
MUSHARAKA AGREEMENT

By and Between

MUGHAL IRON & STEEL INDUSTRIES LIMITED

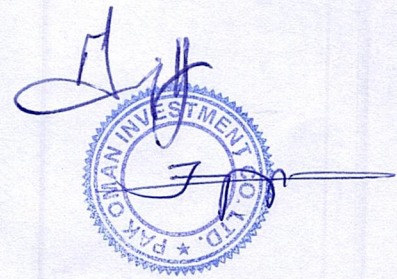
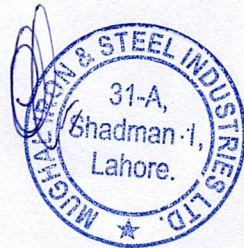
(As the Managing Partner)

And

PAK OMAN INVESTMENT COMPANY LIMITED

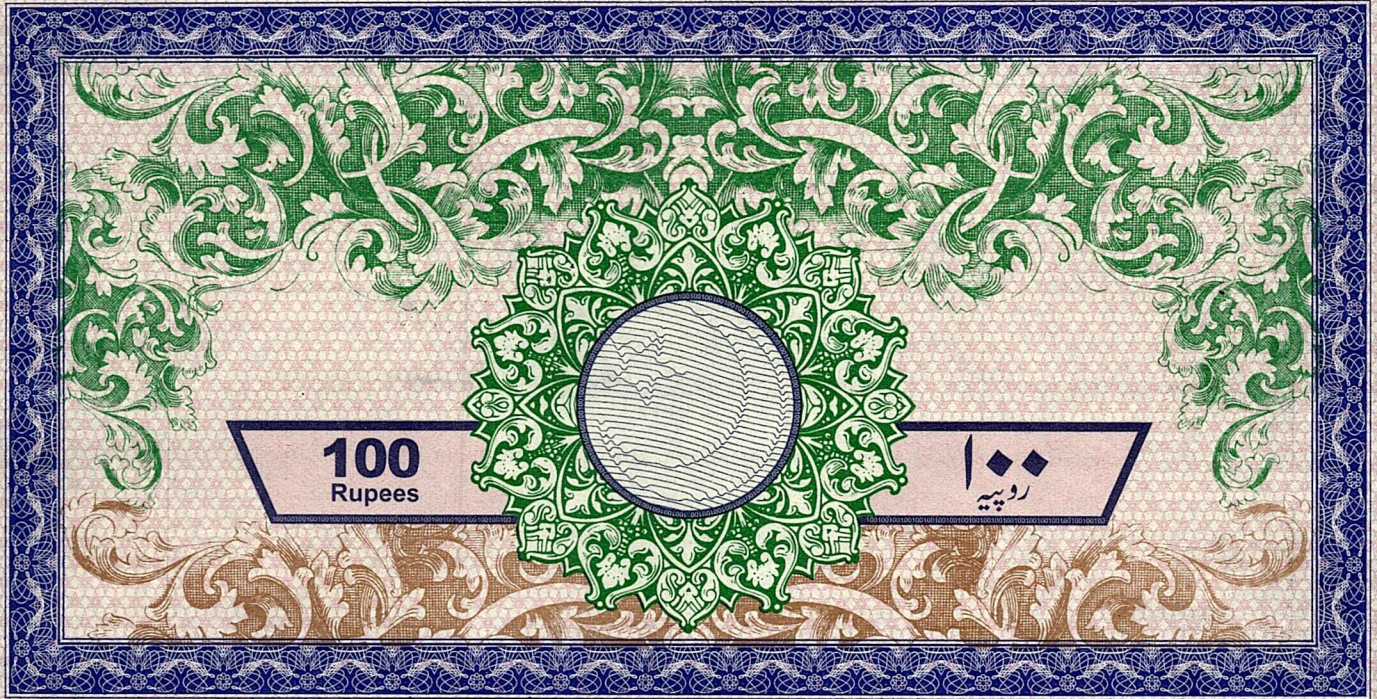
(As the Issue Agent)

Executed at KARACHI on 16 APRIL, 2024



MTC

MOHSIN TAYEBALY & CO.
CORPORATE LEGAL CONSULTANTS | BARRISTERS & ADVOCATES



ANIL RAJPUT STAMP VENDOR
Lic # 05, Shop # 113, New Ruby Centre,
Talpur Road, Beulatan
Market, Karachi

77016

(RUPEES ONE HUNDRED ONLY)

03 APR 2024

Dr. NO.
DATE
IS: USED TO WITH ADDRESS MR.
THROUGH WITH ADDRESS MR.
PURPOSE
VALUE RS ATTACHED
STAMP VENDOR SIGNATURE
(NOT USE FOR FREE WILL & DIVORCE PURPOSE)
Vendor Not Responsible For Fake Documents

MTC

MUSHARAKA AGREEMENT

This MUSHARAKA AGREEMENT (hereinafter referred to as the "Agreement") is made at KARACHI on 16 APRIL, 2024;

BY AND BETWEEN

1. **MUGHAL IRON & STEEL INDUSTRIES LIMITED**, a company incorporated under the laws of Pakistan and having its registered office at 31/A Shadman 1, Lahore, Pakistan (hereinafter referred to as the "Managing Partner", which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

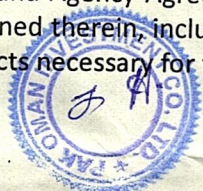
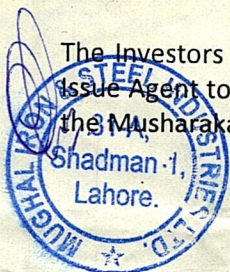
AND

2. **PAK OMAN INVESTMENT COMPANY LIMITED**, a development finance institution incorporated under the laws of Pakistan and having its registered office at 1ST Floor, Tower A, FTC, Main Shahrah-e-Faisal, Karachi (hereinafter referred to as the "Issue Agent" which expression shall mean and include where the context so requires or admits its successors-in-interest and assigns).

(The Managing Partner and the Issue Agent are hereinafter collectively referred to as "Partners" and each individually referred to as a "Partner").

WHEREAS:

- A. The Managing Partner on the date of these presents is, *inter alia*, involved in and undertaking the Designated Business (as defined below).
- B. The Investors have, pursuant to the Sukuk Subscription and Agency Agreement, appointed the Issue Agent to act as their agent for the purposes mentioned therein, including the formation of the Musharaka with the Managing Partner and to do all acts necessary for the said purposes.



MTC

- C. The Issue Agent (on behalf of the Investors) has agreed to invest in the Designated Business of the Managing Partner on a profit and loss sharing basis i.e. Musharaka (Shirkat-ul-Aqd) on the terms and conditions hereinafter appearing.
- D. It is anticipated that the contribution of the Issue Agent (on behalf of the Investors) towards the Musharaka Capital shall be represented by the Sukuk Issue with each Sukuk Certificate reflecting and representing ownership/investment of the Investors in the Designated Business.

