

MISIL/MI/2021

February 19, 2021

The General Manager

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

By Courier & PUCAR

DECLARATION OF RIGHT SHARES

Dear Sir,

In accordance with the requirements of the applicable provisions of the Securities Act, 2015 and the Rule Book of Pakistan Stock Exchange Limited, we are pleased to inform you that the Board of Directors of **MUGHAL IRON & STEEL INDUSTRIES LIMITED** in its meeting held on February 19, 2021 at 11:00 am at 31-A Shadman 1, Lahore, has approved the following:

- a) Increase of ordinary paid up share capital of the Company from Rs. 2,515,996,500/- to Rs. 2,918,555,940 /- by issue of further 40,255,944 ordinary shares of the Company having face value of Rs. 10/- each, to be offered as right shares at a value of Rs. 68/- per share (i.e. inclusive of a premium of Rs. 58/- per share) in ratio of 16 right shares for every 100 existing ordinary shares of Rs. 10/- each (i.e @ 16%)."

The Share transfer books of the Company shall remain closed from March 14, 2021 to March 21, 2021 (both days inclusive).

Physical transfers / Central Depository System (CDS) Transaction IDs received in order by the Company's Share Registrar, M/s. THK Associates (Private) Limited, Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi, up to the close of business on March 12, 2021, will be considered in time, for the entitlement of right shares.

**REGISTERED OFFICE:**

31-A Shadman-1, Lahore
Office: +92-42-35960841-3
Fax: +92-42-35960846
E-mail: fahadhafiez@mughalsteel.com
Website: www.mughalsteel.com

NTN: 3533975-6
STRN: 03-06-7326-012-82

WORKS:

17, K.M. Sheikhpura Road, Sheikhpura
Tel: +92-42-37970226-7
Fax: +92-42-37970326

We also enclose herewith the following information/documents:

- i. Statement containing the Quantum of the Right Issue, Right Issue Size, Right Issue Price, Purpose of the Right Issue, Utilization of Proceeds of the Right Issue, Benefits to the Company and its Shareholders, Risk factors associated with the Right Issue, Justification for issue of shares at premium. **(Annexure-A).**
- ii. A certified true copy of the relevant board resolutions. **(Annexure-B).**

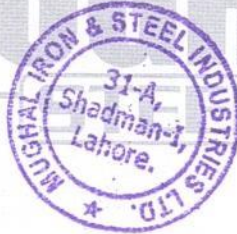
You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours Sincerely,

for **MUGHAL IRON & STEEL INDUSTRIES LIMITED**


MUHAMMAD FAHAD HAFEEZ

(Company Secretary)



CC: **The Director / HOD**

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



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"ANNEXURE – A"

16% RIGHT ISSUE – MUGHAL IRON & STEEL INDUSTRIES LIMITED

Quantum of the Right Issue (i.e. as a percentage of existing paid up capital)

The quantum of the Right Issue is 16% of the existing paid up capital of the Company i.e. 16 right shares for every 100 ordinary shares held by the members of the Company as at the close of business on March 12, 2021.

Right Issue Size

The Company shall issue 40,255,944 ordinary shares, at a price of Rs. 68/- per share, aggregating to Rs. 2,737,404,192/-.

Right Issue Price

Rs. 68 per share (i.e. inclusive of a premium of Rs. 58/- per share).

Purpose of the Right Issue

The Company had announced BMR of its bar re-rolling mill in 2017. Over the years, various adjustments, amendments, rupee devaluation, delays on account of pandemic etc. were made which resulted in significant cost escalations, which the Company had temporarily bridged financed by way of various long-term and short-term debts, with view to replace with equity financing in the future. Further, due to the onset of the Covid-19 pandemic and the ensuing lockdown, the target completion date of the project was delayed and the estimated completion date had to be revised to 2Q of calendar year 2021. The revised total cost of the expansion is approx. Rs 3.8 Bn, out of which Rs 0.76 Bn was funded through issuance of ordinary shares by way of Right Offer in 2017 and the remaining cost was bridged financed through debt.

Now, the Company intends to invest in the purchase and installation of its on-going BMR of bar re-rolling mill by way of issuance of fresh equity by retiring the associated long-term /short-term debt portion obtained on temporary bridged financing basis.

Utilization of Proceeds of the Right Issue

The Company intends to utilize these funds for retiring the associated debt (long-term / short-term) obtained for temporary bridged financing the BMR of bar re-rolling mill.

Certified & True Copy
Company Secretary



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Benefits to the Company and its Shareholders

In addition to increase in equity base, the subscription amount from the Right Issue is expected to provide relief to the Company from the burden of interest, tax and principal repayments resulting in improved competitiveness and profitability along with improved liquidity positions as well, which in consequence would benefit its shareholders.

