

MUGHAL
STEEL



TOWARDS
SUSTAINABLE
GROWTH

ANNUAL REPORT 2018





COVER **STORY**

Building a strong path towards greater opportunity, Mughal Steel has been a hallmark name in the industry for years. It has established itself as a dominant force, able to deliver on firm commitment and employing exceptional talent with a unique vision for the future. Now, it moves into a new era of business and opportunity.

With this year's cover, Mughal Steel charges full force towards a new horizon of business excellence, maintaining our proud legacy and delivering sustainable growth in the next chapter of our remarkable story.

ABOUT THIS REPORT

We are pleased to present our annual report for the year ended June 30, 2018. 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, 2017 to June 30, 2018. The previous annual report covered the 2016-2017 financial year. This annual report provides an account of the Company's operational, financial, economic, social and environmental performance, as well as governance, during the period under review etc.

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. 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.

KEY FIGURES

Sales Revenue

(2017: 18,803)

22,226

Rs. in Millions

EBITDA

(2017: 1,607)

2,291

Rs. in Millions

Profit For The Year

(2017: 991)

1,290

Rs. in Millions

Profit Before Taxation

(2017: 1,222)

1,604

Rs. in Millions

Return on Capital Employed

(2017: 16.58)

17.24

Percentage

Capital Expenditure

(2017: 474)

2,205

Rs. in Millions

Shareholders' Equity

(2017: 6,637)

7,466

Rs. in Millions

Total Assets

(2017: 16,024)

17,475

Rs. in Millions

Earnings Per Share

(2017: 4.21)

5.13

Rs.

Current Ratio

(2017: 1.34)

1.32

Rs.

Break-Up Value Per Share

(2017: 26.38)

29.67

Rs.

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COMPANY OVERVIEW

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VISION,
MISSION AND
OVERALL
CORPORATE
STRATEGY



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.

CORE VALUES

We attribute our persistent growth to the strength of our deep rooted values, which distinguish us and guide our actions. We tend to conduct our business in a socially responsible and ethical manner.



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.



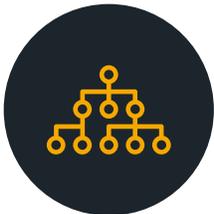
PERSONNEL DEVELOPMENT

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.



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.

CODE OF BUSINESS CONDUCT & ETHICAL PRINCIPLES

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 Officer 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.

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.

Our **Code of Conduct** consists of the following principles which all Directors and employees 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.

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.

COMPANY PROFILE

Mughal Iron & Steel Industries Limited (“Mughal Steel”) was incorporated in 2010 as a public limited company. The Company took over the running business of a partnership concern by the name of “Mughal Steel” which had been in the steel business for over 50 years and was owned by the sponsors of the Company. Today, the Company is one of the leading steel companies in Pakistan in the long rolled steel sector, equipped with depth of technical and managerial expertise, a reputation for reliability and a sharply defined business focus, which has forged the organization into a modern, highly competitive supplier of steel products. The management team is being led by Mr. Khurram Javaid, 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 innovative 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 highest quality and 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 to Afghanistan.

GEOGRAPHICAL PRESENCE

The registered office of the Company is situated at 31-A, Shadman I, Lahore, while the factory is located 17 KM’s Sheikhupura Road, Lahore.

NATURE OF BUSINESS AT MACRO AND MICRO LEVEL

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

The Company principally operates in long-rolled steel industry and is involved in multidimensional activities from making billets to steel rebars, girders and t-iron. The main markets of the Company are domestic housing sector market both in urban and rural areas and large infrastructure projects market. However, the Company also exports to Afghanistan.

Steel rebars cater to both housing sector market and large infrastructure projects market, while girders and t-iron mainly cater only the housing sector market. The housing sector market for steel rebars comprises mainly of housing sector in the urban areas, whereas, the retail market for girder and t-iron mainly comprises of housing sector in the rural areas. The large infrastructure projects market on the other hand comprises of demand from different projects initiated by various private sector, public sector and semi-government institutions.

Mughal Supreme steel rebars are used to target the housing sector in the urban areas since steel rebars are used for construction of roofs in urban areas, whereas G60 steel rebars are mainly used to cater large infrastructure projects market. On the other hand since girders and t-iron are products used for construction of roofs in rural areas, therefore they are used to target the rural housing market.

The diversified product and market mix of the company has been carefully designed to mitigate different risks especially political risk. Currently the primary focus of the Company is on the housing sector in both rural and urban areas, with secondary focus on large infrastructure project market. Mughal steel is amongst the top companies in the steel sector with such diversified product and market 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 and the announced expansion plans to achieve cost efficiency and backward integration have enabled the Company to attain additional competitive advantage.

PRODUCT PORTFOLIO

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

Steel re-bars (G60 / Mughal Supreme)

Steel 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 bar is used both in building infrastructural projects and residential ventures.

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.

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. 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. During the year as well the Company has installed Spectro lab for its girder mill for conducting chemical testing.

STATEMENT OF
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 residential and 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 following 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:

-
- 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. ●

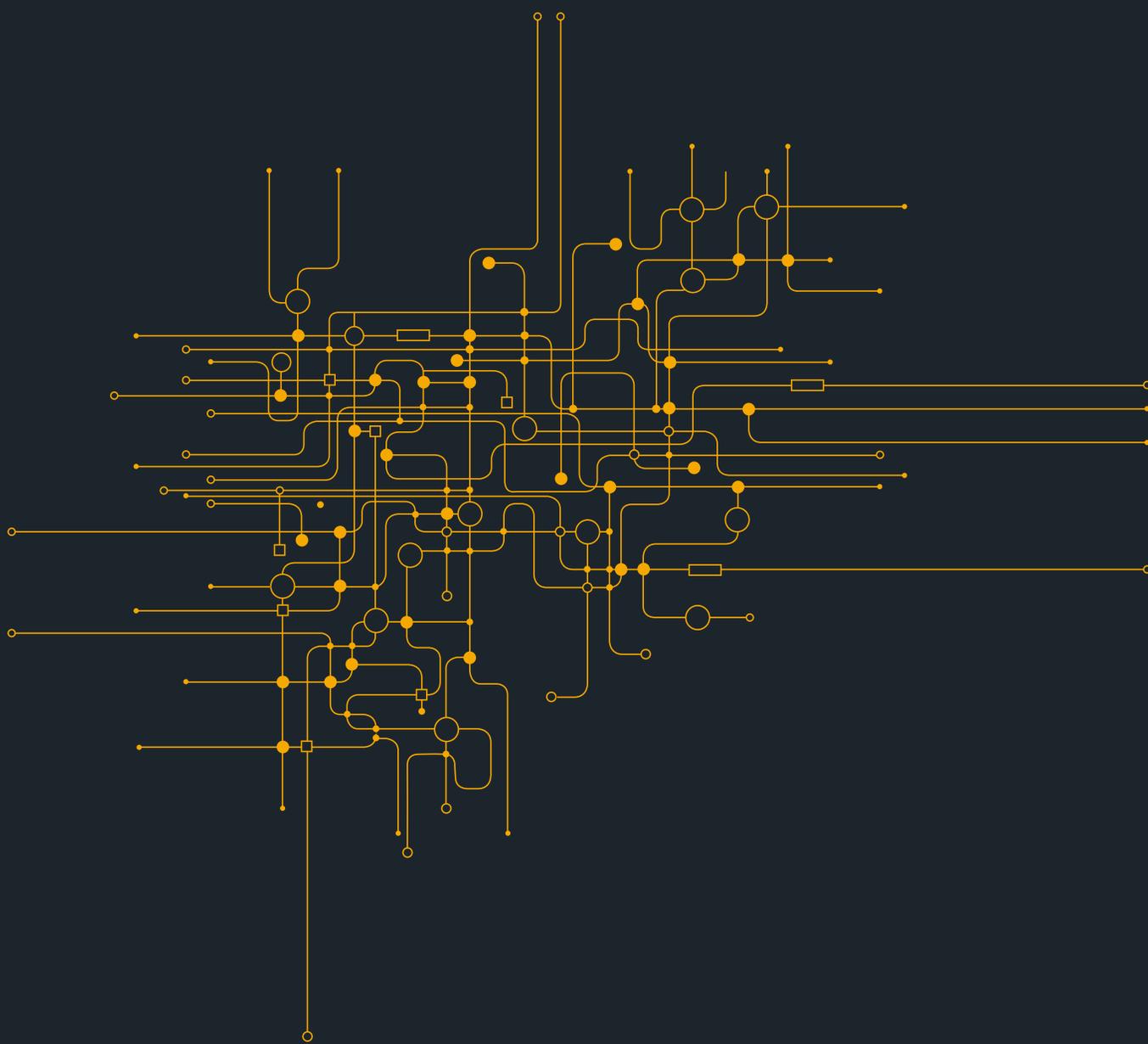
 - A diversified portfolio of steel products, which combined with superior customer service, represents a unique value proposition to our customers. ●

 - 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 continuous updation of employee capabilities and modernization of production facilities. ●

 - Explore alternative energy resources. ●
-

COMPANY **INFORMATION**



BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Abdul Rehman Qureshi
Mirza Javed Iqbal
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: 155
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)
Bank of Khyber
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 Sheikhupura Road
Lahore, Pakistan
Tel: +92-42-37970226-7
Fax: +92-42-37970326

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 2017-2018 and 2016-2017 in PSX:

PSX					
MONTHS	2017-2018		2016-2017		
	High	Low	High	Low	High
July	75.75	73.3	75.7	75	75
August	66.89	65.52	81	79	79
September	58	56.42	86	84.3	84.3
October	59.8	57.1	86.98	84.95	84.95
November	57.99	55.2	98	94.26	94.26
December	60.5	57.8	89.2	87.5	87.5
January	77	75.41	105.27	101	101
February	75	73.75	115.8	112.5	112.5
March	74	72.50	141.98	137.11	137.11
April	68.25	65.80	76	71.6	71.6
May	69.14	66.49	92.97	88.71	88.71
June	63	59.07	82	78.06	78.06

ORGANOGRAM OF COMPANY



AWARDS AND ACCOLADES



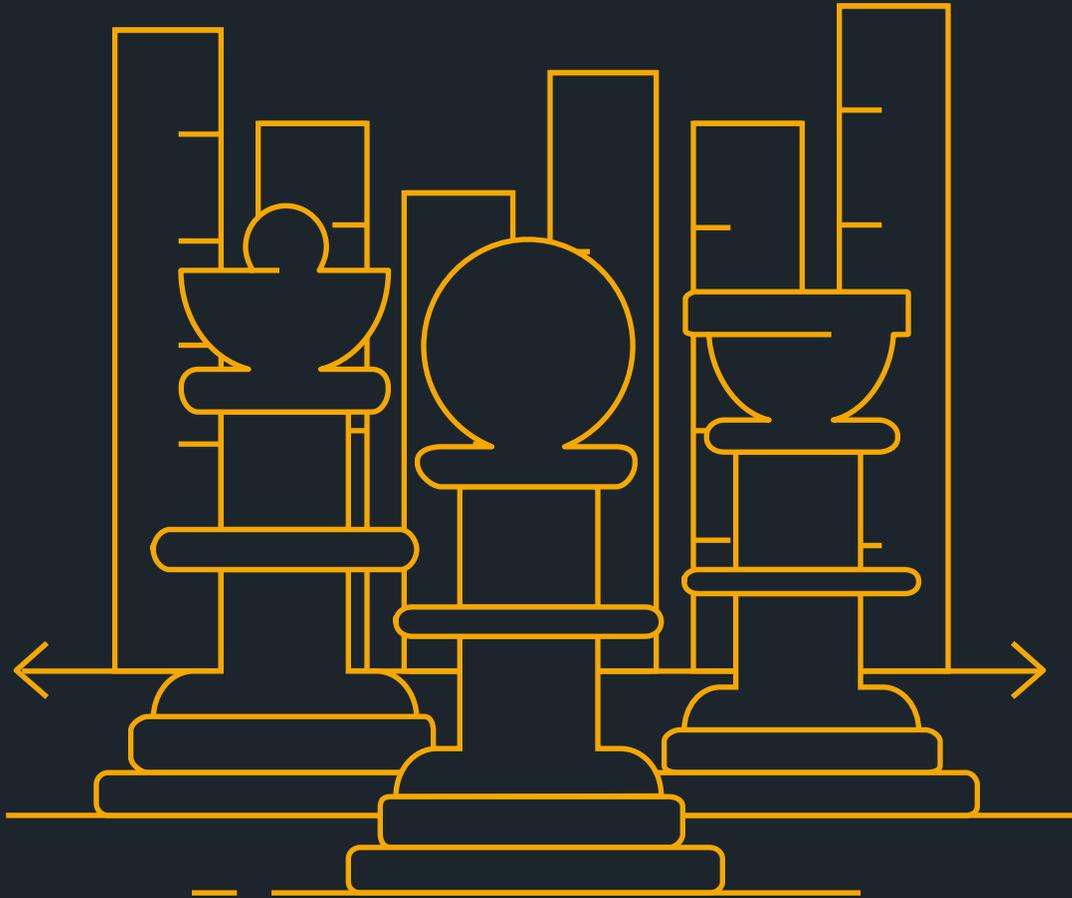
The Company bagged 1st position under Engineering & Auto Sector for “Best Corporate Report 2017”, and joint third position for “Best Corporate Report 2016” in the award ceremonies jointly hosted by the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). The awards are reflection of best ethical values and management practices adopted by the Company in corporate reporting. The Company has promoted accountability and transparency through provision of accurate, informative, factual and reader friendly Annual Reports for its valuable stakeholders.

CALENDAR OF MAJOR EVENTS 2017-2018

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

MONTHS	DATE	EVENT
July	15	Eid Milan Party
August	13	Independence Day Celebrations
August	25	Joint 3rd Position Best Corporate Reporting Award
September	18	Board Of Directors Approved Annual Accounts For Year Ended June 30, 2017
October	26	Issuance Of 1st Quarter Accounts
October	26	Enhancement Of Gas Load For Captive Power Generation From 2.80 MMCFD to 6.30 MMCFD
October	28	8th Annual General Meeting
January	04	Extension Of Grid Station Load From 19.99 MW To 59.99 MW
January	05	Mehfil-e-Milad
January	30	PACRA Assigns Initial Entity Ratings
February	16	Signing Of Sponsorship Contract With Multan Sultans For PSL
February	26	Issuance Of 2nd Quarter Accounts
February	26	Approval Of Phase II Of Expansion Plan By The Board Of Directors
March	19	Sports Gala
April	24	Issuance Of 3rd Quarter Accounts
June	11	Further Extension Of Grid Station Load From 59.99 MW To 79.99 MW.

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 herein. 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	Director
Mughal Steel Metallurgies Corporation Limited	CEO / Director
Kalabagh Steel Mills Corporation Limited	Director
Mughal Steel Re-Rolling Industries (Private) Limited	Director
Mughal International IMPEX (Private) Limited	Director
Mughal Holding (Private) Limited	CEO / Director
Mughal Steel Logistics (Private) Limited	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	Director

MR. ABDUL REHMAN QURESHI

Independent / Non - Executive Director

Mr. Qureshi is a law graduate from the Punjab University, Lahore. He is a veteran in the field of corporate law and related matters. He has over the years, served in various capacities erstwhile in Corporate Law Authority (CLA) and the Securities and Exchange Commission of Pakistan (SECP). He has been member of various committees and commissions constituted to review and revamp company law, securities law, insurance law and banking laws. He has attended several international courses, seminars, training programs and workshops on various subjects related to corporate laws and corporate governance particularly in countries like Australia, Japan, India, USA and U.K.

Other Engagements:

Mahmood Textile Mills Limited	Director
Kohat Textile Mills Limited	Director
Bannu Woollen Mills Limited	Director
Allawasaya Textile & Finishing Mills Limited	Director

BOARD PROFILE (CONTD.)

MR. KHURRAM JAVAID

Chief Executive Officer / Director

Mr. Khurram Javaid holds an MBA from the Coventry University, UK. 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. Javaid 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 (Private) Limited	Director
Mughal International IMPEX (Private) Limited	CEO
Indus Engineering (Private) Limited	CEO / Director
Mughal Holding (Private) Limited	Director
Mughal Modaraba Management Limited	Director
Al-Bashir (Private) Limited	Director
Mughal Steel Logistics (Private) Limited	CEO

MUHAMMAD MUBEEN TARIQ MUGHAL

Executive Director

Mr. Mubeen has academic background in economics & finance and has done his Executive MBA (Leadership & Strategy) from London Business School (LBS). He is responsible for entire Financial Management of the Company including treasury, investments, accounting, internal control systems, budgetary controls and corporate governance. His astute financial acumen combined with in-depth knowledge of steel manufacturing operations and production techniques has over the years resulted in improved operational efficiencies, optimum utilization of funds, better working capital management and strengthening of internal and financial controls. 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.

Other Engagements:

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

MR. JAMSHED IQBAL

Executive Director

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

Other Engagements:

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

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

Director
Director
CEO

MR. FAHAD JAVAID

Non - Executive Director

Mr. Fahad Javaid holds a Bachelor's Degree in International Business from Australian National University, Australia.

Other Engagements:

Mughal Energy Limited
Indus Engineering (Private) Limited
Indus Steel Mills Corporation (Private) Limited

Director
Director
CEO

MUHAMMAD MATEEN JAMSHED

Non - Executive Director

Mr. Mateen holds a Bachelor's Degree in Business Administration from the Lahore School of Economics, Pakistan.

Other Engagements:

Indus Engineering (Private) Limited

Director



02

DIRECTORS' REPORT

- Chairman's Letter To The Shareholders
- Chief Executive Officer's Remarks
- Directors' Report To The Shareholders
- حصہ داران کے لئے ڈائریکٹرز کی رپورٹ:
- چیف ایگزیکٹو آفیسر کا تبصرہ:
- حصہ داران کے لئے چیئرمین کا خط:

CHAIRMAN'S LETTER TO **THE SHAREHOLDERS**



“

Throughout this period of intense political and economic environment prevailing within the country, our Company has been steadfast in earning valuable returns for our shareholders.

Review Of Business Performance

Once again, I begin this letter with a sense of pride about Mughal Steel. As I look back on last year, in fact, the last decade, it is remarkable how well the Company has performed despite of various challenges. In FY 2018 as well, despite of prevailing unstable economic and political climate, the Company managed to clock its highest ever topline and bottom line figures, improve its profitability and maintain its growth momentum. The Company posted overall sales revenue of Rs. 22,225.842 million in FY 2018 as compared to Rs. 18,802.811 million in the last year resulting in increase in earnings per share from Rs. 4.21 in FY 2017 to Rs. 5.13 in FY 2018.

During the year, the Company managed to overcome its energy constraints by obtaining enhancement in its gas and electricity sanctioned loads and installation and commissioning of six (6) new engines for the power plant. The Board also approved Phase II of its earlier expansion plan, which will further strengthen the strategic positioning of the Company. Looking ahead, I have great confidence in the future of the Company. Our balance sheet remains strong, and we expect to gain the benefit from actions taken in 2018. Within the businesses, we expect Mughal Supreme to continue to perform well, and for announced expansions to come online and further contribute towards improvements in financial and operational performance.

At the heart of our growth strategy, is the desire of both the Board 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. 2.20/- per share i.e. 22% for the year ended June 30, 2018 to you, our owners.

Review Of Board Performance

As the Chairman of the Board, I hereby present the review on the overall performance of the Board and Board's role in achieving the Company's objectives as required u/s 192 of Companies Act, 2017.

The objective of the Board is to ensure that the organization is being managed effectively, in a way that helps it to achieve its objectives whilst also safeguarding the integrity of the organization and the interests of its stakeholders. 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. The Board committees as well continued to work efficiently as designated by the Board. Individual Board members appear to be hard-working and demonstrate a strong commitment towards overall performance of the Company. Behaviour 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 discussions and issues. Majority of the

Directors have certifications under the Directors' Training Program conducted by ICAP.

Attendance of Board members at Board meetings and committee meetings was 100%, with zero absences against a target of 95%. There was no code of conduct violation. Performance objectives were reviewed against actual results and were found satisfactory. During the year, there was one change on the Board. Muhammad Waleed Bin Tariq Mughal resigned from his position as Board member due to personal reasons. In his place Mr. Abdul Rehman Qureshi was appointed as Director for the remaining term.

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 principle risks and mitigating factors against them. The Board's role in dealing with energy crisis and maintaining 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.

On an overall basis, I believe that the strategic direction of the organization for the long-term is clear and appropriate. Further, the processes adopted in developing and reviewing the overall corporate strategy and achievement of organization's objectives are commendable which are truly reflected by the current financial results and performance of the organization.

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.

Lastly, 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.



MIRZA JAVED IQBAL

Chairman

Lahore: September 19, 2018

CHIEF EXECUTIVE OFFICER'S REMARKS



FY 2018 was a year of significant progress across each of our strategic imperatives. We have overcome our constraints, mitigated our risks, wisely invested to drive growth and prioritized our time and resources to create a strong, durable and sustainable future for your Company.

I am pleased with the great progress we made in 2018 to strengthen the overall foundation of our Company and drive a long term, sustainable increase in shareholder value. Our performance was very solid in terms of operational execution, employee safety, product quality, and environmental compliance.

The Company's efforts to penetrate into housing market for steel rebars, limit its exposure to Government related projects, remove constraints, optimize its operations and grow its business have paid off, allowing it to achieve sustainable and improved performance in FY 2018. Our intensified marketing efforts have also led to an expansion of Mughal Steel's portfolio of markets, customers and products.

We managed to overcome energy constraints in the form of enhancement of our sanctioned grid station load from 19.99 MW to 79.99 MW, enhancement of gas load from 2.80 MMCFD to 6.30 MMCFD and commissioning of six (6) further gas engines for generation of in-house electricity. These achievements will not only overcome energy constraints but also help to eliminate raw material constraints. Subsequent to the availability of electricity load, the Phase II of earlier expansion plan was also approved by the Board which amongst other things included procurement and installation of further induction furnaces. The addition of furnaces will help to reduce reliance on expensive outsourced billet and ensure competitiveness and sustainability of operations.

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 sales revenue from Rs. 18,802.811 million in FY 2017 to Rs. 22,225.842 million in FY 2018. Consequently the profit for the year increased from Rs. 990.760 million in FY 2017 to Rs. 1,290.215 million in FY 2018 resulting in earnings per share of Rs. 5.13, compared to earnings per share of Rs. 4.21 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. 2,309.199 million towards national exchequer in shape of taxes, duties, cess, levies etc.

Lastly, I'd like to thank our employees and our members for their support. In 2019, we will further work to enhance our profitability and align all of our resources with the needs of our business. I am confident that the entire Mughal Steel team will collectively work to make us a stronger Company.



KHURRAM JAVAID

Chief Executive Officer

Lahore: September 19, 2018

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of the Company are pleased to present their report together with the Annual report and Audited Financial Statements of the Company for the year ended June 30, 2018.

The financial highlights of the Company for the year ended June 30, 2018 are as follows:

	Year ended June 30,		Variance %
	2018	2017	
Sales	22,225.842	18,802.811	18.20%
Gross profit	2,794.412	1,965.447	42.18%
Operating costs	(1,190.684)	(743.149)	60.22%
Profit before taxation	1,603.728	1,222.298	31.21%
Taxation	(313.513)	(231.538)	35.40%
Profit for the Year	1,290.215	990.760	30.22%
Earnings per share- Basic and Diluted (Rs.)	5.13	4.21	21.78%

BUSINESS, FINANCIAL & OPERATIONAL REVIEW

Economy

Despite the prevailing political uncertainty during the year, economic growth continued to gain traction, albeit at varying speeds across the sectors, founded on the government's commitment to higher growth and low inflation. GDP continued to grow above 5 percent in each of the last 2 years reaching 5.79 percent highest in 13 years in the outgoing fiscal year 2018 and 4 percent in each of the three preceding years. World Bank in its report has stated that Pakistan's economic growth increased from 5.4 percent in fiscal year 2017 to 5.8 percent in fiscal year 2018 supported by major infrastructure projects and low interest rates. As a major development, Pakistan has ranked No. 1 in South Asia in private infrastructure investment, thus becoming one of the world's top five private participation in infrastructure (PPI) investment destinations.

Inflation

The current year started with inflation at 2.9 percent in July 2017 and it reached to 3.2 percent in March 2018 as compared to 4.9 percent in March 2017. On average during Jul-March 2018, it was recorded at 3.8 percent as compared to 4.0 percent during July-March 2017.

Fiscal Development

The performance review of Pakistan's fiscal sector reveals that there is a considerable improvement in fiscal accounts in recent years. The consolidated fiscal deficit that averaged 7.2 percent of GDP between fiscal year 2009 and fiscal year 2013 registered a decline to an average of 5.8 percent between fiscal year 2013 and fiscal year 2017.

Money & Credit

The SBP has changed the monetary policy stance in January 2018 by 25 bps to 6 percent to anchor expected rise in inflation in view of reversal of international oil and commodities prices and to address domestic demand pressure as well exchange rate movement. The country's total liquid forex reserves stood at \$ 16.386 billion as on June 30, 2018 compared to \$ 21.368 billion on June 30, 2017, depicting a decrease of \$ 4.98 billion.

Public Sector Development Budget

Public sector development is one of the prime focus of the current Government which has resulted in significant increase in the public sector development budget over the years. The trend continued in 2018 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 for FY 2018-19 is Rs. 1,030 billion.

Steel Industry

Pakistan's steel consumption has grown at a staggering 5 year CAGR of 25.9% per annum between fiscal years 2012 and 2016. Pakistan's steel use in fiscal year 2016 was 7.6 million MT translating into ~39.5 kg per capita. Going forward, the demand is expected to increase on the back of the enhanced private and public sector spending on housing and infrastructure sectors.

Housing Sector

The World Bank in its Pakistan Housing Finance Project report (Report #114473) has highlighted the shortfall in housing units to be around 10 million units. The estimated new housing units built every year stand at 100,000 - 350,000 formal units while demand stands around 400,000

- 700,000 units. In the backdrop of increased population and emergence of nuclear families in rural areas the demand for housing is on the rise which is a trigger to the demand for Company's products, which are the predominantly used material in housing sector across Pakistan.

Large Infrastructure Development

The large infrastructure development activity is expected to experience boost subject to initiation of various, public / private sector development and commercial projects in Pakistan.

Financial Review

The Company registered net sales of Rs. 22,225.842 million against Rs. 18,802.811 million in the corresponding period, with an increase of 18.20%. The increase in sales revenue was due to increase in sales volume as well as sale prices. Increase in sales volume was mainly driven by increase in sales of Mughal Supreme.

Gross margin increased to Rs. 2,794.412 million in the current period, compared to Rs. 1,965.447 million in the corresponding period resulting in increase of 42.18%. As a percentage gross margin increased from 10.45% to 12.57%. Gross margin for the year was affected adversely by increase in foreign exchange rates and raw material prices and positively affected by increase in sale rates and increase in production of cost effective self-manufactured billet. The impact of increase in raw material prices was to large extent curtailed by bulk procurement of scrap inventory at lower rates.

Sales & marketing expenses increased from Rs. 164.048 million to Rs. 246.333 million resulting in increase of 50.16% and mainly comprised of freight outward and marketing expenses. The increase was mainly attributed to marketing expenses incurred in respect of various marketing activities and promotional campaigns.

Administrative expenses increased from Rs. 265.075 million to Rs. 312.901 million resulting in increase of 18.04%. The increase was mainly due to increase in number of employees and increase in salaries.

Other charges increased from Rs. 91.451 million to Rs. 115.353 million resulting in increase of 26.14% and mainly included provisions for workers' profit participation fund and workers' welfare fund which increased in line with increase in profits.

Other income increased from Rs. 33.977 million to Rs. 36.364 million resulting in increase of 7.03%. There was no major variation in other income which mainly represented profit earned on saving accounts and term deposit receipts.

Finance costs increased from Rs. 256.551 million to Rs. 552.460 million, resulting in increase of 115.39%. The reason for increase was mainly due to increase in average outstanding short-term loans in FY 2018 as compared to FY 2017 as a result of increase in working capital requirements.

Taxation increased significantly from Rs. 231.538 million to Rs. 313.513 million resulting in increase of 35.40%. Increase is mainly due to increase in profit for the year and exhaustion of minimum taxes and brought forward losses.

Resultantly, profit for the year rose to Rs. 1,290.215 million during the year, compared to Rs. 990.760 million in the last year resulting in increase of 30.22%. As a percentage profit for the year increased from 5.27% to 5.81%.

Earnings per share for the current year stood at Rs. 5.13 per share as compared to Rs. 4.21 per share in the last year.

Property, plant & equipment comprised of tangible fixed assets, capital work-in-progress and major spare parts and standby equipment. Additions in tangible fixed assets mainly represented addition of power engines, grid enhancement related expenditure and other routine additions. Capital work-in-progress mainly represented capital expenditure incurred on expansion projects comprising of BMR of steel rebar re-rolling mill project and installation of new furnaces related project. Major spares were mainly charged to capital work-in-progress.

Stores, spares & loose tools increased from Rs. 462.744 million to Rs. 597.198 million. The increase was mainly associated with increase in furnaces related store items due to increased utilization of furnaces and increase in furnace oil prices.

Stock-in-trade decreased from Rs. 5,381.802 million to Rs. 5,319.720 million. Stock-in-trade mainly includes stock of raw material and finished goods. Raw material amounted to Rs. 5,080.582 million as compared to Rs. 5,292.091 million last year, whereas finished goods amounted to Rs. 239.138 million as compared to Rs. 89.711 million last year. Increase in stocks of finished goods was due to non-dispatching of good as on closing day and mainly included stock of girders and steel re-bars, which was dispatched in subsequent week. Overall stock-in-trade value was also affected by increase average inventory rates during the year.

DIRECTORS' REPORT TO THE SHAREHOLDERS (CONTD.)

Trade debts decreased from Rs. 1,347.039 million to Rs. 1,263.280 million and mainly represented receivable on account of sale of steel re-bars to various corporate clients.

Loans and advances increased from Rs. 289.765 million to Rs. 373.907 million and mainly represented advances given to employees and suppliers for local billet, stores and furnace oil.

Due from the Government have increased from Rs. 1,870.882 million to Rs. 2,298.102 million 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 sales tax paid at import stage on purchase of re-meltable scrap and will be adjusted against future sales tax liability on electricity bills. The matter of export regulatory duty and alleged sales tax recovered by Punjab Revenue Authority has been disclosed in detail in the financial statements.

Cash and bank balances decreased from Rs. 2,338.892 million to Rs. 1,251.171 million. The decrease was mainly associated with utilization of right issue funds for capital expenditure.

Equity contribution from Directors and their relatives decreased from Rs. 1,224.037 million to Rs. 924.037 million. The Board of Directors approved transfer of Rs. 300.000 million to current liabilities.

Long-term financing increased from Rs. Nil to Rs. 829.000 million. This mainly includes long term financing obtained from Bank Alfalah for financing balancing, modernization and replacement (BMR) of bar re-rolling mill.

Deferred liabilities increased from Rs. 643.052 million to Rs. 770.956 million. The increase was mainly due to increase in deferred tax liability upon capitalization of power engines and increase in obligation in respect of defined benefit plan.

Trade & other payables decreased from Rs. 615.104 million to Rs. 463.465 million. Decrease is mainly due to repayment of one time foreign supplier of billet.

Accrued profit/interest/mark-up increased from Rs. 66.547 million to Rs. 101.323 million. The increase in outstanding borrowings was incurred during the last month of FY 2017 due to which markup accrual was less last year. However, average outstanding borrowings remained at the same level throughout the year, therefore markup accrual increased as compared to FY 2017.

Short-term loans from banking companies decreased from Rs. 7,977.002 million to Rs. 7,540.376 million. The decrease was due to repayments.

Company's net worth as at June 30, 2018 stood at Rs. 7,466.333 million as compared to Rs. 6,637.098 million as at June 30, 2017 with a breakup value of Rs. 29.67 per share as at June 30, 2018 as compared to Rs. 26.38 as at June 30, 2017.

There was no major change in contingencies during the year. Financial commitments of the Company stood at an aggregate of Rs. 2,574.078 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. 1,451.030 million compared to last year, primarily due to further capital expenditure made during the year.

Operational Performance Review

The furnaces generated an overall production of 211,934 MT, recording an increase of 82.38% from previous year. The overall production of rolling mills was recorded at 251,950 MT showing an increase of 4.21% over the previous year. During the year, Company obtained approval from SNGPL for enhancement in gas load capacity from 2.80 MMCFD to 6.30 MMCFD and from LESCO for enhancement of grid station load capacity from 19.99 MW to 79.99 MW.

Non-financial performance review

Safety, quality, innovation and productivity are key factors in our business and hallmarks of our success. In 2018, 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 improved margins in 2018.

DIVIDENDS AND APPROPRIATIONS

The Board of Directors has always been committed to maximize returns for members 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. 2.20/- per share i.e. 22% for the year ended June 30, 2018 to you, our owners.

The proposed final cash dividend is subject to the approval of the members at the forthcoming Annual General Meeting to be held on October 27, 2018. 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.

	(Rs. In millions)
Profit available for appropriations	2,606.885
Appropriations	
Final cash dividend for the year ended June 30, 2018 @ Rs.2.20 per share i.e. 22%	(553.519)
Un-appropriated profit carry forward	2,053.366

SUBSEQUENT EVENTS / MATERIAL CHANGES

Except as disclosed above, there were no other material changes or commitments which have occurred between the end of financial year of the Company to which the financial statements relate and the date of the report.

PRINCIPLE ACTIVITIES OF THE COMPANY

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

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Directors are aware of their responsibility with respect to internal financial controls. Through discussions with management and Auditors (both internal and external), they confirm that adequate controls have been implemented by the Company.

COMPOSITION OF THE BOARD

The composition of the Board is in compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017. The composition is as follows:

Total number of Directors:

- (a) Male 9
(b) Female Exempt for current term

Composition:

- Independent Directors *2
Other Non-Executive Directors 4
Executive Directors 3

* As per the Listed Companies (Code of Corporate Governance) Regulations, 2017, at least two (02) or one third (1/3) of the Board members, whichever is higher, are required to be Independent Directors, however, the requirement is exempt for the current term.

NAMES OF PERSONS WHO AT ANY TIME DURING THE FINANCIAL YEAR WERE DIRECTORS OF 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	Attendance in board meetings
1.	Mirza Javed Iqbal	Chairman / Non-Executive Director	4
2.	Khurram Javaid	CEO / Executive Director	4
3.	Syed Salman Ali Shah	Independent Director	4
4.	Abdul Rehman Qureshi	Independent Director	1
5.	Muhammad Mubeen Tariq Mughal	Executive Director	4
6.	Jamshed Iqbal	Executive Director	4
7.	Fazeel Bin Tariq	Non-Executive Director	4
8.	Muhammad Mateen Jamshed	Non-Executive Director	4
9.	Fahad Javaid	Non-Executive Director	4
10.	Muhammad Waleed Bin Tariq Mughal	Non-Executive Director	3

During the year four (04) meetings of the Board of Directors were conducted. Since, Muhammad Waleed Bin Tariq Mughal had resigned from the position of Director, resulting in appointment of Mr. Abdul Rehman Qureshi as Director, therefore, these two (02) board members could only attend three (03) and one (01) meetings respectively. No meetings were held outside Pakistan during the year.

CHANGES TO THE BOARD

During the year, Muhammad Waleed Bin Tariq Mughal resigned from the position of the Director with effect from February 26, 2018. In order to fill casual vacancy, Board of Directors appointed Mr. Abdul Rehman Qureshi as Independent Non-Executive Director in his place with effect from February 26, 2018 for the remaining term.

DIRECTORS' REPORT TO THE SHAREHOLDERS (CONTD.)

NAMES OF MEMBERS OF THE BOARD COMMITTEES

Audit Committee

S. No.	Names of members	Designation	Attendance
1.	Syed Salman Ali Shah	Chairman / Independent Director	4
2.	Mr. Fazeel Bin Tariq	Member / Non-Executive Director	4
3.	Muhammad Mateen Jamshed	Member / Non-Executive Director	4
4.	Mr. Fahad Javaid	Member / Non-Executive Director	4

During the year four (04) meetings of the committee were conducted.