NOW, THEREFORE IT IS HEREBY AGREED BETWEEN THE PARTNERS AS FOLLOWS:

1. PURPOSE

1.1 Purpose

- 1.1.1 This Agreement sets out the terms and conditions upon and subject to which the Partners have agreed to enter into a Musharaka in respect of the Designated Business.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

- 2.1.1 In this Agreement, unless the context otherwise requires the following words shall have the meanings assigned to them hereunder:

“**Articles**” means the articles of association of the Managing Partner, as amended from time to time;

“**Availability Period**” means a period of 1 (one) month, commencing from the Closing Date;

“**Business Day**” means a day on which banks are open for the transaction of general banking business in Pakistan;

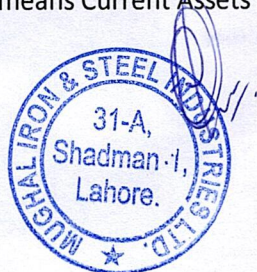
“**Certificate Holders**” has the meaning ascribed to it under the Sukuk Issuance Agreement;

“**Closing Date**” means the date on which all conditions precedent, as set out in Clause 5 hereunder are met by the Managing Partner to the satisfaction of the Issue Agent or waived or deferred (as applicable) by the Issue Agent at the request of the Managing Partner, being a date falling no later than 15 (fifteen) days from the date of execution of the Sukuk Issuance Agreement (or such other date as may be agreed to between the Issue Agent and the Issuer);

“**Current Assets**” means the aggregate of all assets which would, in accordance with generally accepted accounting principles, be classified as current assets which can reasonably be expected to be converted into cash in the normal course of business within next 12 (twelve) months from the date of the relevant balance sheet including, without limitation, cash, notes and accounts receivable, inventories (including spares and loose tools), prepaid expenses, guarantee deposits, accrued income and short-term advances;

“**Current Liabilities**” means the aggregate of all liabilities which would, in accordance with generally accepted accounting principles, be classified as current liabilities including, but not limited to, notes and accounts payable, short-term borrowings, current maturities of long-term debt/lease liabilities, creditors’ charges, accruals, deposits, unclaimed and proposed dividends and current maturity of finance lease payments and other obligations due within next 12 (twelve) months;

“**Current Ratio**” means Current Assets divided by Current Liabilities;



“Designated Business” means the business of the Managing Partner i.e. manufacturing and sale of ferrous and non-ferrous products. The contribution of the Investors will specifically be used to finance the working capital requirements of the Managing Partner;

“Debt” means a sum of short-term loans and long-term loans and lease finance along with current maturity of long term debt / lease finance;

“Equity” means capital plus reserves and accumulated profits (net of losses) plus curative equity and surplus on revaluation of fixed assets / subordinated debt of the Managing Partner;

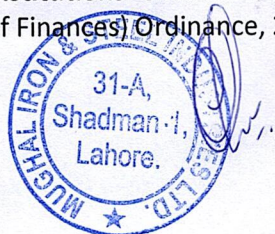
“Event of Default & Termination” means each of the events of default and termination as set out in Clause 11 hereunder;

“Financial Indebtedness” means any indebtedness (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent for or in respect of:

- (a) moneys borrowed or raised by the Managing Partner including, without limitation, any loans or finances as defined in the Financial Institutions (Recovery of Finances) Ordinance, 2001;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, sukuks, notes, debentures, debt stock, redeemable capital or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with generally accepted accounting principles in Pakistan, be treated as a finance or capital lease;
- (e) receivables assigned/ sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into, in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (i) any amount raised by the issue of redeemable shares;
- (j) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into this agreement is to raise finance; and
- (k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above;

“Finances” shall have the same meaning as provided under the Financial Institutions (Recovery of Finances) Ordinance, 2001;

“Financial Institutions” shall have the same meaning as provided under the Financial Institutions (Recovery of Finances) Ordinance, 2001;



“Historical Finance Service Coverage Ratio” means earnings before interest, taxes, depreciation and amortization during the financial year, divided by current maturity of long term debt (including lease liabilities) of the preceding year and interest (profit or rent under Islamic facility) expense during the financial year;

“Investors” shall have the same meaning as provided under the Sukuk Subscription and Agency Agreement;

“Investment Agent” means Pak Oman Investment Company Limited appointed pursuant to the Sukuk Issuance Agreement;

“Issue Agent’s Investment” means the Issue Agent’s contribution (on behalf of the Investors) towards the Musharaka Capital as detailed in Clause 3.1 hereunder;

“Issue Date” means the date on which the complete disbursement of the Musharaka is effected, being a date no later than the expiry of the Availability Period;

“Leverage Ratio” means the total liabilities divided by total Equity;

“Managing Partner’s Investment” means the Managing Partner’s contribution towards the Musharaka Capital as detailed in Clause 3.1 hereunder;

“Material Adverse Effect” means the occurrence of any event or series of events which in the reasonable opinion of the Issue Agent, might have a material adverse effect on (i) the business, assets or financial condition of the Managing Partner; (ii) on the Managing Partner’s ability to perform its obligations under this Agreement or any other agreement entered into in connection herewith; or (iii) which may materially and adversely affect the Issue Agent’s rights and remedies or its ability to continue with the arrangements under this Agreement or any other agreement entered into in connection herewith;

“Memorandum” means the memorandum of association of the Managing Partner, as amended from time to time;

“Musharaka” means the musharaka established by the Partners, whereby each Partner has contributed / agreed to contribute towards the Musharaka Capital in terms of this Agreement;

“Musharaka Capital” means the aggregate sum of the Issue Agent’s Investment and the Managing Partner’s Investment;

“Musharaka Contribution Request” means a notice substantially in the form set out in Schedule 4 hereto, to be issued by the Managing Partner to the Issue Agent, requesting disbursement of the Issue Agent’s Investment;

“Musharaka Commencement Date” means the date of the first disbursement/contribution of the Issue Agent’s Investment;

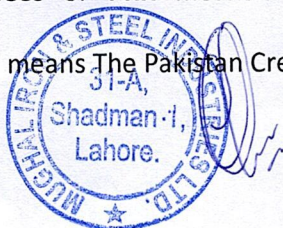
“Musharaka End Date” means the date falling 6 (six) months from the Issue Date;

“Operating Loss” means the operating loss of the Managing Partner incurred in connection with the Designated Business during the Loss Period calculated as per Schedule 3;

“Operating Profit” means the operating profit of the Managing Partner (net of donations) incurred in connection with the running of the Designated Business during the Profit Period and calculated as per Schedule 3;