Risk Factors associated with the Right Issue, if any

The Right Issue of the Company is being carried out at a price which is less than the current share price in the market and hence there is no major investment risk associated with the Right Issue. The substantial shareholders and directors of the Company will be undertaking in writing that they shall subscribe to or arrange the subscription of their respective right entitlement. Normal risks associated with the business will remain; however, the Company is well placed in the market, which will help to mitigate such risk factors.

Justification for issue of shares at premium

The Right Issue is being carried out at a premium. Considering the current market price of shares of the Company, the premium charged over the par value is justified and is also in line with the prevailing market practice.

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"ANNEXURE – B"

RESOLUTIONS PASSED AT THE BOARD MEETING OF MUGHAL IRON & STEEL INDUSTRIES LIMITED HELD ON FEBRUARY 19, 2021 AT 11:00 AM AT 31-A, SHADMAN I, LAHORE.

"RESOLVED that subject to the provisions of section 183 read with section 83 and other applicable provision of the Companies Act, 2017, the provisions of the Memorandum and Articles of Association of the Company, the Companies (Further Issue of Shares) Regulations, 2020 and the Rule Book of Pakistan Stock Exchange Limited, approval is hereby accorded to increase the ordinary paid up share capital of the Company from Rs. 2,515,996,500/- to Rs. 2,918,555,940/- by issue of further 40,255,944 ordinary shares having face value of Rs. 10/- each, to be offered as right shares at a value of Rs. 68/- per share (i.e. inclusive of a premium of Rs. 58/- per share) in the ratio of 16 right shares for every 100 existing ordinary shares of Rs. 10/- each (i.e @ 16%)."

"FURTHER RESOLVED that these right shares shall be offered to the existing members of the Company in proportion to the shares already held by them as at the close of business on March 12, 2021, in accordance with the provisions of Section 83 of the Companies Act, 2017, against payment to the Company of the price for the shares subscribed, and such shares to be offered on right basis shall from the date of their allotment, rank *pari passu* in all respects with the existing ordinary shares of the Company."

"FURTHER RESOLVED that the following quantum, size, price, and purpose of the Right Issue, along with the utilization of proceeds, benefits of the same to the Company and its shareholders, the risk factors associated with the Right Issue, and the justification for the issue of shares at a premium in accordance with Regulation 3(1)(iii) of the Companies (Further Issue of Shares) Regulations, 2020 be and is hereby approved:

Quantum of the Right Issue (i.e. as a percentage of existing paid up capital)

The quantum of the Right Issue is 16% of the existing paid up capital of the Company i.e. 16 right shares for every 100 ordinary shares held by the members of the Company as at the close of business on March 12, 2021.

Certified & True Copy

Company Secretary



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Purpose of the Right Issue

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Now, the Company intends to invest in the purchase and installation of its on-going BMR of bar re-rolling mill by way of issuance of fresh equity by retiring the associated long-term /short-term debt portion obtained on temporary bridged financing basis.

Utilization of Proceeds of the Right Issue

The Company intends to utilize these funds for retiring the associated debt (long-term / short-term) obtained for temporary bridged financing the BMR of bar re-rolling mill.

Benefits to the Company and its Shareholders

In addition to increase in equity base, the subscription amount from the Right Issue is expected to provide relief to the Company from the burden of interest, tax and principal repayments resulting in improved competitiveness and profitability along with improved liquidity positions as well, which in consequence would benefit its shareholders.

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Risk Factors associated with the Right Issue, if any

The Right Issue of the Company is being carried out at a price which is less than the current share price in the market and hence there is no major investment risk associated with the Right Issue. The substantial shareholders and directors of the Company will be undertaking in writing that they shall subscribe to or arrange the subscription of their respective right entitlement. Normal risks associated with the business will remain; however, the Company is well placed in the market, which will help to mitigate such risk factors.

Justification for issue of shares at premium

The Right Issue is being carried out at a premium. Considering the current market price of shares of the Company, the premium charged over the par value is justified and is also in line with the prevailing market practice."

"FURTHER RESOLVED that the letter of offer, as prescribed under Section 83(2) of the Companies Act, 2017, shall be issued / signed by any 2 directors of the Company in compliance with all applicable laws."

"FURTHER RESOLVED that all fractional entitlements, if any, will be consolidated in the name of Mr. Muhammad Fahad Hafeez, the Company Secretary and unpaid letters of right in respect thereof shall be sold on the Pakistan Stock Exchange Limited, the net proceeds from which sale, once realized, shall be distributed / paid to the entitled members in accordance with their respective entitlements, as per applicable regulations."