HR&R committee

S. No.	Names of members	Designation	Attendance
1.	Mr. Abdul Rehman Qureshi	Chairman / Independent Director	1
2.	Mirza Javed Iqbal	Member / Non-Executive Director	2
3.	Mr. Fazeel Bin Tariq	Member / Non-Executive Director	2
4.	Muhammad Mateen Jamshed	Member / Non-Executive Director	2
5.	Fahad Javaid	Member / Non-Executive Director	1

During the year two (02) meetings of the committee were conducted. Further, during the year, HR & R Committee was re-constituted resulting in replacement of Mr. Fahad Javaid with Mr. Abdul Rehman Qureshi as member of the committee. Further, Mr. Abdul Rehman Qureshi was also appointed as Chairman of the Committee. Accordingly, Mr. Fahad Javaid and Mr. Abdul Rehman Qureshi only attended one (01) meeting each.

DIRECTORS' REMUNERATION

The remuneration of Board Members is approved by the Board itself. However, in accordance with the Listed Companies (Code of Corporate Governance) Regulations, 2017, it is ensured that no Director takes part in deciding his own remuneration. Non-Executive Directors are paid remuneration 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. Independent Directors are only paid meeting fee for attending board and committee meetings. Non-Executive Directors are not paid any meeting fee. For information on remuneration of Directors and CEO, please refer relevant notes to the financial statements.

PATTERN OF SHAREHOLDING

The total number of members as at June 30, 2018 was 6,417. The sponsor's, Directors and executives of the Company held the following number of shares:

Sponsors / Directors	189,188,365
Executives	Nil

Detailed pattern of shareholding of the Company is annexed.

SEGMENTAL REVIEW OF BUSINESS PERFORMANCE

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer has been identified as the 'chief operating decision-maker', who is responsible for allocating resources and assessing performance of the operating segments. Information reported to chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on type of products being delivered. The operations principally comprise of two classes of products namely "steel re-bars" and "girders". For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment.

CHANGES IN NATURE OF BUSINESS

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

AUDITORS

The present auditors of the Company M/s. Fazal Mahmood & Co., Chartered Accountants have completed their audit for the year ended June 30, 2018 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 ending June 30, 2019. The Board has recommended the appointment of M/s. Fazal Mahmood & Co., Chartered Accountants as auditors for the ensuing year, as recommended by the Audit Committee, subject to approval of the members in the forthcoming Annual General Meeting.

FINANCIAL & CORPORATE REPORTING FRAMEWORK

The Directors are pleased to state that the Company is compliant with the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2017 as required by Securities & Exchange Commission of Pakistan (SECP).

Following are the statements on Corporate and Financial Reporting Framework:

- 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) The Company has maintained proper books of accounts.
 - c) Appropriate accounting policies have been consistently applied (except as disclosed in annexed financial statements) 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 these financial statements.
 - e) The system of internal control is sound in design and has been effectively implemented and monitored.
 - f) There are no 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, 2018 was 772 (2017: 706).
- We have included the following information separately, either in this report or in the financial statements as appropriate;
- j) Detail of material changes or commitments which have occurred between the end of financial year of the Company to which the financial statements relate and the date of this report.
 - k) Significant deviations from last year in operating results of the Company and reasons for such deviations.
 - l) Key operational and financial data for the last seven years.
 - m) Information regarding statutory payments (if any) on account of taxes, duties, levies and charges outstanding as at June 30, 2018.
 - n) Details of significant plans, decisions along with future prospects, risks and uncertainties surrounding the Company.
 - o) Number of Board and Committee meetings held during the year and attendance by each Director.
 - p) The details of training program attended by Directors.
 - q) Trading in shares of Company by Directors, executives and their spouses and minor children.

DIRECTORS' REPORT TO THE SHAREHOLDERS (CONTD.)

FORWARD LOOKING STATEMENT / FUTURE PROSPECTS

This statement presents main trends and factors likely to effect the future development, performance and 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 fluctuations in foreign exchange rates and raw material prices resulted in increase in costs, which were mostly passed on or curtailed, whereas other operating costs remained mostly at projected levels.

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. Going forward, the Company remains committed and focused on further increasing its market share for Mughal Supreme and further increasing its reliance on self-manufactured billet in order to meet the challenges that lie ahead. 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.

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 principle risks faced by the Company in 2018 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.

Description Of Principle Risks

The Company is exposed to the risks identified in the following sections against which the Company has implemented effective mitigating strategies as discussed below.

Strategic risks

Strategic risks are associated with operating in a particular industry.

Commercial risks

These risks emanate from the commercial substance of an organization.

Operational risks

These are risks associated with operational and administrative procedures.

Financial risks

Financial risks are divided in the following categories:

- **Credit risk**
Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **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.
- **Liquidity risk**
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Plans And Strategies For Mitigating Principle Risks

Principle Risks	Mitigating Strategies
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 significant demand in Pakistan for steel products. A further increase in demand is expected due to increase in activity in the housing sector on back of growing population leading to increased consumption of finished steel goods and initiation of mega projects.
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.
The Company may not be able to operate at an optimal capacity due to the unavailability of electricity.	The Company has installed a gas-fired captive power plant. The Company has a dedicated 132 KVA grid station, whose load capacity has been enhanced from 19.99 MW to 79.99 MW.
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	IT controls are in place to prevent unauthorized access to confidential information.
Risk of major accidents impacting employees, records and property	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.	Majority of adverse impacts are passed on by increasing sale rates.

DIRECTORS' REPORT TO THE SHAREHOLDERS (CONTD.)

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. Going forward, we believe that the main opportunity is in the housing sector, which the Company is already gearing itself up to take advantage of.

Key Sources Of Uncertainty

The preparation of financial statements in conformity with approved accounting standards, requires management to use certain accounting estimates and exercise judgments in the process of applying the Company's accounting policies. Estimates and judgments are regularly evaluated and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods. Detail of significant accounting estimates and judgments have been disclosed in relevant notes to the annexed financial statements.

Uncertainties Facing The Company

The Company is mainly exposed to following uncertainties:

- Fluctuations in foreign exchange rates
- Raw material price volatility
- Law & regulations
- 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.

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 2018, 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 curtail the increasing blindness in Pakistan. To date it has benefited over 100,000 outdoor patients and has conducted over 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 can be 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.

The Company is also ISO 14001:2015 compliant.

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.

DIRECTORS' REPORT TO THE SHAREHOLDERS (CONTD.)

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.

The Company is OHSAS 18001:2007 compliant.

Business Ethics & Anti-corruption 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. 2,309.199 million towards national exchequer in shape of taxes, duties, cess, levies etc.

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 have been carried out by the Company:

1. Installation of dust collection system for environment protection.
2. Introduction of clean coal technology to reduce the emissions of sulfur dioxide and nitrogen dioxide.
3. Plantation is carried out to ensure a healthy and green environment.
4. 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-14001:2015.

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.

MESSAGES OF THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND DIRECTORS' STATEMENT OF COMPLIANCE

The Directors endorse the contents of the Chairman's Letter to the shareholders, Chief Executive Officer's Remarks and Director's Statement of Compliance.

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,



MIRZA JAVED IQBAL
Chairman



KHURRAM JAVAID
Chief Executive Officer

Lahore: September 19, 2018

-	توانائی کی بچت کے لیے کمپنی کے اقدامات اور بڑھتے ہوئے بجلی کے بحران سے نمٹنے کے لیے کمپنی کی منصوبہ بندی: مغل اسٹیل میں ہماری اولین ترجیح دستیاب توانائی کے وسائل کا موثر استعمال ہے۔ موثر کھیلنے والی نئی بھٹیوں اور ری۔ رولنگ ملز کے آپریشنز سے توانائی کی کھپت میں مجموعی بہتری کے علاوہ آپریشنز میں موثر کارکردگی کی طرف مدد ملی ہے۔
-	چیمبر مین اور چیف ایگزیکٹو کے پیغامات اور ڈائریکٹرز کی جانب سے تعمیل کا بیان: ڈائریکٹرز، چیمبر مین کے خط اور تجزیے، چیف ایگزیکٹو آفیسر کے پیغامات اور ڈائریکٹرز کی جانب سے تعمیل کے بیان کی تصدیق کرتے ہیں۔
-	اظہار تشکر: بورڈ اپنے تمام ملازمین، ایگزیکٹوز، ورکرز اور سٹیک ہولڈرز کی کوششوں پر ان کا شکریہ ادا کرتا ہے، کہ جن کی بدولت بیجنٹ سارا سال کمپنی کو روانگی اور آسانی سے چلا سکی، اور امید کرتا ہے، کہ مستقبل میں اسی تعاون کو برقرار رکھا جائے گا۔

بورڈ کی جانب سے



خرم جاوید

چیف ایگزیکٹو آفیسر

لاہور: 19 ستمبر 2018



مرزا جاوید اقبال

چیمبر مین

-	مخصوص افراد کے لیے ملازمت: کمپنی حکومت پاکستان کی طرف سے مقرر کردہ قوانین کے مطابق معذور افراد کے لیے ملازمتی مواقع کو یقینی بناتی ہے۔ تمام ملازمین کی ضرورت کا 2 فیصد حصہ معذور افراد کے لیے مخصوص کیا گیا ہے۔
-	صحت عامہ اور حفاظت (OHS): ہم اپنے ملازمین کو کام کرنے کے لئے ایک محفوظ اور صحت مند ماحول فراہم کرنے کے لیے پرعظم ہیں۔ صحت کے انتظام میں ہمارے ملازمین کے جسمانی، ذہنی اور سماجی خوشحالی کو مضبوط بنانے کے لیے اقدامات شامل ہیں۔ ملازمین کو طبی سہولیات فراہم کرنے کے لیے سائٹ پر ایک مفت میڈیکل سینٹر قائم کیا گیا ہے۔ ملازمین کی پیشہ وارانہ صحت کے پیش نظر، باقاعدگی سے فرسٹ ایڈ اور سی پی آر ٹریننگ کے پروگرام منعقد کیے جاتے ہیں۔ اس کے علاوہ کمپنی OHSAS 18001:2007 کے عین مطابق ہے۔
-	کاروباری اخلاقیات اور انسداد بدعنوانی کے لیے اقدامات: کمپنی اپنے کاروباری معاملات کے دوران تمام انتظامی اداروں کے ساتھ اخلاقی تعمیل کو یقینی بناتی ہے۔
-	کمپنی نے "ضابطہ اخلاق"، "مجزی" اور "جنسی ہراساں کرنے کی پالیسی" سمیت مختلف پالیسیاں تشکیل دی ہوئی ہیں۔ کمپنی ان پالیسیوں پر انتظامی معیار اور طریقہ کار سے موثر عملدرآمد کو یقینی بناتی ہے۔ جس کا مقصد ایک نظم و ضبط والے ماحول کو فروغ دینا ہے۔ جس میں تمام ملازمین اپنے کردار اور ذمہ داریوں کو سمجھ سکیں۔
-	ملازمین کو کسی بھی قسم کی "رشوت" کے معاملات کی اطلاع دینے کے لیے حوصلہ افزائی کی جاتی ہے۔ کسی بھی ملازم کو متوازی کاروبار چلانے کی اجازت نہیں ہے۔
-	قومی مفاد کے لیے عطیہ: کمپنی سرکاری اسکیموں میں عطیہ دے کر قومی کاز کی حوصلہ افزائی کرتی ہے۔
-	قومی خزانے میں حصہ: سال کے دوران، کمپنی نے ٹیکس، ڈیوٹیس، سٹیکس اور یو بی کی مد میں تقریباً 2,309,199 ملین روپے قومی خزانے میں جمع کروائے ہیں۔
-	دیہی ترقیاتی پروگرام: کمپنی دیہی علاقوں میں بنیادی ڈھانچے کی ترقی کے ساتھ ساتھ دیہی آبادی کی صحت میں بہتری کے لیے مختلف پروگرام شروع کرنے پر توجہ کر رہی ہے۔
-	صنعتی خارج شدہ مادوں کو کنٹرول کرنے کے لیے مثالی اقدامات: اردگرد کے ماحول پر صنعتی اثرات کو کم کرنے کے لیے، کمپنی ملازمین اور مقامی افراد کو صحت مند ماحول فراہم کرنے کے لیے تمام کوششوں کو مزید آگے بڑھا رہی ہے، اسی سلسلے میں کمپنی کی طرف سے اہم ماحول دوستی کی کوششیں مندرجہ ذیل ہیں۔
-	ماحولیاتی تحفظ کے لیے دھواں جمع کرنے کے نظام کی تنصیب
-	سلفر ڈائی آکسائیڈ اور نائٹروجن کے اخراج کو کم کرنے کے لیے صاف کولے کی ٹیکنالوجی کا تعارف
-	ایک صحت مند اور سرسبز ماحول کو یقینی بنانے کے لیے پودے لگائے جاتے ہیں۔
-	ملازمین کی صحت کے پیش نظر باقاعدگی سے سی پی آر صحت کے پروگرام اور فرسٹ ایڈ سہولیات کو یقینی بنایا جاتا ہے۔ اس کے علاوہ کمپنی ISO 14001:2015 کے عین مطابق ہے۔

اطلاق ہیں، بیرونی کی گئی ہے۔ اندازوں اور فیصلوں کا باقاعدہ جائزہ لیا جاتا ہے جو تاریخی تجربے اور مختلف حالات پر موجودہ صورت حالات میں مناسب ہوتے ہیں۔ حقیقی نتائج اندازوں سے مختلف ہو سکتے ہیں۔ اندازوں میں تبدیلی کے اثرات کو اس عرصے میں ریکارڈ کیا جاتا ہے جس عرصے میں وہ اثر انداز ہو رہے ہوں، یا موجودہ وقت میں یا مستقبل میں۔ اہم کاؤٹنگ اندازوں اور فیصلوں کی تفصیلات مالیاتی دستاویزات کے متعلقہ ٹوش میں بیان کر دیئے گئے ہیں۔

کمپنی کے لئے غیر یقینی صورت حال:

کمپنی کو بنیادی طور پر مندرجہ ذیل غیر یقینی صورت حال کا سامنا ہے۔

- غیر ملکی زرمبادلہ کی شرح میں اتار چڑھاؤ
- خام مال کی قیمتوں میں عدم استحکام
- قوانین اور قواعد
- سیاسی عدم استحکام

میٹیریلٹی کا نقطہ نظر

اسٹیک ہولڈرز کے ساتھ مواصلات کے لئے میٹیریلٹی ایک اہم عنصر ہے۔ عام طور پر، ان معاملات کو میٹرل سمجھا جاتا ہے، اگر وہ انفرادی یا اجتماعی طور پر کمپنی کی کارکردگی اور منافع بخشی پر اثر انداز ہوں۔

کارپوریٹ سماجی ذمہ داریاں:

مستقل پائیداری کا چیلنج:

اس رپورٹ میں ہم نے ایک فریم ورک پیش کیا، جس کے تحت ہم نے اپنی توجہ مختلف پائیدار ترقیاتی نتائج پر مرکوز رکھی ہے، اور جو ہم نے حاصل کرنے ہیں۔ 2018 کے دوران ہم نے یہ جانچنے میں سخت محنت کی، کہ ہمارے لیے کیا اہم ہے، اور مختلف چیزوں کو طویل مدتی سماجی اور ماحولیاتی رجحانات کے لحاظ سے جانچے۔

جیسا کہ آپ دیکھیں گے، کہ ہم اپنے کامیابی کو حاصل کرنے کے سفر کو حاصل کرنے آغاز میں ہیں لیکن ہم کاروباری بہتری اور پائیداری کے حصول کے لیے نہایت پر عزم ہیں

کارپوریٹ سماجی ذمہ داری:

ہمارا مقصد ایک ایسی کمپنی بنانا ہے، جس کو معاشرے میں قبول کیا جاسکے، ہمارے کاروباری عمل کے دوران، ہم معاشرے پر مختلف طریقوں سے اثر انداز ہوتے ہیں، اس کے ساتھ ساتھ ایک اچھا کارپوریٹ شہری ہونے اور معاشرے کو واپس ریٹرن دینے پر یقین رکھتے ہیں۔ معاشرے میں سرمایہ کاری اور فلاح، بہبود کے لئے، کمپنی معاشرے کی جانب اپنی ذمہ داری کو تسلیم کرتی ہے۔ معاشرے کو اس کا حصہ دینے کی ہماری سوچ ہمدردانہ رویہ پر منحصر نہیں بلکہ یہ معاشرے پر ہماری سماجی ذمہ داری ہے۔

ہم اپنے تمام کاروباری عمل کے دوران نہایت خوش اسلوبی سے ایسے ذرائع تلاش کرتے رہتے ہیں، جس سے ہم معاشرے کی طرف معاونت بڑھا سکیں۔ اس ذمہ داری کو پورا کرنے کی کوشش میں ہم نے کامیابی سے سماجی اور صحت کی فلاح و بہبود کے منصوبوں کی شروعات کی ہے۔

مغل اسٹیل اور اس کے اسپانسرز مختلف منصوبوں کا حصہ ہیں۔ جن میں بنیادی طور پر مغل آئی ہسپتال (ٹرسٹ) شامل ہے، جو کہ پاکستان میں بڑھتے ہوئے بینائی کے مسئلہ کو کم کرنے میں موقت ہے۔ آج تک ٹرسٹ نے 100,000 آؤٹ ڈور مریضوں کا علاج، 10,000 نہایت اہم آپریشنز، 15,000 معمولی آپریشنز اور تقریباً 5,000 لیزر آپریشنز کیے ہیں جو کہ سالانہ کی بنیاد پر ہیں۔

توانائی کی بچت:

کمپنی توانائی کے محدود وسائل کے موثر استعمال کے لئے پرعزم ہے۔ اس سلسلے میں، گیس اور بجلی مغل اسٹیل میں تیار کی جارہی ہے۔ مزید، نئی توانائی بچت، بجلیوں اور رولنگ ملز کی آرائش سے مجموعی توانائی میں بچت کے ساتھ ساتھ مطلوبہ موثر کارکردگی کے نتائج حاصل کیے جا رہے ہیں۔

کمپنی کی توانائی کی بچت کی کوششوں کو وزارت صنعت، انجینئرنگ ڈویلپمنٹ بورڈ ایف پی سی اور دیگر صنعتی فرموں نے سراہا ہے۔ خصوصی طور پر موثر توانائی کی کارکردگی کے لئے کیے جانے والے اقدامات کو۔

کمپنی کے کاروبار کا ماحول پر اثرات، اور ماحولیاتی تحفظ پر حکمت عملی:

اسٹیل کی پیداوار بڑے پیمانے پر کونڈینسٹ اسٹیم کے پرمیٹ ہے، جس سے ماحول میں کاربن ڈائی آکسائیڈ کا اخراج ہوتا ہے، صاف کونڈینسٹ لوجی ایک جدید اور موثر ٹیکنالوجی ہے، جس سے سلفر ڈائی آکسائیڈ اور نائٹروجن ڈائی آکسائیڈ کے اخراج میں کمی ہوتی ہے اور نتیجتاً پلانٹ کی کارکردگی میں بہتری ہوتی ہے۔ کمپنی کا کونڈینسٹ کے استعمال کو فروغ دینے میں اہم کردار ہے، جو پاکستان کے صنعتی شعبے میں صاف کونڈینسٹ کی ٹیکنالوجی کے طور پر جانا جاتا ہے۔ اسی طرح بلٹ کی پیداوار سے ہوا میں وافر مقدار میں دھوئے کا اخراج ہوتا ہے، اس کو کم کرنے کے لئے کمپنی نے دھواں جمع کرنے کا جدید نظام تنصیب کیا ہوا ہے۔

کونڈینسٹ اور دھواں جمع کرنے والے نظام کی تنصیب، ماحولیاتی، پائیداری کو پورا کرنے میں کمپنی کے عظیم کی نشاندہی کرتا ہے۔ اور اس نے مغل اسٹیل کو ایک ماحولیاتی حساس کمپنی کے طور پر مزید مضبوط بنا دیا ہے، جو بین الاقوامی صحت اور ماحولیاتی معیاروں کے مطابق چلتی ہے اس کے علاوہ ری-رولنگ مل سے براہ راست رولنگ کی بدولت حرارتی بجلیوں کا استعمال ختم کر دیا گیا ہے، جس سے کونڈینسٹ کی گیس اور فرانس آئل کے استعمال میں کمی ہوئی ہے۔ اس کے علاوہ کمپنی ISO 14001:2015 کے عین مطابق ہے۔

صارف کے تحفظ کے لئے اقدامات:

کمپنی اسٹیل مصنوعات بنانے وقت موزوں طریقوں پر مکمل عمل درآمد کرتی ہے، اور اس بات کو یقینی بنایا جاتا ہے کہ ہمارے مصنوعات میں کوئی نقصان دہ مادہ شامل نہیں۔ کمپنی صارف کے حق کے خلاف کسی بھی قسم کی سرگرمی پر سختی سے نمٹنے کی پالیسی پر عمل پیرا ہے۔

صنعتی تعلقات:

کمپنی نے ایسے طریقہ کار، قواعد و ضوابط مقرر کیے ہیں، جو روزگار سے متعلق رہنمائی فراہم کرتے ہیں۔ کمپنی نے اپنے ملازمین کے لئے گریجویٹ اور ورکرز پروفٹ پارٹنرشپ فنڈز جنٹس کیے ہیں۔ مزید، کمپنی اپنے منافع کی بنیاد پر ملازمین کو الائنسز اور کارکردگی کی بنیاد پر ایوارڈز بھی دیتی ہے۔

ملازمین کے لیے قواعد و ضوابط کو یقینی بنانا بہت ضروری ہے۔ اور کمپنی مجموعی طور پر کولیکو بارگیننگ ایجنٹ (سی بی اے) سمیت ملازمین کے تمام حقوق کو تسلیم کرتی ہے۔ کمپنی تمام موجودہ اور ممکنہ ملازمین کو یکساں مواقع فراہم کرنے میں پرعزم ہے، جو کہ مذہبی، نسل اور عمر وغیرہ کے تعصب سے پاک ہو۔ کمپنی اپنے ملازمین سے لیے جانے والے کاموں کے اعتراف کے لئے انعامات اور اعزازی پروگرام بھی منعقد کرتی ہے۔

	آپریٹل خطرہ:
اہم پوزیشنوں پر ملازمین کی تبدیلی میں اضافہ	کمپنی کے پاس وسیع جانشینی، ملازمین کی تربیت، ترقی، درجہ بندی اور مختلف ڈپارٹمنٹس میں منتقلی کا منصوبہ ہے۔
بجلی کی عدم موجودگی کے سبب کمپنی زیادہ سے زیادہ صلاحیت پر کام کرنے میں کامیاب نہیں ہو سکتی۔	کمپنی نے گیس فائر ڈپارٹمنٹ کی تنصیب کی ہے، کمپنی کے پاس 132 کلو واٹ کا گڑ موجود ہے، جس کی لوڈ کپیسٹی 19.99 میگا واٹ سے بڑھا کر 79.99 میگا واٹ کر لی گئی ہے۔
قیمت میں منفی تبدیلی اور خام مال کی عدم دستیابی	پانچ دہائیوں سے زائد تجربے کے ساتھ کمپنی نے ہموار پیداوار کو متاثر کر سکتی ہے۔
آئی ٹی سیکورٹی کا خطرہ	کمپنی کی خفیہ معلومات تک غیر مجاز افراد کی رسائی روکنے کے لیے آئی ٹی کنٹرول بنا رکھے ہیں۔
ملازمین، ریکارڈ اور جائیداد کو متاثر کرنے والے بڑے حادثات کا خطرہ ہے۔	سخت اور معیاری آپریٹنگ طریقہ کار، ملازمین کی ٹریننگ اور آپریٹنگ نظم و ضبط کا عمل۔
مالیاتی خطرہ:	
گاؤک اور بینک کمپنی کو ادائیگی میں ڈیفالٹ کر دیں۔	ہماری زیادہ تر فروخت نقد یا پیشگی ادائیگی کے برعکس ہے۔ کریڈٹ فروخت کے لیے، گاؤکوں کو کریڈٹ حدود بتادی گئی ہیں۔ تسلی بخش کریڈٹ ریٹنگ کے حامل بینکوں کے پاس فنڈز رکھو کر ہم نے بینکوں کی طرف سے ڈیفالٹ کے خطرے کو کم کیا ہے۔
واہیات کی ادائیگی کے لیے نا کافی کیش کی صورت میں لیکویڈیٹی کا مسئلہ۔	کمپنی کا ایک فعال کیش مینجمنٹ سسٹم ہے۔ بینکوں سے کریڈٹ لائن بھی موجود ہے، جس سے لیکویڈیٹی کا مسئلہ حل کیا جاسکتا ہے، اگر پیدا ہو۔
غیر ملکی کرنسی کی شرح میں تبدیلی۔	زیادہ تر منصفی اثرات کو ہبلز قیمتوں میں اضافہ کر کے منتقل کر دیا جاتا ہے۔

مکملہ مواقع:

ہم نئے منصوبوں میں سرمایہ کاری کر کے اور موجودہ پیداوار کو بڑھا کر ترقی کرنے کے لئے پرعظم ہیں، ہم نے آنے والے سالوں میں اپنی ترقی کی بنیاد کو سٹرٹیجک سرمایہ کاری اور جدید کاروباری عمل کے ذریعے مزید مضبوط بنایا ہے۔ اور اس کے ساتھ ساتھ کمپنی کے ویژن کو حاصل کرنے کے لئے جدید خیالات کو فروغ دیا ہے۔ آگے بڑھتے ہوئے، ہم یہ مانتے ہیں کہ ہاؤسنگ سیکٹر میں اہم مواقع موجود ہیں، جس کا فائدہ اٹھانے کے لئے کمپنی پہلے ہی خود کو تیار کر چکی ہے۔

غیر یقینی صورت حال کے عناصر:

ان مالیاتی دستاویزات کی تیاری میں فنانشل رپورٹنگ کے بین الاقوامی معیاری، جہاں تک وہ پاکستان میں قابل

-	مالیاتی خطرات:
-	مالیاتی خطرات کو درج ذیل اقسام میں تقسیم کیا جاتا ہے۔
-	کریڈٹ خطرات:
-	کریڈٹ خطرات اس خطرے کو ظاہر کرتے ہیں، جس میں ایک پارٹی اپنی ذمہ داری کو پورا کرنے میں ناکامی کی وجہ سے دوسری پارٹی کے لئے مالی نقصان کا سبب بن جائے گی۔
-	مارکیٹ کا خطرہ:
-	مارکیٹ سے خطرے سے مراد مارکیٹ میں قیمتوں کی تبدیلی جیسے کہ، غیر ملکی کرنسی کی شرح، سود کی شرح اور ایکویٹی کی قیمتوں میں تبدیلی، کمپنی کے منافع یا مالی وسائل کے حصول کی قیمتوں پر اثر انداز ہوں گے۔
-	لیکویڈیٹی (سیالیت) کا خطرہ:
-	لیکویڈیٹی کے خطرے سے مراد وہ خطرہ ہے جس کی وجہ سے کمپنی اپنی مالی ذمہ داریوں کو پورا کرنے میں کامیاب نہ ہو سکے۔

اہم خطرات سے نمٹنے کے لیے حکمت عملی اور منصوبہ بندی:

اہم خطرات	کم کرنے کی حکمت عملی
اسٹریٹیجک خطرہ	
استعمال کی جانے والی ٹیکنالوجی مستقبل قریب میں ناکارہ ہو سکتی ہے، جس کی وجہ سے کمپنی مطلوبہ مہارت فراہم کرنے میں ناکام ہو سکتی ہے۔	مغل اسٹیل میں ہم اپنی تمام پیداواری صلاحیتوں کی باقاعدگی سے توازن، جدت اور تبدیلی میں یقین رکھتے ہیں، اور اس بات کو یقینی بناتے ہیں۔ کہ ہماری پروڈکشن کی سہولیات جدید ترین ہیں۔ ہم لاگت میں کمی، توانائی کی، ہنر کارکردگی اور زیادہ پیداوار حاصل کرنے کے لیے جدید ٹیکنالوجی کا استعمال کر رہے ہیں۔
تجارتی خطرہ	
کمپنی کی مصنوعات کی مانگ میں کمی سے منافع پر منفی اثرات مرتب ہوں گے۔	اس وقت پاکستان میں لوہے اور اسٹیل کی مصنوعات کی اضافی مانگ ہے۔ ملک کی اقتصادتی ترقی، حکومت کے عوامی ترقیاتی منصوبے اور بڑھتی ہوئی آبادی کے پیش نظر یہ متوقع ہے، کہ اسٹیل مصنوعات کی کھپت میں مزید اضافہ ہوگا۔ ہم لاگت کم کر کے اور زیادہ پیداوار کر کے ان مواقعوں سے زیادہ سے زیادہ فائدہ حاصل کرنا چاہتے ہیں۔
کاروباری حربوں سے مقابلہ، کمپنی کے لیے ناسازگار ماحول پیدا کر سکتا ہے، اور ٹیچو کاروباری نقصان ہو سکتا ہے۔	اس طرح کے منصوبوں کے لئے کثیر سرمایہ اور تکنیکی مہارت کی ضرورت ہوتی ہے۔ اسی طرح سے، خام مال کی خریداری کے لیے وسیع تجربے کی ضرورت ہوتی ہے۔ پانچ دہائیوں سے زیادہ اس صنعت سے منسلک رہنے سے مغل اسٹیل اس صنعت میں موجود تمام کمپنیوں سے موثر طور پر مقابلہ کرنے کے قابل ہے۔ مزید لاگت کم کرنے کے لیے حالیہ (CAPEX) کی بدولت مسابقتی فائدہ حاصل کرنے میں مدد ملی ہے۔

کاروباری نوعیت میں تبدیلی

سال کے دوران کمپنی کے کاروباری نوعیت میں کوئی تبدیلی نہیں آئی۔

ڈائریکٹرز، ایگزیکٹو اور ان کے شریک حیات اور نابالغ بچوں کی طرف سے کمپنی کی حصصیں لین دین۔

مستقبل کا منظر نامہ:

یہ بیان ایسے رجحانات اور عوامل کی نشاندہی کرتا ہے، جس سے کمپنی کے کاروباری مستقبل میں ترقی، کارکردگی اور پوزیشن اثر انداز ہو سکتی ہے۔

گزشتہ سال کے مستقبل کے منظر نامے کا تجزیہ:

مجموعی طور پر کمپنی کی فروخت اور پیداوار کے اہداف کمپنی کی مجموعی پیداوار اور فروخت اہداف کے عین مطابق رہے۔ غیر ملکی کرنسی کی شرح اور خام مال کی قیمتوں میں اتار چڑھاؤ کی وجہ سے لاگت میں اضافہ ہوا جس کو زیادہ تر منتقل یا ضم کیا گیا تھا جبکہ آپریٹنگ اخراجات تخمینہ کے مطابق رہے۔

مستقبل کے امکانات / مستقبل کا منظر نامہ:

کمپنی کی ترقی اور منافع بخشی بہت سے بیرونی عوامل جیسا کہ اقتصادی ترقی، سیاسی استحکام، مستقل معاشی پالیسیوں اور ملک کے قانون اور امن وامان کی صورتحال پر منحصر ہے۔ آگے بڑھتے ہوئے کمپنی منغل سپریم سے زیادہ مارکیٹ شیئر حاصل کرنے کے لیے پرعظم ہے اور آگے آتے ہوئے چینانجنگ کا سامنا کرنے کے لیے اپنا انحصار خود ساختہ بلٹ پر کر رہے ہیں۔ آنے والے سالوں میں انتظامیہ کی تہمتانہ صرف موجودہ کارکردگی کے معیار کو برقرار رکھنا ہے بلکہ کمپنی کے مسلسل ٹریک ریکارڈ میں مزید اضافہ کرنا ہے۔

خطرات اور مواقع کی رپورٹ:

ہم تسلیم کرتے ہیں کہ خطرات سے متعلق حکمت عملی ہماری مسلسل منافع بخشی اور ہمارے کاروباری طویل مدتی استحکام کے لیے نہایت اہم ہیں۔ تمام کاروباروں کی طرح، ہم بھی خطرات اور غیر متوقع صورتحال سے یکساں متاثر ہوتے ہیں۔ جو ہماری صلاحیتوں پر اثر انداز کر سکتے ہیں۔ اور بہتر حکمت عملی کی بدولت، ان کو پیش کرتے ہیں۔ جبکہ خطرات متعدد ہو سکتے ہیں۔ 2018 میں اہم خطرات جن کا کمپنی نے سامنا کیا، جو کہ اس رپورٹ کی اشاعت کی تاریخ تک درست سمجھے جاتے ہیں اور جنہیں بورڈ آف ڈائریکٹرز نے شناخت کیا، ان کا اور ان سے نمٹنے کے عمل کا خلاصہ درج ذیل ہے۔

-	اہم خطرات کی تفصیل:
-	کمپنی کو درج ذیل بیان کردہ خطرات کا سامنا ہے، جس کے مقابلے میں کمپنی درج ذیل میں بیان کردہ موثر حکمت عملی سے عمل درآمد کر رہی ہے۔
-	سٹریٹجک خطرات:
-	سٹریٹجک خطرات ایک مخصوص صنعت میں کام کرنے کے ساتھ منسلک ہوتے ہیں۔
-	تجارتی خطرات:
-	یہ خطرات ادارے کے لین دین سے پیدا ہوتے ہیں۔
-	آپریٹنگ خطرات:
-	یہ خطرات آپریٹنگ اور انتظامی طریقہ کار کے ساتھ منسلک ہوتے ہیں۔

آڈیٹرز:
کمپنی کے موجودہ آڈیٹرز، ایم/ایس فضل محمود اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے 30 جون 2018 کو ختم ہونے والے سال کے لیے اپنا آڈٹ مکمل کر لیا ہے، اور ایک غیر ترمیم شدہ آڈٹ رپورٹ جاری کی ہے۔ آڈیٹرز آئندہ ہونے والے سالانہ اجلاس میں ریٹائر ہو جائیں گے، اور اہلیت کی بنیاد پر انہوں نے خود کو 30 جون 2019 کو ختم ہونے والے سال کے لیے دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ نے آڈٹ کمیٹی کی تجویز پر ایم/ایس فضل محمود اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی آنے والے سال کے لیے بطور آڈیٹرز تعیناتی کی سفارش کی ہے جو کہ آنے والے سالانہ اجلاس میں ممبران کی منظوری سے مشروط ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

ڈائریکٹرز بصد مسرت مطلع کرتے ہیں کہ کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے تقاضوں کے مطابق لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے ضوابط کی تعمیل کرتی ہے۔ کارپوریٹ اور فنانشل رپورٹنگ فریم ورک پر بیان درج ذیل ہے۔

-	کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی دستاویزات، اس کے معاملات، اس کے کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایجوٹیٹی میں منصفانہ عکاسی کرتے ہیں۔
-	کمپنی نے اپنے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
-	ماسوائے مالی دستاویزات میں منسلک بیانات کے علاوہ، مالیاتی دستاویزات کی تیاری میں مخصوص اکاؤنٹنگ پالیسیوں کی پیروی کی گئی ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ رائے پر مبنی ہیں۔
-	ان مالیاتی دستاویزات کی تیاری میں فنانشل رپورٹنگ کے بین الاقوامی معیار کی، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔
-	انٹرنل کنٹرول کا نظام اپنے ذیوائے اعتبار سے مستحکم ہے، اور اس کا موثر اطلاق اور نگرانی کی جاتی ہے۔
-	کمپنی کے کاروبار کو رواں دواں رکھنے کی اہلیت پر کوئی شک نہیں ہے۔
-	ادارہ ایک بے سرمایہ گریجویٹ اسکیم چلاتا ہے، اور اس اسکیم سے کوئی سرمایہ کاری منعقد نہیں کی ہوئی۔
-	کمپنی نے کسی بھی قرض کی واپسی میں ڈیفالٹ نہیں کیا اور نا ہی مستقبل میں ڈیفالٹ ہونے کا امکان ہے۔
-	30 جون 2018 کو ملازمین کی تعداد 772 تھی (706:2017)۔

ہم نے مندرجہ ذیل معلومات انفرادی طور پر، اس رپورٹ یا مالیاتی دستاویزات میں شامل کر دی ہیں۔

-	مالیاتی سال اور اس کے اختتام اور مالی دستاویزات کی تاریخ کے دوران اہم تبدیلیاں اور معاہدہ جات کی تفصیلات۔
-	کمپنی کے گزشتہ سال کے نتائج سے اہم انحرافات اور انحرافات کی وجوہات۔
-	گزشتہ 7 سالوں کا اہم کاروباری اور مالیاتی ڈیٹا۔
-	30 جون 2018 کو سیکسز کے بقایا جات، ڈیویڈنڈ، لیویز اور چارجز سے متعلق قانونی ادائیگیوں (اگر کوئی ہے) سے متعلق معلومات۔
-	اہم مضبوطی، فیصلے، مستقبل کے امکانات، کمپنی کے گزشتہ خطرات اور غیر یقینی صورتحال کی تفصیلات۔
-	سال کے دوران بورڈ اور کمیٹی کے اجلاس میں ہر اجلاس میں ڈائریکٹرز کی حاضری۔
-	ڈائریکٹرز کی ترقیاتی پروگرام میں شرکت کی تفصیلات۔

ہلسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے مطابق، کم از کم دو یا بورڈ آف ممبران کی تعداد کا ایک تہائی حصہ، جو بھی زیادہ ہو، خود مختار ڈائریکٹرز ہونے چاہیے، تاہم ان قواعد سے موجودہ مدت کے لئے استثنیٰ حاصل ہے۔

ان افراد کے نام جو مالیاتی سال کے دوران کسی بھی وقت کمپنی کے ڈائریکٹرز تھے

مندرجہ ذیل میں ان افراد کے نام ہیں، جو مالیاتی سال کے دوران کسی بھی وقت کمپنی کے ڈائریکٹرز تھے

نمبر شمار	ڈائریکٹرز کا نام	عہدہ	بورڈ کے اجلاس میں حاضری
1	مرزا جاوید اقبال	چیئر مین / نان-ایگزیکٹو ڈائریکٹر	4
2	خرم جاوید	سی ای او / ایگزیکٹو ڈائریکٹر	4
3	سید سلمان علی شاہ	خود مختار ڈائریکٹر	4
4	عبدالرحمن قریشی	خود مختار ڈائریکٹر	1
5	جمشید اقبال	ایگزیکٹو ڈائریکٹر	4
6	محمد مبین طارق مغل	ایگزیکٹو ڈائریکٹر	4
7	فضیل بن طارق	نان-ایگزیکٹو ڈائریکٹر	4
8	محمد متین جمشید	نان-ایگزیکٹو ڈائریکٹر	4
9	نہد جاوید	نان-ایگزیکٹو ڈائریکٹر	4
10	محمد ولید بن طارق مغل	نان-ایگزیکٹو ڈائریکٹر	3

سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے تھے۔ کیونکہ محمد ولید بن طارق مغل بطور ڈائریکٹر کی حیثیت سے مستعفی ہو گئے تھے جس کے نتیجے میں جناب عبدالرحمن قریشی کو خود مختار ڈائریکٹر تعینات کیا گیا تھا اس وجہ سے یہ دونوں بورڈ اراکین صرف تین اور ایک اجلاسوں میں حصہ لے سکے۔ کوئی بھی اجلاس پاکستان سے باہر منعقد نہیں ہوا۔

بورڈ میں تبدیلی

سال کے دوران، محمد ولید بن طارق مغل 26 فروری 2018 سے بطور ڈائریکٹر کی حیثیت سے مستعفی ہو گئے تھے۔ تاہم خالی آسامی کو پورا کرنے کے لئے بورڈ آف ڈائریکٹرز نے 26 فروری 2018 سے بقیہ مدت کے لئے جناب عبدالرحمن قریشی کو بطور ڈائریکٹر تعینات کیا۔

بورڈ کمپنی کے ممبران کے نام

آڈٹ کمپنی

نمبر شمار	اراکین کے نام	عہدہ	حاضری
1	سید سلمان علی شاہ	چیئر مین / خود مختار ڈائریکٹر	4
2	جناب نہد جاوید	ممبر / نان-ایگزیکٹو ڈائریکٹر	4
3	جناب فضیل بن طارق	ممبر / نان-ایگزیکٹو ڈائریکٹر	4
4	محمد متین جمشید	ممبر / نان-ایگزیکٹو ڈائریکٹر	4

سال کے دوران کمپنی کے چار اجلاس منعقد ہوئے تھے۔

ہیومن ریسورس اینڈ ریمونڈیشن کمیٹی

نمبر شمار	اراکین کے نام	عہدہ	حاضری
1	جناب عبدالرحمن قریشی	چیئر مین / خود مختار ڈائریکٹر	1
2	مرزا جاوید اقبال	ممبر / نان-ایگزیکٹو ڈائریکٹر	2
3	جناب فضیل بن طارق	ممبر / نان-ایگزیکٹو ڈائریکٹر	2
4	محمد متین جمشید	ممبر / نان-ایگزیکٹو ڈائریکٹر	2
5	نہد جاوید	ممبر / نان-ایگزیکٹو ڈائریکٹر	1

سال کے دوران کمیٹی کے دو اجلاس منعقد ہوئے تھے۔ مزید سال کے دوران ہیومن ریسورس اینڈ ریمونڈیشن کمیٹی کی دوبارہ تشکیل ہوئی تھی اور نتیجتاً جناب نہد جاوید کی جگہ جناب عبدالرحمن قریشی کو کمیٹی میں بطور ممبر شامل کیا گیا۔ مزید جناب عبدالرحمن قریشی کو بطور چیئر مین کمیٹی بھی تعینات کیا گیا تھا۔ اس وجہ سے جناب نہد جاوید اور جناب عبدالرحمن قریشی صرف ایک ایک اجلاس میں حصہ لے سکے ہیں۔

ڈائریکٹرز کے مشاہرے:

بورڈ کے ممبران کا مشاہرہ بورڈ خود منظور کرتا ہے۔ تاہم، ہلسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے مطابق، اس بات کی یقین دہانی کی جاتی ہے کہ کوئی بھی ڈائریکٹر اپنے مشاہرے کے فیصلے میں شامل نہیں ہوتا۔ نان-ایگزیکٹو ڈائریکٹرز کا مشاہرہ، کمیٹی کو کامیابی سے چلانے اور اس کو برقرار رکھنے کے مطابق ادا کیا جاتا ہے۔ تاہم، مشاہرے کی حد ایسی نہیں ہوتی جس سے ان کی خود مختاری اثر انداز ہو۔ خود مختار ڈائریکٹرز کو بورڈ اور کمیٹی کے اجلاس میں شرکت کے لئے صرف اجلاس کی فیس دی جاتی ہے۔ نان-ایگزیکٹو ڈائریکٹرز کو اجلاس کی کوئی فیس نہیں دی جاتی۔ ڈائریکٹرز اور سی ای او کی مشاہرے کی مزید معلومات کے لئے، براہ مہربانی مالی حسابات کا متعلقہ نوٹ ملاحظہ کریں۔

شمیر ہولڈنگ کی ترتیب:

30 جون 2018 کو حصے داران کی مجموعی تعداد 6,417 تھی۔ اسپانسرز ڈائریکٹرز اور ایگزیکٹوز کے پاس کمپنی کے شمیر زکی تعداد مندرجہ ذیل ہے۔

اسپانسرز ڈائریکٹرز	189,188,365
ایگزیکٹوز	صفر

شمیر ہولڈنگ کی تفصیلی ترتیب ساتھ منسلک ہے۔

کاروباری کارکردگی کا سیکمینٹل جائزہ:

کارکردگی کی سیکمٹ رپورٹنگ کا طریقہ کار چیف رپورٹنگ ڈیپارٹمنٹ میکر کو اندرونی طور پر دی جانے والی رپورٹنگ کے عین مطابق ہے۔ چیف ایگزیکٹو آفیسر کو ہی چیف ڈیپارٹمنٹ میکر سمجھا جاتا ہے۔ جو وسائل مختص کرنے اور آپریٹنگ سیکمٹ کی کارکردگی کا جائزہ لینے کے ذمہ دار ہیں۔ چیف آپریٹنگ ڈیپارٹمنٹ میکر کو وسائل کی مختصی اور آپریٹنگ سیکمٹ کی کارکردگی کا جائزہ لینے کے لئے دی جانے والی معلومات کا دار و مدار مصنوعات کی اقسام پر مشتمل ہے۔ بنیادی طور پر کارکردگی دو قسم کی مصنوعات پر مبنی ہے یعنی "اسٹیل ری-بار" اور "گارڈر"۔ مالی حسابات کی پریزنٹیشن کے لئے، یہ انفرادی کارکردگی کے سیکمٹ کو مجموعی طور پر ایک سیکمٹ میں اکٹھا کیا گیا ہے۔

تجارتی اور دیگر ادا بیگیاں 615.104 ملین روپے سے کم ہو کر 463.465 ملین روپے ہو گئی۔ اس کمی کی بنیادی وجہ ایک بار کے غیر ملکی سپلائر کی ادائیگی شامل ہے۔

یکٹرز نے ختم ہونے والے سال 30 جون 2018 کے لیے حتمی نقد منافع منقسمہ 2.20 روپے فی حصص یعنی 22 فیصد ہمارے مالکوں کے لئے دینے کا اعلان کیا ہے۔

جمع شدہ منافع / سود امارک اپ 66.547 ملین روپے سے بڑھ کر 101.323 ملین روپے ہو گیا۔ اس اضافے کی بنیادی وجہ مالیاتی سال 2017 کے آخری مہینے میں قرض لینا شامل تھا جس کی بنا پر واجب الادا سود کم تھا۔ تاہم سال کے دوران اوسطاً قرضہ جات کی مدد ایک جیسی رہی، جس کی بنا پر واجب الادا سود مالی سال 2017 کے مقابلے میں زیادہ تھا۔

تجویز کردہ حتمی نقد منافع منقسمہ ارکان کی منظوری سے مشروط ہے، جس کے لیے آئندہ سالانہ عمومی اجلاس 127 اکتوبر 2018 کو منعقد ہو رہا ہے۔ ان مالیاتی دستاویزات میں مندرجہ بالا تجویز کا اثر شامل نہیں اور ان کو اس مدت میں شامل کیا جائے گا، جس میں ارکان کی طرف سے منظوری دی گئی ہوگی۔

بینکوں سے لیے گئے مختصر مدتی قرضے 7,977.002 ملین روپے سے کم ہو کر 7,540.376 ملین روپے ہو گئے۔ کمی کی بنیادی وجہ قرضوں کی ادائیگی ہے۔

روپے ملین میں	
2,606.885	تصرف کے لئے موجود منافع
	تصرف
(553.519)	30 جون 2018 کو ختم ہونے والے سال کے لئے 2.20 روپے فی حصص
	یعنی 22 فیصد کے حساب سے حتمی نقد منافع منقسمہ
2,053.366	غیر مختص شدہ منافع کی آگے منتقلی

30 جون 2018 کو کمپنی کی نیٹ ورٹھ 7,466.333 ملین روپے تھی، جو پچھلے سال 30 جون 2017 میں 6,637.098 ملین روپے تھی۔ 30 جون 2018 کو کمپنی کی فی شیئر کی بریک اپ ویلیو 29.68 روپے تھی جو پچھلے سال 30 جون 2017 میں 26.38 روپے تھی۔

بعد ازاں واقعات / اہم تبدیلیاں

اوپر بیان کردہ کے علاوہ مالیاتی سال کے اختتام سے لے کر اس رپورٹ کی تاریخ تک کے دوران کوئی اہم تبدیلیاں اور معاہدہ جات نہیں ہوئے۔

سال کے دوران کا نتیجہ میں کوئی اہم تبدیلی واقع نہیں ہوئی۔ سال کے اختتام پر کمپنی کی ادائیگی کے کل معاہدے 2,574.078 ملین روپے تھے، جو کہ سامان کی خریداری اور سرمایہ کاری کے اخراجات کی مد میں تھے۔ ان معاہدوں کی تفصیلات مالیاتی دستاویزات کے متعلقہ نوٹس میں بیان کر دی گئی ہیں۔

کمپنی کی بنیادی سرگرمیاں

کمپنی کی بنیادی سرگرمیاں اسٹیل کی مصنوعات بنانا اور فروخت کرنا ہے۔

تجزیہ: کمپنی کے اثاثوں کی بنیاد میں پچھلے سال کے مقابلے میں 1,451.030 ملین روپے کا اضافہ ہوا ہے، جس کی بنیادی وجہ سال کے دوران مزید کمپنیل اخراجات شامل ہیں۔

مناسب انٹرنل فنانشل کنٹرولز

ڈائریکٹرز انٹرنل فنانشل کنٹرولز کے حوالے سے اپنی ذمہ داریوں سے آگاہ ہیں۔ انتظامیہ اور آڈیٹرز (اندرونی اور بیرونی دونوں) کے ساتھ تبادلہ خیال کے ذریعے، وہ تصدیق کرتے ہیں کہ کمپنی کی طرف سے مناسب کنٹرولز لاگو کئے گئے ہیں۔

بورڈ کی تشکیل

بورڈ کی تشکیل اسٹیل کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے عین مطابق ہے۔ بورڈ کی تشکیل درج ذیل ہے:

ڈائریکٹرز کی کل تعداد	9
a- مرد	9
b- خاتون	0

تشکیل:

خود مختار ڈائریکٹرز	2*
دیگر تان- ایگزیکٹو ڈائریکٹرز	4
ایگزیکٹو ڈائریکٹرز	3

آپریٹنگ کارکردگی کا جائزہ

بھیٹوں نے مجموعی طور پر 211,934 میٹرک ٹن پیداوار کی، جس میں پچھلے سال کے مقابلے میں 82,38 فیصد اضافہ ہوا۔ رولنگ ملز نے مجموعی طور پر 251,950 میٹرک ٹن کی پیداوار کی، جس میں پچھلے سال کے مقابلے میں 4.21 فیصد اضافہ دیکھا گیا۔ سال کے دوران، کمپنی سوئی نارڈن گیس پائپ لائن لمیٹڈ سے گیس لوڈ صلاحیت کی 2.80 ایم ایم سی ایف ڈی سے 6.30 ایم ایم سی ایف ڈی اور لینسکو سے گرڈ لوڈ کی صلاحیت 19.99 میگا واٹ سے 79.99 میگا واٹ تک بڑھانے کی منظوری حاصل کرنے میں کامیاب ہوئی۔

غیر مالیاتی کارکردگی کا جائزہ

محفوظ، معیار، جدت اور پیداوار ہی ہمارے کاروبار کے اہم عناصر اور ہماری کامیابی کے عنصر ہیں۔ 2018 میں، ہم نے ایک اور کامیاب سال کا تجربہ حاصل کیا۔ ہماری معیاری طرف مسلسل توجہ اور اندرونی معیاری کارکردگی میں بہتری پر توجہ مرکوز رہی۔ بالآخر پیداواری قوت کو بڑھانے اور آپریٹنگ لاگت میں مسلسل کمی پر توجہ مرکوز رکھنے سے 2018 میں مارجنز میں اضافہ ہوا۔

ڈیویڈنڈ اور تصرف

بورڈ آف ڈائریکٹرز ہمیشہ سے اپنے حصص داران کو زیادہ سے زیادہ منافع فراہم کرنے میں بڑے عزم رہے ہیں اور یہی وجہ ہے کہ ہم ماضی میں مسلسل نقد منافع ادا کرتے آ رہے ہیں۔ اسی عزم کے پیش نظر، بورڈ آف ڈائری

ڈھیر ساری مقدار خرید کر کم کیا گیا۔

سٹورز، سپلیرز اور لوڈرز 462.744 ملین روپے سے بڑھ کر 597.198 ملین روپے ہو گئے ہیں۔ اس اضافے کی بنیادی وجہ بھٹیوں کے استعمال میں اضافے کی بدولت متعلقہ سٹور مصنوعات میں اضافہ اور فرس آئل کی قیمتوں میں اضافہ شامل ہے۔

سیلز اور مارکیٹنگ کے اخراجات 50.16 فیصد اضافے کے ساتھ 164.049 ملین روپے سے بڑھ کر 246.333 ملین روپے ہو گئے۔ ان اخراجات میں بنیادی طور پر مارکیٹنگ اور کرائے کے اخراجات شامل ہیں۔ یہ اضافہ بنیادی طور پر مختلف مارکیٹنگ سرگرمیوں اور پرموشنل مہم کے اخراجات کو ظاہر کرتا ہے۔

اسٹاک - ان - ٹریڈ 5,381.802 ملین روپے سے کم ہو کر 5,319.720 ملین روپے ہو گیا۔ اسٹاک - ان - ٹریڈ میں بنیادی طور پر خام مال اور تیار شدہ سامان شامل ہے۔ خام مال پچھلے سال میں 5,292.091 ملین روپے کے مقابلے میں اس سال 5,080.582 ملین روپے تھا۔ جبکہ تیار شدہ سامان پچھلے سال میں 89.711 ملین روپے کے مقابلے میں 239.138 ملین روپے رہا۔ تیار شدہ سامان کے اسٹاک میں اضافے کی وجہ اس دن کے اختتام پر سامان کا نہ بھیننا شامل ہے اور اس سامان میں بنیادی طور پر گارڈ اور اسٹیل ری - بار کا اسٹاک شامل ہے، جسے اگلے ہفتے بھیج دیا گیا تھا۔ سال کے دوران مجموعی طور پر اسٹاک - ان - ٹریڈ کی قیمت اوسطاً مال کی قیمت میں اضافے سے بھی متاثر ہوئی۔

انتظامی اخراجات 18.04 فیصد اضافے کے ساتھ 265.075 ملین روپے سے بڑھ کر 312.901 ملین روپے ہو گئے۔ اضافے کی بنیادی وجہ ملازمین کی تعداد اور تنخواہوں میں اضافہ شامل ہے۔

دیگر اخراجات 26.14 فیصد اضافے کے ساتھ 91.451 ملین روپے سے بڑھ کر 115.353 ملین روپے ہو گئے۔ دیگر اخراجات میں بنیادی طور پر ورکرز ویلفیئر فنڈز اور پرافٹ پارٹیشنمنٹس فنڈز شامل ہیں اور جن میں اضافہ منافع میں اضافے کے ساتھ منسلک ہے۔

تجارتی وصولیاں 1,347.039 ملین روپے سے کم ہو کر 1,263.280 ملین روپے ہو گئیں اور ان میں بنیادی طور پر مختلف کارپوریٹ کلائنٹس سے اسٹیل ری - بار کی فروخت کی وصولیاں شامل ہیں۔

دیگر آمدنی 7.03 فیصد اضافے کے ساتھ 33.977 ملین روپے سے بڑھ کر 36.364 ملین روپے ہو گئی۔ دیگر آمدنی میں کوئی اہم تبدیلی رونما نہیں ہوئی اور اس میں بنیادی طور پر سیوگ اکاؤنٹ اور ٹرم ڈپازٹ ری سیٹ پر وصول ہونے والا منافع شامل ہے۔

قرضے اور ایڈوانسز 289.765 ملین روپے سے بڑھ کر 373.907 ملین روپے ہو گئے، جس میں بنیادی طور پر ملازمین، مقامی سٹور اور فرس آئل کے سپلائرز کو ایڈوانسز شامل ہیں۔

مالیاتی اخراجات 115.39 فیصد اضافے کے ساتھ 256.551 ملین روپے سے بڑھ کر 552.460 ملین روپے ہو گئے۔ اضافے کی بنیادی وجہ مالیاتی سال 2017 کی نسبت مالیاتی سال 2018 میں اوسطاً مختصر مدتی قرضوں کی بقایا جات میں اضافہ ہے اور یہ اضافہ ورکنگ کپینٹل کی بڑھتی ہوئی ضرورت کے پیش نظر ہے۔

حکومت سے وصولی 1,870.882 ملین روپے سے بڑھ کر 2,298.102 ملین روپے ہو گئی اور اس میں بنیادی طور پر ایڈوانس اکم ٹیکس، سیلز ٹیکس اور ایکسپورٹ ریگولیشن ڈیوٹی شامل ہے۔ ایڈوانس اکم ٹیکس بنیادی طور پر برآمدات اور درآمدات پر ٹیکس کی نمائندگی کرتا ہے اور جسے مستقبل کے سالوں میں آمدنی پر ٹیکس کے برعکس ایڈ جسٹ کیا جائے گا۔ سیلز ٹیکس میں اضافہ بنیادی طور پر ری - میلنگ سکرپ کی خریداری کے ساتھ منسلک ہے اور جسے مستقبل میں بجلی کے بلوں پر سیلز ٹیکس کے برعکس ایڈ جسٹ کیا جائے گا۔ ایکسپورٹ ریگولیشن ڈیوٹی کا معاملہ اور پنجاب ریونیو اتھارٹی کی جانب سے مبینہ سیلز کی مد میں ٹیکس کی وصولی کا معاملہ مالی حسابات میں تفصیل سے بیان کر دیا گیا ہے۔

ٹیکسیشن 35.40 فیصد اضافے کے ساتھ 231.538 ملین روپے سے بڑھ کر 313.513 ملین روپے ہو گئے۔ اضافے کی بنیادی وجہ سال کے دوران منافع میں اضافہ اور ٹیکسز اور آگے لائے گئے نقصانات کا ختم ہونا شامل ہے۔

کیش اور بینک بیلنسز 2,338.892 ملین روپے سے کم ہو کر 1,251.171 ملین روپے ہو گئے۔ اس کی بنیادی وجہ رائٹ ایٹو فنڈز کا کپینٹل ایکسپنڈچر میں استعمال شامل ہے۔

تعمیرت، اس سال کا منافع 30.22 فیصد اضافے کے ساتھ پچھلے سال میں 990.760 ملین روپے کے مقابلے میں 1,290.215 ملین روپے تک بڑھ گیا۔ منافع شرح کے لحاظ سے پچھلے سال 5.27 فیصد سے بڑھ کر 5.81 فیصد ہو گیا ہے۔

ڈائریکٹرز اور ان کے رشتے داروں سے ایکویٹی کنٹریبیوشن 1,224.037 ملین روپے سے کم ہو کر 924.037 ملین روپے ہو گئی۔ بورڈ آف ڈائریکٹرز نے 300 ملین روپے کرنٹ واجبات میں منتقل کرنے کی منظوری دی ہے۔

موجودہ سال فی حصص آمدن 5.13 روپے رہی جو کہ پچھلے سال 4.21 روپے تھی۔

طویل مدتی قرضے صفر سے بڑھ کر 829.000 ملین روپے ہو گئے۔ اس میں بنیادی طور پر باری - رولنگ مل کی بی ایم آر کے لئے بینک الفلاح سے طویل مدتی ایگیا قرضہ شامل ہے۔

پراپرٹی، پلانٹ اور ایکویٹمنٹ میں مادی فیکسڈ اثاثے، کپینٹل ورک این پراگریس، اہم سپلیر پارٹس اور سٹینڈ بائے آلات شامل ہیں مادی فیکسڈ اثاثوں میں اضافہ بنیادی طور پر پاور انجنز اور گیس لوڈ میں اضافے سے متعلقہ اخراجات کی بنا پر ہے۔

ڈیفریڈ لاٹیلیٹی 643.052 ملین روپے سے بڑھ کر 770.956 ملین روپے ہو گئیں۔ اس اضافے کی بنیادی وجوہات میں پاور انجنز کی تخصیص کی وجہ سے ڈیفریڈ ٹیکس لائیابیلیٹی میں اضافہ اور ڈیفینسڈ بینیفٹ پلین کی مد میں واجبات کی ادا نگینی میں اضافہ شامل ہیں۔

کپینٹل ورک این پراگریس میں بنیادی طور پر توسیعات کے منصوبے، جن میں اسٹیل ری - بار، ری - رولنگ ملز کی بی ایم آر اور نئی بھٹیوں کے منصوبے شامل ہیں۔ میجر سپلیرز کو کپینٹل ورک این پراگریس کو چارج کر دیا گیا ہے۔

حصہ داران کے لئے ڈائریکٹرز کی رپورٹ:

کمپنی کے ڈائریکٹرز مسرت کے ساتھ 30 جون 2018 کو اختتام پذیر ہونے والے سال کے لئے اپنی رپورٹ بمعہ سالانہ رپورٹ اور کمپنی کے آڈٹ شدہ گوشوارے پیش کرتے ہیں۔

کمپنی کے 30 جون 2018 کو ختم ہونے والے سال کی مالیاتی جھلکیاں مندرجہ ذیل ہیں:

تبدیلی	30 جون کو ختم ہونے والا سال		
فیصد میں	2017	2018	روپے (ملین میں)
فروخت	18,802.811	22,225.842	18.20%
مجموعی منافع	1,965.447	2,794.412	42.18%
آپریٹنگ اخراجات	(743.149)	(1,190.684)	60.22%
ٹیکس سے پہلے کا منافع	1,222.298	1,603.728	31.21%
ٹیکس	(231.538)	(313.513)	35.40%
سال کا منافع	990.760	1,290.215	30.22%
فی حصص آمدنی۔ بیسک اینڈ ڈائیو	4.21	5.13	21.78%
نڈ (روپے میں)			

کاروباری، مالیاتی اور آپریشنل جائزہ:

معیشت

سال کے دوران موجود سیاسی عدم استحکام کے باوجود مختلف شعبوں میں اقتصادی ترقی میں مختلف رفتار سے اضافہ ہوتا رہا جس کی وجہ حکومت کا افراط زر کم کرنے اور زیادہ ترقیاتی کام کرنے کا عزم رہا۔ پچھلے دو سال سے جی ڈی پی کی شرح نمو 5 فیصد سے زیادہ رہی جو کہ مالیاتی سال 2018 میں 5.79 فیصد پر پہنچی، جو گزشتہ 13 سالوں میں سب سے زیادہ ہے اور جو گزشتہ تین سالوں میں ہر سال 4 فیصد بڑھی۔ ورلڈ بینک نے اپنی رپورٹ میں بیان کیا ہے کہ مالیاتی سال 2018 میں پاکستان کی اقتصادی ترقی 5.4 فیصد سے بڑھ کر 5.8 فیصد ہو گئی ہے، جس کی وجہ اہم انفراسٹرکچر کے منصوبے اور کم شرح سوشل ہے۔ ایک اہم ترقی یہ ہوئی کہ پاکستان جنوبی ایشیا میں نجی انفراسٹرکچر سرمایہ کاری میں پہلے نمبر پر رہا اور دنیا کے پانچ بڑے نجی انفراسٹرکچر سرمایہ کاری کے لئے مفید مقامات کی فہرست میں شامل ہو گیا۔

افراط زر

موجودہ سال، جولائی 2017 کا آغاز 2.9 فیصد افراط زر کی شرح سے ہوا جو کہ مارچ 2018 میں 3.2 فیصد کی شرح تک پہنچ گئی جبکہ گزشتہ سال مارچ 2017 میں یہ شرح 4.9 فیصد تھی۔ اوسطاً مارچ سے جولائی 2018 کے دوران، یہ شرح 3.8 فیصد ریکارڈ کی گئی جو کہ پچھلے سال جولائی سے مارچ 2017 کے دوران 4.0 فیصد تھی۔

مالی ترقی

پاکستان کے مالی شعبے کی کارکردگی کا جائزہ لینے سے پتہ چلتا ہے کہ حالیہ برسوں میں مالیاتی اکاؤنٹس میں کافی بہتر می آئی ہے۔ مجموعی مالی خسارہ جو کہ مالیاتی سال 2009 سے 2013 کے دوران جی ڈی پی کا 7.2 فیصد تھا وہ کم ہو کر مالیاتی سال 2013 سے 2017 کے درمیان اوسطاً 5.8 فیصد ہو گیا۔

پیسہ اور ادھار

اسٹیٹ بینک آف پاکستان نے جنوری 2018 میں بی پی ایس سے مالیاتی پالیسی میں تبدیلی کی جو کہ اب 6 فیصد ہے۔ یہ تبدیلی متوقعہ افراط زر کی شرح، بین الاقوامی تیل اور مصنوعات کی قیمتوں میں اضافے اور اندرونی مانگ کے پیش نظر کی گئی، جس میں ذرمبادلہ کی شرح کی تبدیلی بھی شامل ہے۔ 30 جون 2018 کے اختتام پر ملک کے بین الاقوامی زرمبادلہ کے ذخائر 16,386.386 بلین ڈالر پر کھڑے تھے جو کہ گزشتہ سال 30 جون 2017 کو 21,368.21 بلین ڈالر تھے اور ان میں 4.98 بلین ڈالر کی کمی ہوئی۔

عوامی ترقیاتی شعبہ جات کا بجٹ

عوامی شعبہ جات کی ترقی موجودہ حکومت کی توجہ کا اہم حصہ رہی جس کے نتیجے میں عوامی شعبہ جات کی ترقی میں خاطر خواہ اضافہ ہوا۔ یہی رجحان سال 2018 میں بھی رہا۔ حکومت کی انفراسٹرکچر منصوبوں پر سرمایہ کاری سے تعمیراتی سرگرمیوں میں اضافے کی بدولت، اسٹیل اور متعلقہ انڈسٹریز کی پیداوار میں اضافہ ہوا۔ مالیاتی سال 2018-19 کے لئے عوامی شعبہ جات کی ترقیاتی پروگرام کا تخمینہ 1,030 ارب روپے ہے۔

اسٹیل کی صنعت

مالیاتی سال 2016-17 کے درمیان پاکستان میں اسٹیل کی کھپت میں سالانہ 25.9 فیصدی اے جی آر کا اضافہ ہوا ہے۔ مالیاتی سال 2016 میں پاکستان میں اسٹیل کا استعمال 7.6 ملین میٹرک ٹن تھا۔ جو کہ 39.5 کلوگرام پر کھپتا بنتا ہے۔ آگے بڑھتے ہوئے، نجی اور عوامی سطح پر انفراسٹرکچر اور ہاؤسنگ پروگرام پر اخراجات کی بنا پر اسٹیل کی مانگ میں مزید اضافہ متوقع ہے۔

ہاؤسنگ شعبہ

ورلڈ بینک نے اپنی پاکستان ہاؤسنگ فنانس پراجیکٹ (رپورٹ # 114473) میں دس لاکھ گھروں کی کمی کی نشاندہی کی ہے۔ ہر سال تقریباً ایک لاکھ سے تین لاکھ پچاس ہزار گھر تعمیر ہوتے ہیں جبکہ نئے گھروں کی مانگ تقریباً چار لاکھ سے سات لاکھ ہے۔ بڑھتی ہوئی آبادی کے پیش نظر اور وہی علاقوں میں ابھرتے ہوئے خاندانوں کے مد نظر گھروں کی مانگ میں اضافہ ہوا ہے۔ یہ اضافہ کمپنی کی مصنوعات کی مانگ میں اضافے کا پیش خیمہ ہے، کیونکہ کمپنی کی مصنوعات پاکستان بھر میں ہاؤسنگ سیکٹر میں استعمال ہوتی ہیں۔ پاکستان میں مختلف عوامی نجی شعبے اور تجارتی منصوبوں کی ابتداء سے بنیادی انفراسٹرکچر ترقی کی سرگرمیوں میں اضافہ متوقع ہے۔

مالیاتی جائزہ

کمپنی نے گزشتہ سال میں 18,802.811 ملین روپے کے مقابلے میں 18.20 فیصد اضافے کے ساتھ 22,225.842 ملین روپے کی خالص فروخت رجسٹرڈ کی۔ فروخت میں اضافے کی وجہ فروخت کے حجم میں اضافے کے ساتھ ساتھ فروخت کی قیمتوں میں اضافہ شامل تھا۔ فروخت کے حجم میں اضافے کی بنیادی وجہ مغل ہیریم کی فروخت کے حجم میں اضافہ شامل تھا۔

موجودہ سال میں، مجموعی مارجن 42.18 فیصد اضافے کے ساتھ 2,794.412 ملین روپے تک بڑھ گیا جو کہ پچھلے سال 1,965.447 ملین روپے تھا۔ مجموعی مارجن منافع شرح کے لحاظ سے 10.45 فیصد سے بڑھ کر 12.57 فیصد ہو گیا۔ سال کے دوران مجموعی مارجن پر بین الاقوامی زرمبادلہ کی شرح میں تبدیلی اور خام مال کی قیمتوں میں اضافے کا منفی اثر بڑا جبکہ فروخت کی قیمتوں میں اضافے اور کم لاگتی اور خود ساختہ بلٹ کی پیداوار میں اضافے کا مثبت اثر پڑا۔ خام مال کی قیمتوں میں اضافے کے اثرات کو کافی حد تک کم قیمتیں سکرپ کی

چیف ایگزیکٹو آفیسر کا تبصرہ:

کمپنی کسی بھی قرضے کی واپسی میں نادمہ نہیں۔ سال کے دوران، کمپنی نے ٹیکس، ڈیوٹیس، سیس اور لیوی وغیرہ کے مد میں قومی خزانے میں تقریباً 2,309.199 ملین روپے جمع کروائے۔

آخر میں، میں اپنے حصص داران اور ملازمین کو ان کی حمایت کے لئے شکریہ ادا کرنا چاہوں گا۔ 2019 میں ہم اپنے منافع کو مزید بڑھانے اور اپنے تمام وسائل کو کاروبار کی ضروریات کے مطابق بروئے کار لانے پر کام کریں گے۔ میں پر اعتماد ہوں کہ مغل اسٹیل کی تمام ٹیم کمپنی کو مزید مضبوط بنانے میں مشترکہ کام کرے گی۔



خرم جاوید

چیف ایگزیکٹو آفیسر

لاہور: ستمبر 19، 2018

مالیاتی سال 2018 ایک ایسا سال تھا جس میں ہم نے اپنی سٹریٹجک ضروریات کے حوالے سے اہم پیش رفت کی۔ ہم نے اپنی رکاوٹوں پر قابو پایا، اپنے خطرات کو کم کیا، ترقی کے حصول کے لئے عظیم انداز سرمایہ کاری کی اور کمپنی کے ایک مضبوط، پائیدار اور مستحکم مستقبل کی تکمیل کے لئے اپنے وقت اور سرمائے کی ترجیحات کا تعین کیا۔

میں 2018 میں، ہماری کمپنی کی مجموعی بنیاد کو مضبوط بنانے اور حصے داران کی قدر میں طویل مدتی اور پائیدار اضافے کو فروغ دینے کے حوالے سے ہوئی پیش رفت سے خوش ہوں۔ آپریشنل عمل درآمد، ملازمین کی حفاظت، مصنوعات کے معیار اور ماحولیاتی تعین کے لحاظ سے ہماری کارکردگی بہت مضبوط رہی۔ اسٹیل بار کے ذریعے ہارنگ مارکیٹ میں داخل ہونے، حکومت سے متعلقہ منصوبوں پر اخصاً مختصر کرنے، رکاوٹوں کو ختم کرنے، آپریشنز کو بہتر بنانے اور کاروبار کو بڑھانے سے متعلق کمپنی کی کوششوں کی بنا پر سال 2018 میں بہتر اور مستحکم نتائج حاصل ہوئے۔ ہماری تیز مارکیٹنگ کوششوں کی بدولت، مغل اسٹیل کی مارکیٹ، گاہکوں اور مصنوعات کے پورٹ فولیو میں اضافہ ہوا۔

ہم نے اپنی توانائی کی کمی پر، اپنے گروڈ لوڈ میں 19.99 میگا واٹ سے 79.99 میگا واٹ اضافہ کر کے گیس لوڈ میں 12.80 ایم ایم سی ایف ڈی سے 16.30 ایم ایم سی ایف ڈی کر کے اور مزید چھ گیس انجنوں کی تنصیب سے قابو پانے کی کوشش کی۔ یہ کامیابیاں نہ صرف توانائی کی کمی پر قابو پانے کے لئے مفید ثابت ہوئی بلکہ ان کی بنا پر خام مال کے حوالے سے موجود رکاوٹوں کو ختم کرنے میں بھی کامیابی حاصل ہوئی۔ بجلی کے لوڈ میں اضافے کی منظوری کے بعد، بورڈ نے پہلے سے منظور شدہ توسیع کے منصوبوں کے دوسرے مرحلے کی منظوری دی، جس میں دیگر چیزوں کے علاوہ مزید بھٹیوں کی خریداری اور تنصیب بھی شامل ہے۔ بھٹیوں کے اضافے کی وجہ سے نہ صرف باہر سے خریدے جانے والے مینگنہ بلٹ پر انحصار کم ہوگا بلکہ آپریشنز کے استحکام میں بھی مدد ملے گی۔

ہم مزید ترقی اور حصہ داران کی قدر بڑھانے کے لئے کوشش کرتے رہیں گے اور میں مغل اسٹیل کے مزید ایک اور ایسے کامیاب اور تاریخ کن سال کے نتائج پیش کرتے ہوئے بے حد فخر اور خوش محسوس کر رہا ہوں، جس میں فروخت آمدنی کو مالیاتی سال 2017 میں 18,802.811 ملین روپے سے بڑھ کر مالیاتی سال 2018 میں 22,225.842 ملین روپے تک جاتے ہوئے دیکھا اور اس کے نتیجے میں ٹیکس کے بعد کا منافع جو کہ مالیاتی سال 2017 میں 990.760 ملین روپے تھا بڑھ کر مالیاتی سال 2018 میں 1,290.215 ملین روپے ہو گیا۔ نتیجہً فی حصص آمدن جو کہ پچھلے سال 4.21 روپے تھی سے بڑھ کر 5.13 روپے ہو گئی۔ بطور انتظامیہ، ہم آپ کی کمپنی کی آپریشنل کارکردگی کو مسلسل بہتر بنانے کے لئے پرعظم رہیں گے۔