“Pak Rupees” or “PKR” means the lawful currency of Pakistan;

“PACRA” means The Pakistan Credit Rating Agency Limited;



“Profit Sharing Mechanism” means the mechanism in which the Managing Partner and the Issue Agent will share in the Operating Profit of the Designated Business, as detailed in Schedule 1 attached hereto;

“Profit Period or “Loss Period”” means the 6 (six) month period commencing from the Issue Date and ending on the Musharaka End Date or upon the occurrence of Event of Default & Termination (whichever is earlier);

“Provisional Profit Payment” means the provisional profit payment calculated as per Schedule 2 hereto for the Profit Period;

“Regulations” means the Sukuk (Privately Placed) Regulations, 2017;

“SBP” means the State Bank of Pakistan;

“SECP” means the Securities and Exchange Commission of Pakistan;

“Shariah Advisor” means Al-Hilal Shariah Advisors (Pvt.) Limited;

“Sukuk Issue” means the Shariah compliant Sukuk Certificates by the Managing Partner in the amount of up to PKR 3,000,000,000/- (Pak Rupees Three Billion) inclusive of a green shoe option of PKR 500,000,000/- (Pak Rupees Five Hundred Million), in the form of rated, privately placed, Unsecured Sukuk Certificates (issued in scrip less form) to eligible institutional and other investors by way of private placement pursuant to the provisions of Section 66 of the Companies Act, 2017;

“Sukuk Certificate” has the meaning ascribed to it under the Sukuk Issuance Agreement;

“Sukuk Issuance Agreement” means the sukuk issuance agreement dated on or about the date hereof, executed between the Investment Agent and the Managing Partner;

“Sukuk Subscription and Agency Agreement(s)” means the sukuk subscription and agency agreement(s) dated on or about the date hereof, executed between the Issue Agent and the Investor(s);

Transaction Documents” means the documents entered into in respect of the Sukuk Issue being:

- (i) the Sukuk Subscription and Agency Agreement(s);
- (ii) the Sukuk Issuance Agreement; and
- (iii) this Agreement;

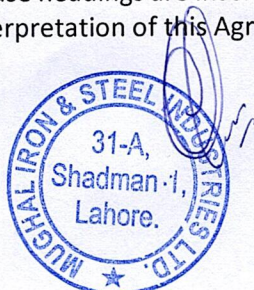
“Transaction Legal Counsel” means Mohsin Tayebaly & Co. | Corporate Legal Consultants | Barristers and Advocates; and

“Unsecured” means no additional security is being obtained. However, investors have right over Musharkah pool of the Designated Business up to their investment ratio.

2.2 Interpretation

2.2.1 In this Agreement:

- (i) clause headings are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement;

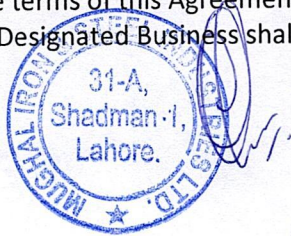


- (ii) unless the context otherwise requires, references to Clauses and Annexures are to be construed as references to the clauses of and annexures to this Agreement and references to this Agreement include its annexures;
- (iii) words importing the plural shall include the singular and vice versa; and
- (iv) references to a person shall be construed as including references to an individual, firm, bank, corporation, unincorporated bodies of persons or any state or any agency thereof.
- 2.2.2 The Partners recognize and acknowledge that this Agreement and the transaction contemplated hereby is being entered into in a manner compliant with the principles of Shariah and undertake to perform their respective obligations under this Agreement accordingly.

3. MUSHARAKA

3.1 Musharaka

- 3.1.1 Subject to the terms and conditions of this Agreement, the Partners hereby agree to enter into a Musharaka and to contribute their respective investments towards the Musharaka Capital.
- 3.1.2 The Issue Agent's Investment in the Designated Business will be upto PKR 3,000,000,000/- (Pak Rupees Three Billion) inclusive of a green shoe option of PKR 500,000,000/- (Pak Rupees Five Hundred Million) for and on behalf of the Investors.
- 3.1.3 The Managing Partner's Investment in the Designated Business will be determined at the Musharaka End Date or upon the occurrence of an Event of Default & Termination (whichever is earlier).
- 3.1.4 Furthermore, the Musharaka Capital will be calculated at the Musharaka End Date or upon occurrence of an Event of Default & Termination (whichever is earlier).
- 3.1.5 The total Musharaka Capital shall be made as per the Musharaka pool which shall approximately be PKR 38,948,783,793/- (Pak Rupees Thirty Eight Billion Nine Hundred Forty Eight Million Seven Hundred Eighty Three Thousand Seven Hundred Ninety Three) comprising of stores and spares of PKR 27,299,779,878/- (Pak Rupees Twenty Seven Billion Two Hundred Ninety Nine Million Seven Hundred Ninety Nine Thousand Eight Hundred Seventy Eight), and trade debts of PKR 8,649,003,915/- (Pak Rupees Eight Billion Six Hundred Forty Nine Million Three Thousand Nine Hundred Fifteen) based on financial statement of the 6 (six) months period ending December 2023. The Issue Agent's Investment shall be equivalent to PKR 3,000,000,000/- (Pak Rupees Three Billion). The Issue Agent/Investors shall contribute in the Musharaka as mentioned above, whereas the Managing Partner shall contribute through stores and spares and account receivables.
- 3.1.6 The investment ratio for the Investors and the Managing Partner will be 7.70%: 92.30% respectively, which may be more precisely determined at any point in time as per clause 3.1.5.
- 3.1.7 The purpose of the Musharaka will be to utilize the Musharaka Capital in the manner provided in Clause 3.1.11 below and to generate profits, which are to be shared in accordance with the Profit-Sharing Mechanism.
- 3.1.8 The Issue Agent shall monitor the utilization of the Issue Agent's Investment and periodically monitor the Designated Business by reviewing its financial performance. The Managing Partner shall provide all the details and calculations of the Issue Agent's and Managing Partner's respective Operating Profit or Operating Loss in the Musharaka according to the format provided in Schedule 3. The Managing Partner will be responsible for promptly providing all material information to the Issue Agent relating to any change in its financial performance and position as per the terms of this Agreement. It is understood that the overall performance and management of the Designated Business shall be the responsibility of the Managing Partner.

