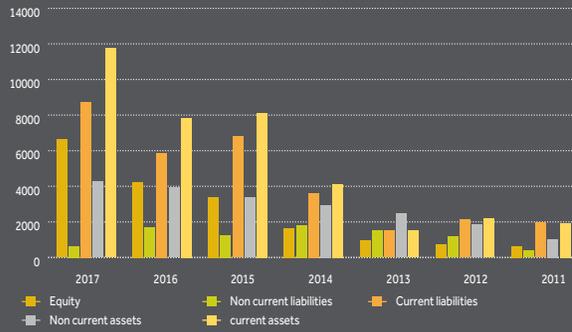
Cash Generated/Utilized

Rupees in Thousand



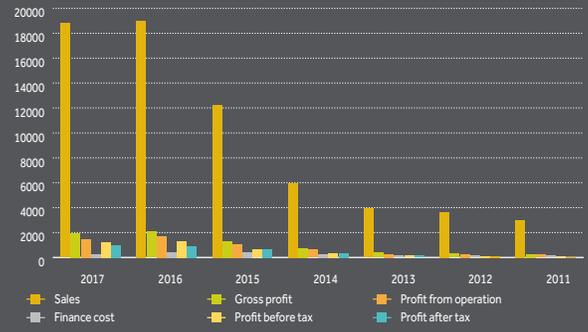
Horizontal Analysis - Balance Sheet

Rupees in thousand



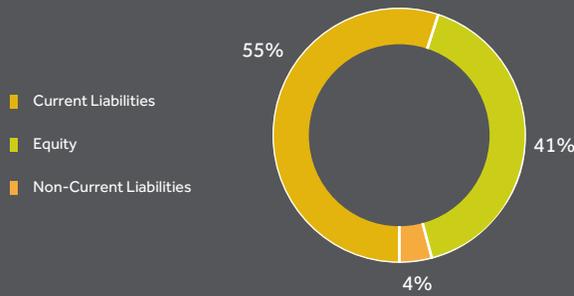
Horizontal Analysis - Profit & Loss

Rupees in thousand



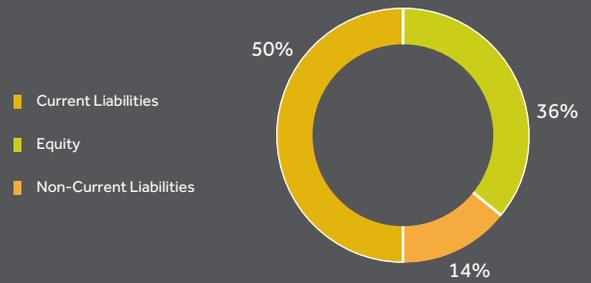
Equity & Liabilities - 2017

Percentage



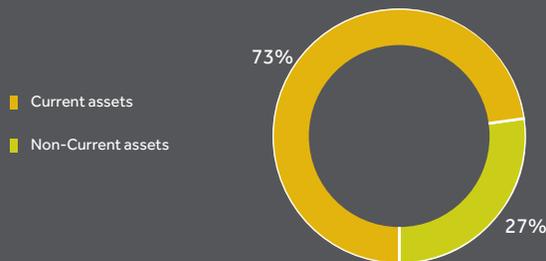
Equity & Liabilities - 2016

Percentage



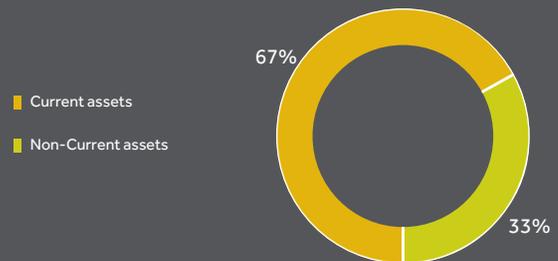
Assets - 2017

Percentage



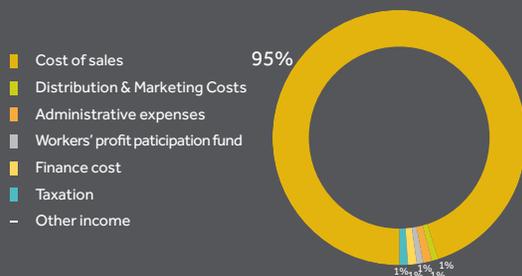
Assets - 2016

Percentage



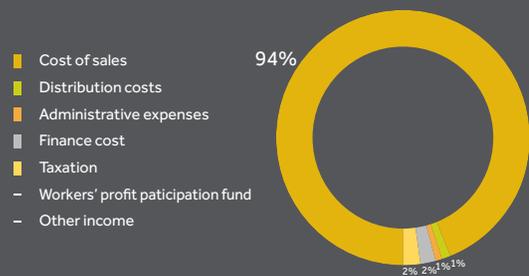
Profit And Loss - 2017

Percentage



Profit And Loss - 2016

Percentage



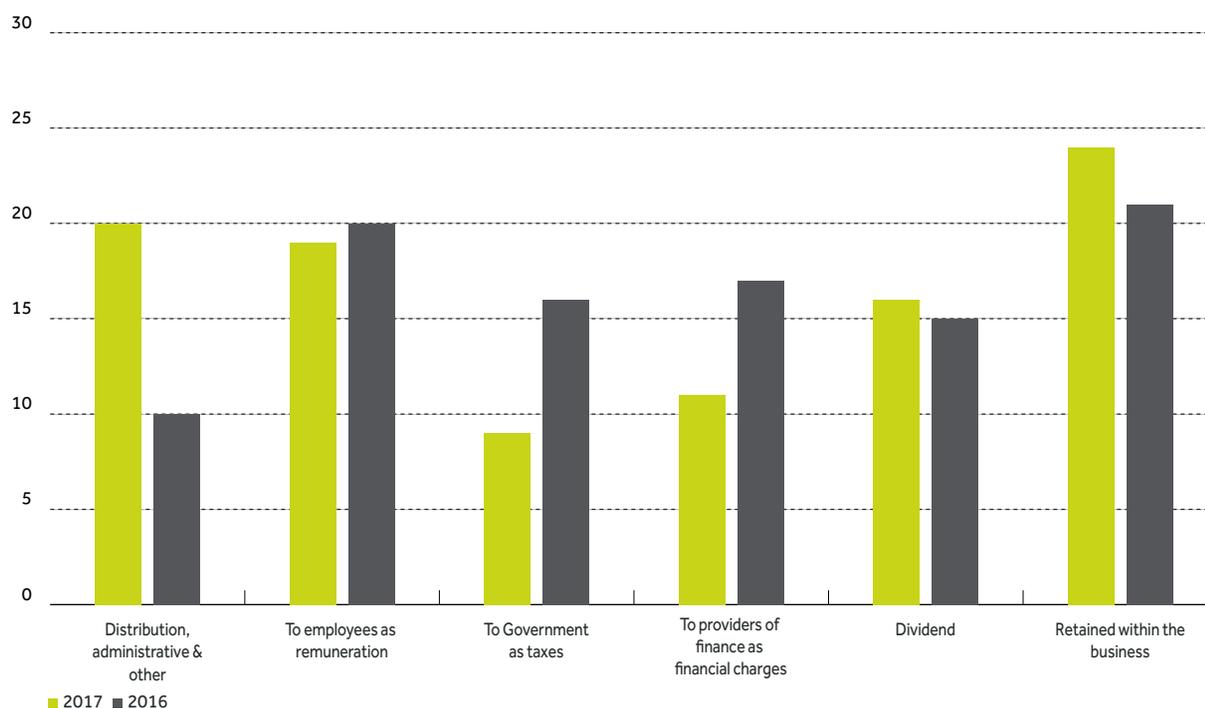
DISTRIBUTION OF WEALTH

	2017		2016	
	Rs. In 000's	%	Rs. In 000's	%
Wealth Generated				
Sales	18,802,811		18,983,479	
Less: Cost of sales (excluding employees' remuneration)	16,395,773		16,587,138	
Value added	2,407,038		2,396,341	
Other operating income	33,977		47,357	
	2,441,015	100.00	2,443,698	100.00

Distribution Of Wealth				
Distribution, administrative & other expenses	496,959	20.36	252,852	10.35
To Directors & employees as remuneration	465,207	19.06	477,714	19.55
To Government as taxes	231,538	9.49	402,931	16.49
To providers of finance as financial charges	256,551	10.51	425,033	17.39
Dividend	402,559	16.49	377,399	15.44
Retained within the business	588,200	24.10	507,769	20.78
	2,441,015	100.00	2,443,698	100.00

Percentage

Wealth Distribution



SHARE PRICE SENSITIVITY ANALYSIS

Following are the major factors which might effect the share price of the Company in the stock exchanges:

1) Increase In Demand:

Increase in demand of steel may result in increase in market prices which will contribute towards better profitability and Earning Per Share (EPS) , which might ultimately increase the share price.