حصہ داران کے لئے چیئر مین کا خط:

ملک بھر میں موجودہ شدید سیاسی اور اقتصادی ماحول کے باوجود، ہماری کمپنی اپنے حصے داران کے لئے قیمتی ریٹرن کمانے میں ثابت قدم رہی۔

کاروباری کارکردگی کا جائزہ:

ایک دفعہ پھر، میں اس خط کا آغاز مغل اسٹیل پراپس فخر کے ساتھ کرتا ہوں۔ جب میں گزشتہ سال، بلکہ گزشتہ دہائی کو دیکھتا ہوں تو اس بات کو انتہائی قابل ذکر پاتا ہوں کہ کمپنی نے اس عرصے میں مختلف چیلنجز کے باوجود بہترین کارکردگی کا مظاہرہ کیا ہے۔ مالیاتی سال 2018 میں بھی، موجودہ غیر مستحکم اقتصادی اور سیاسی صورت حال کے باوجود، کمپنی اپنی اپنی تک کی سب سے زیادہ ٹاپ اور باٹم لائن کے اعداد و شمار، بہتر منافع اور ترقی کی رفتار کو برقرار رکھنے میں کامیاب رہی۔ کمپنی نے گزشتہ سال میں 18,802.811 ملین روپے کے مقابلے میں مالیاتی سال 2018 میں 22,225.842 ملین روپے کی فروخت آمدنی پوسٹ کی۔ نتیجتاً فی حصص آمدنی مالیاتی سال 2017 میں 4.21 روپے کے مقابلے میں بڑھ کر مالیاتی سال 2018 میں 5.13 روپے ہو گئی۔

سال کے دوران کمپنی نے توانائی کی کمی کو گیس اور بجلی کے لوڈ میں اضافہ حاصل کر کے اور چھ نئے پاور پلانٹ انجیر تصویب کر کے پورا کرنے کی کوشش کی۔ اسی سال کے دوران بورڈ نے پہلے سے منظور کردہ توسیع کے منصوبے کے دوسرے مرحلے کی منظوری دی، جو کمپنی کی سٹرٹیجک پوزیشن کو مزید مضبوط کرنے میں کارآمد ثابت ہوگی۔ آگے دیکھتے ہوئے مجھے کمپنی کے مستقبل پر بہت اعتماد ہے۔ ہماری ٹیلنس شیٹ مضبوط ہوئی اور آئندہ سالوں میں ہم 2018 میں کیے جانے والے اقدامات سے فائدہ اٹھانے کی توقع رکھتے ہیں۔ کاروبار کے حوالے سے، ہم مغل سپریم کی مزید بہتر کارکردگی کے جاری رہنے کی توقع اور اعلان کردہ توسیعات کے مکمل ہونے سے مالیاتی اور آپریشنل کارکردگی میں مزید بہتری کی توقع رکھتے ہیں۔

ہماری ترقی کی حکمت عملی کا ایک بنیادی حصہ اور مقصد بورڈ کی یہ خواہش ہے کہ حصے داران کی قدر اور ان کا ریٹرن زیادہ سے زیادہ بڑھایا جائے۔ اور اسی کے پیش نظر ہم ماضی سے اب تک نقد منافع اور بونس شیئرز کا اعلان کرتے آ رہے ہیں۔ اسی کو مد نظر رکھتے ہوئے، بورڈ آف ڈائریکٹرز کی جانب سے، میں باخوشی، ہمارے مالکان کے لئے ختم ہونے والے سال 30 جون 2018 کے لئے فی حصص 2.20 روپے جو کہ 22 فیصد بنتا ہے کے حساب سے حتمی نقد منافع منقسمہ کا اعلان کرتا ہوں۔

بورڈ کی کارکردگی کا جائزہ:

بورڈ کا چیئر مین کے طور پر میں کمپنیز ایکٹ 2017 کے سیکشن 192 کے تحت درکار بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد حاصل کرنے کے حوالے سے بورڈ کے کردار پر جائزہ پیش کرتا ہوں۔

بورڈ کا مقصد اس بات کو یقینی بنانا ہے کہ ادارہ موثر طریقے سے ایسے کام کر رہا ہے جن سے ادارے کی صداقت اور سٹیک ہولڈرز کے مفادات کی حفاظت کرتے ہوئے اپنے مقاصد کو حاصل کیا جاسکے۔ مجموعی طور پر، بورڈ اپنے تنظیمی ڈھانچے اور ساخت کی بنا پر اچھے طریقے سے کام کر رہا ہے۔ بورڈ اراکین کو مناسب صلاحیت، علم اور تجربے کی ضرورت ہوتی ہے، جو کہ کاروبار کو موثر طریقے سے چلانے کے لئے ضروری ہے۔ بورڈ کمیٹیوں کے ساتھ ساتھ انفرادی بورڈ اراکین بھی موثر طریقے سے مقرر کردہ کام بخوبی سرانجام دے رہے ہیں۔ انفرادی بورڈ اراکین سختی سے کمپنی کی مجموعی کارکردگی میں بہتری کے لئے پرعظم دکھائی دیتے ہیں۔ بورڈ روم میں اراکین کا رویہ زیادہ تر ترقیاتی خیالات پر منحصر ہوتا ہے۔ بورڈ اراکین کمپنی کے اقدار اور مشن پر اپنی توجہ مرکوز رکھتے ہیں اور

اس پر بہت پرعظم دکھائی دیتے ہیں۔ سٹرٹیجک اور آپریشنل سطح پر بات چیت اور مسائل کو مناسب وقت دیا جاتا ہے۔ ڈائریکٹرز کی اکثریت کے پاس انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے زیر اہتمام منعقد کردہ ڈائریکٹرز ٹریننگ پروگرام کی سرٹیفیکیشن ہیں۔

بورڈ اور کمیٹیوں کے اجلاسوں میں بورڈ اور کمیٹیوں کے اراکین کی حاضری، 95 فیصد ہدف کے مقابلے میں 100 فیصد تھی۔ ضابطہ اخلاق کی خلاف ورزی کا کوئی واقعہ رونما نہیں ہوا۔ کارکردگی کے مقاصد کا حقیقی نتائج سے موازنہ کیا گیا، جو تسلی بخش تھے۔ سال کے دوران بورڈ میں ایک تبدیلی ہوئی تھی جناب ولید بن طارق مغل اپنی ذاتی وجوہات کی بنا پر باہمیثیت بورڈ رکن سے مستعفی ہو گئے۔ ان کی جگہ جناب عبدالرحمن قریشی کو بقیہ مدت کے لئے ڈائریکٹر تعینات کیا گیا۔

کمپنی کے مقاصد کو حاصل کرنے میں بورڈ کا کردار نہایت اہم ہے، بورڈ نے اپنے سٹرٹیجک مقاصد کو حاصل کرنے کے لئے مختصر، درمیانی اور طویل مدتی منصوبے تیار کر رکھے ہیں۔ بورڈ باقاعدگی سے بنیادی خطرات اور ان کو کم کرنے کے عوامل کا جائزہ لیتا رہتا ہے۔ توانائی کے بحران سے نپٹنے اور مسلسل پیداوار کی سطح کو برقرار رکھنے میں بورڈ کا کردار بہت موثر رہا ہے۔ بورڈ اور اس کی کمیٹیوں کے درمیان تعلقات بہت قیمتی اور پیداواری نوعیت کے ہیں۔ تمام بورڈ ممبران کی شمولیت اور شراکت اور کوششیں نہایت اہم رہیں ہیں۔ آزاد اور غیر انتظامی ڈائریکٹرز موثر فیصلہ سازی کے لئے درکار مہارت اور حمایت باقاعدگی سے فراہم کرتے رہے ہیں۔

مجموعی طور پر، مجھے تسلی ہے کہ ادارے کی طویل مدتی سٹرٹیجک سمت واضح اور مناسب ہے۔ مزید، مجموعی کارپوریٹ حکمت عملی کو بنانے اور اس کا جائزہ لینے سے متعلق تیار کردہ عمل قابل تحسین ہے۔ جس کی عکاسی ادارے کے مالیاتی نتائج اور کارکردگی سے بخوبی ہوتی ہے۔

میں بورڈ کی قیادت کرنے اور ایک ایسے تخلیقی اور کھلے کچھ کو فروغ دینے کیلئے ذمہ دار رہوں گا، جس میں بورڈ اور سینئر مینجمنٹ کے خیالات کو سنا اور سمجھا جائے اور میں اس بات کو یقینی بنانا چاہوں گا، کہ آپ کی کمپنی تمام متعلقہ کوڈ اور قواعد و ضوابط کے ساتھ مطابقت رکھے اور اس بات کو یقینی بنانا کہ ادارہ انتظامی ٹیم ایسے فیصلے جاری رکھے، جس سے آپ کے لئے مختصر، درمیانی اور طویل مدت میں مزید قدر پیدا ہو۔

آخر میں، میں پچھلے سال کے دوران اپنے انتظامی مینجمنٹ ٹیم کو ان کی صلاحیت اور محنت کی بنیاد پر سراہتا ہوں جنہوں نے جب بھی کاروبار کو مختلف مشکلات کا سامنا ہوا تو ان مشکلات سے بچانے کے لئے لچکدار رد عمل اور بہترین صلاحیت کا مظاہرہ کیا۔ مزید میں اپنے تمام ملازمین کی کوششوں اور سٹیک ہولڈرز کے ہم پر اعتبار کا شکر یہ ادا کرتا ہوں۔



مرزا جاوید اقبال

چیئر مین

لاہور: ستمبر، 19، 2018



03

REVIEWS & REPORTS

- Additional Management Reviews
- Corporate Governance
- Report Of The Audit Committee

ADDITIONAL MANAGEMENT REVIEWS

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 objectives 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. The Company has been successful in commissioning of new gas engines for its power plant and further penetrating into housing sector market through Mughal Supreme.

DESCRIPTION OF ENTITY'S RESOURCES, CAPITAL STRUCTURE & SIGNIFICANT CHANGES IN FINANCIAL POSITION

Description Of Entity's 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.

Analysis of liquidity

The aggregate net working capital stood at Rs. 2,721.837 million at the close of June 30, 2018, as compared to Rs. 3,005.387 million in last year decreasing by Rs. 283.550 million. Current ratio stood at 1.32 as compared to 1.34. Quick ratio was 0.62 as compared to 0.68 as at June 30, 2018.

Analysis of cash flows

Analysis of cash flows for the year ended June 30, 2018 is presented through the following major liquidity generation activities:

• Operating activities

Net cash generated from operations stood at Rs. 932.328 million, as compared to net cash used in operations amounting to Rs. 1,272.826 million last year, after adjustment of finance cost of Rs. 517.684 million and income tax payments aggregating to Rs. 437.312 million during the year. The increase was associated with increase in profits, decrease in stock-in-trade and recoverability of trade debts.

• Investing activities

The Company incurred fixed capital expenditure of Rs. 2,205.110 million during the year as compared to Rs. 473.866 million in last year. The investment in fixed capital expenditure was in line with Company's growth plan.

Profit received on term deposit during the year stood at Rs. 23.109 million as compared to Rs. 18.813

million in last year. Consequently, net cash used in investing activities stood at Rs. 2,179.843 million, up by Rs. 1,727.431 million from Rs. 452.412 million last year.

• Financing activities

The Company repaid long-term financing and short-term loans resulting in net cash utilization of Rs. 505.330 million. The Company further obtained long-term financing to the tune of Rs. 829.000 million to finance balancing, modernization and replacement (BMR) of bar re-rolling mill.

Consequently, net cash generated from financing activities stood at Rs. 159.886 million, as compared to Rs. 3,667.284 million last year.

• Cash And Cash Equivalents At Year End

The Company recorded a net decrease in cash and cash equivalents of Rs. 1,087.629 million during 2018, as compared to net increase in cash and cash equivalents of Rs. 1,942.046 million recorded in cash and cash equivalents last year, which was mainly due to utilization of right issue funds during the year.

Financing Arrangements

Long-term financing amounted to Rs. 829.000 million against total available facility of Rs. 1,500.000 million. The purpose of financing is balancing, modernization and replacement (BMR) of bar re-rolling mill, procurement and installation of induction furnaces and civil works, if any.

Total short-term loans from banking companies stood at Rs. 7,540.376 million as compared to Rs. 7,977.002 million in last year. Short-term loans from banking companies under Shariah compliant arrangements stood at Rs. 3,205.598 million as compared to Rs. 3,567.460 million in previous year.

Short-term loans from banking companies have been availed against aggregate credit facilities amounting to Rs. 19,705.000 million from various banks, under mark-up / profit arrangements. Out of the total available facilities, Rs. 8,429.186 million remained unavailed as at June 30, 2018. External financing is arranged after extensive cash flow forecasting for working capital, investment or asset acquisition requirements.

ADDITIONAL MANAGEMENT REVIEWS (CONTD.)

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.

Plans To Manage Repayment Of Debt And Recovery Of Losses

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

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 23 of the financial statements.

DESCRIPTION OF ENTITY'S CAPITAL STRUCTURE

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

As at June 30, 2018 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 approximately 75% equity holding.

Total long-term financing stood at Rs. 829.0000 million at close of the year, while, total short-term debt of the Company stood at Rs. 7,840.376 million at close of the year, with a debt / equity ratio of 3.45:1 as compared to 3.20:1 in 2017.

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

This has been provided in detail in Directors' report section under financial review section.

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, expansion of capacities, development of innovative products, exploration of alternative energy resources, overcome energy constraints, reduction in costs of production and diversification, provide sufficient support to the management's projection of enhanced profitability and return to the members.

Targets For Financial Measures

Various factors and variables were considered and estimated in projecting targets for financial year June 30, 2018. 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 from the grid station, enhanced production levels were achieved and operating targets were met by way of efficient utilization of existing capacities and commissioning of new gas engines, which enabled the Company to increase its turnover despite adverse market conditions.

Targets For Non-Financial Measures

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

- Maintenance of product quality
- Relationship with customers
- Brand establishment and preference
- Raw material quality
- Employee satisfaction
- Responsibilities towards the society

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

Explanation As To Why The Results From Performance Measures Have Changed Over The Period Or How The Indicators Have Changed

Results of performance measures were in line with the targets and there were no material changes.

CRITICAL PERFORMANCE INDICATORS

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

S. No.	Objectives	CPIs
1	Modernization of production facilities	Funds allocation
2	Improved capacity utilization	Number of hours run factor
3	Quality	Customer complaints,
4	Cost efficiencies	Gross profit margin & Net profit margin
5	Shareholder value	EPS, ROE & Asset turnover
6	Leadership position in market	Market share
7	Sustainability	Current ratio, Gearing and Interest cover
8	Explore alternative energy resources and overcoming energy constraints	Enhancement of grid station load, investments in alternate energy resources.

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.

CAPITAL MARKET & MARKET CAPITALIZATION

As at June 30, 2018, Pakistan Stock Exchange Limited ("PSX") had a market capitalization of Rs. 8,665.045 billion.

The market capitalization of the Company's share stood at Rs. 17,120.946 million as at June 30, 2018. The share traded at an average of Rs. 65 per share. Market price experienced fluctuations between the highest of Rs. 79.82 per share to the lowest of Rs. 43.81 per share since July 01, 2017, mainly due to market psychology, speculative investors and material events occurring during the year. Trading in equity during the year amounted to 132.607 million shares.

CORPORATE GOVERNANCE

COMPLIANCE OF THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

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 Listed Companies (Code of Corporate Governance) Regulations, 2017. 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 Listed Companies (Code of Corporate Governance) Regulations, 2017 as of the date of this report.

BOARD STRUCTURE AND ITS ROLE & RESPONSIBILITIES

Board Structure

The size and composition 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) male Directors, effectively representing the interest of shareholders. There are six (06) Non-Executive Directors and three (03) Executive Directors. The Non-Executive Directors include two (02) Independent Directors. The Board comprises of suitably experienced and qualified professionals in order to ensure effective and

efficient decision making. Detailed profiles of Directors along with details of other engagements have been stated in the annual report. The status of directorship (independent, executive, non-executive) is indicated in the Directors' report and also in Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 issued by the Company.

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.

BOARD COMMITTEES

Audit Committee

Composition Of Audit Committee

The Committee comprises of four (04) non-executive Directors with the Chairman being an Independent Non-Executive Director. The Chairman 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 composition of Audit Committee and detail of meetings attended by each member during the year has been provided in the Directors' report.

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 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 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, review of the scope and extent of internal audit, audit plan, reporting framework and procedures, review of the Company's statement on internal control systems prior to endorsement by the Board of Directors 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 Chief Financial Officer 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 Chief Financial Officer and the external auditors being present. The Head of Internal Audit and external auditors attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed. Chief Executive Officer and the Chief Financial Officer would not attend any meeting of the Audit Committee except by invitation only. The Head of Internal Audit has been appointed as secretary of the Audit Committee. However, in absence of Head of internal Audit, Company Secretary performs the duties of secretary of Audit Committee. In the absence of strong grounds to proceed otherwise, the Board of Directors acts in accordance with the recommendations of the Audit Committee.

Human Resource And Remuneration Committee

Composition Of Human Resource And Remuneration Committee

The Human Resource and Remuneration Committee comprises of four (04) Non-Executive Directors with the Chairman being an Independent Non-Executive Director. The composition of Human Resource and Remuneration Committee and detail of meetings attended by each member during the year has been provided in the Directors' report. The Chief Executive Officer, Head of Human Resource or any other advisor or person may attend the meeting only by invitation.

Salient Features And Terms Of Reference

The role of the Human Resource & Remuneration Committee is to assist the Board of Directors in its oversight of the evaluation and approval of the policy framework for determining remuneration of Directors, 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.

CORPORATE GOVERNANCE (CONTD.)

The Committee is responsible for:

- Recommending to the Board for consideration and approval a policy framework for determining remuneration of Directors;
- Directly undertakes annually a formal process of evaluation of performance of the Board as a whole and its committees.
- Recommending human resource management policies to the Board;
- Recommending to the Board the selection, evaluation, compensation (including retirement benefits) of Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit; and
- Consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer.

The Committee meets at least once in a financial year and may meet more often if requested by a member of the Board, or committee itself or the Chief Executive Officer. The Company Secretary sets the agenda, time, date and venue of the meeting in consultation with the Chairman of the Committee. The Company Secretary 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 may also be called to discuss other important matters on need basis. The Board held four (04) meetings during the year, the notices / agendas of which were circulated least seven (07) days prior to the meetings. Detail of composition of the Board and meetings attended

by each member during the year has been provided in the Directors' report. 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.

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.

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. The Company has the policy for actual and perceived conflicts of interest which provides a guide as to what constitutes a conflict of interest, the processes and procedures that are in place in order to facilitate compliance and, the consequences of non-compliance. The Policy is intended to assist Directors in making the right decisions when confronted with potential conflict of interest issues. Further, the Directors are annually reminded of the insider trading circular issued by the Securities and Exchange Commission of Pakistan to avoid dealing in shares while they are in possession of the inside information. Every Director is required to provide to the Board complete details regarding any material transaction which may bring conflict of interest with the Company for prior approval of the Board. The interested Directors do not participate in the discussion neither they vote on such matters. The transactions with all the related parties are made on arm's-length basis and complete details are provided to the Board for their approval. Further all the transactions with the related parties are fully disclosed in the financial statements of the Company.

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 decisions; are decisions reached by the whole Board; do decisions take account of member's views; are there any "unmanaged" conflicts of interest etc. When completing the performance evaluation, Board considers the following main performance evaluation process or behaviour:

- 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

CORPORATE GOVERNANCE (CONTD.)

TRANSACTION / TRADE OF COMPANY'S SHARES

The following transactions have been executed by and between Directors/CEO/substantial shareholders/their spouse in shares of the Company, details of which are here under:

Sr. No	Transferor/Donor	Transferee / Donee	Relation with Donor	No. of Shares	Nature of Transaction
1	Mirza Javed Iqbal, (Director)	Khurram Javaid , (CEO/Director)	Son	22,776,835	Through Gift deed
2	Mirza Javed Iqbal, (Director)	Fahad Javaid, (Director)	Son	22,666,343	Through Gift deed
3	Mirza Javed Iqbal, (Director)	Tabassum Javed	Spouse	3,207,805	Through Gift deed

Besides the above, the Directors, Executives and their spouses and minor children have not traded in the shares of the Company.

Executives include Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary and certain other employees for whom the Board of Directors will set a threshold. In accordance with the threshold set by the Board of Directors, employees who are drawing annual basic salary of Rs. 1.8 million or more are regarded as Executives.

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, including Listed Companies (Code of Corporate Governance) Regulations, 2017 and any other regulatory laws applicable in Pakistan along with an overview of the strategic plans, marketing analysis, forecasts, budget and business plans etc.

ISSUES RAISED AT LAST AGM

Although general clarifications were sought by the members on Company's published financial statements during the 8th Annual General Meeting of the Company held on October 28, 2017, no significant issue was raised.

DIRECTORS' TRAINING PROGRAM

No training programs were arranged by the Board for its Directors during the year. However, following Directors have certification under the Directors' Training Program (DTP) from the Institute of Chartered Accountants of Pakistan (ICAP):

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

RELATED PARTY TRANSACTIONS

In compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 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. Details of contracts or arrangements entered into along with the justifications for entering into such contracts or arrangements have been disclosed in relevant notes to the financial statements.

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.

CORPORATE GOVERNANCE (CONTD.)

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

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.

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.

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.

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/>.

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 ambassador	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
Bankers	Provide financing for our projects	Business briefing Periodic meetings Financial reporting	Occasionally As required Continuous
Institutional investors Media & analysts	Has the potential to influence public perception and brand reputation	Media announcements and briefings Corporate briefing and analysis	As required As required

REPORT OF THE AUDIT COMMITTEE

The Board Audit Committee comprises only of Non-Executive Directors. Chairman of the Committee is an Independent Director. Composition of the Audit Committee has been given in the Directors' report section.

- Four (04) meetings of the Audit Committee were held during the financial year ended June 30, 2018 which were presided by the Chairman, 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 member's needs.
- The Board has issued a "Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017" which has also been reviewed and certified by the auditors of the Company.
- The Audit Committee has reviewed and recommended all related party transactions.
- The Chief Executive Officer and the Chief Financial Officer have endorsed the financial statements of the Company. 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 certificate was filed 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 members 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 an Independent Non-Executive Director and 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 necessary coordination with internal auditors. 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 Annual General Meeting of the Company held during the year and have confirmed attendance of the upcoming Annual General Meeting scheduled for October 27, 2018 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 ending June 30, 2019.

On behalf of the Audit Committee

Sd-

SYED SALMAN ALI SHAH

Chairman Audit Committee

Lahore: September 19, 2018



04

FINANCIAL HIGHLIGHTS

- Horizontal Analysis
- Vertical Analysis
- Summary Statement Of Cash Flows Statement
- Comments On Seven Year Analysis
- Analysis Of Financial Ratios
- Comments On Ratio Analysis
- Dupont Analysis
- Key Operating And Financial Data
- Statement Of Cash Flows - Direct Method
- Results Reported In Interim Financial Statements And Final Accounts
- Graphical Analysis
- Distribution Of Wealth
- Share Price Sensitivity Analysis

HORIZONTAL ANALYSIS

	2018	18 vs 17	2017	17 vs 16	2016	16 vs 15	2015	15 vs 14	2014	14 vs 13	2013	13 vs 12	2012
	Rs. in '000	%	Rs. in '000										
Statement of Financial Position													
Total equity	7,466,333	12.49	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
Total non-current liabilities	1,599,956	148.81	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
Total current liabilities	8,408,467	(3.83)	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
Total equity & liabilities	17,474,757	9.06	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
Total non-current assets	6,344,432	48.42	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
Total current assets	11,130,324	(5.27)	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
Total assets	17,474,757	9.06	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
Statement of Profit or Loss													
Sales	22,225,842	18.20	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
Less: cost of Sales	19,431,431	15.41	16,837,364	(0.52)	16,924,658	55.06	10,914,917	108.11	5,244,696	47.58	3,553,752	5.80	3,358,903
Gross profit	2,794,412	42.18	1,965,447	(4.54)	2,058,821	55.22	1,326,355	82.20	727,977	94.25	374,762	25.54	298,519
Less:													
Sales and marketing expenses	246,333	50.16	164,049	73.19	94,723	53.16	61,847	438.31	11,489	(40.77)	19,397	37.29	14,128
Administrative expenses	312,901	18.04	265,075	27.74	207,515	29.44	160,323	102.58	79,142	1.89	77,675	47.64	52,610
Other charges	115,353	26.14	91,451	5.53	86,658	91.77	45,188	75.29	25,779	318.42	6,161	1.35	6,079
Add: other income	(36,364)	7.03	(33,977)	(28.25)	(47,357)	220.50	(14,776)	303.39	(3,663)	(33.75)	(5,529)	(70.44)	(18,703)
	638,223	31.16	486,598	42.47	341,540	35.22	252,581	124.02	112,747	15.40	97,704	80.55	54,114
Profit before interest & taxation	2,156,188	45.80	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
Less: finance costs	552,460	115.34	256,551	(39.64)	425,033	(3.33)	439,678	69.24	259,788	70.61	152,271	12.47	135,394
Profit before taxation	1,603,728	31.21	1,222,298	(5.41)	1,292,248	103.79	634,096	78.40	355,442	184.84	124,787	14.47	109,011
Less: taxation	313,513	35.40	231,538	(41.95)	398,836	1,690.87	(25,070)	250.58	(7,151)	130.98	(3,096)	(246.38)	2,115
Profit for the year	1,290,215	30.22	990,760	10.90	893,412	35.54	659,166	81.79	362,593	183.53	127,883	19.63	106,896

VERTICAL ANALYSIS

	2018		2017		2016		2015		2014		2013		2012	
	Rs. in '000	%												
Statement of Financial Position														
Total equity	7,466,333	42.73	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
Total non-current liabilities	1,599,956	9.16	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
Total current liabilities	8,408,467	48.12	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
Total equity & liabilities	17,474,757	100.00	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
Total non-current assets	6,344,432	36.31	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
Total current assets	11,130,324	63.69	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
Total assets	17,474,757	100.00	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
Statement of Profit or Loss														
Sales	22,225,842	100.00	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
Less: cost of Sales	19,431,431	87.43	16,837,364	89.55	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
Gross profit	2,794,412	12.57	1,965,447	10.45	2,058,821	10.85	1,326,355	10.84	727,977	12.19	374,762	9.54	298,519	8.16
Sales and marketing expenses	246,333	1.11	164,049	0.87	94,723	0.50	61,847	0.51	11,489	0.19	19,397	0.49	14,128	0.39
Administrative expenses	312,901	1.41	265,075	1.41	207,515	1.09	160,323	1.31	79,142	1.33	77,675	1.98	52,610	1.44
Other charges	115,353	0.59	91,451	0.54	86,658	0.51	45,188	0.41	25,779	0.49	6,161	0.17	6,079	0.18
Add: other income	(36,364)	(0.16)	(33,977)	(0.18)	(47,357)	(0.25)	(14,776)	(0.12)	(3,663)	(0.06)	(5,529)	(0.14)	(18,703)	(0.51)
	638,223	2.87	486,598	2.59	341,540	1.80	252,581	2.06	112,747	1.89	97,704	2.49	54,114	1.48
Profit before interest & taxation	2,156,188	9.70	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
Less: finance costs	552,460	2.49	256,551	1.36	425,033	2.24	439,678	3.59	259,788	4.35	152,271	3.88	135,394	3.70
Profit before taxation	1,603,728	7.22	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
Less: taxation	313,513	1.41	231,538	1.23	398,836	2.10	(25,070)	(0.20)	(7,151)	(0.12)	(3,096)	(0.08)	2,115	0.06
Profit for the year	1,290,215	5.81	990,760	5.27	893,412	4.71	659,166	5.38	362,593	6.07	127,883	3.26	106,896	2.92

SUMMARY OF STATEMENT OF CASH FLOWS

	2018	2017	2016	2015	2014	2013	2012
	Rs. in '000						
Cash generated from / (used in) operations	1,953,568	(756,354)	(4,931)	2,348,439	(1,508,589)	740,876	533,284
Net decrease / (increase) in long-term loans to employees	7,533	1,143	491	(722)	-	-	-
Net (increase) / decrease in long-term deposits	(2,587)	-	-	(75)	561	(857)	22,446
Defined benefits paid	(5,886)	(5,504)	(4,390)	(3,727)	(384)	-	-
Finance cost paid	(517,684)	(219,433)	(224,401)	(347,323)	(205,149)	(164,327)	(139,654)
Workers' profit participation fund paid	(65,304)	(68,013)	(38,157)	(20,928)	(6,161)	(6,080)	(3,516)
Income tax paid	(437,312)	(224,664)	(305,885)	(260,107)	(116,416)	(63,812)	(43,965)
Profit received	-	-	-	-	-	-	1,016
Net cash (utilized in) / generated from operating activities	932,328	(1,272,826)	(577,272)	1,715,557	(1,836,139)	505,801	369,613
Payments for property, plant & equipment	(2,205,110)	(473,866)	(678,981)	(514,808)	(518,691)	(640,083)	(861,976)
Proceeds from disposal of tangible fixed assets	2,159	2,641	6,061	2,610	-	22,407	-
Profit received on term deposit receipts	23,109	18,813	18,763	3,755	-	-	-
Short-term investments - matured / (purchased)	-	-	-	-	438	-	(14,607)
Net cash (used in) investing activities	(2,179,843)	(452,412)	(654,157)	(508,443)	(518,252)	(617,676)	(876,583)
Long-term financing - net	797,287	(407,496)	(144,457)	(470,177)	637,493	360,578	825,860
Short-term loans - net	(473,618)	3,442,287	1,003,447	(907,689)	1,731,792	(251,956)	(423,200)
Proceeds from issuance of ordinary shares	-	1,257,998	-	929,900	-	-	-
Transaction costs	-	(12,340)	-	(52,900)	(1,501)	87,417	-
Dividend paid	(163,784)	(613,166)	(54,401)	-	-	-	-
Net cash (used in) / generated from financing activities	159,886	3,667,284	804,589	(500,866)	2,367,784	196,039	402,660
Net increase / (decrease) in cash and cash equivalents	(1,087,629)	1,942,046	(426,840)	706,248	13,392	84,163	(104,310)
Cash and cash equivalents at the beginning of the year	2,338,801	396,755	823,595	117,346	103,954	19,791	124,101
Cash and cash equivalents at the end of the year	1,251,171	2,338,801	396,755	823,595	117,346	103,954	19,791

COMMENTS ON SEVEN YEAR ANALYSIS

COMMENTS ON HORIZONTAL ANALYSIS

Statement Of Financial Position

Total equity showed an increasing trend from year 2012 onwards due to continuous improvement in profitability of the Company on account of increased sales revenue and further injection of equity.

Total non-current liabilities showed a mix trend over the years mainly due to fluctuations in the amount of long-term financing availed from time to time. However, Current liabilities showed an increasing trend mainly due to increase in working capital requirements.

Statement Of Profit Or Loss

Turnover increased over the years from 2012 to 2018, due to increase in sales volume of rebars and girders. However, in 2017, turnover witnessed a slight decline mainly due to fall in sale prices.

Gross profit has remarkably increased over the years 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 in imported billet.

Finance costs over the years has fluctuated adversely / in adversely 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 and in 2018 the increase was due to increase in average outstanding short-term loans as a result of increase in working capital requirements.

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

Profit for the year 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

Statement Of Financial Position

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.

Current assets reduced from 73.32% of the total assets in 2017 to 63.69% in year 2018. Total current liabilities were 48.12% of total equity and liabilities as compared to 54.57% in 2017. The decrease in current assets was due to utilization of right issue funds for CAPEX. Current ratio improved significantly from 1.03 in 2012 to 1.32 in 2018.

Statement Of Profit Or Loss

Gross profit % age came out to be 12.57% in year 2018 as compared to 8.16% in 2012. 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.

Net profits of the Company increased at a good pace from 2.92% in year 2012 to 5.81% in year 2018, however, the net profit ratios experienced a dip in 2016, 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 2018 cash generated from operations amounted to Rs. 932.328 million as compared to cash utilized in operations amounted to Rs. 1,272.826 million in 2017, which was mainly due to increase in profits and decrease in inventory and trade debts.

Net cash used in investing activities depicts cash utilization on account of fixed capital expenditure. Moreover, in current year fixed capital expenditures mainly represented CAPEX 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

Ratio Description	2018	2017	2016	2015	2014	2013	2012
Profitability Ratios							
Gross profit ratio	12.57%	10.45%	10.85%	10.84%	12.19%	9.54%	8.16%
Net profit to sales ratio	5.81%	5.27%	4.71%	5.38%	6.07%	3.26%	2.92%
EBITDA margin to sales	10.31%	8.55%	9.58%	9.52%	11.60%	8.37%	7.30%
Operating leverage ratio	2.52	14.59	1.09	0.71	2.35	1.80	0.59
Return on equity	17.28%	14.93%	21.09%	19.36%	22.05%	13.49%	14.56%
Return on capital employed	17.24%	16.58%	18.28%	16.60%	12.02%	5.56%	6.91%
Liquidity Ratios							
Current ratio	1.32	1.34	1.34	1.19	1.14	0.99	1.03
Quick / Acid test ratio	0.62	0.68	0.57	0.45	0.35	0.59	0.67
Cash to current liabilities	0.15	0.27	0.10	0.07	0.03	0.07	0.01
Cash flow from operations to sales	0.04	(0.07)	(0.03)	0.14	(0.31)	0.13	0.10
Activity / Turnover Ratios							
Inventory turnover ratio	3.63	3.51	3.75	2.91	3.32	7.84	6.97
No. of days in Inventory	100	104	97	125	110	46	52
Receivables turnover ratio	10.70	8.02	13.30	12.16	13.50	4.10	2.97
No. of days in receivables	34	45	27	30	27	89	122
Payables turnover ratio	3.13	3.19	3.34	2.76	3.76	4.86	5.46
No. of days in payables	117	114	110	132	97	75	67
Total assets turnover ratio	1.27	1.17	1.61	1.07	0.84	0.99	0.91
Fixed assets turnover ratio	5.08	4.85	4.87	4.17	2.33	1.63	3.23
Operating cycle	17.87	35.13	15.71	23.26	39.76	60.45	108.26
Investment / Market Ratios							
Earnings per share	5.13	4.21	3.80	3.23	2.37	0.83	0.10
Price earnings ratio	12.20	19.18	17.68	17.41	-	-	-
Dividend yield ratio	4%	3%	4%	1%	-	-	-
Dividend pay-out ratio	43%	62%	79%	15%	-	-	-
Dividend cover ratio	2.33	1.62	1.27	6.46	-	-	-
Cash dividend per share	2.20	2.60	3.00	0.50	-	-	-
Stock dividend per share	-	-	-	15%	-	-	-
Market value per share							
- Closing	62.57	80.73	67.19	56.24	-	-	-
- High	79.82	141.98	86.03	69.31	-	-	-
- Low	43.81	71.60	57.88	35.69	-	-	-
Break up value per share	29.67	26.38	33.67	31.13	20.05	11.56	12.52
Capital structure ratios							
Financial leverage ratio	1.16	1.21	1.06	1.04	2.81	3.45	3.03
Weighted average cost of debt	6.15%	4.02%	5.42%	11.39%	8.93%	10.58%	9.91%
Long term debt to equity ratio	0.11	0.00	0.25	0.32	1.10	1.73	1.74
Interest cover ratio	4.18	6.27	8.62	2.86	2.89	1.86	1.88

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.

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 2012 and ended in much better condition in 2018 as compared to year 2012.

Activity / turnover ratios

The ratios depicted an overall mixed trend over the years. However, inventory days and ratio became stable 2015 onwards. Receivables days decreased due to increase in outstanding overdue recoveries.

Investment / Market ratios

Increased profitability means increased EPS and this is evident from the figure which has gone up to 5.13 from 4.21 last year. Break-up value increased during the year to 29.67 due to increased profitability. The market value of the share however closed at 62.57 which was lower than last year mainly due to overall political environment prevailing in the country.

Capital structure ratios

These ratios have continued to get better since 2012 based on increase in equity, improved results and healthy cash flows, which have helped the Company repay its debts at accelerated rates and the trend is evident this year. However, during the year interest cover ratio decreased due to increase in financial costs as a result of increase in short-term borrowings.