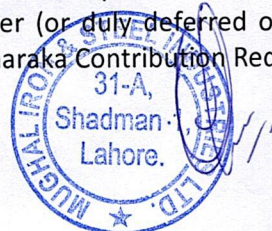


- 3.1.9 The Musharaka will commence on the Musharaka Commencement Date and will end on the Musharaka End Date or upon the occurrence of an Event of Default & Termination (whichever is earlier).
- 3.1.10 The Managing Partner and the Issue Agent irrevocably acknowledge and agree that subject to the terms of the Transaction Documents:
- (i) If, the Managing Partner decides, in its sole discretion, to obtain further funding or finance and make additional capital contributions in respect of the Designated Business then in such case the Managing Partner shall be solely responsible for such funding, finance or contribution and the Issue Agent shall have no liability or responsibility for the same.
 - (ii) The Issue Agent's obligation and liability under this Agreement shall at all times be limited to the contribution of the Issue Agent's Investment. Under no circumstances shall the Managing Partner be entitled to request, nor shall the Issue Agent be required to contribute, any amount in excess of the Issue Agent's Investment.
- 3.1.11 During the Musharaka, the Musharaka Capital shall be used in a manner compliant with the principles of Shariah as interpreted by the Shariah Advisor and shall not be used or diverted for any other purpose except for the business operations of the Managing Partner or any other purpose permitted under the Memorandum of Association of the Managing Partner in the Designated Business.
- 3.1.12 It is clarified that during the Musharaka, the legal title to the Designated Business shall remain with the Managing Partner and the beneficial ownership and associated risk and rewards in the Designated Business shall vest with the Issue Agent up to extent of the Issue Agent's Investment.

4. MUSHARAKA CAPITAL

4.1 Musharaka Capital

- 4.1.1 The Issue Agent shall contribute the Issue Agent's Investment within 1 (one) Business Day from the receipt of the Musharaka Contribution Request, subject to the terms of and upon reliance of the representations and warranties set forth in this Agreement and disburse the same to the Managing Partner, subject to (i) receipt of funds from the Investors, (ii) no Event of Default & Termination having occurred or subsisting and (iii) receipt of Musharaka Contribution Request by the Managing Partner, in accordance with Clause 4.1.2 below. Furthermore, the Managing Partner will provide the Profit-Sharing Mechanism in terms of the Musharaka Contribution Request and if acceptable to the Issue Agent, the Issue Agent shall make payment of the Issue Agent's Investment.
- 4.1.2 The Managing Partner must deliver the Musharaka Contribution Request to the Issue Agent not later than 11:00 a.m. on a Business Day, and at least 1 (one) Business Day prior to the date on which the Managing Partner requires disbursement of the Issue Agent's Investment. Each Musharaka Contribution Request shall be irrevocable and shall not be regarded as having been duly completed unless:
- (i) the Musharaka Contribution Request is made within the Availability Period;
 - (ii) the amount requested pursuant to the Musharaka Contribution Request is not more than the Issue Agent's Investment;
 - (iii) the currency requested is Pak Rupees; and
 - (iv) all conditions precedent as stated in Clause 5 below have been fulfilled by the Managing Partner (or duly deferred or waived by the Issue Agent) prior to the issuance of the Musharaka Contribution Request, to the Issue Agent's satisfaction.

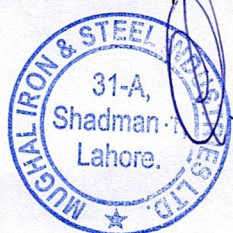


5. CONDITIONS PRECEDENT

5.1 Conditions Precedent

5.1.1 It is agreed that the Issue Agent shall only be required to provide the Issue Agent's Investment subject to the Managing Partner providing evidence or representation as to the following to the satisfaction of the Issue Agent (unless waived or postponed/deferred):

- (i) that the Managing Partner has the necessary power to enter into this Agreement and the relevant Transaction Documents, and that the execution and delivery of this Agreement and the relevant Transaction Documents by the Managing Partner is duly authorized by a resolution of the Board of Directors (and a certified copy of the same has been provided to the Issue Agent);
- (ii) that the signatories of this Agreement and the ancillary documents hereto on behalf of the Managing Partner are duly empowered to sign this Agreement and the relevant Transaction Documents and to bind the Managing Partner into the covenants and undertakings herein contained or which arise as a consequence of the entering into this Agreement and the relevant Transaction Documents by the Managing Partner;
- (iii) completion and fulfilment of all the legal formalities for the documentation and the Musharaka by the Managing Partner;
- (iv) compliance with all legal requirements and regulations, including compliance with the Regulations and the guidelines, and all actions / consents including corporate actions for the Musharaka;
- (v) this Agreement is valid, binding, effective and enforceable against the Partners in terms thereof;
- (vi) the Managing Partner has obtained a long term entity rating of "A+" (A Plus) and a minimum short term entity rating of "A-1" (A One) from PACRA;
- (vii) the Managing Partner has issued a certificate/ undertaking that there is no Event of Default & Termination as on the date thereof;
- (viii) the authorized person(s) of the Managing Partner has issued a certificate/ undertaking that the Managing Partner is not in breach of any representation, warranty or covenant made under this Agreement;
- (ix) the Managing Partner has a clear ECIB Report (Electronic Credit Information Bureau report of the SBP), evidenced by a current ECIB Report from SBP and which report is not more than 2 (two) months old;
- (x) the Managing Partner has taken all necessary steps and executed / procured the execution of all documentation pertaining to the Sukuk Issue or any other agreement between the Partners;
- (xi) The Managing Partner has obtained a minimum credit rating of "A-1" (A One) by PACRA for the Sukuk Issue;
- (xii) that the Managing Partner has obtained all material consents, waivers, approvals, authorizations and permissions required for issuing the Sukuk Issue including but not limited to compliance with all, regulations of the SECP and the SBP;

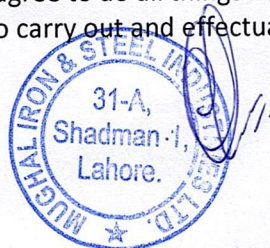


- (xiii) the Managing Partner is in compliance with the Prudential Regulations of the SBP (to the extent applicable) and all other applicable laws, rules, regulations and guidelines, including guidelines set out by the Shariah Advisor;
- (xiv) the Managing Partner has provided copies of the following to the Issue Agent:
 - (a) SECP certified Memorandum and Articles of Association;
 - (b) SECP certified Certificate of Incorporation;
 - (c) SECP certified latest Form 29 and Form A;
 - (d) Copies of CNICs of all directors duly certified by the Company Secretary;
 - (e) Company Secretary certified list of authorized signatories along with specimens of their signatures; and
 - (f) Company Secretary certified list of directors.
- (xv) The Managing Partner has provided the latest available audited/reviewed Financial Statements in form and substance acceptable to the Issue Agent;
- (xvi) The Managing Partner has provided the Shariah opinion as issued by the Shariah Advisor;
- (xvii) The Managing Partner has provided detailed financial projections in form and substance acceptable to the Issue Agent (on behalf of the Investors) duly signed and stamped by the authorized signatory of the Managing Partner;
- (xviii) The Managing Partner has provided the Shariah Compliance Certificate for Securities, issued by the SECP;
- (xix) certification of completion, compliance and fulfilment of all the legal formalities/requirements including compliance with all applicable regulations, corporate actions/consents required for the documentation of the Sukuk Issue by the Managing Partner;
- (xx) all costs, fees and charges payable and due by the Managing Partner in terms of the Transaction Documents have been paid (including, but not limited to, payment of all stamp duties applicable on the Transaction Documents); and
- (xxi) a legal opinion has been obtained from the Transaction Legal Counsel confirming, *inter alia*, the validity, enforceability and binding effect of the obligations of the relevant parties under the Transaction Documents.