2) Increase In Variable Cost:

Any increase in variable cost (Mainly includes Furnace oil, Power and Raw Material cost) may adversely effect the gross margins and will resultantly fall in the profitability and fall in EPS. This may adversely effect the market price of the share downward.

3) Increase In Fixed Cost:

Fixed cost which mainly consists of Financial Charges, Exchange losses, and other overheads. If SBP discount rate goes up, rupee devaluation occurs and increase in inflation happens than net profitability of the Company will be effected and will have negative effect on the EPS which might result into fall in share price. If the said factors happen on the positive sides than share price is expected to improve.

4) Change In Government Policies:

Any change in government policies related to steel sector may effect the share price of the Company. If policy change is positive than share price will increase, otherwise vice versa.

CALENDAR OF MAJOR EVENTS (2016-2017)

The Company follows the period of July to June as the financial year.

July	15	Aftar party
August	13	Independence day celebrations
September	27	BoD to approve annual accounts for year ended June 30, 2016
October	07	Joint 1st position Best corporate reporting award
October	14	Signing of joint pari passu agreement
October	27	Issuance of 1st Quarter Accounts
October	31	Annual General Meeting and Election of Directors
November	08	Reconstitution of Board after Election of Directors
January	05	Mehfil-e-Milad
January	10	Agreement for lease of two furnaces
February	27	Issuance of 2nd Quarter Accounts
March	15	Declaration of Expansion plan and 100% Right Issue at par value
March	19	Sports Gala
April	27	3rd quarter accounts and 20% interim dividend declared
May	17	Contract signing for steel rebar re-rolling mill

DEFINITION AND GLOSSARY OF TERMS

Gross Profit Ratio

The relationship of the gross profit made for a specified period and the sales or turnover achieved during that period.

Net Profit Ratio

Net profit ratio is the ratio of net profit (after taxes) to net sales.

Operating Profit Ratio

The operating profit margin ratio indicates how much profit a company makes after paying for variable costs of production.

Current Asset Ratio

The key indicator of whether you can pay your creditors on time. The relationship between current assets like cash, book debts, stock and work in progress and current liabilities like overdraft, trade and expense creditors and other current debt.

Current Ratio

A company's current assets divided by its current liabilities. This ratio gives you a sense of a company's ability to meet short-term liabilities, and is a measure of financial strength in the short term. A ratio of 1 implies adequate current assets to cover current liabilities: the higher above 1, the better.

Debt-Equity Ratio

The ratio of a company's liabilities to its equity. The higher the level of debt, the more important it is for a company to have positive earnings and steady cash flow. For comparative purposes, debt-equity ratio is most useful for companies within the same industry.

Earnings Per Share (EPS)

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

Profit Margin

Determined by dividing net income by net sales during a time period and is expressed as a percentage. Net profit margin is a measure of efficiency and the higher the margin, the better. Trends in margin can be attributed to rising/falling production costs or rising/falling price of the goods sold.

Return On Assets (ROA)

The amount of profits earned (before interest and taxes), expressed as a percentage of total assets. This is a widely followed measure of profitability, thus the higher the number the better. As long as a company's ROA exceeds its interest rate on borrowing, it's said to have positive financial leverage.

Return On Equity (ROE)

A percentage that indicates how well common stockholders' invested money is being used. The percentage is the result of dividing net earnings by common stockholders' equity. The ROE is used for measuring growth and profitability. You can compare a company's ROE to the ROE of its industry to determine how a company is doing compared to its competition.

Return On Investment (ROI)

Also known as return on invested capital (ROIC). ROI is a measure of how well management has used the company's resources. ROI is calculated by dividing earnings by total assets. It is a broader measure than return on equity (ROE) because assets include debt as well as equity. It is useful to compare a company's ROI with others in the same industry.

Dupont Analysis

A type of analysis that examines a company's Return on Equity (ROE) by splitting it into three main components; profit margin, total asset turnover and equity multiplier. This analysis highlights the main driving factor of ROE and the factor which needs to be addressed to improve the ROE.