DUPONT ANALYSIS

Year	Return on Equity (Equity multiplier x Return on Assets)	Equity Multiplier (Avg Assets / Avg Equity)	Return on Assets	Total Assets Turnover (Sales / Avg Assets)	Profit margin (Pre tax profit / Sales)
2018	22.74%	2.38	9.57%	1.33	7.22%
2017	22.48%	2.56	8.79%	1.35	6.50%
2016	33.83%	3.04	11.12%	1.63	6.81%
2015	25.11%	3.67	6.84%	1.32	5.18%
2014	27.42%	4.26	6.44%	1.08	5.95%
2013	14.83%	4.76	3.12%	0.98	3.18%
2012	16.01%	5.15	3.11%	1.04	2.98%

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 and utilization of low cost raw material. However, the profit margins in 2017 were effected due to removal of discount by China and imposition of regulatory duty on imported billet and fall in steel prices in local markets.
- Total assets turnover of the Company has improved over the years due to increase in revenues as a result of using the Company's resources more efficiently. However, the turnover declined in 2017 onwards due to announcement of expansions, which are currently under process.
- 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. Decline post 2017 was due to reasons explained above.
- Equity multiplier improved due to better continuous equity improvement on account of better profits over the years.

Conclusion:

- Overall DuPont analysis depicts improvement in the overall performance of the Company. From year 2012 to year 2014, return on equity has increased. In year 2015 and 2016 onwards, return on equity declined mainly due to injection of fresh equity and decrease in profit margins, and expenditure incurred on expansion in process. However, 2018 witnessed improvement as compared to 2017 mainly due to improved utilization of assets and impact of power engines which became operational.



KEY OPERATING AND FINANCIAL DATA

	2018	2017	2016	2015	2014	2013	2012
Total Mild Steel Production (Metric Tons):							
- Melting	211,934	116,207	99,657	59,557	46,732	19,845	26,198
- Re-rolling	251,950	241,773	245,675	180,230	112,771	36,443	46,052
Sales (Rs. In thousands)							
Local Sales	22,207,995	18,030,941	18,317,200	10,605,375	3,723,039	1,509,445	928,123
Export Sales	17,848	735,926	666,279	1,635,897	2,249,634	2,419,069	2,729,299
Total Sales	22,225,843	18,802,811	18,983,479	12,241,272	5,972,673	3,928,514	3,657,422
Profitability (Rs. in thousands)							
Gross profit	2,794,412	1,965,447	2,058,821	1,326,355	727,977	374,762	298,519
Profit before taxation	1,603,728	1,222,298	1,292,248	634,096	355,442	124,787	109,011
Profit for the year	1,290,215	990,760	893,412	659,166	362,593	127,883	106,896
Financial position (Rs. in thousands)							
Fixed assets	6,304,748	4,250,866	3,908,262	3,285,942	2,865,375	2,417,188	1,131,782
Other non current assets	39,684	23,898	20,167	20,010	19,008	20,950	16,766
Total non current assets	6,344,432	4,274,764	3,928,429	3,305,952	2,884,383	2,438,138	1,148,548
Current assets	11,130,324	11,748,963	7,851,863	8,113,195	4,138,857	1,506,861	2,182,269
Less: current liabilities	8,408,467	8,743,576	5,861,637	6,811,927	3,618,325	1,520,279	2,123,833
Net working capital	2,721,857	3,005,387	1,990,226	1,301,269	520,532	(13,418)	58,436
Capital employed	9,066,289	7,280,151	5,918,656	4,655,434	3,454,364	2,448,517	1,910,120
Less: Non current liabilities	1,599,956	643,053	1,683,226	1,250,475	1,809,684	1,500,230	1,175,926
Shareholders equity	7,466,333	6,637,098	4,235,430	3,404,959	1,644,679	948,287	734,194
Share capital	2,515,997	2,515,997	1,257,998	1,093,912	820,412	820,412	586,396
Capital reserve	1,419,413	1,419,413	439,413	603,501	319,394	-	-
Revenue reserve	2,606,886	1,477,651	2,112,329	1,224,519	504,874	127,875	147,798
Equity portion of sponsor shareholders loan	-	-	425,689	483,027	-	-	-
Equity contribution from Directors & their relatives	924,037	1,224,037	-	-	-	-	-
Represented by	7,466,333	6,637,098	4,235,429	3,404,959	1,644,679	948,287	734,194

STATEMENT OF CASH FLOWS

DIRECT METHOD

Rupees	2018	2017
Cash flows from operating activities		
Cash receipt from customers	22,309,601,537	18,395,658,999
Cash paid to suppliers and employees	(20,356,033,746)	(19,152,013,070)
Cash generated from / used in operations	1,953,567,791	(756,354,071)
Net decrease in long-term loans to employees	7,533,459	1,142,685
Net Increase in long-term deposits	(2,587,004)	–
Defined benefits paid	(5,885,829)	(5,504,109)
Finance cost paid	(517,684,178)	(219,433,011)
Workers' profit participation fund paid	(65,304,280)	(68,013,042)
Income tax paid	(437,312,304)	(224,664,034)
	(1,021,240,136)	(516,471,511)
Net cash generated from / used in operating activities	932,327,655	(1,272,825,582)
Cash flows from investing activities		
Payments for property, plant & equipment	(2,205,109,816)	(473,866,042)
Proceeds from disposal of tangible fixed assets	2,158,500	2,641,480
Profit received on term deposit receipts	23,108,723	18,812,847
Net cash used in investing activities	(2,179,842,593)	(452,411,715)
Cash flow from financing activities		
Repayment of long-term financing	(31,712,571)	(407,495,915)
Proceeds from long-term financing	829,000,000	–
Short-term loans from banking companies - net	(436,535,304)	3,442,287,432
Short-term loans from Directors & their relatives - net	(37,082,301)	–
Proceeds from issuance of ordinary shares	–	1,257,998,250
Transaction costs	–	(12,340,105)
Dividend paid	(163,784,311)	(613,166,100)
Net cash generated from financing activities	159,885,513	3,667,283,563
Net decrease / increase in cash and cash equivalents	(1,087,629,425)	1,942,046,265
Cash and cash equivalents at the beginning of the year	2,338,800,897	396,754,632
Cash and cash equivalents at the end of the year	1,251,171,472	2,338,800,897

RESULTS REPORTED IN INTERIM FINANCIAL STATEMENTS AND FINAL ACCOUNTS

	Interim report results						Annual Result	
	September Quarter		December Quarter		March Quarter		Complete year	
	Rupees in 000'	%	Rupees in 000'	%	Rupees in 000'	%	Rupees in 000'	%
Sales	5,397,104		5,787,798		5,435,373		22,225,842	
Gross profit	667,990	12.38%	758,910	13.11%	688,423	12.67%	2,794,412	12.57%
Net profit before tax	400,175	7.41%	453,236	7.83%	387,057	7.12%	1,603,728	7.22%
Taxation	94,463	1.75%	138,522	2.39%	60,596	1.11%	313,513	1.41%
Profit for the year	305,712	5.66%	314,714	5.44%	326,460	6.01%	1,290,215	5.81%
Debt: Equity Ratio	–	–	–	0.00	–	0.00	829,000	0.11 : 1
	6,942,810		7,106,565		7,433,025		7,466,333	
Current ratio	11,737,524	1.35	10,908,909	1.37	9,947,994	1.33	11,130,324	1.32
	8,706,814		7,948,347		7,459,093		8,408,467	

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

3 Months Ended September 30, 2017

Gross profit ratio for the 1st Quarter was 12.38 % as compared to annual GP of 12.57 % which improved due to increase in sale rates and utilization of low cost raw material. Net profit before tax was 7.41% as compared to annual 7.22%. The decrease was due to increase in finance costs. Net profit after tax was 5.66% in 1st Quarter as compared to 5.81% in annual, which was mainly due to tax credit claimed in last quarter. Current ratio declined due to utilization of right issue funds.

6 Months Ended December 31, 2017

Gross profit ratio for the 2nd Quarter was 13.11 % as compared to annual GP of 12.57%. The increase in gross profit in 2nd Quarter was due to availability of low cost scrap and cheap billet and increase in sale rates. However, gross profit ratio declined from 2nd quarter onwards due to increase in average scrap rate. Accordingly net profit before tax also declined from 7.83% in 2nd Quarter to 7.22% in annual. Net profit after tax improved in annual accounts due to claiming of tax credit in last quarter resulting in overall less tax liability. Current ratio decreased due to utilization of right issue funds.

9 Months Ended March 31, 2018

Gross Profit Ratio was 12.67% as compared to annual GP of 12.57% and net profit before tax was 6.01% as compared to annual 5.81%. Margins fell slightly after third quarter due to increase in average raw material prices and increase in overhead costs. Similarly Net profit after tax was 6.01% as compared to 5.81% in annual.

GRAPHICAL ANALYSIS

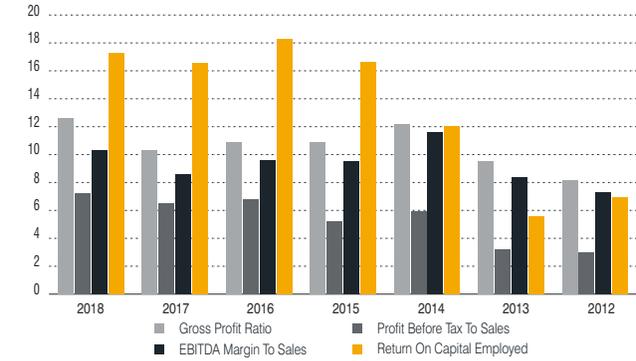
Market Ratios

Rupees



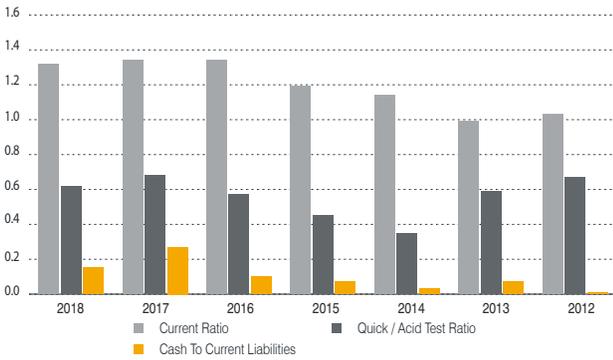
Profitability Ratios

Percentage



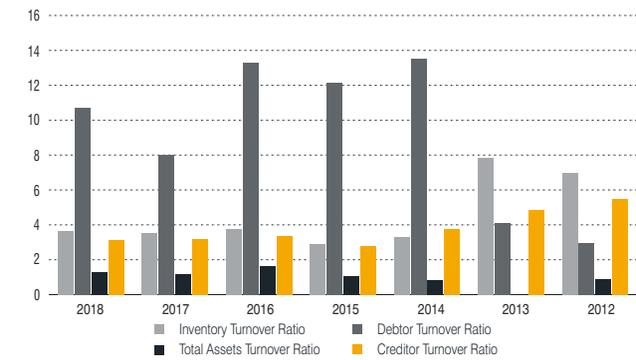
Liquidity Ratios

Times



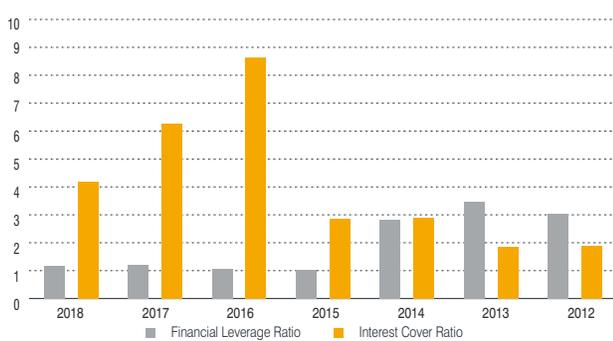
Turnover Ratios

Times



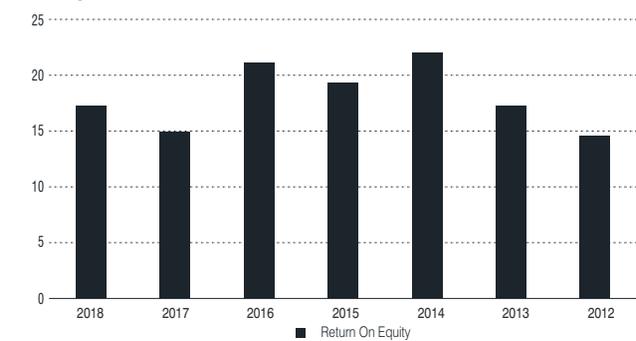
Capital Structure Ratio

Times



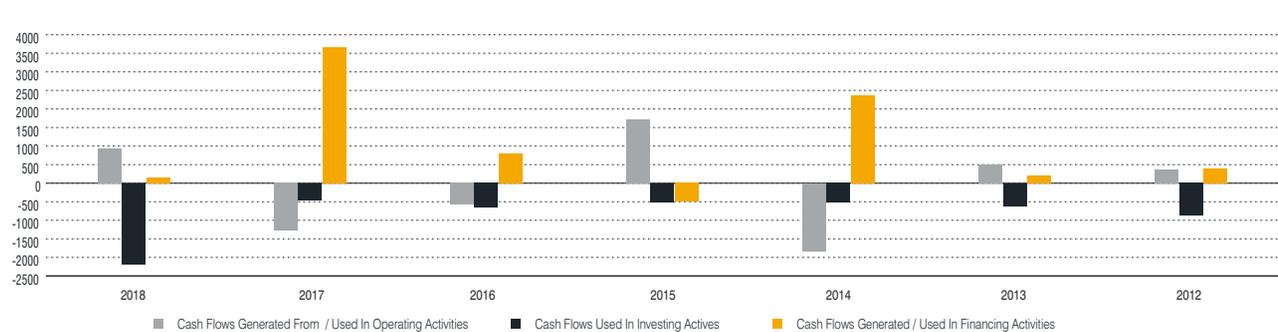
Return On Equity

Percentage

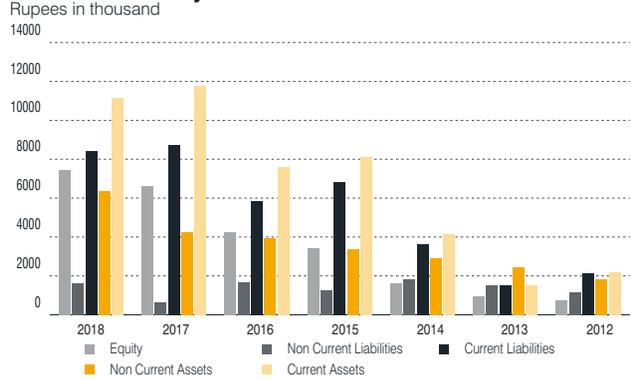


Cash Flows

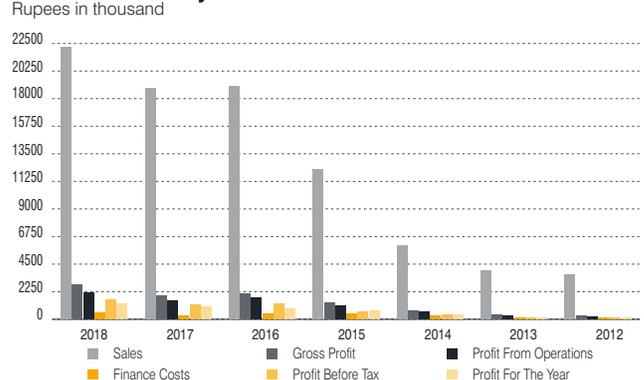
Rupees in Thousand



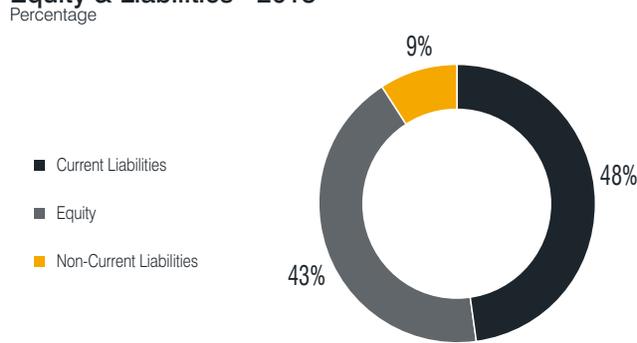
Horizontal Analysis - Statement Of Financial Position



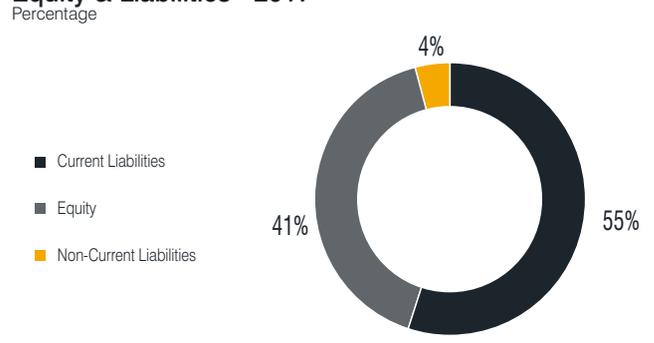
Horizontal Analysis - Statement Of Profit Or Loss



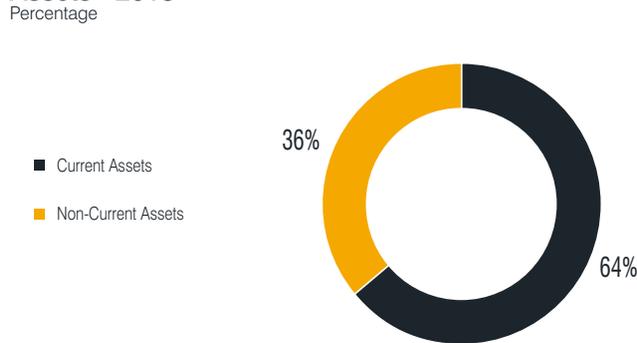
Equity & Liabilities - 2018



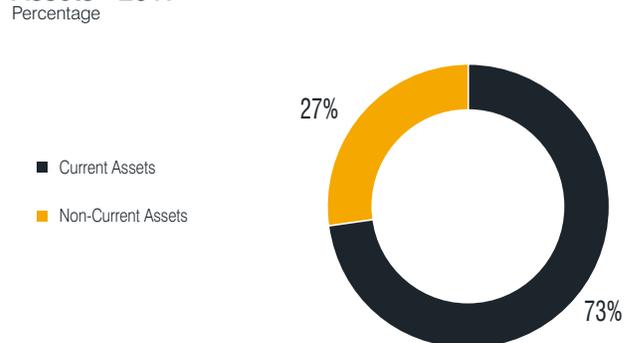
Equity & Liabilities - 2017



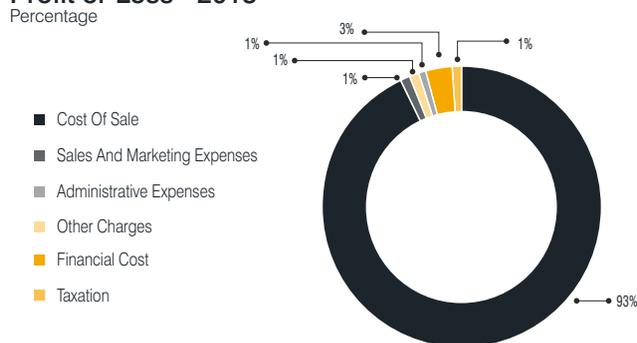
Assets - 2018



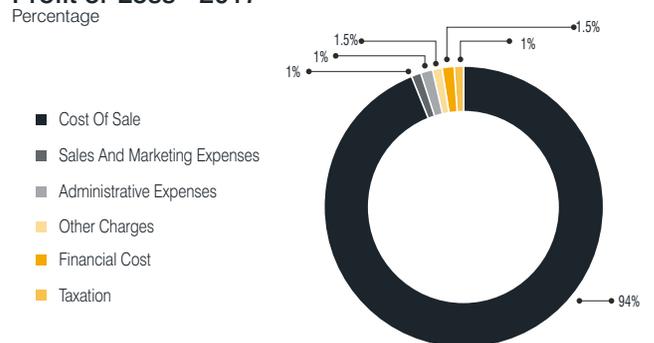
Assets - 2017



Profit or Loss - 2018



Profit or Loss - 2017



DISTRIBUTION OF WEALTH

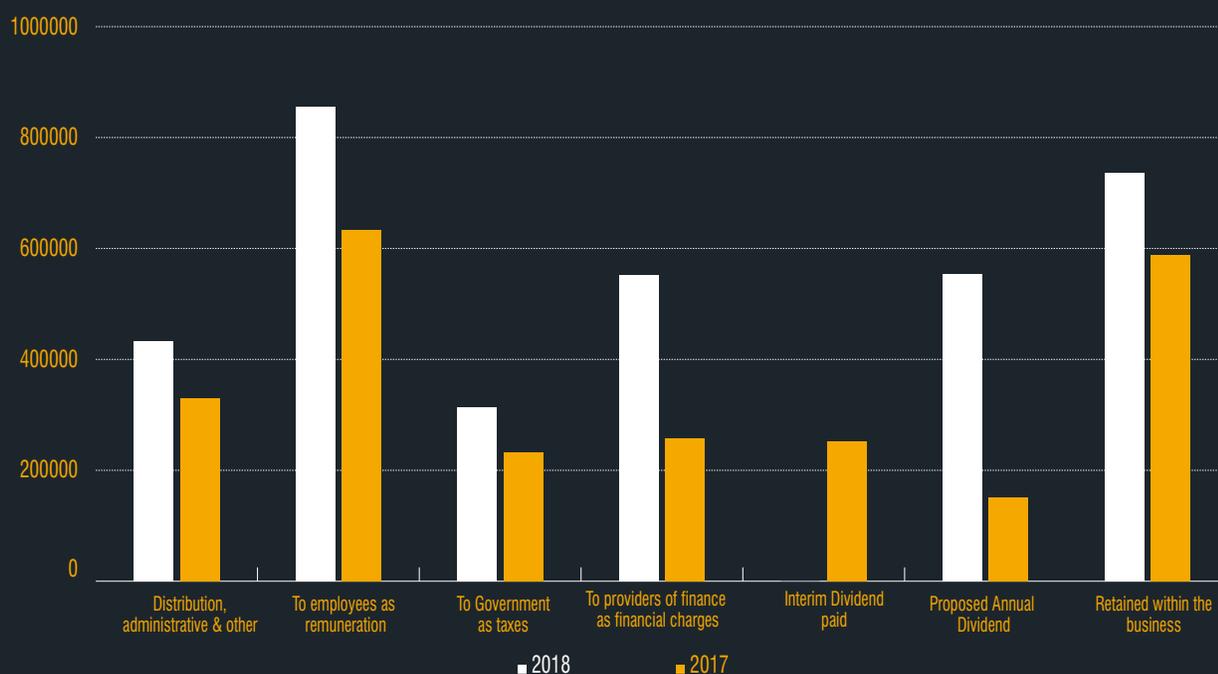
	2018		2017	
	Rs. In 000	%	Rs. In 000	%
Wealth Generated				
Sales	22,225,842		18,802,811	
Less: Cost of sales (excluding employees' remuneration)	18,816,838		16,395,773	
Value added	3,409,004		2,407,038	
Add: other income	36,364		33,977	
	3,445,368	100.00	2,441,015	100.00

Distribution Of Wealth

Distribution, administrative & other expenses	432,973	12.57	328,866	13.47
To Directors & employees as remuneration	856,207	24.85	633,300	25.94
To Government as direct taxes	313,513	9.10	231,538	9.49
To providers of finance as financial charges	552,460	16.03	256,551	10.51
Interim dividend paid	—	—	251,600	10.31
Proposed annual dividend	553,519	16.06	150,960	6.18
Retained within the business	736,695	21.38	588,100	24.09
	3,445,368	100.00	2,441,015	100.00

Rupees

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 will 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 badly effect the gross margins and will resultantly fall in the profitability and fall in EPS. This may badly effect the market price of the share downward.

3) Increase In Fixed Cost:

Fixed cost which mainly consists of Financial Charges, Marketing expenses, 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 results into fall in share prices. If the said factors happen on the positive sides than share price will 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.



05

FINANCIAL STATEMENTS

- Independent Auditor's Review Report
- Statement Of Compliance With Listed Companies (Code Of Corporate Governance) Regulations, 2017
- Independent Auditor's Report
- Statement Of Financial Position
- Statement Of Profit Or Loss & Other Comprehensive Income
- Statement Of Changes In Equity
- Statement Of Cash Flows
- Notes To The Financial Statements



GLOBAL PRESENCE
LOCAL EXCELLENCE

FAZAL MAHMOOD & COMPANY
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF **MUGHAL IRON & STEEL INDUSTRIES LIMITED**

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Mughal Iron & Steel Industries Limited (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Chartered Accountants

Lahore: September 19, 2018

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of company: Mughal Iron & Steel Industries Limited
Year ended: June 30, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are nine (09) as per the following:
 - a. Male Nine
 - b. Female Exempted for the current term

2. The composition of Board is as follows:
 - a. Independent Directors Syed Salman Ali Shah
Mr. Abdul Rehman Qureshi

 - b. Other Non-Executive Directors Mirza Javed Iqbal
Mr. Fazeel Bin Tariq
Mr. Fahad Javaid
Muhammad Mateen Jamshed

 - c. Executive Directors Mr. Khurram Javaid
Muhammad Mubeen Tariq Mughal
Mr. Jamshed Iqbal

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

4. 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.

5. 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.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ members as empowered by the relevant provisions of the Act and these Regulations.

7. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, reporting and circulating minutes of Board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

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 CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The Board has formed committees comprising of members given below:

Audit Committee	Syed Salman Ali Shah – Chairman Mr. Fazeel Bin Tariq – Member Muhammad Mateen Jamshed – Member Mr. Fahad Javaid – Member
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HR and Remuneration Committee	Mr. Abdul Rehman Qureshi – Chairman Mirza Javed Iqbal – Member Mr. Fazeel Bin Tariq – Member Muhammad Mateen Jamshed – Member
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13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. The frequency of meetings of the committees were as per following:

- | | |
|----------------------------------|--------------------------------------|
| a. Audit Committee | Quarterly (four meetings were held) |
| b. HR and Remuneration Committee | Semi-annual (two meetings were held) |

15. The Board has set up an effective in-house internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.



MIRZA JAVED IQBAL
Chairman



KHURRAM JAVAID
Chief Executive Officer

Lahore: September 19, 2018



GLOBAL PRESENCE
LOCAL EXCELLENCE

FAZAL MAHMOOD & COMPANY
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF **MUGHAL IRON & STEEL INDUSTRIES LIMITED**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **MUGHAL IRON & STEEL INDUSTRIES LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss & other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss & other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<p>Preparation of Financial Statements under Companies Act, 2017.</p> <p>As referred to in note 6.1 to the annexed financial statements, the third and fourth schedule to the Companies Act, 2017 (the Act) became applicable to the Company for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said third and fourth schedule to the Act, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the amendments (as specified in the said note 6.1) relating to disclosures required in the Company's financial statements.</p> <p>We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the procedures applied by the management for the identification of the changes required in the financial statements due to the application of the Act. • We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. • We also evaluated the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business.

S. No.	Key Audit Matters	How the matter was addressed in our audit
2	<p>The Company's exposure to litigation risk</p> <p>The Company is exposed to different laws, regulations and interpretations thereof and hence, there is a litigation risk.</p> <p>Consequently, the Company has significant litigation cases pending with Custom Authorities, Federal Board of Revenue and Punjab Revenue Authority, details of which are disclosed in notes 16 and 28 to the annexed financial statements.</p> <p>Given the nature and amounts involved in such cases and the appellate forums at which these are pending, the ultimate outcome and the resultant accounting in the financial statements is subject to significant judgement, which can change over time as new facts emerge and each legal case progresses, and therefore, we have identified this as key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtaining understanding of the Company's processes and controls over litigations through meetings with the management and review of the minutes of the Board of Directors and Audit Committee. • A review of the correspondence of the Company with the relevant regulatory authorities and tax/legal advisors including judgments or orders passed by the competent authorities. • Discussing open matters and developments with the in-house tax/legal department personnel of the Company. • We also obtained and reviewed confirmations from the Company's external tax and legal advisors for their views on the status of each case and an overall opinion on the open tax and legal position of the Company. • Whilst noting the inherent uncertainties involved with the legal and regulatory matters, assessing the appropriateness of the related disclosures made in the annexed financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss & other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Fazal Mahmood.



Chartered Accountants

Lahore: September 19, 2018

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

Rupees	Note	2018	2017
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	7.	6,304,748,282	4,250,865,732
Intangible asset	8.	12,268,143	–
Long-term loans to employees	9.	6,570,659	5,640,118
Long-term deposits	10.	20,845,317	18,258,313
		6,344,432,401	4,274,764,163
CURRENT ASSETS			
Stores, spares and loose tools	11.	597,197,788	462,744,037
Stock-in-trade	12.	5,319,720,401	5,381,802,193
Trade debts	13.	1,263,279,786	1,347,038,735
Loans and advances	14.	373,907,586	289,764,961
Deposits, prepayments and other receivables	15.	26,945,193	57,838,052
Due from the government	16.	2,298,101,893	1,870,882,567
Cash and bank balances	17.	1,251,171,472	2,338,891,995
		11,130,324,119	11,748,962,540
		17,474,756,520	16,023,726,703
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorized share capital	18.	3,000,000,000	3,000,000,000
Issued, subscribed and paid-up capital	19.	2,515,996,500	2,515,996,500
Reserves	20.	4,026,299,038	2,897,064,570
Equity contribution from Directors & their relatives	21.	924,037,217	1,224,037,217
		7,466,332,755	6,637,098,287
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term financing	22.	829,000,000	–
Deferred liabilities	23.	770,956,499	643,052,537
		1,599,956,499	643,052,537
CURRENT LIABILITIES			
Trade and other payables	24.	463,465,446	615,104,317
Unclaimed dividend		3,303,075	16,127,596
Accrued profit / interest / mark-up	25.	101,322,923	66,546,870
Short-term loans from banking companies	26.	7,540,375,822	7,977,002,224
Short-term loans from Directors and their relatives	27.	300,000,000	37,082,301
Current portion of long-term financing	22.	–	31,712,571
		8,408,467,266	8,743,575,879
		10,008,423,765	9,386,628,416
		17,474,756,520	16,023,726,703

CONTINGENCIES AND COMMITMENTS

28.

The annexed notes from 1 to 52 form an integral part of these financial statements.



Khurram Javaid
Chief Executive Officer



Muhammad Zafar Iqbal
Chief Financial Officer



Muhammad Mubeen Tariq Mughal
Director

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

Rupees	Note	2018	2017
Sales	29.	22,225,842,588	18,802,810,936
Cost of sales	30.	(19,431,430,949)	(16,837,364,157)
GROSS PROFIT		2,794,411,639	1,965,446,779
Sales and marketing expenses	31.	(246,333,068)	(164,048,993)
Administrative expenses	32.	(312,900,945)	(265,074,820)
Other charges	33.	(115,353,477)	(91,450,821)
Other income	34.	36,364,018	33,976,939
Finance cost	35.	(552,460,231)	(256,551,296)
		(1,190,683,703)	(743,148,991)
PROFIT BEFORE TAXATION		1,603,727,936	1,222,297,788
Taxation	36.	(313,513,004)	(231,537,873)
PROFIT FOR THE YEAR		1,290,214,932	990,759,915
OTHER COMPREHENSIVE INCOME:			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of defined benefit obligation		(14,113,625)	(5,854,525)
Related income tax		4,092,951	1,756,358
Other comprehensive loss - net of tax		(10,020,674)	(4,098,167)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,280,194,258	986,661,748
EARNINGS PER SHARE - BASIC AND DILUTED	37.	5.13	4.21

The annexed notes from 1 to 52 form an integral part of these financial statements.



Khurram Javaid
Chief Executive Officer



Muhammad Zafar Iqbal
Chief Financial Officer



Muhammad Mubeen Tariq Mughal
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2018

Rupees	Reserves							Total equity	
	Share capital	Capital reserve		Revenue reserve		Sub-total	Equity portion of sponsor shareholders' loan		Equity contribution from Directors & their relatives
		Share premium reserve	Contingency reserve	Un-appropriated profit					
BALANCE AS AT JUNE 30, 2016	1,257,998,250	439,413,456	-	2,112,328,596	2,551,742,052	425,689,277	-	4,235,429,579	
Profit for the year	-	-	-	990,759,915	990,759,915	-	-	990,759,915	
Other comprehensive loss - net of tax	-	-	-	(4,098,167)	(4,098,167)	-	-	(4,098,167)	
Total comprehensive income for the year	-	-	-	986,661,748	986,661,748	-	-	986,661,748	
Transfer to contingency reserve	-	-	980,000,000	(980,000,000)	-	-	-	-	
Derecognition adjustment - net of tax	-	-	-	-	-	(425,689,277)	1,224,037,217	798,347,940	
Final cash dividend paid for the year ended									
June 30, 2016 @ Rs. 3.00 per ordinary share i.e. 30%.	-	-	-	(377,399,475)	(377,399,475)	-	-	(377,399,475)	
Interim cash dividend paid for the year ended									
June 30, 2017 @ Rs. 2.00 per ordinary share i.e. 20%.	-	-	-	(251,599,650)	(251,599,650)	-	-	(251,599,650)	
Issue of 125,799,825 ordinary shares of Rs. 10/- each									
fully paid in cash	1,257,998,250	-	-	-	-	-	-	1,257,998,250	
Transaction costs	-	-	-	(12,340,105)	(12,340,105)	-	-	(12,340,105)	
BALANCE AS AT JUNE 30, 2017	2,515,996,500	439,413,456	980,000,000	1,477,651,114	2,897,064,570	-	1,224,037,217	6,637,098,287	
Profit for the year	-	-	-	1,290,214,932	1,290,214,932	-	-	1,290,214,932	
Other comprehensive loss - net of tax	-	-	-	(10,020,674)	(10,020,674)	-	-	(10,020,674)	
Total comprehensive income for the year	-	-	-	1,280,194,258	1,280,194,258	-	-	1,280,194,258	
Final cash dividend paid for the year ended									
June 30, 2017 @ Rs. 0.60 per ordinary share i.e. 6%.	-	-	-	(150,959,790)	(150,959,790)	-	-	(150,959,790)	
Transfer to short-term loans from Directors and their relatives	-	-	-	-	-	-	(300,000,000)	(300,000,000)	
BALANCE AS AT JUNE 30, 2018	2,515,996,500	439,413,456	980,000,000	2,606,885,582	4,026,299,038	-	924,037,217	7,466,332,755	

The annexed notes from 1 to 52 form an integral part of these financial statements.



Khurram Javaid
Chief Executive Officer



Muhammad Zafar Iqbal
Chief Financial Officer



Muhammad Mubeen Tariq Mughal
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

Rupees	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / used in operations	38.	1,953,567,791	(756,354,072)
Net decrease in long-term loans to employees		7,533,459	1,142,685
Net increase in long-term deposits		(2,587,004)	–
Defined benefits paid		(5,885,829)	(5,504,109)
Finance cost paid		(517,684,178)	(219,433,011)
Workers' profit participation fund paid		(65,304,280)	(68,013,042)
Income tax paid		(437,312,304)	(224,664,034)
NET CASH GENERATED FROM / USED IN OPERATING ACTIVITIES		932,327,655	(1,272,825,583)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(2,205,109,816)	(473,866,042)
Proceeds from disposal of tangible fixed assets		2,158,500	2,641,480
Profit received on term deposit receipts		23,108,723	18,812,847
NET CASH USED IN INVESTING ACTIVITIES		(2,179,842,593)	(452,411,715)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		(31,712,571)	(407,495,915)
Proceeds from long-term financing		829,000,000	–
Short-term loans from banking companies - net		(436,535,304)	3,787,500,501
Short-term loans from Directors & their relatives - net		(37,082,301)	(345,213,069)
Proceeds from issuance of ordinary shares		–	1,257,998,250
Transaction costs		–	(12,340,105)
Dividend paid		(163,784,311)	(613,166,100)
NET CASH GENERATED FROM FINANCING ACTIVITIES		159,885,513	3,667,283,563
NET DECREASE / INCREASE IN CASH AND CASH EQUIVALENTS		(1,087,629,425)	1,942,046,265
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,338,800,897	396,754,632
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	39.	1,251,171,472	2,338,800,897

The annexed notes from 1 to 52 form an integral part of these financial statements.