5.1.2 The conditions specified in Clauses 5.1.1 above may be waived or postponed by the Issue Agent (acting on the instructions of Investors holding at least 51% (fifty one percent) of the total outstanding face value of the Sukuk Certificates), in whole or in part and with or without conditions. Where a waiver or postponement is allowed under this Clause 5.1.2, the Managing Partner shall comply with the terms on which the waiver or postponement is granted, and the Managing Partner shall be in breach of the provisions of this Agreement if it fails to satisfy by the postponement date, the conditions precedent for which postponement was granted or satisfy the conditions on which a waiver was granted. Notwithstanding the foregoing, the Partners agree that the condition listed at Clause 5.1.1 (xxi) shall not be waived.

6. GOOD FAITH

6.1 The Partners agree to do all things necessary and to execute all further documents necessary and appropriate to carry out and effectuate the terms and purposes of this Agreement.



7. MANAGEMENT OF THE MUSHARAKA AND STANDARD OF CARE

7.1 Management of the Musharaka

7.1.1 During the Musharaka, the Managing Partner shall manage the Designated Business for the benefit of the Partners in accordance with this Agreement. Without prejudice to the generality of the aforesaid the Managing Partner shall carry out the following:

- (a) all activities required for carrying on the Designated Business in the ordinary course of business;
- (b) maintain all assets, properties and other facilities necessary or desirable for the Designated Business;
- (c) developing and expanding the Designated Business;
- (d) payment of all undisputed taxes (if any) charged, levied or claimed in respect of the Musharaka or the Designated Business by any relevant taxing authority and file all relevant tax returns in a timely manner;
- (e) obtain all necessary authorizations and licenses in connection with the Musharaka Capital, the Designated Business and the transaction contemplated by this Agreement; and
- (f) maintain adequate and accurate accounts in connection with the Designated Business and Musharaka Capital.

7.2. Standard of Care

7.2.1 The Managing Partner shall manage the Designated Business and Musharaka Capital:

- (a) in accordance with all applicable laws and regulations;
- (b) with the degree of skill and care that it would exercise in respect of its own assets (that are not part of the Designated Business); and
- (c) in a manner that is not repugnant to the concept of Shariah.

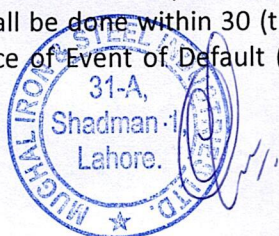
8. SHARING OF OPERATING PROFIT AND OPERATING LOSS

8.1 Sharing of Operating Profit

8.1.1 The Partners agree that Operating Profits generated from the Designated Business shall be shared on a provisional basis between the Managing Partner and the Issue Agent (on behalf of the Investors) in accordance with the Profit-Sharing Mechanism during the Profit Period as specified in Schedule 1 which shall be given by the Issue Agent. The profit and loss statement will be provided by the Managing Partner for the Profit Period for the purposes of ascertaining the Operating Profit or Operating Loss (as the case may be) during the Profit Period.

8.1.2 It is hereby agreed that the Managing Partner shall also be obligated to pay the Provisional Profit Payment at the Musharaka End Date (unless the Musharaka is terminated earlier on the occurrence of Event of Default & Termination, in which case, it shall be paid on the date of termination), which shall be adjusted against the Operating Profit for the Profit Period in accordance with Clause 8.1.3 below.

8.1.3 Upon finalization of the profit and loss statement as illustrated in Schedule 3 for the Profit Period, which shall be done within 30 (thirty) Business Days of the end of the Musharaka End Date, or occurrence of Event of Default (whichever is earlier), the Managing Partner will calculate the



Operating Profit or Operating Loss amounts for the Profit Period. This Operating Profit amount will be used to arrive at the Issue Agent's share of the Operating Profit (which shall also take into account the Provisional Profit Payment amount made). Upon finalization of the profit and loss statement as illustrated in Schedule 3 for the Profit Period, in case Operating Profit is more than the Provisional Profit Amount, the Managing Partner will deposit the incremental amount in the designated account and the Issue Agent shall make payment of the same amount to the Investors proportionately as per their respective contribution towards the Musharaka Capital or in the event that the Operating Profit is less than the Provisional Profit Amount, the Investors/Issue Agent will return the differential amount within 10 (ten) Business Days of the finalization of the profit and loss statement.

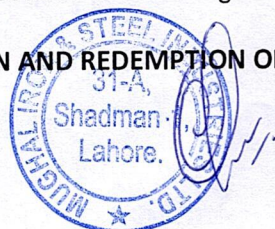
8.2 Sharing of Operating Loss

8.2.1 In case the profit and loss statements provided in Schedule 3 as mentioned in Clauses 8.1.1 and 8.1.2 above show an Operating Loss, such Operating Loss shall be shared by the Partners on a pro-rata basis in proportion to their respective investment in the Musharaka Capital. Upon finalization of the profit and loss statement as illustrated in Schedule 3 for the Profit Period, Investors/Issue Agent will return the Provisional Profit Amount along with the proportionate loss in the Musharaka Capital as mentioned in Clause 8.2.2.

8.2.2 The Operating Loss distribution as envisaged in Clause 8.2.1 will however be subject to the following provisions:

- (a) the Issue Agent shall not be liable for any Operating Loss in excess of its liability/investment percentage under this Agreement and shall always be limited to, the Issue Agent's Investment; and
- (b) the Managing Partner undertakes not to do anything, or omit to do anything, whether as manager of the Designated Business or otherwise, which would increase the Issue Agent's liability under this Agreement or expose the Issue Agent to Operating Loss in excess of the Issue Agent's Investment.
- (c) In case of loss as mentioned in Clause 8.2.1 above is due to wilful negligence or misrepresentation of the Managing Partner, the Issue Agent shall not be responsible for such loss and the Managing Partner shall bear all actual losses in such cases.
- (d) In case of a loss the Managing Partner shall, if so requested by the Issue Agent in writing within 10 (ten) Business Days of the Managing Partner's announcement of such loss, provide an explanation, of such loss to the Issue Agent. In the event that the Issue Agent is not satisfied with the explanation, it shall be entitled to refer the matter to a joint committee consisting of mutually selected Shariah Advisor(s), finance and legal teams of both the Partners (the "Joint Committee") as advised and formed by the Issue Agent within 7 (seven) days of receipt of the explanation from the Managing Partner. The Joint Committee shall decide the referred matter within 15 (fifteen) days of the referral. The decision of the Joint Committee with respect to the referred matter shall be final and binding on the Partners and shall not be challenged in any manner whatsoever. In the event that the matter is not referred to the Joint Committee, the Investors/Issue Agent will return the Provisional Profit Amount along with the proportionate loss in the Musharaka Capital within 30 (thirty) Business Days of the end of the relevant month of the Musharaka End Date or occurrence of Event of Default & Termination (whichever occurs earlier).
- e) In case of insurance/takaful proceeds received by the Managing Partner on behalf of the Issue Agent as a result of inventory loss/damage, up to the extent of the Issue Agent's Investment in the Musharaka Capital, the method and quantum of disbursement of such proceeds to the Issue Agent shall be advised by the Shariah Advisor of the Sukuk Issue.