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

"FURTHER RESOLVED that any member, not interested to subscribe, may exercise the right to renounce the shares offered to him in favor of any other person, before the date of expiry stated in the letter of offer and that the decision by the members to renounce their right to subscribe any of the shares offered to them in favor of any other person shall be deemed to be a decision under section 83(1)(a)(iv) of the Companies Act, 2017, if the said person decides to subscribe to such shares."

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"FURTHER RESOLVED that the Company be and is hereby authorized to close its share transfer books from March 14, 2021 to March 21, 2021 (both days inclusive) to determine entitlements of the shareholders of the Company with respect to the Right Issue."

"FURTHER RESOLVED that the Chief Executive Officer and Director, Mr. Khurram Javaid, and/or Director, Mr. Muhammad Mubeen Tariq Mughal be and each of them is hereby authorized, such that any one of them may do all or any of the following for and on behalf and in the name of the Company:

- i. Appoint / negotiate with consultants / advisors / auditors and underwriter(s) to the Right Issue, to finalize terms and conditions and sign underwriting agreement(s), other documents and settle / finalize fees, underwriting commission, take up commission and third party expenses and / or any other expenses relating to the Right Issue;
- ii. To prepare the schedule for issue of right shares including date of payment, and to make any amendment in the said schedule, appointment of banker(s) to the issue, announce book closure dates, and to take all necessary actions, in respect of the Right Issue and ancillary matters thereto, as required by the Securities and Exchange Commission of Pakistan ("**SECP**") / Pakistan Stock Exchange Limited ("**PSX**") / Central Depository Company of Pakistan Limited ("**CDC**") (including, but not limited to allotment of shares, filling of statutory forms/ returns, induction of the offers for right shares and the credit of right shares in Central Depository System of the ("CDC")) and in that connection to sign all requisite applications, undertakings and other documents on behalf of the Company.
- iii. To open, maintain, operate and close bank accounts for the purpose of amounts received from subscription of right shares;
- iv. To take all other necessary steps, and do all other acts, deeds and things, to prepare the offer letter, sign physical shares, circular and schedule for issue of right shares and any other documents and to make any amendment in the said documents and schedule and to take all necessary actions as may be required in this regard including execution of any documents and agreements or any ancillary or incidental actions to give effect to the above resolutions."

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"ANNEXURE – C"

DISCLOSURE FORM IN TERMS OF SECTIONS 96 AND 131 OF THE SECURITIES ACT, 2015

Name of Company:	Mughal Iron & Steel Industries Limited
Date of Report:	February 19, 2021
Contact information:	Muhammad Fahad Hafeez Company secretary 31-A Shadman 1, Lahore Contact No. 042-35960841(133) Fax No. 042-35960846 Email: fahadhafiez@mughalsteel.com

Please mark the appropriate box below:

☒ **Disclosure of inside information by listed company**

Public disclosure of inside information, which directly concerns the listed securities:

In accordance with the requirements of the applicable provisions of the Securities Act, 2015 and the Rule Book of Pakistan Stock Exchange Limited, we are pleased to inform you that the Board of Directors of **MUGHAL IRON & STEEL INDUSTRIES LIMITED** in its meeting held on February 19, 2021 at 11:00 am at 31-A Shadman 1, Lahore, has approved the following:

- b) Increase of ordinary paid up share capital of the Company from Rs. 2,515,996,500/- to Rs. 2,918,555,940 /- by issue of further 40,255,944 ordinary shares of the Company having face value of Rs. 10/- each, to be offered as right shares at a value of Rs. 68/- per share (i.e. inclusive of a premium of Rs. 58/- per share) in ratio of 16 right shares for every 100 existing ordinary shares of Rs. 10/- each (i.e @ 16%)."

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We also enclose herewith the following information/documents:

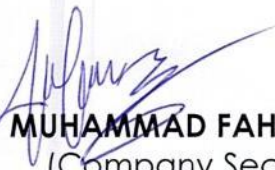
- iii. Statement containing the Quantum of the Right Issue, Right Issue Size, Right Issue Price, Purpose of the Right Issue, Utilization of Proceeds of the Right Issue, Benefits to the Company and its Shareholders, Risk factors associated with the Right Issue, Justification for issue of shares at premium. **(Annexure-A).**
- iv. A certified true copy of the relevant board resolutions. **(Annexure-B).**

SIGNATURES

In case of company pursuant to the requirements of the securities Exchange Ordinance 1969 (XVII), the Company has duly caused this form / statement to be signed / on its behalf by the undersigned hereunto duly authorized.

Yours Sincerely,

For **MUGHAL IRON & STEEL INDUSTRIES LIMITED**



MUHAMMAD FAHAD HAFEEZ
(Company Secretary)

Dated: February 19, 2021



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