Khurram Javaid
Chief Executive Officer



Muhammad Zafar Iqbal
Chief Financial Officer



Muhammad Mubeen Tariq Mughal
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. COMPANY AND ITS OPERATIONS

Mughal Iron & Steel Industries Limited (the Company) was incorporated as a public limited company on February 16, 2010 under the Companies Ordinance, 1984 (now the Companies Act, 2017). Currently, its shares are quoted on Pakistan Stock Exchange Limited (PSX). The principle activity of the Company is manufacturing and sale of mild steel products. The Company is domiciled in Lahore, with its registered office located at 31-A Shadman-I, Lahore. The manufacturing facilities of the Company are located at 17-KM Sheikhpura Road, Lahore.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- a) The Company incurred major capital expenditure as part of its expansion plan. This is reflected in property, plant and equipment note 7;
- b) The Company enhanced its grid station load capacity from 19.99 MW to 79.99 MW and sanctioned gas load from 2.80 MMCFD to 6.30 MMCFD;
- c) The Company successfully commenced commercial operations of new engines for its power plant;
- d) The exchange rate of USD to PKR increased from Rs. 105 as at June 30, 2017 to Rs. 121.6 as at June 30, 2018; and
- e) All other significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements and/or in the Directors' report.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except as otherwise stated in relevant notes.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees (Rs.), which is the functional currency of the Company.

4. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, requires management to use certain accounting estimates and exercise judgements in the process of applying the Company's accounting policies. Estimates and judgements are regularly evaluated and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods. The areas involving significant estimates or judgements are:

i) Property, plant and equipment and intangible asset

The Company reviews the useful life and residual value of property, plant and equipment and intangible assets on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment and intangible asset with a corresponding effect on depreciation / amortization charge and impairment.

ii) Defined benefit plan obligation

The Company has adopted certain actuarial assumptions as disclosed in note 23.2 to the financial statements for valuation of present value of defined benefit obligation, based on actuarial advice.

iii) Provisions

Provisions are considered, among others, for legal matters, disputed indirect taxes, stock obsolescence and doubtful debts where a legal or constructive obligation exists at the reporting date and reliable estimate can be made of the likely outcome. The nature of these costs is such that judgement is involved in estimating the timing and amount of cash flows.

iv) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law.

v) Estimation of future export sales

Deferred tax calculation is based on estimate of future ratio of export and local sales.

vi) Control over associates

The management determined whether or not the Company is a parent by assessing whether or not it has control over its associated companies (associates based upon common directorship / shareholding). The assessment is based upon whether the Company has the practical ability to direct the relevant activities of associated companies unilaterally. In making its judgement, the management considers the following:

- power over the associated companies;
- exposure, or rights, to variable returns from its involvement with the associated companies; and
- the ability to use its power over the associated companies to affect the amount of the Company's returns.

The Board of Directors have confirmed that the Company has no involvement in the activities of the associated companies nor is the Company exposed to, or have any rights, to any returns from the associated companies. Based upon its assessment, the management has concluded that the Company does not have control or significant influence over its associated companies and is therefore, not a regarded as "Parent Entity".

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Property, plant and equipment

Tangible fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, (if any), except freehold land which is stated at cost less accumulated impairment losses (if any). Cost comprises of historical cost, borrowing cost pertaining to the erection period and other directly attributable costs of bringing the assets to its working condition.

Depreciation is charged to statement of profit or loss applying the reducing balance method at the rates given in note 7.1 to the financial statements to write off the depreciable amount of each asset over its estimated useful life. Depreciation is charged from the date when the asset becomes available for use up to the date of its disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economics benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. The cost of the day to day servicing of property, plant and equipment is charged to statement of profit or loss.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or de-recognition (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is taken to statement of profit or loss.

Impairment test for property, plant and equipment is performed when there is an indication of impairment. At each period end, an assessment is made to determine whether there is any indication of impairment. If any such indications exist, an estimate of the recoverable amount is calculated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. If the carrying amount of the asset exceeds its recoverable amount, the property, plant and equipment is impaired and an impairment loss is charged to the statement of profit or loss so as to reduce the carrying amount of property, plant and equipment to its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the property, plant and equipment in its present form and its eventual disposal.

An impairment loss is recovered if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

Capital work-in-progress:

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are made available for use.

Major spare parts and standby equipment:

Major spare parts and stand-by equipment are stated at cost less identified impairment losses, if any and qualify as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to tangible fixed assets category as and when such items are available for use.

5.2 Intangible asset

This is stated at cost less accumulated amortisation and impairment losses, if any. Costs associated with maintaining the asset are charged to the statement of profit or loss as and when incurred, however, costs that are directly attributable to the identifiable asset and have probable economic benefits exceeding one year, are recognised as intangible asset. Intangible asset is estimated to have definite useful life and is amortised from the month it is acquired or made available for use, using the straight line method at the rate of 20%. Intangible asset is reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses, if any. If any such indications exist, an estimate of the recoverable amount is calculated and impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

5.3 Stores, spares and loose tools

Stores, spares and loose tools are valued at cost less provision if any. The cost is determined using the weighted average method. Cost comprises invoice value plus other charges incurred thereon. Provision is made in the financial statements for slow moving and obsolete stores, spares and loose tools based on management's best estimate regarding their future usability whenever necessary and is recognised in the statement of profit or loss.

5.4 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw material	
- Externally purchased	at weighted average cost
- Internally manufactured	at weighted average cost
Finished goods	at estimated manufacturing cost
In-transit	at invoice value plus charges incurred thereon
Wastage	at estimated manufacturing cost

Cost in respect of raw material comprises of following:

- Externally purchased	Invoice value plus other charges incurred thereon
- Internally manufactured	Estimated manufacturing cost

Estimated manufacturing cost consists of material, labour and other attributable overheads.

Net realizable value of raw material inventory is determined on the basis of replacement cost. Net realizable value of finished goods signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred for its sale.

Costs of raw material inventories held for use in production of finished goods is not written down below cost, if the finished product for which it will be consumed is expected to be sold at or above cost.

The Company reviews the carrying amount of stock-in-trade on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and / or physical form of related inventory.

5.6 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistani Rupees at the foreign exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange approximating those at the statement of financial position date. Exchange gains / losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the statement of profit or loss.

5.7 Employee benefits

Post-employment benefit:

The Company's post employment benefit comprises of a defined benefit plan. The defined benefit plan represents an unfunded gratuity scheme for all its permanent employees subject to a minimum qualifying period of service according to the terms of employment. The plan defines the amount which an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service, and compensation. Provision is made annually to cover obligation under the scheme.

The liability recognized in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of any plan assets, (if any). The defined benefit obligation is calculated annually by an independent actuary using Projected unit credit (PUC) actuarial cost method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using discount rate as determined by reference to market yields on Government bonds. Latest valuation was conducted on June 30, 2018. All actuarial gains and losses are recognized in other comprehensive income as they occur.

Following risks are associated with the scheme:

Final salary risk:

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Demographic risk:

- a) Mortality risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.
- b) Withdrawal risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

Short-term employee benefits:

A liability is recognized for benefits accruing to employees in respect of wages and salaries and other short-term employee benefits in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

5.8 Taxation

Current:

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Prior:

This includes adjustments, where considered necessary, to existing provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred:

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all

taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

5.9 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, sales tax and volume rebates. Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The Company's policy relating to rental income is mentioned in note. 5.21.

The Company's policy relating to interest income from financial assets is mentioned in note. 5.22.

5.10 Financial instruments

Financial assets

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets are generally classified into the following specified categories:

- Available for sale financial assets (AFS)
- Financial assets 'at fair value through profit or loss' (FVTPL)
- Held-to-maturity investments
- Loans and receivables

The Company classifies its financial assets as 'Loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loan and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using effective interest method, less impairment (if any). Loans and receivables comprise of long-term loans to employees, long-term deposits, trade debts, certain loans and advances, certain deposits, prepayments and other receivables and cash and bank balances.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liability or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and an equity instrument.

Equity instruments:

An equity instrument is any contract that evidences residual interest in the assets of the Company, after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities:

Financial liabilities are generally classified into the following specified categories:

- Financial liabilities 'at fair value through profit or loss'
- Other financial liabilities

The Company classifies its financial liabilities as 'other financial liabilities'. The classification depends on the nature and purpose of the financial liability and is determined at the time of initial recognition.

Other financial liabilities:

The Company initially recognizes these liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities comprise of long-term financing, certain trade and other payables, unclaimed dividends, accrued profit / interest / mark-up, short-term loans from banking companies and short-term loans from Directors and their relatives.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to setoff the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Impairment

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in statement of profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of profit or loss.

5.11 Trade and other payables

Trade and other payables are carried at cost which is the fair value of consideration paid or to be paid in the future for goods and services received, whether or not billed to the Company.

5.12 Trade debts and other receivables

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Provisions are provided against doubtful balances. Known bad debts are written off, when identified.

5.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents consist of cash and bank balances and temporary bank overdraft.

5.14 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

5.15 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.16 Borrowings and borrowing costs

Borrowings are recognised initially at fair value and are subsequently carried at amortized cost. Borrowing costs are recognised as an expense in the period in which these are incurred except in cases where such costs are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) in which case such costs are capitalised as part of the cost of that asset.

5.17 Share capital

Ordinary shares are classified as equity instruments and recognized at their fair value. Transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

5.18 Dividend and reserve appropriations

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are approved by the Board of Directors. Movement in reserves is recognized in the year in which the appropriation is approved by the Board of Directors.

5.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer has been identified as the 'chief operating decision-maker', who is responsible for allocating resources and assessing performance of the operating segments. Information reported to chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on type of products being delivered. The operations principally comprise of two classes of products namely "steel re-bars" and "girders". For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment.

5.21 Operating leases

Rentals payable / receivable under operating leases are charged to / recognized in statement of profit or loss on a straight line basis over the term of the relevant lease.

5.22 Finance income and finance costs

Finance income comprises interest income on funds invested in term deposit receipts and saving accounts. Interest income is recognized as it accrues in statement of profit or loss, using effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets. The Company's policy relating to borrowing costs is mentioned note. 5.16. Foreign currency gains and losses are reported on a net basis.

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

6.1 New standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There were certain standards, interpretations and amendments to published approved accounting standards that became effective during the current year. However, only those standards, interpretations and amendments to approved accounting standards, which are considered to be relevant to the Company's financial statements are detailed below:

Amendments to IAS 7 - Statement of Cash Flows - Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Company's liabilities arising from financing activities consist of long-term financing, unclaimed dividend, accrued profit / interest / mark-up, short-

term loans from banking companies and short-term loans from Directors and their relatives. A reconciliation between the opening and closing balances of these items is provided in note. 43. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in note. 43, the application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Company's financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Applicability of Companies Act, 2017

During the year Companies Act, 2017, became effective on these financial statements. The applicability of the Companies Act, 2017 has not resulted in any change in accounting treatments for the Company. However, the Company has adopted the revised titles for the components of its financial statements, details of which are as follows.

Existing titles	Revised titles
- Balance sheet	- Statement of financial position
- Profit and loss account	- Statement of profit or loss & other comprehensive income
- Cash flow statement	- Statement of cash flows
- Statement of changes in equity	- Statement of changes in equity

Further, the third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to summary of significant transactions and events affecting the Company's financial position and performance (refer note. 2), particulars of immovable assets of the Company (refer note. 7.1.3), management assessment of sufficiency of tax provision in the financial statements (refer note. 36.4), change in threshold for identification of executives (refer note. 44.5), additional disclosure requirements for related parties (refer note. 42) etc.

6.2 New standards, interpretations and amendments to published approved accounting standards that are not yet effective and have not been early adopted by the Company

Standards, interpretations and amendments to approved accounting standards, which are not yet effective and have not been early adopted by the Company but are considered to be relevant to the financial statements of the Company are detailed below:

New standard - IFRS 9 - Financial Instruments

(Effective for annual periods beginning on or after 1 July 2018)

IASB has published the complete version of IFRS 9, 'Financial Instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model currently being used. The standard is not likely to have any material impact on Company's financial statements, other than increased disclosures, if any.

New standard - IFRS 15 - Revenue from Contracts with Customers

(Effective for annual periods beginning on or after 1 July 2018)

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company has yet to assess the full impact of this standard on its financial statements.

New standard - IFRS 16 - Leases

(Effective for annual periods beginning on or after 1 January 2019)

IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases. The Company has yet to assess the full impact of this standard on its financial statements.

Amendments to IFRS 9 - Financial Instruments - Prepayment Features with Negative Compensation

(Effective for annual periods beginning on or after 1 January 2019)

The amendments cover three accounting areas:

- (a) changes regarding symmetric prepayment options; and
- (b) clarification regarding the modification of financial liabilities.

The amendments are not likely to have any material impact on Company's financial statements, other than increased disclosures, if any.

Amendments to IAS 19 - Employee Benefits - Plan Amendments, Curtailments, and Settlements

(Effective for annual periods beginning on or after 1 January 2019)

The amendments cover the following areas:

- (a) If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- (b) In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The amendments are not likely to have any material impact on Company's financial statements.

Annual improvements to IFRSs 2015-2017 Cycle

(Effective for annual periods beginning on or after 1 January 2019)

The amendment to IAS 12 clarifies that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

The amendment to IAS 23 clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when

calculating the capitalisation rate on general borrowings.

The amendments are not likely to have any material impact on Company's financial statements.

New Interpretation - IFRIC 22 - Foreign Currency Transactions and Advance Consideration

(Effective for annual periods beginning on or after 1 January 2018)

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation is not likely to have any material impact on Company's financial statements.

New Interpretations - IFRIC 23 — Uncertainty over Income Tax Treatments

(Effective for annual periods beginning on or after 1 January 2018)

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The interpretation is not likely to have any material impact on Company's financial statements.

Rupees	Note	2018	2017
7. PROPERTY, PLANT AND EQUIPMENT			
Tangible fixed assets	7.1	4,376,855,353	3,877,405,840
Capital work-in-progress	7.2	1,927,892,929	211,194,687
Major spare parts and standby equipments		–	162,265,205
		6,304,748,282	4,250,865,732

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7.1 Reconciliation of carrying amounts of tangible fixed assets at the beginning and end of the year are as follows:

Description	Rupees													Total
	Freehold land	Factory building on freehold land	Plant and machinery	Coal gasification plant	Power plant	Weighing machine	Office equipment	Grid station & electric installation	Furniture and fittings	Vehicles	Arms and ammunition	Computers	Office building on leasehold land	
Gross carrying value basis														
As at June 30, 2016	63,325,863	81,031,978	3,462,380,961	30,463,089	258,281,114	218,434	1,966,921	117,701,604	3,947,302	203,287,786	260,693	7,246,195	30,400,000	4,260,512,540
Cost	63,325,863	81,031,978	3,462,380,961	30,463,089	258,281,114	218,434	1,966,921	117,701,604	3,947,302	203,287,786	260,693	7,246,195	30,400,000	4,260,512,540
Accumulated depreciation	-	10,763,516	204,844,308	4,293,214	48,650,813	25,018	314,066	21,424,421	812,860	53,637,640	92,129	3,935,051	12,241,067	361,034,103
Net book Value	63,325,863	70,268,462	3,257,536,653	26,169,875	209,630,301	193,416	1,652,855	96,277,183	3,135,042	149,650,146	168,564	3,311,144	18,158,933	3,899,478,437
Net carrying value basis														
Year ended June 30, 2017														
Opening net book value	63,325,863	70,268,462	3,257,536,653	26,169,875	209,630,301	193,416	1,652,855	96,277,183	3,135,042	149,650,146	168,564	3,311,144	18,158,933	3,899,478,437
Additions	-	-	64,494,469	-	-	-	4,560,075	-	-	39,121,957	-	993,649	-	109,190,150
Transfers from capital work-in-progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals:														
Cost	-	-	-	-	-	-	-	-	-	(3,500,000)	-	-	-	(3,500,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	1,143,609	-	-	-	1,143,609
Net book value	-	-	-	-	-	-	-	-	-	(2,356,391)	-	-	-	(2,356,391)
Depreciation charge	-	(2,810,738)	(82,054,035)	(654,247)	(7,337,061)	(4,835)	(251,391)	(4,813,859)	(313,504)	(25,917,966)	(16,856)	(1,100,077)	(3,631,787)	(128,906,356)
Balance as at June 30, 2017	63,325,863	67,457,724	3,239,977,087	25,515,628	202,293,240	188,581	5,981,539	91,463,324	2,821,538	160,497,746	151,708	3,204,716	14,527,146	3,877,405,840
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	20	20
Gross carrying value basis														
As at June 30, 2017	63,325,863	81,031,978	3,239,977,087	25,515,628	202,293,240	188,581	5,981,539	91,463,324	2,821,538	160,497,746	151,708	3,204,716	14,527,146	3,877,405,840
Cost	63,325,863	81,031,978	3,239,977,087	25,515,628	202,293,240	188,581	5,981,539	91,463,324	2,821,538	160,497,746	151,708	3,204,716	14,527,146	3,877,405,840
Accumulated depreciation	-	13,574,254	286,898,343	4,947,461	55,987,874	29,853	566,457	26,238,280	1,126,364	78,411,997	108,985	5,085,128	15,872,854	488,796,850
Net book Value	63,325,863	67,457,724	3,239,977,087	25,515,628	202,293,240	188,581	5,981,539	91,463,324	2,821,538	160,497,746	151,708	3,204,716	14,527,146	3,877,405,840
Net carrying value basis														
Year ended June 30, 2018														
Opening net book value	63,325,863	67,457,724	3,239,977,087	25,515,628	202,293,240	188,581	5,981,539	91,463,324	2,821,538	160,497,746	151,708	3,204,716	14,527,146	3,877,405,840
Additions	-	-	12,430,226	-	-	-	2,905,394	149,093,472	452,250	33,349,162	-	3,724,599	-	201,955,103
Transfers from capital work-in-progress	-	-	-	-	434,288,568	-	-	-	-	-	-	-	-	434,288,568
Disposals:														
Cost	-	-	-	-	-	-	-	-	-	(2,632,040)	-	-	-	(2,632,040)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	697,287	-	-	-	697,287
Net book value	-	-	-	-	-	-	-	-	-	(1,934,753)	-	-	-	(1,934,753)
Depreciation charge	-	(2,698,309)	(81,241,599)	(637,891)	(12,165,607)	(4,715)	(824,108)	(6,444,931)	(310,465)	(26,123,713)	(15,171)	(1,487,467)	(2,905,429)	(134,859,405)
Balance as at June 30, 2018	63,325,863	64,759,415	3,171,165,714	24,877,737	624,416,201	183,866	8,062,825	234,111,865	2,963,323	165,788,442	136,537	5,441,848	11,621,717	4,376,855,353
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	20	20
Gross carrying value basis														
As at June 30, 2018	63,325,863	81,031,978	3,539,305,656	30,463,089	692,589,662	218,434	9,452,390	266,795,076	4,400,152	289,626,665	260,693	11,964,443	30,400,000	4,999,814,321
Cost	63,325,863	81,031,978	3,539,305,656	30,463,089	692,589,662	218,434	9,452,390	266,795,076	4,400,152	289,626,665	260,693	11,964,443	30,400,000	4,999,814,321
Accumulated depreciation	-	16,272,563	368,139,942	5,695,352	68,153,481	34,568	1,399,565	32,883,211	1,436,829	103,839,423	124,156	6,522,595	18,778,283	622,969,968
Net book Value	63,325,863	64,759,415	3,171,165,714	24,877,737	624,416,201	183,866	8,062,825	234,111,865	2,963,323	165,788,442	136,537	5,441,848	11,621,717	4,376,855,353

7.1.1 The depreciation for the year has been allocated as follows:

Rupees	2018	2017
Cost of sales	103,208,223	97,691,631
Administrative expenses	31,651,182	31,214,725
	134,859,405	128,906,356

7.1.2 The Company has temporarily leased out its ferro plant with aggregate cost of Rs. 28.466 million (2017: Rs. 28.466 million) to Mughal Steel Metallurgies Corporation Limited - (related party). The said plant is not currently in possession and control of the Company.

7.1.3 The aggregate fair value of freehold land, factory building on freehold land and plant and machinery is not less than its carrying value. Company's immovable assets comprise of freehold land measuring 118 kanna and 4 marlas and factory building on freehold land measuring approximately 21,780 square foot, both located at 17-Km Sheikhpura Road, Lahore.

7.1.4 The details of tangible fixed assets disposed off during the year, having aggregate book value in excess of Rs. 500,000 each are as follows:

Vehicles

Rupees	Buyer	Relation	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain
	Usman pervez	Employee	Company policy	1,575,040	161,819	1,413,221	1,630,000	216,779
	Abrar ahmed	-do-	-do-	1,057,000	535,467	521,533	528,500	6,967
	June 30, 2018			2,632,040	697,287	1,934,753	2,158,500	223,747
	June 30, 2017			3,500,000	1,143,609	2,356,391	2,641,480	285,089

7.2 Following is the movement in capital work-in-progress:

Rupees	Opening balance	Additions	Transfers	Closing balance
Tangible:				
- Plant and machinery	66,373,673	1,861,519,256	-	1,927,892,929
- Power plant	124,766,368	309,522,200	(434,288,568)	-
- Others	7,349,536	-	(7,349,536)	-
	198,489,577	2,171,041,456	(441,638,104)	1,927,892,929
Intangible:				
- ERP software	12,705,110	1,728,000	(14,433,110)	-
June 30, 2018	211,194,687	2,172,769,456	(456,071,214)	1,927,892,929
June 30, 2017	8,784,000	202,410,687	-	211,194,687

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

8. INTANGIBLE ASSET

This represents cost of ERP software. It is being amortised on straight line basis over a period of 60 months.

Rupees	ERP Software
Gross carrying value basis	
As at June 30, 2017	
Cost	-
Accumulated amortisation	-
Net book value	-
Net carrying value basis	
Year ended June 30, 2018	
Opening net book value	-
Transfers from capital work-in-progress	14,433,110
Amortisation charge	(2,164,967)
Balance as at June 30, 2018	12,268,143
Gross carrying value basis	
As at June 30, 2018	
Cost	14,433,110
Accumulated amortisation	(2,164,967)
Net book value	12,268,143

8.1 The amortisation charge for the year has been allocated to administrative expenses.

9. LONG-TERM LOANS TO EMPLOYEES

(Secured & considered good)

These loans have been provided to employees under the terms of their employment, free of interest, to facilitate economical purchase of different kinds of vehicles and are repayable over a period up to five years from date of disbursement. The loans are secured by registration of the said vehicle in the name of the Company and against security cheques. No amount was provided to the Chief Executive Officer or any of the Directors during the year ended June 30, 2018 (2017: Rs. Nil). The maximum amount of loans to the key management personnel outstanding at the end of any month during the year ended June 30, 2018 was Rs. 0.270 million (2017: Rs. 0.390 million).

Rupees	Note	2018	2017
Loans to:			
- Key management personnel		60,000	280,000
- Executives	44.5	3,432,900	2,138,640
- Other employees		5,831,791	5,692,645
		9,324,691	8,111,285
Amounts due within twelve months and shown under current assets:			
- Key management personnel		(60,000)	(120,000)
- Executives		(1,232,780)	(1,045,280)
- Other employees		(1,461,252)	(1,305,887)
		(2,754,032)	(2,471,167)
		6,570,659	5,640,118

Rupees	Note	2018	2017
10. LONG-TERM DEPOSITS			
Al-Bashir (Private) Limited - related party		500,000	500,000
Others	10.1	20,345,317	17,758,313
		20,845,317	18,258,313

10.1 These mainly include deposits with various utility companies.

Rupees	Note	2018	2017
11. STORES, SPARES AND LOOSE TOOLS			
Stores, spares and loose tools	11.1	597,197,788	462,744,037

11.1 This includes items in-transit amounting to Rs. 22.574 million (2017: Rs. 20.663 million).

Rupees	Note	2018	2017
12. STOCK-IN-TRADE			
Raw material	12.1	5,080,582,069	5,292,091,538
Finished goods		239,138,332	89,710,655
		5,319,720,401	5,381,802,193

12.1 This includes items in-transit amounting to Rs. 315.026 million (2017: Rs. 2,668.164 million).

Rupees	Note	2018	2017
13. TRADE DEBTS			
(Considered good)			
Trade debts			
- Secured		-	354,833,501
- Unsecured		1,263,279,786	992,205,234
		1,263,279,786	1,347,038,735

13.1 No amount was due from associated companies / undertakings or any related party as at June 30, 2018 (2017: Rs. Nil). The maximum aggregate amount of receivable due from related parties at the end of any month during the year was Rs. 478.347 million (2017: Rs. 7.641 million). Aging analysis of trade debts is given in note 45.1.

Rupees	Note	2018	2017
14. LOANS AND ADVANCES			
(Considered good)			
Current portion of long-term loans to employees	9.	2,754,032	2,471,167
Loans and advances to:	14.1		
- Key management personnel		1,850,000	2,410,000
- Executives	44.5	6,709,000	2,686,425
- Other employees		16,745,584	21,892,123
		25,304,584	26,988,548
Advances to suppliers		344,870,390	259,914,110
Advance against expenses		978,580	391,136
		373,907,586	289,764,961

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

14.1 These represent interest-free loans and advances provided to employees in accordance with Company Policy. These are secured against gratuity and are repayable within twelve months. The maximum amount of loans and advances to the key management personnel outstanding at the end of any month during the year ended June 30, 2018 was Rs. 2.490 million (2017: Rs. 3.200 million). There were no loans and advances which were past due. No amount was provided to the Chief Executive Officer or any of the Directors during the year ended June 30, 2018 (2017: Rs. Nil)

Rupees	Note	2018	2017
15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Letters of credit		2,574,130	2,323,240
Prepayments		9,227,182	1,936,588
Interest accrued on term deposit receipts		194,862	2,634,343
Security deposits	15.1	14,949,019	47,916,874
Other receivables - considered good		–	3,027,007
		26,945,193	57,838,052

15.1 These represent payorders issued to Collector of Customs as security against custom duty on import of alloy billets. Custom duty is not applicable in case of import of alloy billets, however, the said material is subject to inspection for confirmation of alloy component upon which the payorders are refunded.

Rupees	Note	2018	2017
16. DUE FROM THE GOVERNMENT			
Sales tax	16.1	1,139,133,192	897,102,362
Advance income tax - net	16.2	1,104,820,293	919,631,797
Export regulatory duty	16.3	54,148,408	54,148,408
		2,298,101,893	1,870,882,567

16.1 This includes Rs. 108.455 million on account of alleged sales tax liability recovered against order of the Additional Commissioner Punjab Revenue Authority (PRA) on the basis of non-withholding of sales tax in respect of various taxable services against which appeal dated May 09, 2018 has been filed before the Commissioner (Appeals) Punjab Revenue Authority. The management and the Company's legal advisor are strongly of the opinion that there was no non-compliance of any provisions of the PRA or rules made there under and that the said order and recovery is illegal and violative of the fundamental rights, against the factual position and without the support of law and that the charges therein were based on the misconception of the department. The management is rigorously contesting the case and along with the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

Rupees	2018	2017
16.2 Advance income tax - net		
Opening balance	919,631,797	846,760,024
Payments during the year	437,312,304	224,664,034
	1,356,944,101	1,071,424,058
Adjustments:		
- Provision for taxation - prior year	(7,824,143)	(29,700,156)
- Provision for workers welfare fund - prior year	(18,483,538)	(14,929,449)
- Provision for taxation - current year	(225,816,127)	(107,162,656)
	(252,123,808)	(151,792,261)
Closing balance	1,104,820,293	919,631,797

- 16.3** Government of Pakistan (GoP) imposed regulatory duty on export of scrap and steel products with the objective to protect the local steel industry. This duty was not applicable in respect of goods manufactured and exported from raw material imported under the Duty and Tax Remission Scheme (DTRE) or in manufacturing bonded warehouses. However, the Company under protest deposited the regulatory duty to clear the export consignments at that time. This fact is also evident from the subsequent withdrawal of duty by Federal Board of Revenue (FBR) from exports made out of finished goods manufactured from raw material imported in manufacturing bonded warehouses or under DTRE regime. The matter is currently pending before the 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 the favour of the Company.

Rupees	Note	2018	2017
17. CASH AND BANK BALANCES			
Balances with banks in:			
- Current accounts		1,088,147,726	1,740,293,243
- Saving accounts	17.1	116,392,717	292,606,408
- Term deposit receipts	17.2	44,112,146	305,663,782
		1,248,652,589	2,338,563,433
Cash in hand		2,518,883	328,562
		1,251,171,472	2,338,891,995

- 17.1** These carry profit up to 5.50% (2017: 3.75%) per annum.

- 17.2** These carry profit up to 6.50% (2017: 6.50%) per annum.

18. AUTHORIZED SHARE CAPITAL

This represents 300,000,000 (2017: 300,000,000) ordinary shares of Rs. 10/- each.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

This represents 251,599,650 (2017: 251,599,650) ordinary shares of Rs. 10/- each. Break-up of issued, subscribed and paid-up capital is as follows:

2018	2017	Note	2018	2017
Number of shares			Rupees	
		Shares allotted for consideration		
161,951,535	161,951,535	paid in cash	1,619,515,350	1,619,515,350
		Shares allotted for consideration		
58,579,553	58,579,553	other than cash	585,795,530	585,795,530
31,068,562	31,068,562	Shares allotted as bonus shares	310,685,620	310,685,620
251,599,650	251,599,650		2,515,996,500	2,515,996,500

- 19.1** These represent shares issued against purchase of business comprising of net assets of Mughal Steel (AoP).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

19.2 Following are the shares held by related parties:

	2018	2017	2018	2017
	Percentage		Number of shares	
Mirza Javed Iqbal	2.62%	21.95%	6,580,150	55,231,133
Mr. Jamshed Iqbal	22.40%	22.40%	56,369,969	56,369,969
Muhammad Mubeen Tariq Mughal	22.15%	22.15%	55,720,219	55,720,219
Mr. Khurram Javaid	10.84%	1.78%	27,266,343	4,489,508
Mr. Fahad Javaid	10.84%	1.83%	27,266,343	4,600,000
Mr. Fazeel Bin Tariq	2.21%	2.21%	5,554,500	5,554,500
Muhammad Mateen Jamshed	2.41%	2.41%	6,063,728	6,063,728
Mrs. Tabbasum Javaid	1.27%	0.00%	3,207,805	–
Muhammad Waleed Bin Tariq	0.46%	0.46%	1,158,978	1,158,978
Syed Salman Ali Shah	0.00%	0.00%	230	230
Mr. Abdul Rehman Qureshi	0.00%	0.00%	100	–
Mrs. Samira Shakeel Ahmed	0.00%	0.00%	5,450	5,450

19.3 Movement in share capital:

2018	2017		2018	2017
Number of shares			Rupees	
251,599,650	125,799,825	Opening balance	2,515,996,500	1,257,998,250
–	125,799,825	Issuance of ordinary shares of		
		Rs. 10/- each fully paid in cash	–	1,257,998,250
251,599,650	251,599,650	Closing balance	2,515,996,500	2,515,996,500

Rupees	Note	2018	2017
20. RESERVES			
Capital reserves:			
- Share premium reserve	20.1	439,413,456	439,413,456
- Contingency reserve	20.2	980,000,000	980,000,000
		1,419,413,456	1,419,413,456
Revenue reserve:			
- Unappropriated profit	20.3	2,606,885,582	1,477,651,114
		4,026,299,038	2,897,064,570

20.1 Share premium reserve represents premium of Rs. 24/- per share charged on initial public issue of 27,350,000 ordinary shares of Rs. 10/- each in 2015. It has been accounted for in accordance with the provisions of Section 81 of the Companies Act, 2017. This reserve can be utilized by the Company only for the purposes specified in the said section.

20.2 This represents contingency reserve set aside from unappropriated profit for meeting future catastrophic events.

20.3 This represents unappropriated profit.

21. EQUITY CONTRIBUTION FROM DIRECTORS & THEIR RELATIVES

This represents interest-free and unsecured loan provided by Directors & their relatives in previous years. Since, it is repayable at discretion of the Company, therefore, it has been recognized as part of equity. During the year amount of Rs. 300.000 million (2017: Rs. Nil) was transferred to short-term loans from Directors and their relatives and shall be repayable upon demand.

Rupees	Note	2018	2017
22. LONG-TERM FINANCING			
Bank Alfalah Limited:			
- LTTF	22.1	–	31,712,571
- Term finance	22.2	829,000,000	–
		829,000,000	31,712,571
Current portion presented under current liabilities		–	(31,712,571)
		829,000,000	–

22.1 LTTF:

Opening balance		31,712,571	105,208,487
Payments during the year		(31,712,571)	(73,495,916)
		–	31,712,571
Current portion presented under current liabilities		–	(31,712,571)
Closing balance		–	–

The outstanding balance of this financing was completely repaid during the year.

Rupees	2018	2017
22.2 Term finance:		
Opening balance	–	–
Disbursements during the year	829,000,000	–
	829,000,000	–
Current portion presented under current liabilities	–	–
Closing balance	829,000,000	–

During year, the Company entered into term finance agreement with Bank Alfalah Limited for total limit of Rs. 1,500.000 million for the purpose of financing balancing, modernization and replacement (BMR) of bar re-rolling mill, procurement and installation of induction furnaces and civil works, if any, against which Rs. 829.000 million was availed. The outstanding principal is repayable in 5 years including grace period of 1 year, in 16 equal quarterly instalments, commencing from September 2019, with the last instalment due in June 2023. It carries mark up @ 6 MK + 1% p.a and is secured against 1st ranking charge of Rs. 1,600.000 million on plant and machinery of the Company and personal guarantees of all Directors except Independent Directors.

Rupees	Note	2018	2017
23. DEFERRED LIABILITIES			
Deferred taxation - net	23.1	601,373,754	525,593,971
Defined benefit obligation	23.2	150,775,595	107,115,416
Deferred income	23.3	18,807,150	10,343,150
		770,956,499	643,052,537

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

23.1 Net deferred tax liability is recognized in respect of following temporary differences:

Rupees	2018	2017
Accelerated tax depreciation	645,063,565	555,501,936
Defined benefit obligation	(43,689,811)	(29,907,965)
	601,373,754	525,593,971

23.1.2 Movement in the net deferred tax liability during the year is as follows:

Rupees	Accelerated tax depreciation	Equity portion of sponsor shareholders' loan	Defined benefit obligation	Unused tax credits minimum taxes etc.	Total
Balance as at June 30, 2016	535,760,534	191,251,704	(24,306,522)	(78,778,744)	623,926,972
Charge / (credited) to:					
- Statement of profit or loss in respect of:					
- Current year	37,024,000	-	(4,629,166)	78,778,744	111,173,578
- Changes in tax rates	(17,282,598)	-	784,081	-	(16,498,517)
- Equity	-	(191,251,704)	-	-	(191,251,704)
- Other comprehensive income	-	-	(1,756,358)	-	(1,756,358)
	19,741,402	(191,251,704)	(5,601,443)	78,778,744	(98,333,001)
Balance as at June 30, 2017	555,501,936	-	(29,907,965)	-	525,593,971
Charge / (credited) to:					
- Statement of profit or loss in respect of:					
- Current year	108,078,360	-	(10,685,827)	-	97,392,533
- Changes in tax rates	(18,516,731)	-	996,932	-	(17,519,799)
- Other comprehensive income	-	-	(4,092,951)	-	(4,092,951)
	89,561,629	-	(13,781,846)	-	75,779,783
Balance as at June 30, 2018	645,063,565	-	(43,689,811)	-	601,373,754

23.2 This represents the present value of the defined benefit obligation recognized in the statement of financial position (refer note 5.7). The latest actuarial valuation was carried out on June 30, 2018 using Projected unit credit (PUC) actuarial cost method by an approved actuary. It includes Rs. 19.418 million (2017: Rs. 13.544 million) on account of present value of defined benefit obligation of key management personnel.

23.2.1 Changes in net liability recognized in statement of financial position:

Rupees	2018	2017
Opening balance	107,115,415	81,675,140
Expense charged to statement of profit or loss	35,432,381	25,089,859
Remeasurements recognized in other comprehensive income	14,113,625	5,854,525
	156,661,421	112,619,524
Defined benefits paid	(5,885,829)	(5,504,109)
	150,775,592	107,115,415

Rupees	2018	2017
23.2.2 Changes in present value of defined benefit obligation:		
Opening value of obligation	107,115,415	81,675,140
Current service cost	28,011,123	19,844,479
Interest cost	7,421,258	5,245,380
Remeasurements of obligation:		
- Actuarial loss from changes in financial assumptions	494,747	142,177
- Experience adjustments	13,618,878	5,712,348
Defined benefits paid	(5,885,829)	(5,504,109)
Present value of defined benefit obligation as June 30,	150,775,592	107,115,415

23.2.3 Expense charged to statement of profit or loss:

Current service cost	28,011,123	19,844,479
Interest cost	7,421,258	5,245,380
	35,432,381	25,089,859

The expense charged to statement of profit or loss includes Rs. 5.873 million (2017: Rs. 4.675 million) in respect of key management personnel.