9. DISSOLUTION AND REDEMPTION ON MUSHARAKA END DATE



9.1 Dissolution on Musharaka End Date

9.1.1 On the day following the Musharaka End Date, the Musharaka shall be wound up in the manner agreed between the Partners.

9.2 Redemption on Musharaka End Date

9.2.1 In consideration of the Issue Agent having entered into this Agreement, the Managing Partner hereby irrevocably agrees and undertakes that it shall buy out the Issue Agent's Investment at the outstanding principal value subject to the adjustment of profit/loss (if any) from the Issue Agent on the Musharaka End Date. Upon finalization of the profit and loss statement as illustrated in Schedule 3 for the Profit Period, in case of loss the Investors/Issue Agent will return the Provisional Profit Amount along with the proportionate loss in the Musharaka Capital to the Managing Partner as mentioned in Clause 8.2.1.

9.3 Redemption on Occurrence of Event of Default & Termination

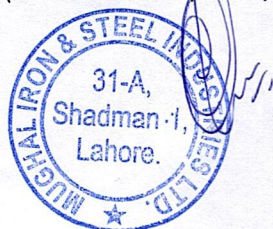
9.3.1 The Managing Partner further undertakes that if the Issue Agent (on behalf of the Investors) desires to terminate the Musharaka and this Agreement upon the occurrence of an Event of Default & Termination, the Managing Partner shall immediately redeem the remaining Issue Agent's Investment along with the Provisional Profit till such date upon receipt of a notice in writing from the Issue Agent. The Musharaka will stand terminated upon the issuance of a notice to such effect by the Issue Agent. The profit and loss statement as illustrated in Schedule 3 shall be provided within 20 (twenty) Business Days of the month subsequent to the month of the termination of the Musharaka. The Managing Partner will calculate the Operating Profit or Operating Loss amounts for the period up till the date of termination for the Musharaka. This Operating Profit amount will be used to arrive at the Issue Agent's share of Operating Profit (which shall also take into account the Provisional Profit Payment amount made). In case of failure on the Managing Partner's part to immediately or within the period stipulated by the Issue Agent (in the notice), make payment of Issue Agent's Investment, the Managing Partner undertakes to pay an amount, if the Issue Agent is of the opinion that the delay is without a valid reason which the Issue Agent shall inform through a notice, as charity to the Issue Agent calculated at the rate of 25% (twenty five percent) per annum of any amounts demanded hereunder which remains unpaid for 10 (ten) days after demand thereof or the date stipulated in the notice, as applicable. The charity due and recovered from the Managing Partner shall be donated by the Issue Agent on behalf of Managing Partner in accordance with the guidelines of the Shariah Advisor.

10. THE MANAGING PARTNER'S REPRESENTATIONS, WARRANTIES AND COVENANTS

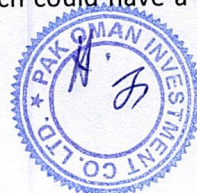
10.1 The Managing Partner's Representations and Warranties

10.1.1 The Managing Partner makes the representations and warranties to the Issue Agent as set out in this Clause 10 which are deemed to be made by the Managing Partner by reference to the facts and circumstances existing on the date of this Agreement and are deemed to be made on the Musharaka Commencement Date and on each date that a Musharaka Contribution Request (in form and substance acceptable to the Issue Agent) is received by the Issue Agent:

- (i) it is a company incorporated and existing under the laws of Pakistan and is not in liquidation (nor it is threatened with liquidation);
- (ii) it is duly authorized by its Memorandum and Articles to raise "finances" (as defined under the Financial Institutions (Recovery of Finances) Ordinance, 2001);
- (iii) the total financing of the Managing Partner by way of the Sukuk Issue does not exceed its equity (i.e. issued and paid up capital and reserves);



- (iv) all conditions and things required by applicable law to be fulfilled or done in order to enable it to lawfully to enter into, and exercise its rights and perform its obligations under this Agreement have been fulfilled or done;
- (v) That no Event of Default & Termination has occurred as of the date of this Agreement;
- (vi) this Agreement constitutes its valid and legally binding obligations, enforceable against it in accordance with its terms;
- (vii) it has placed on its website a specimen of the Sukuk Subscription and Agency Agreement containing the minimum terms and conditions thereof or alternatively, furnished a copy of the same to the Investors in physical or electronic form;
- (viii) it has obtained all necessary corporate and regulatory approvals for the purposes of the Sukuk Issue;
- (ix) its Balance Sheet and Profit and Loss Account as at _____ has been prepared in accordance with the applicable law and generally accepted accounting principles consistently applied and give a true and fair view of its financial condition as of that date and that there has been no change since that date having a Material Adverse Effect on it;
- (x) to the knowledge of the Managing Partner, neither the execution of, nor exercise of its rights or performance of its obligations under, this Agreement does or will:
 - (a) contravene any applicable law or any order, judgment or direction of any court or tribunal to which the Managing Partner or any of its properties and businesses are subject;
 - (b) contravene any contract, undertaking or instrument binding on the Managing Partner or any of its properties;
 - (c) contravene any provision of the Managing Partner's Memorandum or Articles;
 - (d) require the Managing Partner to make any payment or delivery in respect of any Financial Indebtedness before the scheduled date of that payment or delivery; or
 - (e) cause any limitation on the power of the Managing Partner to incur Financial Indebtedness to be exceeded;
- (xi) save as otherwise disclosed, no litigation, arbitration or administrative proceedings to which the Managing Partner is a party are taking place, pending or, to the knowledge of the Managing Partner, threatened against the Managing Partner or any of its properties which have or are reasonably likely to have a Material Adverse Effect and which, in the reasonable opinion of the Managing Partner, is likely to be adversely determined;
- (xii) it has all licences, approvals, authorizations and consents necessary for carrying out its business and fulfilling its obligations under the Transaction Documents;
- (xiii) all governmental, regulatory, creditors' and corporate consents, approvals, registrations and authorizations (to the extent required) for the purposes of the Sukuk Issue are in place;
- (xiv) all information furnished by the Managing Partner to the Issue Agent is accurate and that it has not omitted or concealed any material facts which would render such information incorrect, misleading or inaccurate;
- (xv) the Managing Partner has disclosed to the Investors/ Issue Agent in writing all existing liabilities and commitments and all other matters which could have a Material Adverse Effect on it; and