THREE GORGES DAM

Constructed: 2012

China's famous Three Gorges Dam is a hydroelectric gravity dam that sits on the Yangtze River. Considered the world's largest power station in terms of installed capacity, the dam first began construction in 1994 and supplies 22,500 MW of electricity to mainland China.

REPORT OF THE AUDIT COMMITTEE

- The audit committee reviewed and recommended for approval the quarterly, half yearly and annual financial statements of the Company prior to their approval by the Board of Directors.
- Appropriate accounting policies have been consistently applied. All core and other applicable International Accounting Standards were followed in preparation of financial statements of the Company on a going concern basis, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017 and the external reporting is consistent with management processes and adequate for shareholder needs.
- The audit committee has reviewed and recommended all related party transactions.
- The Chief Executive Officer and the CFO have endorsed the financial statements of the Company and the Directors' report. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- All Directors have access to the Company Secretary. All direct or indirect trading and holdings of Company's shares by Directors & executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the pattern of shareholdings. The annual secretarial compliance certificates are being filed regularly within stipulated time.
- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive Officer and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.
- The Company's system of internal control is sound in design and is continually evaluated for effectiveness and adequacy.
- The internal control framework has been effectively implemented through an independent in-house internal audit function established by the Board which is independent of the external audit function.
- The internal audit function has carried out its duties under the charter defined by the committee. The committee reviews material internal audit findings, taking appropriate action or bringing the matters to the Board's attention where required.
- The audit committee on the basis of the internal audit reports reviewed the adequacy of controls and compliance shortcomings in areas audited and discussed corrective actions in the light of management responses. This has ensured the continual evaluation of controls and improved compliance.
- The head of internal audit has direct access to the Chairman of the audit committee and the committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to management and the right to seek information and explanations.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.
- The Chairman of audit committee is a Ph.D. in finance from the Kelley School of Business Administration, Indiana University, USA.

- The audit committee has ensured that statutory and regulatory obligations and requirements of best practices of Governance have been met.
- The external auditors Fazal Mahmood & Co, chartered accountants were allowed direct access to the audit committee and necessary coordination with internal auditors was ensured. Major findings (if any) arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.
- The external auditors have been allowed direct access to the committee and the effectiveness, independence and objectivity of the auditors has thereby been ensured. The auditors attended the general meeting of the company held during the year and have confirmed attendance of the upcoming Annual General Meeting scheduled for October 28, 2017 and have indicated their willingness to continue as auditors.
- The audit committee reviewed the management letter issued by the external auditors and the management response thereto. Observations were discussed with the auditors and required actions recorded.
- Appointment of external auditors and fixing of their audit fee was reviewed and the audit committee following this review, recommended to the Board of Directors re-appointment of Fazal Mahmood & Co., as external auditors for the year 2017-2018.

By order of the Audit Committee

Sd-

Syed Salman Ali Shah

Chairman Audit Committee

Lahore: September 18, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company: Mughal Iron & Steel Industries Limited
Year ended: June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.24. of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present, the board includes:

Category	Names
Independent	Syed Salman Ali Shah
Executive Directors	Khurram Javed
	Muhammad Mubeen Tariq Mughal
	Jamshed Iqbal
Non-Executive Directors	Mirza Javed Iqbal
	Fazeel Bin Tariq
	Muhammad Mateen Jamshed
	Fahad Javaid
	Muhammad Waleed Bin Tariq Mughal

The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBF1 or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the board during the year.
5. The company has prepared 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.

6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board / shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No training programs were arranged by the board for its directors during the year. Seven directors have certification under Directors' Training Program (DTP) from Institute of Chartered Accountants of Pakistan (ICAP).
10. The board has approved appointment of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of four (4) members, of whom three (3) are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed a HR and Remuneration Committee. It comprises four (4) members, all of whom are non-executive directors including the chairman of the Committee.
18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion and exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.



Mirza Javed Iqbal
Chairman



Khurram Javed
Chief Executive Officer

Lahore: September 18, 2017



EIFFEL TOWER

Constructed: 1889

One of the most iconic landmarks in the world, the Eiffel Tower was constructed in 1889 for the Worlds Fair held in the city of Paris. To this day, it stands as the tallest building in France, and is a popular attraction for visitors from around the globe.

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and ios devices



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