Rupees	2018	2017
23.2.4 Remeasurements charged to other comprehensive income:		
Actuarial loss from changes in financial assumptions	494,747	142,177
Experience adjustments	13,618,878	5,712,348
	14,113,625	5,854,525

23.2.5 Function-wise breakup of expense charged to statement of profit or loss:

Cost of sales	18,478,687	13,302,501
Sales and marketing expenses	627,266	1,037,659
Administrative expenses	16,326,428	10,749,699
	35,432,381	25,089,859

23.2.6 Key actuarial assumptions used:

Discount rate used for interest cost %	7.75%	7.25%
Discount rate used for obligation %	9.00%	7.75%
Future salary increased %	8.00%	6.75%
Next salary increase	01-Jul-18	01-Jul-17
Pre-retirement mortality	SLIC 2001-2005	
	Set back 1 year	
Withdrawal rates	Age based	
Retirement assumption	Age 60	
Actuarial valuation method used	Projected unit credit (PUC) actuarial cost method	

Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

23.2.7 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principle assumptions is:

Rupees	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+ - by 100 bps	129,336,011	155,114,877
Salary increase	+ - by 100 bps	155,405,862	128,873,071

There is no significant change in the obligation if the life expectancy increases by 1 year.

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Based on actuary's advice, the amount of expected liability in respect of the defined benefit plan in 2018-19 will be Rs. 46.465 million.

The average duration of the defined benefit obligation is 9 years.

23.2.8 Experience adjustments in respect of defined benefit obligation:

Rupees	2018	2017	2016	2015	2014	2013
	13,618,878	5,712,348	6,820,112	715,048	13,847,244	993,973

23.3 This represents unearned income in respect of long-term loans to employees against vehicles.

Rupees	Note	2018	2017
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24. TRADE AND OTHER PAYABLES

Creditors		41,787,325	271,950,067
Accrued liabilities		65,623,060	38,795,396
Utilities payable		123,758,965	112,010,358
Withholding taxes payable		2,037,099	2,420,026
Advances from customers		117,764,394	106,140,652
Workers' profit participation fund payable	24.1	85,811,127	65,304,280
Workers' welfare fund payable	24.2	26,683,476	18,483,538
		463,465,446	615,104,317

24.1 Workers' profit participation fund payable:

Opening balance		65,304,280	68,013,042
Allocation for the year	33.	85,811,127	65,304,280
		151,115,407	133,317,322
Paid during the year		(65,304,280)	(68,013,042)
Closing balance		85,811,127	65,304,280

24.2 Workers' welfare fund payable:

Opening balance		18,483,538	14,929,449
Allocation for the year	33.	26,683,476	18,483,538
		45,167,014	33,412,987
Adjustments during the year		(18,483,538)	(14,929,449)
Closing balance		26,683,476	18,483,538

Rupees	Note	2018	2017
25. ACCRUED PROFIT / INTEREST / MARK-UP			
Payable in respect of:			
- Long-term financing		547,140	703,665
- Short-term loans from banking companies		100,775,783	65,843,205
		101,322,923	66,546,870
26. SHORT-TERM LOANS FROM BANKING COMPANIES - SECURED			
Short-term loans from banking companies comprise of:	26.1		
- Murabaha finance		502,128,525	1,360,703,635
- Other short-term loans		7,038,247,297	6,616,207,491
		7,540,375,822	7,976,911,126
Temporary bank overdraft	26.2	-	91,098
		7,540,375,822	7,977,002,224

26.1 Short-term loans have been obtained from various conventional and Islamic banks under mark-up / profit arrangements for meeting various working capital requirements. The aggregate credit facilities available to the Company other than trade credit amounted to Rs. 19,705.000 million (2017: Rs. 15,580.000 million) which represent the aggregate of all facility agreements between the Company and respective banks in respect of funded and non-funded facilities. Out of the total available facilities, Rs. 8,429.186 million remained unavailed as at June 30, 2018 (2017: Rs. 3,578.667 million). Funded facilities include various facilities comprising of running finance, cash finance, karobar finance, running musharika, istisna, wakala and other import credit facilities which can be used interchangeably. Unfunded facilities represent facilities for opening letters of credit and guarantees. Majority of the funded facilities are sublimits of unfunded facilities. The facilities are secured by ranking / pari passu / joint pari passu charges over present and future current assets of the Company, pledge of stocks, lien over documents and title of ownership of goods imported under letters of credit, lien over EE statements, against trust receipts duly executed in favour of banks and personal guarantees of the Directors except for Independent Directors and carry mark-up at the rates ranging from SBP / 1MK / 3MK rate + 0.65% to 1.00% (2017: SBP / 1MK / 3MK rate + 0.65% to + 1.00%) per annum.

26.2 This represents temporary overdraft due to cheques issued by the Company at the reporting date to be met with subsequent deposits.

27. SHORT-TERM LOANS FROM DIRECTORS AND THEIR RELATIVES - UNSECURED

This represents interest-free and unsecured loan from Directors and their relatives and are repayable upon demand. These loans were provided and utilized for meeting working capital requirements.

28. CONTINGENCIES AND COMMITMENTS

Contingencies:

- i) Writ petition dated May 25, 2016 has been filed before the Honourable Lahore High Court against demand of Rs. 18.324 million raised by the Customs Authorities which was created by treating wastage incurred during manufacturing process of M.S Products as sale of recoverable waste, whereas the contention of the Company was that the wastage was burning loss and not recoverable waste. The Company has temporarily deposited Rs. 4.717 million under protest against the above demand. However, no provision has been made in these financial statements in respect of the matter as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

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- ii) Writ petition dated May 28, 2016 has been filed before the Honourable Lahore High Court against demand of surcharge of Rs. 18.601 million raised by the Customs Authorities. The demand was created on the grounds that the material imported under public bond was not used for manufacturing goods to be exported, although the Company had deposited the applicable duties and taxes before clearance of material from public manufacturing bond for manufacturing and sale locally. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- iii) The Additional Commissioner Inland Revenue (ACIR) passed an amended assessment order u/s 122(1)/122(5A) for tax year 2013 and created demand of Rs. 198.484 million. The Company filed appeal before Commissioner Inland Revenue Appeals CIR(A). However CIR(A) maintained the order of ACIR. The Company subsequently filed an appeal before Appellate Tribunal Inland Revenue (ATIR) who accepted the appeal of the Company. However, the department filed reference dated June 02, 2017 before Honourable Lahore High Court which is pending adjudication. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- iv) The Commissioner Inland Revenue (CIR) selected the Company for audit u/s 177 of the Income Tax Ordinance, 2001, in respect of tax year 2009, against which writ petition was filed before the Honourable Lahore High Court. The Honourable Lahore High Court disposed of the writ allowing the CIR to conduct audit of the tax payer but only after confronting issues and providing an hearing opportunity to the Company. However, instead of confronting the issues and providing the hearing opportunities, the Deputy Commissioner Inland Revenue (DCIR) demanded the Company to provide its records for audit. The Company's stance was that in the light of Honourable Lahore High Court decision, the DCIR should first confront the Company with the issues for selection. However, the DCIR instead of confronting the issues or providing an hearing opportunity to the Company passed an order u/s 122(5)/177 creating a demand of Rs. 1,056.773 million. The Company filed a writ against the said order as it was passed against the direction of the Honourable Lahore High Court in W.P No. 8170/2011. The Honourable Court issued notices to the respondents and also suspended operation of DCIR order. Department has filed appeal dated November 08, 2017 before ATIR which is pending for hearing. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- v) Tax liability amounting to Rs. 18.537 million was created u/s 161/205 by Additional Commissioner Inland Revenue (ACIR) on the basis that the Company had not withheld income tax on certain payments made under different heads of accounts. The said order was set aside by Commissioner Inland Revenue Appeals CIR(A) and the matter was remanded back to the assessing officer for de novo consideration with direction to provide fair opportunity to the appellant. Against order of CIR(A), cross appeals were filed before Appellate Tribunal Inland Revenue (ATIR). ATIR decided the matter in favour of the Company, however, the department filed references dated May 29, 2017 and June 06, 2017 before the Honourable Lahore High Court against the order of the ATIR, which are pending adjudication. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- vii) Writ petition dated June 22, 2016 has been filed before the Honourable Lahore High Court against demand of Rs. 1.581 million on account of Punjab Infrastructure Development Cess on import of goods in Punjab. The Company has challenged the constitutionality of Punjab Infrastructure Development Cess Act 2015. However, no provision has been made in these financial statements in respect of the matter as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.
- viii) The Deputy Commissioner Inland Revenue (DCIR) passed an assessment order creating demand of Rs. 10.319 million on the basis that the Company had not charged further sales tax on supplies made during 2013 to 2016 to unregistered persons. The Company has filed appeal dated July 07, 2017 before Commissioner Inland Revenue Appeals CIR(A) on the basis that the adjudicating officer has unlawfully charged further tax by ignoring the fact, that the Company is operating under Chapter XI of Sales Tax Special Procedure Rules, 2007 for payment of sales tax. No provision has been made in

these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

- ix)** Aggregate amount of guarantees issued by banks on behalf of the Company amounted to Rs. 1,161.359 million. (June 2017: Rs. 738.753 million).

Rupees	2018	2017
Commitments:		
i) Non-capital commitments	2,374,807,522	2,006,066,145
ii) Capital commitments	199,271,096	1,279,512,114
iii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:		
Within 1 year	5,750,000	1,440,000
More than 1 but less than 5 years	6,900,000	720,000
	12,650,000	2,160,000

29. SALES

Local manufacturing sales	22,247,140,910	18,066,412,407
Sales return	(39,146,066)	(35,471,080)
	22,207,994,844	18,030,941,327
Export manufacturing sales	17,847,744	735,926,390
Trading sales	-	35,943,219
	22,225,842,588	18,802,810,936

29.1 The entire export sales is made against advance payment.

Rupees	Note	2018	2017
30. COST OF SALES			
Opening stock of finished goods		89,710,655	90,876,482
Cost of goods manufactured			
- Raw material consumed	30.1	13,597,288,221	12,303,372,400
- Salaries, wages and other benefits	30.2	614,592,598	441,591,591
- Stores, spares and loose tools consumed		919,260,600	512,515,192
- Fuel and power		4,295,938,653	2,951,130,879
- Repair and maintenance		54,584,265	15,587,476
- Other manufacturing expenses		33,792,406	493,457,730
- Depreciation	7.1.1	103,208,223	97,691,631
		19,618,664,966	16,815,346,899
Transfer to capital work-in-progress		(37,806,340)	-
Closing stock of finished goods		(239,138,332)	(89,710,655)
Cost of sales - manufactured goods		19,431,430,949	16,816,512,726
Cost of sales - trading goods		-	20,851,431
		19,431,430,949	16,837,364,157

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Rupees	2018	2017
30.1 Raw material consumed:		
Opening stock of raw material	2,623,926,979	2,865,490,150
Purchases - net	15,738,917,652	12,061,809,229
	18,362,844,631	14,927,299,379
Closing stock of raw material	(4,765,556,410)	(2,623,926,979)
	13,597,288,221	12,303,372,400

30.2 This includes Rs. 18.478 million (2017: Rs. 13.302 million) in respect of defined benefit obligation.

Rupees	Note	2018	2017
31. SALES AND MARKETING EXPENSES			
Salaries and other benefits	31.1	7,590,260	6,780,013
Travelling		301,447	481,324
Freight outward		63,858,084	55,449,250
Advertisement and sales promotion		174,583,277	101,338,406
		246,333,068	164,048,993

31.1 This includes Rs. 0.627 million (2017: Rs. 1.038 million) in respect of defined benefit obligation.

Rupees	Note	2018	2017
32. ADMINISTRATIVE EXPENSES			
Directors' remuneration and benefits		54,587,682	43,980,000
Salaries and other benefits	32.1	179,436,590	140,948,808
Traveling and conveyance		2,274,924	2,123,382
Postage, telephone and fax		2,522,926	2,065,403
Printing, stationery and office supplies		4,751,329	3,982,475
Legal and professional charges		3,119,270	5,179,620
Entertainment expenses		1,632	35,205
Fee and subscription		8,051,849	8,407,193
Rent, rates and taxes		1,440,000	1,469,412
Repair and maintenance		5,227,542	4,887,362
Computer expenses		1,041,612	305,071
Vehicle running and maintenance		1,692,078	4,894,591
Utilities		14,394,662	14,850,907
Insurance		542,700	730,666
Amortisation	8	2,164,967	–
Depreciation	7.1.1	31,651,182	31,214,725
		312,900,945	265,074,820

32.1 This includes Rs. 16.326 million (2017: Rs. 10.750 million) in respect of defined benefit obligation.

Rupees	Note	2018	2017
33. OTHER CHARGES			
Workers' profit participation fund		85,811,127	65,304,280
Workers' welfare fund		26,683,476	18,483,538
Balances written off		1,663,874	6,468,003
Auditor's remuneration	33.1	1,195,000	1,195,000
		115,353,477	91,450,821

33.1 Auditor's remuneration:

Statutory audit fee		1,000,000	1,000,000
Half yearly review		125,000	125,000
Review report on code of corporate governance & other certifications		50,000	50,000
Out of pocket expenses		20,000	20,000
		1,195,000	1,195,000

34. OTHER INCOME

Income from financial assets:			
- Profit on saving accounts		13,071,029	9,827,383
- Profit on term deposit receipts		20,669,242	21,064,467
		33,740,271	30,891,850
Income from non-financial assets:			
- Gain on disposal of tangible fixed assets		223,747	285,089
- Rental income from related party		2,400,000	2,800,000
		2,623,747	3,085,089
		36,364,018	33,976,939

35. FINANCE COST

Profit / interest / mark-up in respect of:			
- Long-term financing		298,229	5,002,384
- Short-term loans from banking companies		503,324,932	227,015,831
- Bills discounted		29,263,585	-
		532,886,746	232,018,215
Exchange loss		2,410,742	7,128,991
Bank and other charges		17,162,743	17,404,090
		552,460,231	256,551,296

35.1 Borrowing costs capitalized during the year amounted to Rs. 0.547 million (2017: Nil). The rate of mark-up has been disclosed in note. 22 to the financial statements.

Rupees	2018	2017
36. TAXATION		
Current tax:		
- Current year	225,816,127	107,162,656
- Prior year	7,824,143	29,700,156
	233,640,270	136,862,812
Deferred tax:		
- Origination and reversal of temporary differences	97,392,533	111,173,578
- Impact of change in tax rate	(17,519,799)	(16,498,517)
	79,872,734	94,675,061
	313,513,004	231,537,873

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FOR THE YEAR ENDED JUNE 30, 2018

36.1 Relationship between income tax expense and accounting profit:

Rupees	2018	2017
Profit before taxation	1,603,727,936	1,222,297,788
Tax on accounting profit at the applicable tax rate of 30% (2017: 31%)	481,118,381	378,912,314
Tax effect of amounts that are admissible for tax purposes	(164,549,419)	(96,731,360)
Tax effect of amounts that are inadmissible for tax purposes	85,802,361	45,870,369
Tax effect of tax credits / losses / minimum taxes	(217,409,933)	(207,507,925)
Income subject to final and minimum taxation	561,460	(41,145,793)
Income subject to super tax	40,293,278	27,765,051
Effect of prior year	7,824,143	29,700,156
Tax effect of timing differences	79,872,734	94,675,061
	313,513,004	231,537,873
Average effective rate of tax charged to statement of profit or loss %	20%	19%

36.2 The tax provision is calculated by considering the tax applicable on local, exports and trading income in view of provisions of various sections of Income Tax Ordinance, 2001, after taking to account any adjustments of brought forward tax losses, minimum taxes and tax credits (if any) available under the Income Tax Ordinance, 2001.

36.3 The income tax assessments of the Company have been finalized up to and including the assessment year 2008, except for tax year 2004. Tax returns of subsequent years are deemed to be assessed under provisions of the Income Tax Ordinance, 2001, unless selected for audit by the taxation authorities (refer note. 28). The Commissioner of income tax may at any time during the period of five years from end of financial year in which return was filed, may select the deemed assessment order for audit. As at the year end, the Company has filed tax returns up to tax year 2017.

36.4 The provision for current year tax represent tax on taxable income at the rate of 30%. According to management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

Rupees	2017	2016	2015
Provision for taxation as per accounts	107,162,656	–	–
Provision for taxation as per tax assessment	114,986,799	29,700,156	13,912,642

36.5 During the year through Finance Act, 2018 section 5A of the Income Tax Ordinance, 2001 has been further amended. Through the revised provision a tax equal to 5 percent of accounting profit for the year will be levied on every public company, other than a scheduled bank and modaraba, if distribution of cash dividend of at least 20 percent of the accounting profit after tax for the year is not made. The Board of Directors in their meeting held on September 19, 2018 has distributed sufficient cash dividend for the year ended June 30, 2018 (refer note. 50) which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profits has been recognised in these financial statements.

Rupees	2018	2017
37. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year	1,290,214,932	990,759,915
Weighted average number of ordinary shares	251,599,650	235,285,608
Earnings per share - Basic	5.13	4.21

37.1 There are no dilutive potential ordinary shares outstanding as at June 30, 2018 and 2017.

Rupees	Note	2018	2017
38. CASH GENERATED FROM / USED IN OPERATIONS			
Profit before taxation		1,603,727,936	1,222,297,788
Adjustments:			
Depreciation		134,859,405	128,906,356
Amortisation		2,164,967	–
Finance cost		552,460,231	249,422,305
Defined benefit charge		35,432,381	25,089,859
Balances written off		1,663,874	6,468,003
(Gain) on disposal of tangible fixed assets		(223,747)	(285,089)
Profit on term deposit receipts		(20,669,242)	(21,064,467)
Provision for workers' profit participation fund		85,811,127	65,304,280
Provision for workers' welfare fund		26,683,476	18,483,538
		818,182,472	472,324,785
Profit before working capital changes		2,421,910,408	1,694,622,573
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(134,453,751)	(164,439,353)
Stock-in-trade		62,081,792	(1,161,073,272)
Trade debts		82,095,075	(413,619,940)
Loans and advances		(84,142,625)	(85,494,772)
Deposits, prepayments and other receivables		28,453,378	(8,691,757)
Due from the Government		(242,030,830)	(339,093,692)
		(287,996,961)	(2,172,412,786)
(Decrease) in current liabilities:			
Trade and other payables		(180,345,656)	(278,563,859)
		1,953,567,791	(756,354,072)

39. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the statement			
of cash flows comprise of the following amounts:			
Cash and bank balances	17.	1,251,171,472	2,338,891,995
Temporary bank overdraft	26.2	–	(91,098)
		1,251,171,472	2,338,800,897

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Metric ton	2018	2017
40. CAPACITY AND ACTUAL PRODUCTION		
Total active capacity		
- Melting	340,700	340,700
- Re-Rolling	446,000	446,000
Actual production		
- Melting	211,934	116,207
- Re-Rolling	251,950	241,773

Total active capacity available comprises of currently active mills. Melting production is dependant on availability of surplus load capacity after meeting re-rolling production requirements. Short-fall in actual production is due to electricity and raw material constraints and due to production of different sizes according to sales mix.

Number	2018	2017
41. NUMBER OF EMPLOYEES		
Employees employed as at June 30,		
- Total employees	772	706
- Factory employees	719	665
Average number of employees during the year in respect of:		
- Total employees	779	621
- Factory employees	735	585

42. RELATED PARTY DISCLOSURE

The Company in the normal course of business carries out transactions with various related parties. Related parties comprise of entities regarded as related due to common directorship or common management, major shareholders, key management personnel and their relatives. Major shareholders are those persons having control of or significant influence over the Company. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including Directors (whether executive or otherwise) of the Company.

Detail of related parties with whom the Company had entered into transactions or had agreements and /or arrangements in place during the year, along with the basis of relationship, percentage of shareholding and details of transactions (other than those which have been disclosed elsewhere in these financial statements) are as follows:

Rupees	2018	2017
Entities		
Mughal Steel Metallurgies Corporation Limited		
Relationship	Common directorship	
Percentage of shareholding	Nil	
Detail of transactions		
- Raw material purchases	536,307,231	752,868,880
- Re-rolling sales	32,285,530	4,074,860
- Rental income	2,400,000	2,800,000
- Rent paid	600,000	-

Rupees	2018	2017
Al-Bashir (Private) Limited		
Relationship	Common directorship	
Percentage of shareholding	Nil	
Detail of transactions		
- Rent paid	1,440,000	1,440,000
Indus Engineering (AoP)		
Relationship	Common management	
Percentage of shareholding	N/A	
Detail of transactions		
- Rent paid	300,000	-
Major shareholders, key management personnel and their relatives		
Major shareholders, Directors and their relatives		
- Right shares subscribed @ of Rs. 10/- each	-	948,409,410
- Dividend paid	113,512,959	464,366,028
- Repayment of short-term loan from Directors and their relatives	37,082,301	675,213,068
Key management personnel (other than Directors) and their relatives		
- Right shares subscribed @ of Rs. 10/- each	-	27,250
- Dividend paid	3,270	13,625

There were no outstanding balances with related parties as at the year end except for those which have been disclosed separately in relevant notes. Details of salaries and benefits to key management personnel have been disclosed in note. 44.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

Rupees	For the year ended June 30, 2018			
	Opening balance	Financing cash flow (43.1)	Other changes	Closing balance
Long-term financing	31,712,571	797,287,429	-	829,000,000
Unclaimed dividend	16,127,596	(163,784,311)	150,959,790	3,303,075
Accrued profit / interest / mark-up	66,546,870	-	34,776,053	101,322,923
Short-term loans from banking companies	7,976,911,126	(436,535,304)	-	7,540,375,822
Short-term loans from Directors and their relatives	37,082,301	(37,082,301)	300,000,000	300,000,000
	8,128,380,464	159,885,513	485,735,843	8,774,001,820

43.1 This represents net amount of proceeds and repayments.

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44. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Rupees	Chief Executive Officer		Executive Directors		Executives (refer note 44.5)	
	2018	2017	2018	2017	2018	2017
Managerial remuneration	12,000,000	11,300,000	26,400,000	22,560,000	51,337,849	29,707,331
Defined benefit charge	1,033,651	1,000,000	2,274,031	2,200,000	7,685,178	3,581,500
Other benefits	–	–	–	–	20,293,755	10,516,928
	13,033,651	12,300,000	28,674,031	24,760,000	79,316,782	43,805,759
Number of persons	1	1	2	2	25	15

44.1 Four Non-Executive Directors including the Chairman, were paid remuneration aggregating to Rs. 12.880 million (2017: Rs. 6.920 million) with view of encouraging retention and value creation within the Company.

44.2 Aggregate amount charged in these financial statements in respect of salary and benefits to key management personnel (other than Directors) amounted to Rs. 24.837 million (2017: Rs. 17.807 million).

44.3 Amount charged in these financial statements in respect of meeting fee includes meeting fee paid to:

Rupees	Chairman		Non - Executive Directors		Independent Directors	
	2018	2017	2018	2017	2018	2017
Meeting fee	–	150,000	–	600,000	500,000	275,000
	–	150,000	–	600,000	500,000	275,000
Number of persons	–	1	–	4	2	1

44.4 Chief Executive Officer, Executive Directors and some of the Executives are provided with Company maintained cars in accordance with their terms of employment. The Company bears travelling expenses of Chairman, Chief Executive Officer and Directors relating to travel for official purposes including expenses incurred in respect of attending Board and Committee meetings.

44.5 Comparative figures have been restated to reflect changes in the definition of 'Executive' as per Companies Act, 2017. As per revised definition 'Executives' mean employees other than the Chief Executive Officer and Directors, whose basic salary exceeds Rs. 1,200,000/- in a financial year.

45. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. No changes were made in the objectives, policies or processes and assumptions during the year ended June 30, 2018.

The Company has exposure to the following risks arising from its use of financial instruments, the management of which is overseen by the Company's finance and treasury departments:

- Credit risk
- Liquidity risk
- Market risk

45.1 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its long-term loan to employees, long-term deposits, trade debts, certain loans and advances, certain deposits, prepayments and receivables and its balances with banks. To manage credit risk, the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. Customer credit risk is managed according to Company's policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed and as based on an extensive credit rating. Outstanding customer receivables are regularly monitored.

Exposure to credit risk:

The carrying amounts of financial assets represents the maximum credit exposure. The financial assets exposed to credit risk amounted to Rs. 2,569.967 million (2017: Rs. 3,744.622 million) as at June 30, 2018 and are as follows:

Rupees	2018	2017
Long-term loans to employees	6,570,659	5,640,118
Long-term deposits	20,845,317	18,258,313
Trade debts	1,263,279,786	1,347,038,735
Loans and advances	28,058,616	29,459,715
Deposits, prepayments and other receivables	194,862	5,661,350
Bank balances	1,248,652,589	2,338,563,433
	2,567,601,829	3,744,621,664

Concentration of credit risk:

The Company identifies concentration of credit risk by reference to type of counterparty. Maximum exposure to credit risk by type of counterparty is as follows:

Rupees	2018	2017
Trade debts	1,263,279,786	1,347,038,735
Bank balances with banking companies and financial institutions	1,248,847,451	2,341,197,776
Others	55,474,592	56,385,153
	2,567,601,829	3,744,621,664

Geographically there is no concentration of credit risk. Out of the total financial assets credit risk is concentrated in trade debts and bank balances as they constitute 98% (2017: 98%) of the total financial assets. The maximum exposure to credit risk for trade debts as at June 30, 2018 and 2017 is with government and semi-government departments and various other contractors. The Company believes that it is not exposed to any specific credit risk in respect of trade debts. Trade debts amounting to Rs. Nil (2017: Rs. 354.833 million) are secured against letter of credit. The Company does not hold any collateral as security against any of its financial assets other than long-term loans to employees and loans and advances as detailed in relevant notes.

Credit quality of financial assets:

Credit quality of financial assets is assessed by reference to external credit ratings of counter parties determined by Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS),

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FOR THE YEAR ENDED JUNE 30, 2018

where available, or to internal credit ratings determined based on their historical information for any default in meeting obligations. The credit quality of Company's bank balances and interest accrued on term deposit receipts can be assessed with reference to the external credit ratings as follows:

Banks	Agency	Rating	
		Long-term	Short-term
Allied Bank limited	PACRA	AAA	A1+
Askari Bank Limited	PACRA	AA+	A1+
Bank Al-Habib Limited	PACRA	AA+	A1+
Bank Alfalah Limited	PACRA	AA+	A1+
Bank of Khyber	PACRA	A	A1
Bank of Punjab	PACRA	AA	A1+
BankIslami Pakistan Limited	PACRA	A+	A1
Dubai Islamic Pakistan Limited	JCR-VIS	AA-	A1
Faysal Bank Limited	PACRA	AA	A1+
Habib Bank Limited	JCR-VIS	AAA	A1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
JS Bank Limited	PACRA	AA-	A1+
MCB Bank Limited	PACRA	AAA	A1+
MCB Islamic Bank Limited	PACRA	A	A1
Meezan Bank Limited	JCR-VIS	AA+	A1+
National Bank of Pakistan	PACRA	AAA	A1+
Samba Bank Limited	JCR-VIS	AA	A1
Silk Bank Limited	JCR-VIS	A-	A2
Soneri Bank Limited	PACRA	AA-	A1+
Standard Chartered Bank Limited	PACRA	AAA	A1+
Summit Bank Limited	JCR-VIS	A-	A1
United Bank Limited	JCR-VIS	AAA	A1+

Out of the total balances of Rs 1,248.653 million (2017: Rs. 2,338.563 million) held with banking companies and financial institutions, amounts aggregating to Rs. 1,007.687 million (2017: Rs. 1,279.401 million) are with banks having short-term credit rating of A1+. Whereas the remaining major amounts are placed with banks having minimum short-term credit rating of A1.

The credit quality of remaining financial assets can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly the credit risk is minimal.

Impairment losses:

The analysis of ages of trade debts of the Company is as follows:

Rupees	2018	2017
Not yet due	333,614,465	394,520,785
Past due but not impaired		
- between 31-90 days	516,264,244	663,775,332
- between 91-180 days	251,613,359	169,792,472
- above 180 days	161,787,718	118,950,146
	929,665,321	952,517,950
	1,263,279,786	1,347,038,735

The management believes that no impairment allowance is necessary in respect of trade debts which are past due based upon their no or negligible past default history.

45.2 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 which assists it in monitoring cash flow requirements. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters by maintaining adequate reserves, banking facilities and reserve borrowing facilities and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note. 26.1 to the financial statements is a detail of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting agreements.

Rupees	Carrying amount	Contractual cash flows	June 30, 2018		
			Within 1 year	More than 1 but less than 5 years	After 5 years
Financial liabilities					
At amortized cost					
- Long-term financing	829,000,000	1,044,320,883	-	1,044,320,883	-
- Trade and other payables	231,169,350	231,169,350	231,169,350	-	-
- Unclaimed dividend	3,303,075	3,303,075	3,303,075	-	-
- Accrued profit / interest / mark-up	101,322,923	101,322,923	101,322,923	-	-
- Short-term loans from banking companies	7,540,375,822	7,540,375,822	7,540,375,822	-	-
- Short-term loans from Directors and their relatives	300,000,000	300,000,000	300,000,000	-	-
June 30, 2018	9,005,171,170	9,220,492,053	8,176,171,170	1,044,320,883	-

Rupees	Carrying amount	Contractual cash flows	June 30, 2017		
			Within 1 year	More than 1 but less than 5 years	After 5 years
Financial liabilities					
At amortized cost					
- Long-term financing	31,712,571	36,747,958	36,747,958	-	-
- Trade and other payables	422,755,821	422,755,821	422,755,821	-	-
- Unclaimed dividend	16,127,596	16,127,596	16,127,596	-	-
- Accrued profit / interest / mark-up	66,546,870	66,546,870	66,546,870	-	-
- Short-term loans from banking companies	7,977,002,224	7,977,002,224	7,977,002,224	-	-
- Short-term loans from Directors and their relatives	37,082,301	37,082,301	37,082,301	-	-
June 30, 2017	8,551,227,383	8,556,262,770	8,556,262,770	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts. The contractual cash flow relating to long-term financing have been determined on the basis of expected interest / mark-up rates. These rates have been disclosed in note. 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

45.3 Market risk

Market risk is the risk that changes in market prices, such as currency risk, 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.

i) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. The Company is mainly exposed to currency risk on foreign creditors which are denominated in currency other than the functional currency of the Company.

Rupees	2018	2017
The Company's exposure to foreign currency risk is as follows:		
Foreign creditors		
- Outstanding letters of credit - U.S. Dollar (USD)	–	1,984,496
- Pakistani Rupee to U.S. Dollar exchange rate as at June 30,	–	104.93

Sensitivity analysis:

At the reporting date, if the Pakistani rupee had reasonably possibly strengthened / weakened by 5% against USD, it would have affected the measurement of financial instruments denominated in foreign currency and affected profit after taxation by the amounts shown below at the reporting date.

Rupees	2018	2017
Net effect on profit after tax due to:		
- Increase / decrease in foreign creditors (USD)	–	10,411,658

The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Currency risk management:

The Company manages currency risk by maintaining balance between sight and deferred letters of credit and switching amongst them when required necessary.

ii) Price risk:

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments trading in market. The Company does not hold any investments which exposed it to price risk.

iii) Interest rate risk:

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long-term financing, short-term loans from banking companies, saving accounts and term deposit receipts. At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments is:

Rupees	2018	2017
Variable rate instruments		
- Financial assets	160,504,863	598,270,190
- Financial liabilities	8,369,375,822	8,008,623,697

Sensitivity analysis:

Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

Fair value sensitivity analysis for fixed rate instruments:

The Company does not account for any fixed rate financial instruments at fair value through profit or loss, therefore, a change in interest rate at the reporting date would not affect the profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at reporting date would have increased / decreased profit for the year by Rs. 85.299 million (2017: 86.069 million)

The related mark-up rates for variable rate financial instruments are indicated in the relevant notes to the financial statements. The sensitivity analysis prepared is not necessarily indicative of the effects on the profit for the period and assets / liabilities of the Company.

Interest rate risk management:

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

45.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating fair value of an asset or liability, the Company takes into the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 inputs - are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs - these are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs - are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

The Company takes in to account factors specific to the transaction and to the asset or liability, when determining whether or not the fair value at initial recognition equals the transaction price. Except for long-term loans to employees and long-term deposits, the fair value of financial assets and financial liabilities recognised in these financial statements equals the transaction price at initial recognition. Due to immaterial effect, the fair value of long-term loans to employees and long-term deposits has not been determined and their carrying value has been assumed to be equal to their fair value. Accordingly, the carrying amount of financial assets and financial liabilities recognized in these financial statements approximate their respective fair values.

Rupees	Other financial liabilities	Loans and receivables	Total
45.5 Financial instruments by category			
Financial assets measured at amortized cost			
Maturity within one year:			
- Trade debts	-	1,263,279,786	1,263,279,786
- Loans and advances	-	28,058,616	28,058,616
- Deposits, prepayments and other receivables	-	194,862	194,862
- Cash and bank balances	-	1,251,171,472	1,251,171,472
Maturity after one year			
- Long-term loan to employees	-	6,570,659	6,570,659
- Long-term deposits	-	20,845,317	20,845,317
June 30, 2018	-	2,570,120,712	2,570,120,712
Financial liabilities measured at amortized cost			
Maturity within one year:			
- Trade and other payables	-	231,169,350	231,169,350
- Unclaimed dividend	-	3,303,075	3,303,075
- Accrued profit / interest / mark-up	-	101,322,923	101,322,923
- Short-term loans from banking companies	-	7,540,375,822	7,540,375,822
- Short-term loans from Directors and their relatives	-	300,000,000	300,000,000
Maturity after one year			
- Long-term financing	-	829,000,000	829,000,000
June 30, 2018	-	9,005,171,170	9,005,171,170
45.5 Financial instruments by category			
Financial assets measured at amortized cost			
Maturity up to one year:			
- Trade debts	-	1,347,038,735	1,347,038,735
- Loans and advances	-	29,459,715	29,459,715
- Deposits, prepayments and other receivables	-	5,661,350	5,661,350
- Cash and bank balances	-	2,338,891,995	2,338,891,995
Maturity after one year			
- Long-term loan to employees	-	5,640,118	5,640,118
- Long-term deposits	-	18,258,313	18,258,313
June 30, 2017	-	3,744,950,226	3,744,950,226

Rupees	Other financial liabilities	Loans and receivables	Total
Financial liabilities measured at amortized cost			
Maturity within one year:			
- Long-term financing	-	31,712,571	31,712,571
- Trade and other payables	-	422,755,821	422,755,821
- Unclaimed dividend	-	16,127,596	16,127,596
- Accrued profit / interest / mark-up	-	66,546,870	66,546,870
- Short-term loans from banking companies	-	7,977,002,224	7,977,002,224
- Short-term loans from Directors and their relatives	-	37,082,301	37,082,301
June 30, 2017	-	8,551,227,383	8,551,227,383

Rupees	Note	2018	2017
Off balance sheet financial instruments:			
- Letters of credits		2,574,078,618	3,285,578,259
- Letters of guarantees		1,165,935,910	738,752,822
		3,740,014,528	4,024,331,081

46. SHARIAH COMPLIANCE DISCLOSURE

Loans / advances obtained as per Islamic mode	46.1	3,205,597,707	3,567,460,387
Shariah compliant bank deposits / bank balances	46.2	448,155,085	895,033,329
Profit earned from Shariah compliant bank deposits / balances		2,391,890	1,281,500
Mark-up paid on Islamic mode of financing		222,560,508	99,948,979
Interest paid on any conventional loan or advance		281,062,653	132,069,235

46.1 These loans have been obtained against various facilities from different Islamic financial institutions under various financing arrangements and carry profit rate ranging between MK / 3MK + 0.65% to 0.85% (2017: 3MK + 0.85% to 0.90%) per annum.

46.2 These represent saving accounts with Islamic financial institutions and carry profit ranging up to 5.50% (2017: 6.50%).

46.3 The entire revenue of the Company is from Shariah compliant business segment except for profit / interest income earned on term deposit receipts / saving accounts maintained with conventional banks. During the year no investments of any kind were made.

47. ENTITY-WIDE INFORMATION

The Company constitutes of a single reportable 'Steel' segment, the principal classes of products of which are steel re-bars and girders.