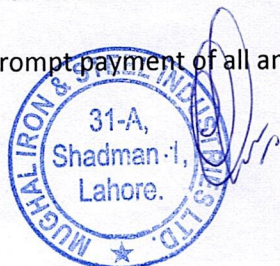


- (xvi) it has a clear eCIB Report (Electronic Credit Information Bureau report of the SBP), evidenced by a current eCIB Report, which report is not more than 2 (two) months old at the time of the Musharaka.

10.2 The Managing Partner's Covenants

10.2.1 The Managing Partner undertakes and covenants that it shall:

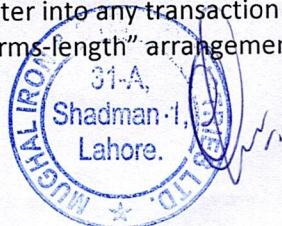
- (i) use the Musharaka Capital only for the agreed purpose in a manner compliant with the principles of Islamic Shariah as interpreted by the Shariah Advisor and shall not use or divert the same for any other purpose;
- (ii) ensure compliance with all applicable laws, rules, regulations and guidelines in all material aspects, issued by all applicable authorities including but not limited to SBP and SECP;
- (iii) provide the Issue Agent, on request, and in any event within 7 (seven) Business Days of request, with any information relating to its financial condition, business, assets and affairs as the Issue Agent may reasonably request;
- (iv) maintain the contract with its credit rating agency throughout the tenor of the Musharaka;
- (v) maintain a long term entity rating of "A+" (A Plus) and a minimum short term entity rating of "A-1" (A One) from PACRA throughout the tenor of the Musharaka;
- (vi) keep proper records and books of account, and in the event of an Event of Default & Termination, permit the Issue Agent or their respective employees, agents or representatives to examine and take copies of those records and books of account and all other documents relating to its activities;
- (vii) pay or keep paid up all undisputed fees, taxes, dues, rents, rates and charges of any governmental or municipal authority or other competent authority;
- (viii) ordinary wear and tear excepted, maintain the buildings, sites, works, constructions, plants, equipment, facilities and other assets of the Managing Partner in a good state of repair and in good working order and condition and take all precautions against such risks including fire, arson, riots, earthquakes, and acts of terrorism;
- (ix) give the Issue Agent prompt notice of any litigation, arbitration or administrative proceedings to which it is a party which, in the reasonable opinion of the Managing Partner, if adversely determined, could have either separately or in aggregate a Material Adverse Effect on it;
- (x) maintain the following financial ratios throughout the tenor of the Sukuk Issue/ Musharaka:
 - a. Current ratio of at least 1x;
 - b. Historical Finance Service Coverage Ratio of at least 1.1x;
 - c. Leverage Ratio of not more than 3.5x;
- (xi) execute all documents and do all acts and things as are stated in this Agreement;
- (xii) make prompt payment of all amounts due to the Issue Agent under this Agreement;



- (xiii) conduct and manage its business and affairs with diligence and efficiency in accordance with sound financial and business practices and with the assistance of qualified personnel;
- (xiv) maintain its existence and right to carry on business and take all steps necessary to maintain and renew its lease / hire agreements, other contracts, rights, powers, privileges, concessions, licences and franchises (as applicable) which are necessary or materially useful for the conduct of its business and maintain its books of accounts and other records adequately to reflect truly and fairly its financial position and the results of its respective operations in conformity with generally accepted accounting principles consistently applied;
- (xv) immediately inform the Issue Agent if, to the knowledge of the Managing Partner, there is any event having a Material Adverse Effect on it and to take all steps to rectify such Material Adverse Effect;
- (xvi) as soon as practicable, inform the Issue Agent of the occurrence of any Event of Default & Termination;
- (xvii) provide the necessary details (i.e. external audited accounts and/or management account about units/services sold as well as direct costs incurred in manufacturing/ selling of units/services along with expenses) required for calculation of the profit and loss statement as illustrated in Schedule 3;
- (xviii) provide to the Issue Agent adequate number of copies of the audited annual accounts and balance sheet of the Managing Partner at the closing of the financial year within 120 (one hundred twenty) days after the close of such financial year of the Managing Partner and half-yearly reviewed accounts within 90 (ninety) days at the end of the second financial quarter of the Managing Partner;
- (xix) provide to the Issue Agent in addition to the financial statements as detailed in clause (xviii) above, a compliance certificate evidencing compliance with the financial covenants under the Transaction Documents as at the date at which the financial statements were drawn up in form and substance acceptable to the Issue Agent;
- (xx) shall, within 5 (five) Business Days of a request by the Issue Agent, provide the Issue Agent with the computations (in reasonable detail) on which the compliance certificate was based;
- (xxi) ensure to maintain inventory quantity having worth of at least 33% (thirty three percent) of the Issue Agent's Investment. The Managing Partner shall be bound to intimate the Issue Agent if inventory level at any period of time during the Musharaka, reduces below 33% (thirty three percent) of the value of the Issue Agent's Investment;
- (xxii) the Managing Partner shall provide the inventory and account receivables report on a monthly basis to the Issue Agent and, if required by the Shariah Advisor, the Managing Partner shall arrange a visit to verify and confirm the level of inventory; and
- (xxiii) ensure that it has adequate liquidity available in the form of cash and/or cash equivalents and/ or unutilized credit limits with banks/ financial institutions to fully settle the outstanding amounts under the Sukuk Issue. Furthermore, the Managing Partner undertakes to share the utilization status of its available working capital lines on a monthly basis with the Issue Agent, for onwards sharing with the Investors.

10.2.2 The Managing Partner undertakes and covenants that it shall not except with the prior written consent of the Issue Agent:

- (i) enter into any transaction with any other person, firm or company except on the basis of "arms-length" arrangements;



- (ii) sell, transfer, lease out or otherwise dispose of a substantial part of its undertaking or assets, or undertake or permit any merger, consolidation, dismantling or re-organization of the Managing Partner;
- (iii) change its Memorandum or Articles (including the principal line of business) in a manner that materially and adversely effects its ability to perform its obligations under this Agreement, or change the nature of its business as stated in its Memorandum;
- (iv) declare any dividend if, to the knowledge of the Managing Partner, there is, or if the declaration and payment of such dividend will result in, a violation of any of the financial ratios as contained herein (determined on the basis of the latest audited annual accounts of the Managing Partner);
- (v) take any action which may have a Material Adverse Effect on it; or
- (vi) Consolidate, merge, amalgamate or undertake or permit any merger, amalgamation, consolidation, dismantling or re-organisation of the Managing Partner or make any acquisition of any other company.