- (i) Majority of the sale is made to customers within the country.
- (ii) All non-current assets of the Company as at June 30, 2018 are located in Pakistan. Revenues from external customers attributed to foreign countries in aggregate are not material in the overall context of these financial statements.
- (iii) The Company does not have transactions with any external customer which amount to 10 percent or more of its revenues.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

(iv) The Company's principal classes of products accounted for the following percentages of sales:

Percentage	2018	2017
Steel re-bars	63%	58%
Girders	33%	41%
Others	5%	2%
	100%	100%

48. CAPITAL RISK MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and;
- (ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. There was no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants commonly imposed by the providers of debt finance which the Company has complied with.

49. PRESENTATION CHANGES AND RECLASSIFICATION OF ITEMS IN FINANCIAL STATEMENTS

The Company has changed the presentation of certain items in its financial statements to ensure compliance with disclosure requirements of the Act and for purpose of better presentation, details of which are as follows:

Presentation changes:

During the year the Company has opted to present a single statement of profit or loss & other comprehensive income instead of two separate statements for better presentation. Accordingly comparative information has also been re-presented. Further, the headings of following separate line items presented in the statement of financial position have been changed for better presentation:

Previous heading	New heading
Property, plant & equipment	Property, plant & equipment
- Operating assets	- Tangible fixed assets
Current assets	Current assets
- Advances	- Loans and advances
- Short-term deposits & prepayments	- Deposits, prepayments and other receivables
Current liabilities	Current liabilities
- Short-term borrowings	- Short-term loans from banking companies

The heading of following separate line item presented in the statement of profit or loss account & other comprehensive income has been changed for better presentation:

Previous heading	New heading
Distribution and marketing costs	Sales and marketing expenses

Reclassification changes:

The Company has changed the classification of certain items in its financial statements to ensure compliance with disclosure requirements of the Act and for purpose of better presentation. Accordingly, following comparative figures of items in financial statements have been reclassified:

Reclassified from component	Reclassified to component	Rupees
Other receivables	Loans and advances	
- Current portion of long-term loans to employees	- Current portion of long-term loans to employees	2,471,167
Other receivables	Deposits, prepayments and other receivables	
- Interest accrued on term deposit receipts	- Interest accrued on term deposit receipts	2,634,343
- Other receivables	- Other receivables	3,027,007
Current assets	Cash and bank balances	
- Short-term investments	- Term deposit receipts	305,663,782
Trade and other payables	Current liabilities	
- Unclaimed dividend	- Unclaimed dividends	16,127,596
Reclassified from component	Reclassified to component	Rupees
Trade and other payables	Short-term loans from banking companies	
- Murabaha	- Murabaha financing	1,360,703,635
Short-term loans from banking companies	Current liabilities	
- Loan from sponsor shareholders	- Short-term loans from Directors and their relatives	37,082,301
Cost of sales	Cost of sales	
- Conversion charges paid to contract manufacturers	- Other manufacturing expenses	473,728,607
Stores, spares and loose tools consumed	Fuel and power	
- Furnace oil	- Furnace oil	444,011,116
Cost of sales	Administrative expenses	
- Salaries & benefits	- Salaries & benefits	23,615,877

In addition to the above, certain prior year amounts in the statement of cash flows have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of the operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

50. SUBSEQUENT EVENTS - NON ADJUSTING EVENTS

The Board of Directors in their meeting held on September 19, 2018 has proposed a final cash dividend of Rs. 2.20/- per share (2017: Rs. 0.60/- per share) for the year ended June 30, 2018, amounting to Rs. 553.519 million (2017: Rs 150.960 million) subject to the approval of members at the annual general meeting. The effect of final cash dividend shall be accounted for in the period in which it is approved by the members.

51. DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 19, 2018 by the Board of Directors of the Company.

52. GENERAL

The figures have been rounded off to the nearest rupee.



Khurram Javaid
Chief Executive Officer



Muhammad Zafar Iqbal
Chief Financial Officer



Muhammad Mubeen Tariq Mughal
Director



06

OTHER INFORMATION

- Pattern Of Shareholding
- Category Of Shareholding
- Notice Of The Annual General Meeting
- Statement Of Material Facts As Required Under Section 134(3) Of The Companies Act, 2017
- Form Of Proxy
- پراکسی فارم
- Definitions
- Glossary Of Terms

PATTERN OF SHAREHOLDING

AS ON JUNE 30, 2018

No. of shareholder	Having shares		Shares held	Percentage
	From	To		
709	1	100	30678	0.0122
1140	101	500	457983	0.1820
1513	501	1000	1184836	0.4709
2433	1001	5000	4778905	1.8994
262	5001	10000	2055009	0.8168
88	10001	15000	1124077	0.4468
48	15001	20000	904742	0.3596
37	20001	25000	883486	0.3511
29	25001	30000	836062	0.3323
15	30001	35000	494444	0.1965
12	35001	40000	458500	0.1822
9	40001	45000	387325	0.1539
17	45001	50000	824000	0.3275
9	50001	55000	470328	0.1869
5	55001	60000	290451	0.1154
5	60001	65000	316623	0.1258
5	65001	70000	338100	0.1344
3	70001	75000	219000	0.0870
3	75001	80000	237500	0.0944
1	80001	85000	80020	0.0318
2	85001	90000	173400	0.0689
1	90001	95000	91500	0.0364
6	95001	100000	598929	0.2380
2	100001	105000	205500	0.0817
1	105001	110000	106500	0.0423
1	110001	115000	111500	0.0443
2	115001	120000	238486	0.0948
1	120001	125000	125000	0.0497
1	125001	130000	127000	0.0505
1	130001	135000	135000	0.0537
1	135001	140000	140000	0.0556
2	140001	145000	284500	0.1131
1	145001	150000	150000	0.0596
3	160001	165000	493617	0.1962
1	190001	195000	191000	0.0759
2	195001	200000	400000	0.1590
1	205001	210000	210000	0.0835
1	210001	215000	210713	0.0837
1	225001	230000	230000	0.0914
1	230001	235000	230500	0.0916
1	235001	240000	240000	0.0954
2	245001	250000	495500	0.1969
1	250001	255000	253500	0.1008
1	270001	275000	275000	0.1093
1	285001	290000	288500	0.1147
1	295001	300000	300000	0.1192
1	310001	315000	310500	0.1234
1	325001	330000	325500	0.1294
1	340001	345000	342500	0.1361
1	365001	370000	367166	0.1459
1	380001	385000	382500	0.1520
1	395001	400000	400000	0.1590
1	400001	405000	401336	0.1595
1	480001	485000	484000	0.1924
1	535001	540000	539500	0.2144
1	565001	570000	566000	0.2250
2	570001	575000	1144500	0.4549
1	575001	580000	577942	0.2297
1	690001	695000	695000	0.2762
1	695001	700000	695500	0.2764
1	805001	810000	807274	0.3209
1	965001	970000	967000	0.3843
1	1015001	1020000	1017500	0.4044
1	1155001	1160000	1158978	0.4606
1	1285001	1290000	1286500	0.5113
1	1295001	1300000	1298500	0.5161
1	1920001	1925000	1922500	0.7641
1	2010001	2015000	2013500	0.8003
1	2280001	2285000	2285000	0.9082
1	3205001	3210000	3207805	1.2750
1	3355001	3360000	3358500	1.3349
1	4050001	4055000	4055000	1.6117
1	5550001	5555000	5554500	2.2077
1	6060001	6065000	6063728	2.4101
1	6415001	6420000	6415611	2.5499
1	13980001	13985000	13984300	5.5582
2	27265001	27270000	54532686	21.6744
1	55555001	55560000	55555680	22.0810
1	56205001	56210000	56205430	22.3392
6417		Company Total	251599650	100.0000

CATEGORY OF SHAREHOLDERS

AS ON JUNE 30, 2018

Particulars	No of Shareholders	Shares Held	Percentage
SPONSORS, DIRECTORS, CEO AND CHILDREN	14	189188365	75.1942
BANKS, DFI AND NBFII	4	4330000	1.7210
INSURANCE COMPANIES	13	18400224	7.3133
MUTUAL FUNDS	58	11298904	4.4908
GENERAL PUBLIC (LOCAL)	6067	19580401	7.7824
GENERAL PUBLIC (FOREIGN)	176	706039	0.2806
OTHERS	82	8011217	3.1841
MODARABAS	1	19000	0.0076
FOREIGN COMPANIES	2	65500	0.0260
Company Total	6417	251599650	100.0000

Folio No	Name	Code	Shares Held	Percentage
000000000002	JAMSHED IQBAL	001	56205430	22.3392
000000000007	MUHAMMAD WALEED BIN TARIQ MUGHAL	001	1158978	0.4606
000000000008	MUHAMMAD MATEEN JAMSHED	001	6063728	2.4101
000000000009	SYED SALMAN ALI SHAH	001	230	0.0001
003525098701	MIRZA JAVED IQBAL	001	6415611	2.5499
003525098702	FAHAD JAVAID	001	27266343	10.8372
003525099002	MUHAMMAD MUBEEN TARIQ MUGHAL	001	55555680	22.0810
003525099006	KHURRAM JAVAID	001	27266343	10.8372
003525099040	FAZEEL BIN TARIQ	001	5554500	2.2077
003525099052	TABASSUM JAVED	001	3207805	1.2750
007294005652	MUHAMMAD MUBEEN TARIQ MUGHAL	001	164539	0.0654
007294014035	JAMSHED IQBAL	001	164539	0.0654
007294014068	MIRZA JAVED IQBAL	001	164539	0.0654
014720005279	ABDUL REHMAN QURESHI	001	100	0.0000
003335000057	BANK ALFALAH LIMITED	004	695500	0.2764
004127000028	MCB BANK LIMITED - TREASURY	004	3358500	1.3349
006510000028	BANKISLAMI PAKISTAN LIMITED	004	1000	0.0004
009944000024	AL BARAKA BANK (PAKISTAN) LIMITED	004	275000	0.1093
001339020917	JUBILEE GENERAL WINDOW TAKAFUL OPERATIONS	005	30500	0.0121
002139000029	PREMIER INSURANCE LIMITED	005	4000	0.0016
002451000021	JUBILEE GENERAL INSURANCE COMPANY LIMITED	005	967000	0.3843
003277002538	EFU LIFE ASSURANCE LTD	005	13984300	5.5582
003277008372	EXCEL INSURANCE CO.LTD.	005	924	0.0004
003277009371	JUBILEE LIFE INSURANCE COMPANY LIMITED	005	1922500	0.7641
003277009404	ALLIANZ EFU HEALTH INSURANCE LIMITED	005	150000	0.0596
012690000096	IGI LIFE INSURANCE LIMITED	005	1500	0.0006
012690001366	IGI LIFE INSURANCE LIMITED	005	6500	0.0026
013748000501	ADAMJEE LIFE ASSURANCE COMPANY LTD-IMF	005	4500	0.0018
013748000915	ADAMJEE LIFE ASSURANCE CO.LTD - DGF	005	20000	0.0079
013755000021	ADAMJEE INSURANCE COMPANY LIMITED	005	1298500	0.5161
014357000029	ALFALAH INSURANCE COMPANY LIMITED	005	10000	0.0040
000620054317	UNICOL LIMITED EMPLOYEES PROVIDENT FUND	006	5000	0.0020
003277001149	B.F.MODARABA	006	25000	0.0099
003277004962	FIRST ALNOOR MODARABA	006	3000	0.0012
005371000028	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	006	2013500	0.8003
005488000025	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	006	86000	0.0342
005645000024	CDC - TRUSTEE PICIC INVESTMENT FUND	006	310500	0.1234
005777000029	CDC - TRUSTEE PICIC GROWTH FUND	006	571500	0.2271
005959000027	CDC - TRUSTEE ATLAS STOCK MARKET FUND	006	210713	0.0837
006072000023	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	006	26000	0.0103
006171000021	CDC - TRUSTEE FAYSAL STOCK FUND	006	25000	0.0099
006197000029	CDC - TRUSTEE ALFALAH GHP VALUE FUND	006	253500	0.1008
006213000025	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	006	10000	0.0040
007070000022	CDC - TRUSTEE MEEZAN ISLAMIC FUND	006	566000	0.2250
007252000020	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	006	30000	0.0119
007377000026	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	006	2500	0.0010
007450000521	B.R.R. GUARDIAN MODARABA	006	118486	0.0471
009449000025	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	006	105000	0.0417

CATEGORY OF SHAREHOLDERS

AS ON JUNE 30, 2018

Folio No	Name	Code	Shares Held	Percentage
009456000024	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	006	191000	0.0759
009480000021	CDC - TRUSTEE NAFA STOCK FUND	006	807274	0.3209
009746000028	CDC - TRUSTEE MCB DCF INCOME FUND	006	1500	0.0006
010397000029	CDC - TRUSTEE MEEZAN TAHAFUZ PENSION FUND - EQUITY SUB FUND	006	573000	0.2277
010496000027	CDC - TRUSTEE DAWOOD ISLAMIC FUND	006	26000	0.0103
010603000021	CDC - TRUSTEE APF-EQUITY SUB FUND	006	13987	0.0056
010728000027	CDC - TRUSTEE HBL - STOCK FUND	006	1017500	0.4044
010801000027	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	006	401336	0.1595
010900000025	CDC - TRUSTEE APIF - EQUITY SUB FUND	006	20000	0.0079
011056000028	CDC - TRUSTEE HBL MULTI - ASSET FUND	006	30081	0.0120
011809000026	CDC - TRUSTEE ALFALAH GHP STOCK FUND	006	342500	0.1361
011924000022	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	006	230500	0.0916
012195000021	CDC - TRUSTEE ABL STOCK FUND	006	4292	0.0017
012625000027	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	006	64000	0.0254
012880000027	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	006	66500	0.0264
013391000026	CDC-TRUSTEE HBL ISLAMIC STOCK FUND	006	484000	0.1924
013607000028	CDC - TRUSTEE HBL EQUITY FUND	006	46500	0.0185
013698000029	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	006	33000	0.0131
013714000025	CDC - TRUSTEE HBL PF EQUITY SUB FUND	006	41325	0.0164
013946000028	CDC - TRUSTEE KSE MEEZAN INDEX FUND	006	62500	0.0248
014126000026	CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	006	15000	0.0060
014514000028	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	006	30000	0.0119
014605000027	CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	006	144000	0.0572
014688000029	CDC - TRUSTEE NIT INCOME FUND - MT	006	33000	0.0131
014761000029	CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	006	56000	0.0223
014860000027	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	006	500	0.0002
014969000025	CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	006	288500	0.1147
014977000024	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	006	2902	0.0012
015974000023	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	006	367166	0.1459
016022000026	CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	006	37000	0.0147
016030000025	CDC - TRUSTEE PIML VALUE EQUITY FUND	006	30000	0.0119
016246000020	MCBFSL - TRUSTEE NAFA INCOME FUND - MT	006	12000	0.0048
016279000027	CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	006	50000	0.0199
016386000024	CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	006	577942	0.2297
016394000023	CDC - TRUSTEE PIML ASSET ALLOCATION FUND	006	140000	0.0556
016402000020	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	006	87400	0.0347
016436000027	CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	006	140500	0.0558
016501000027	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	006	35000	0.0139
016766000027	CDC - TRUSTEE UBL INCOME OPPORTUNITY FUND - MT	006	46000	0.0183
017210000022	CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	006	382500	0.1520
017475000022	CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	006	5000	0.0020
00000000830	7 SUSPENSE ACCOUNT (R-1) MCB & SUMMIT	010	32091	0.0128
001339031393	HAFIZ FOUNDATION	010	500	0.0002
001339034058	QUALITY WIRE INDUSTRIES (PVT.) LIMITED	010	500	0.0002
001669000026	SHAFFI SECURITIES (PVT) LIMITED	010	700	0.0003
001826087767	ABRIS (PRIVATE) LIMITED	010	35000	0.0139
003038000038	STANDARD CAPITAL SECURITIES (PVT) LIMITED	010	75000	0.0298
003038000046	STANDARD CAPITAL SECURITIES (PVT) LIMITED	010	500	0.0002
003277002404	MOHAMAD AMIN BROS (PVT) LIMITED	010	45500	0.0181
003277004841	BULK MANAGEMENT PAKISTAN (PVT.) LTD.	010	210000	0.0835
003277007633	TRUSTEES MOHAMAD AMIN WAKF ESTATE	010	40000	0.0159
003277009778	TRUSTEES ICI PAKISTAN MGNT.STAFF PF.	010	10000	0.0040
003277026972	WESTBURY (PRIVATE) LTD	010	200000	0.0795
003277048863	CUMBERLAND (PVT) LIMITED	010	20000	0.0079
003277050590	TECHNOLOGY LINKS (PVT.) LIMITED	010	7000	0.0028
003277067767	ANAM FABRICS (PVT) LTD.	010	20000	0.0079
003277069336	RIBAT-UL-ULUM-IL-ISLAMIYAH	010	1150	0.0005
003277078367	TRUSTEE PNSC EMPLOYEES CONTRIBUTORY PROVIDENT FUND	010	9000	0.0036
003277080189	PREMIER CABLES (PVT) LIMITED	010	25000	0.0099
003277083462	NADEEM INTERNATIONAL (PVT.) LTD.	010	2000	0.0008
003277089780	GLOBE MANAGERMENTS (PRIVATE) LIMITED	010	49500	0.0197
003277090405	DAWOOD FAMILY TAKAFUL LIMITED	010	106500	0.0423
003277090406	DAWOOD FAMILY TAKAFUL LIMITED	010	91500	0.0364
003277090408	DAWOOD FAMILY TAKAFUL LIMITED	010	46500	0.0185

Folio No	Name	Code	Shares Held	Percentage
003277093325	PEBBLES (PVT) LIMITED	010	300000	0.1192
003277094508	TRUSTEE OF DAWOOD FAMILY TAKAFUL LIMITED EMPLOYEES PF	010	6000	0.0024
003350000022	ZAHID LATIF KHAN SECURITIES (PVT) LTD.	010	5000	0.0020
003525063817	NH SECURITIES (PVT) LIMITED.	010	20000	0.0079
003525067679	TRUSTEES KOHINOOR TEX MILLS LTD (RAWIND DIV) EMP PROV FUND	010	20000	0.0079
003525087235	MAPLE LEAF CAPITAL LIMITED	010	1	0.0000
003525089724	SUNRAYS TEXTILE MILLS LIMITED	010	25000	0.0099
003939000021	PEARL SECURITIES LIMITED	010	42000	0.0167
004192000021	NETWORTH SECURITIES LIMITED	010	80000	0.0318
004374000029	IQBAL USMAN KODVAVI SECURITIES (PVT) LTD	010	99929	0.0397
004457000045	FDM CAPITAL SECURITIES (PVT) LIMITED	010	25000	0.0099
004457000078	FDM CAPITAL SECURITIES (PVT) LIMITED	010	25000	0.0099
004705087224	FEDERAL BOARD OF REVENUE	010	63623	0.0253
004952000028	SHERMAN SECURITIES (PRIVATE) LIMITED	010	10500	0.0042
005298000028	MAAN SECURITIES (PRIVATE) LIMITED	010	43000	0.0171
005348000021	HH MISBAH SECURITIES (PRIVATE) LIMITED	010	2000	0.0008
005660015202	TRUSTEE FRANCISCANS OF ST.JOHN THE BAPTIST PAKISTAN	010	8000	0.0032
005736000015	NCC - PRE SETTLEMENT DELIVERY ACCOUNT	010	77500	0.0308
005801000024	ADEEL & NADEEM SECURITIES (PVT) LTD.	010	15000	0.0060
005884012310	MIAN NAZIR SONS INDUSTRIES (PVT) LIMITED	010	5000	0.0020
006270000029	GROWTH SECURITIES (PVT) LTD.	010	1000	0.0004
006452000035	ARIF HABIB LIMITED	010	1000	0.0004
006684179500	FABTEX CORPORATION	010	10000	0.0040
007229000023	ALTAF ADAM SECURITIES (PVT) LTD.	010	500	0.0002
007294000026	AL-HAQ SECURITIES (PVT) LTD.	010	135000	0.0537
007450000026	DAWOOD EQUITIES LTD.	010	2500	0.0010
007450001040	TRUSTEE-FIRST DAWOOD INV. BANK LTD. & OTHER EMPLOYEES PFUND	010	11000	0.0044
010629064934	TRUSTEE CHERAT CEMENT COMPANY LTD.STAFF GRATUITY FUND	010	80000	0.0318
010819000026	PAK BRUNEI INVESTMENT COMPANY LIMITED	010	127000	0.0505
011692000021	ABA ALI HABIB SECURITIES (PVT) LIMITED	010	4055000	1.6117
012153000025	RAH SECURITIES (PVT) LIMITED	010	1000	0.0004
012484007807	BRAVISTO (PVT) LIMITED	010	1	0.0000
012666000536	TRUSTEES OF SULAIMANIYAH TRUST	010	27500	0.0109
012666000833	USMAN MEMORIAL FOUNDATION	010	10000	0.0040
012666001138	TRUSTEES OF PAKISTAN HUMAN DEVELOPMENT FUND	010	62000	0.0246
012666001435	SHAFI FOODS (PRIVATE) LIMITED	010	7500	0.0030
012666001443	MUHAMMAD SHAFI TANNERIES (PRIVATE) LIMITED	010	10500	0.0042
012666001468	EVERFRESH FARMS (PVT.) LIMITED	010	10500	0.0042
012666001559	ISPI CORPORATION (PRIVATE) LIMITED	010	10000	0.0040
012666001609	FALCON-I (PRIVATE) LIMITED	010	10000	0.0040
012690000616	TRUSTEES BYCO PETROLEUM PAKISTAN LIMITED EMP PROVIDENT FUND	010	5000	0.0020
012690000707	TRUSTEES ENGRO CORPORATION LIMITED PROVIDENT FUND	010	50000	0.0199
012690000962	TRUSTEES TELENOR PAKISTAN (PVT) LTD EMPLOYEES PROVIDENT FUND	010	5000	0.0020
013748000667	TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PENSION FUND	010	4642	0.0018
013748000691	AKHUWAT	010	4060	0.0016
013904000022	CYAN LIMITED	010	1286500	0.5113
014118000027	ASDA SECURITIES (PVT.) LTD.	010	5000	0.0020
014415000021	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	010	80020	0.0318
014431000029	CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	010	66000	0.0262
014720000023	SHAJARPAK SECURITIES (PVT) LIMITED	010	11500	0.0046
015990000021	K & I GLOBAL CAPITAL (PVT) LTD.	010	2500	0.0010
016212000023	BIPL SECURITIES LIMITED - MF	010	4500	0.0018
016352000027	RELIANCE SECURITIES LIMITED - MF	010	1500	0.0006
016857000026	MRA SECURITIES LIMITED - MF	010	7000	0.0028
016865000025	BAWA SECURITIES (PVT) LTD. - MF	010	500	0.0002
016881000023	SAKARWALA CAPITAL SECURITIES (PRIVATE) LIMITED - MF	010	1500	0.0006
016899000022	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES(P)LTD - MF	010	500	0.0002
016980000021	ASDA SECURITIES (PRIVATE) LIMITED - MF	010	2000	0.0008
017236000020	TIME SECURITIES (PVT.) LIMITED - MF	010	1000	0.0004
007450004077	CRESCENT STANDARD MODARABA	011	19000	0.0076
003533000722	HABIB BANK AG ZURICH, DEIRA DUBAI	012	41000	0.0163
012666000924	TARIIC HOLDING COMPANY BSC CLOSED	012	24500	0.0097

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 9th Annual General Meeting of the members of **MUGHAL IRON & STEEL INDUSTRIES LIMITED** will be held on Saturday, October 27, 2018 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 Auditor's Reports thereon for the year ended June 30, 2018.
2. To declare final cash dividend @ 22% i.e. Rs. 2.20 per share of Rs. 10/- each for the year ended June 30, 2018, as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration.

A notice referred to in sub-section (2) of section 246 of the Companies Act, 2017 is hereby given to the members that, the Board of Directors upon recommendation of the Audit Committee has recommended the name of Fazal Mahmood & Co., Chartered Accountants, the retiring auditors, for re-appointment as external auditors of the Company after obtaining their consent.

SPECIAL BUSINESS

4. To ratify and approve transactions entered into by the Company with related parties in its ordinary course of business by passing the following special 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, 2018 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, 2019 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."

Statement required under Section 134(3) of the Companies Act, 2017 in respect of Special Business to be transacted at the forthcoming Annual General Meeting is annexed.

(By Order of the Board)

-sd-

Muhammad Fahad Hafeez
Company Secretary

Lahore: October 05, 2018

NOTES:

1. Book Closure

Share transfer books of the Company will remain closed from October 20, 2018 to October 27, 2018 (both days inclusive). Physical transfers / CDS Transaction IDs received in order by the Company's Share Registrar, M/s. THK Associates (Pvt.) Limited, 1st floor, 40-C, Block-6, P.E.C.H.S. Karachi, up to the close of business on October 19, 2018 will be treated in time for the entitlement of payment of final cash dividend and determination of entitlement of the members to attend and vote at the Meeting.

2. Participation In General Meeting

Members are requested to bring with them their CNIC / Passport in original. Individual CDC account holders are further requested to bring with them their Participants' ID Numbers and their Account Numbers to prove their identity at the time of attending the Meeting. In case of corporate entity, the board's resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.

A member entitled to attend and vote at this Meeting may appoint any other member as his / her proxy to attend, speak and vote instead of him / her. A member shall not be entitled to appoint more than one proxy. The instrument appointing a proxy must be duly stamped, signed and witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of the CNIC or the Passport of beneficial owners and the proxy shall be furnished with the proxy form. In case of corporate entity, the board's resolution/power of attorney with specimen signature shall be furnished with the proxy form. Proxies in order to be effective, must be received at the Share Registrar office of the Company, M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi not later than forty eight (48) hours before the time scheduled for the Meeting. The proxy shall produce his/her original CNIC or original Passport at the time of the Meeting. Form of proxy is enclosed.

3. Payment Of Dividend Through Electronic Mode

Under the provisions of Section 242 of the 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 International Bank Account Number ("IBAN") details on the "Electronic Credit Mandate Form" available on the Company's website: www.mughalsteel.com and send it duly signed along with a copy of CNIC to the Company at 31-A, Shadman I, Lahore, in case of physical shareholders.

In case shares are held in book entry form then "Electronic Credit Mandate Form" must be submitted directly to shareholder's broker / participant / CDC account services.

Please note that in case of failure to provide valid IBAN details by the members, the Company will be entitled to withhold payment of dividend in accordance with the relevant provisions of the Companies Act, 2017 and related regulations.

4. General Notes

a) Change In Address

Members holding shares in physical form are requested to promptly notify Share Registrar of the Company of any change in their addresses. Shareholders maintaining their shares in electronic form should have their address updated with their participant or CDC Investor Accounts Service.

b) Cnic Number

CNIC numbers of members are mandatorily required for dividend distribution. Members are therefore requested to submit a copy of their CNIC (if not already provided) to the Share Registrar. In case of non-receipt of the copy of a valid CNIC, the company would be unable to comply with SRO 831(1)/2012 dated July 05, 2012 of SECP and therefore will be constrained under SECP order dated July 13, 2015 to withhold the payment of dividend of such members. The members while sending CNIC must quote their respective folio number and name of the Company.

c) Filer / Non-Filer Status

Pursuant to the provisions of Finance Act 2018, effective 1 July 2018, 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%

NOTICE OF THE ANNUAL GENERAL MEETING (Contd.)

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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5. Electronic Transmission Of Financial Statements

Section 55 and section 223 of the Companies Act, 2017 provide that audited financial statements and notices of the general meetings may be sent to the members either by post or electronically (through e-mail). We are pleased to offer this facility to our members who desire to receive annual financial statements and notices of general meetings through e-mail in future. In this respect members are hereby requested to convey their consent for the same on a standard request form which is available on the Company's website i.e. www.mughalsteel.com. Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of

the members to timely update the Share Registrar of any changes in their registered e-mail addresses. Members who desire to receive a copy of any annual financial statements and notice of general meeting in hard form, may demand a copy, which shall be provided free of cost within seven (07) days.

6. Video-Link Facility

Members can also avail video link facility. In this regard, the members residing in a city and collectively holding at least 10% of the total paid up capital may demand the Company to provide the facility of video-link for participating in the Meeting. The demand for video-link facility shall be received by the Company at the address 31-A, Shadman I, Lahore at least seven (07) days prior to the date of the general meeting on the below mentioned form.

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

7. Unclaimed Shares / Dividend

Pursuant to Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it became due and payable shall vest with the Federal Government after compliance of procedures prescribed under the Companies Act, 2017 and related regulations. Accordingly, members are requested to promptly deposit their dividend warrants after re-validation, if already available with them. In case dividend warrants or share certificates have not been received, please contact us at our registered office address.

8. Placement Of Financial Statements

The Company has placed the Audited Annual Financial Statements for the year ended June 30, 2018 along with Directors' and Auditor's Reports thereon on its website: www.mughalsteel.com or scan QR Code.

9. Contact Us

For any query/problem/information, the investors may contact the Company Secretary at +92-42-35960841 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 OF MATERIAL FACTS AS REQUIRED UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the Special Business listed at agenda item 4, to be transacted at the forthcoming Annual General Meeting of the Company to be held on October 27, 2018.

Agenda Item No. 4. (a)

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 directly or indirectly interested in these transactions due to their common directorship and/or 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, these transactions, as detailed below, are being placed before the members for their approval.

Name of related party	Detail of transactions	Rs. in Millions
Mughal Steel Metallurgies Corporation Limited	Raw material purchases	536.307
	Re-rolling sales	32.285
	Rental income	2.400
	Rent paid	0.600
Al-Bashir (Private) Limited	Rent paid	1.440
Indus Engineering (AoP)	Rent paid	0.300
Major shareholders, Directors and their relatives	Transfer from Equity contribution from Directors & their relatives to short-term loans from Directors & their relatives and regard it as repayable at discretion of the lenders.	300.000
	Repayment of short-term loan from Directors and their relatives.	37.082

Agenda Item No. 4. (b)

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 members. In view of the above and in order to comply with the provisions of clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2017, the members may 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, 2019.

The Directors are interested in the resolution to the extent of their relationships, common directorships and their respective shareholding in the related parties.

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MUGHAL IRON & STEEL INDUSTRIES LIMITED
FORM OF PROXY
9th ANNUAL GENERAL MEETING

I/We _____, being member(s) of Mughal Iron & Steel Industries Limited and holder of _____ Shares as per Folio No. _____/CDC Participation ID # _____ and Sub Account # _____/CDC Investor Account ID # _____ do hereby appoint _____ of _____ or failing him/her _____ of _____ having Folio No. _____ CDC Participation ID # _____ and Sub Account # _____/CDC Investor Account ID # _____ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Mughal Iron & Steel Industries Limited scheduled to be held on Saturday, 27 October 2018 at 3:00 PM at Pearl Continental Hotel, Shahrah-e-Quaid e-Azam, Lahore, and at any adjournment thereof. At witness my/our hand this _____ day of _____ 2018.

1. Name _____
C.N.I.C _____
Address _____

Please affix
here Revenue
Stamps of
Rs. 5/-

2. Name _____
C.N.I.C _____
Address _____

Members' Signature
(This Signature should agree with the
specimen signature with the company)

Notes:

1. A member entitled to attend and vote at this meeting may appoint any other member as his / her proxy to attend, speak and vote instead of him / her.
2. A member shall not be entitled to appoint more than one proxy.
3. The instrument appointing a proxy must be duly stamped, signed and witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
4. Attested copies of the CNIC or the Passport of beneficial owners and the proxy shall be furnished with the proxy form. In case of corporate entity, the board's resolution/power of attorney with specimen signature shall be furnished with the proxy form.
5. Proxies in order to be effective, must be received at the Share Registrar office of the Company, M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi not later than forty eight (48) hours before the time scheduled for the meeting. The proxy shall produce his original CNIC or original Passport at the time of the Meeting.

AFFIX
CORRECT
POSTAGE

M/s. THK Associates (Pvt.) Limited.

1st floor, 40-C, Block-6, P.E.C.H.S. Karachi, Pakistan.

مغل آئرن اینڈ اسٹیل انڈسٹریز لمیٹڈ

پراکسی فارم (مختار نامہ)

نواں سالانہ اجلاس عام

میں/ہم

بحیثیت رکن مغل آئرن اینڈ اسٹیل انڈسٹریز لمیٹڈ اور حامل _____ حصص بمطابق فولیو نمبر _____

سی ڈی سی پارٹیشن (شرکت) آئی ڈی نمبر _____ اور سب اکاؤنٹ (ذیلی کھاتہ) نمبر _____ / سی ڈی سی انویسٹر اکاؤنٹ آئی ڈی نمبر _____

محترم/محترمہ _____ یا اسکی غیر موجودگی میں _____

فولیو نمبر _____ / سی ڈی سی پارٹیشن (شرکت) آئی ڈی نمبر _____

اور سب اکاؤنٹ (ذیلی کھاتہ) نمبر _____ / سی ڈی سی انویسٹر اکاؤنٹ آئی ڈی نمبر _____ کو اپنے/ہمارے ایما پر مورخہ 27 اکتوبر 2018ء بروز ہفتہ دوپہر: 3 بجے

بہ مقام: پرل کانسٹیبل ہوٹل، شاہراہ قائد اعظم، لاہور پر منعقد ہونے والے مغل آئرن اینڈ اسٹیل انڈسٹریز لمیٹڈ کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار

(پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

آج بروز _____ تاریخ _____ 2018

گواہان

1-

نام:

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:

پتہ:

51 روپے کار سیدی
ٹکٹ یہاں چسپاں کریں

2-

نام:

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:

پتہ:

دستخط رکن
کمپنی کے نمونہ دستخط سے مماثل ہونے چاہئیں

نوٹ

- 1- اجلاس ہذا میں شرکت اور ووٹ دینے کا مستحق ممبر اپنی بجائے ووٹ دینے اور شرکت کیلئے کسی دیگر ممبر کو اپنا/اپنی پراکسی مقرر کر سکتا/سکتی ہے۔
- 2- ایک ممبر کو ایک سے زیادہ پراکسی مقرر کرنے کا اختیار نہیں ہوگا۔
- 3- پراکسی تقرری کے توالات یقینی طور پر سٹیپ، دستخط شدہ اور دو لوگوں سے گواہ شدہ ہوں۔ جن کے نام، پتے اور شناختی کارڈ نمبر فارم پر درج ہوں۔
- 4- تین فیصل اور زاور پراکسی کو شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ہمراہ جمع کرانا ہوں گی۔ بصورت کارپوریٹ شخصیت، بورڈ قرارداد/مختار نامہ مع نمونہ دستخط کمپنی میں پراکسی فارم کے ہمراہ جمع کرانا ہوگا۔
- 5- پراکسی موثر ہونے کے لئے، اجلاس کے مقرر کردہ وقت سے کم از کم 48 گھنٹے قبل کمپنی کے شیئر رجسٹرار میسرز THK ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پہلی منزل، C-40، بلاک 6، پی، ای، سی، ایچ، ایس، کراچی دفتر پر لازماً موصول ہو جانی چاہیے پراکسی اپنا اصل شناختی کارڈ یا اصل پاسپورٹ اجلاس میں شرکت کے وقت دیکھائے گا۔

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DEFINITIONS

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 profit for the year to sales.

Current Asset Ratio

The key indicator of whether you can pay your creditors on time. The relationship between current assets like cash, bank deposits, 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.

Return On Assets

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.

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.

GLOSSARY OF TERMS

AGM	Annual General Meeting
AoP	Association of Persons
ATL	Active Tax Payer List
CDC	Central Depository Company of Pakistan Limited
CDS	Central Depository System
CNIC	Computerized National Identity Card
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSR	Corporate Social Responsibility
Commission/ SECP	Securities and Exchange Commission of Pakistan
Companies Act / Act	Companies Act, 2017
EPS	Earnings per share
FBR	Federal Board of Revenue
FED	Federal Excise Duty
FY	Financial Year
GDP	Gross Domestic Product
GoP	Government of Pakistan
HR	Human Resource
IBAN	International Bank Account Number
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IPO	Initial Public Offering
IT	Information Technology
ITO	Income Tax Ordinance, 2001
IFRSs	International Financial Reporting Standards
LESCO	Lahore Electric Supply Company
KG	Kilo Gram
MT	Metric Ton
MS	Mild Steel
MISIL	Mughal Iron & Steel Industries Limited
MK	Monthly Kibor
MW	Mega Watt
NBV	Net Book Value
PACRA	Pakistan Credit Rating Agency
PKR / Rs.	Pakistan Rupees
PSX / Exchange / Securities Exchange Stock Exchange	Pakistan Stock Exchange Limited
SBP	State Bank of Pakistan
SNGPL	Sui Northern Gas Pipeline Limited
Securities Act	Securities Act, 2015
US\$/ USD	United States Dollar

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