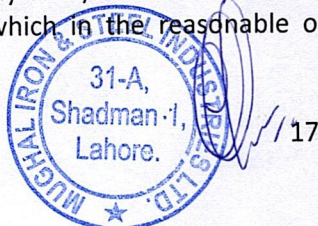
10.2.3 The Managing Partner's covenants and undertakings contained under Clause 10.1 and Clause 10.2 shall remain in force from the date of this Agreement for so long as this Agreement is in force.

11. EVENTS OF DEFAULT & TERMINATION

11.1 Events of Default & Termination

11.1.1 Each of the following events constitutes an Event of Default & Termination:

- (i) default of the Managing Partner in paying on the due date for payment, or within any period stipulated herein or within any period stipulated in the demand of the Issue Agent, of any sum payable under this Agreement;
- (ii) the Managing Partner does not comply with its undertakings, representations, warranties or covenants or any other provision of this Agreement and such non-compliance continues for 30 (thirty) days after the receipt by the Managing Partner of a written notice from the Issue Agent, notifying the Managing Partner of its non-compliance with the provisions of this Agreement;
- (iii) a representation, warranty or statement made or repeated in or in connection with this Agreement or in any document delivered by or on behalf of the Managing Partner under or in connection with the Musharaka is or proves to have been incorrect or misleading in any material respect or any statement, representation or warranty made or repeated by the Managing Partner in any notice, certificate or statement referred to or delivered under this Agreement, is or proves to have been incorrect or misleading in any respect or any such statement, representation or warranty is incorrect in any respect at any time and such defect is not rectified within 30 (thirty) days after the written notice is received by the Managing Partner from the Issue Agent;
- (iv) liquidation, bankruptcy, cessation of business activities or cessation of the payment of debts of the Managing Partner, or any other legal or factual situation, including judicial or amicable settlement of debts, which may have a Material Adverse Effect in the reasonable opinion of the Issue Agent;
- (v) any delinquent payment(s) of any amounts that become due by the Managing Partner towards any bank/ Financial Institution(s) with respect to Finances availed to which it is a party to which, in the reasonable opinion of the Issue Agent has an impact on the



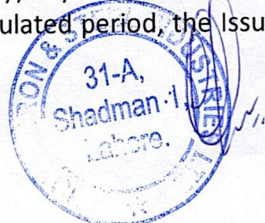
MIC

Managing Partner's ability to perform or comply with the various terms and conditions contemplated in this Agreement;

- (vi) attachment or assignment or transfer of delivery to or takeover of any properties or assets of the Managing Partner by any receiver, encumbrancer, assignee, or any other person or body whether appointed by the Managing Partner or a Court or the government under any law or regulation;
- (vii) making of any order or passing of a resolution for the winding up of the Managing Partner;
- (viii) except as stipulated under this Agreement, the Managing Partner consolidates, merges, amalgamates or undertakes or permits any merger, amalgamation, consolidation, dismantling or re organisation of the Managing Partner or makes any acquisition of any other company without the prior consent of the Issue Agent;
- (ix) one or more judgments, decrees or orders for the payment of money rendered against the Managing Partner which is likely to have a Material Adverse Effect on it in the reasonable opinion of the Issue Agent, and such judgments, decrees or order shall continue unsatisfied and in effect for a period of 30 (thirty) consecutive days without being vacated, discharged, satisfied or stayed;
- (x) the taking of any step by the Managing Partner for the purpose of entering into a compromise or arrangement with any of its members / shareholders, or creditors, generally or any class of them whereby the interests of the Issue Agent are affected in any material manner;
- (xi) the occurrence of any event whatsoever which is likely to have a Material Adverse Effect on the Managing Partner in the reasonable opinion of the Issue Agent;
- (xii) termination, suspension, repudiation or revocation of this Agreement or any of the Transaction Documents;
- (xiii) cross default by the Managing Partner in respect of any other Financial Indebtedness;
- (xiv) if the Managing Partner claims that all or any material provision of this Agreement:
 - (a) do not have effect or cease to have effect in accordance with its terms; or
 - (b) are or become void, voidable, illegal or unenforceable;
- (xv) if all or any material part of the properties of the Managing Partner is compulsorily acquired or expropriated by the federal government or any provincial governments; or
- (xvi) any litigation proceedings being commenced against the Managing Partner which may have a Material Adverse Effect in the reasonable opinion of the Issue Agent, which has not been vacated, discharged, satisfied or stayed within a period of 30 (thirty) days.

11.2 Consequence of an Event of Default & Termination

11.2.1 Upon the occurrence of an Event of Default & Termination, in case the Event of Default & Termination is capable of rectification (other than an Event of Default & Termination in relation to the obligation to pay any amount payable in accordance with the terms of this Agreement), the Issue Agent (upon the instructions of the Investors holding, in aggregate, more than 51% (fifty one percent) in value of the Issue Agent's Investment) shall issue a notice in writing to the Managing Partner, requiring the Managing Partner to rectify the Event of Default & Termination within 30 (thirty) days of the notice. In case the Event of Default & Termination remains un-rectified within the stipulated period, the Issue Agent shall, on the instructions of the Majority Certificate



Holders (as defined in the Sukuk Issuance Agreement) be entitled (without prejudice to other rights and remedies), on issuing a written notice to the Managing Partner, to:

- (a) require the profit and loss statement as per Schedule 3 attached hereto;
- (b) terminate the Musharaka;
- (c) declare that the obligation of the Issue Agent to make the Issue Agent's Investment available to the Managing Partner under this Agreement stand terminated; or
- (d) require, by written notice to ascertain the profit and loss till the termination date, the Managing Partner will share the calculations as per the format mentioned in Schedule 3 to make any immediate payment to the Issue Agent of all amounts withdrawn from the Issue Agent's Investment, Provisional Profit Payments accrued until the date of termination and any sums then payable under this Agreement and under any other document or agreement issued or executed hereunder or in connection herewith.

12. NOTICES AND COMMUNICATION

12.1 Method of Giving Notices

12.1.1 A notice, consent, approval or other communication (each a "Notice") under this Agreement shall be in writing, signed by or on behalf of the person giving it, addressed to the person to whom it is to be given and:

- (i) delivered by messenger or courier; or
- (ii) sent by electronic mail

to that person's address.

12.2 Time of Receipt

12.2.1 A Notice given to a person in accordance with this Clause is treated as having been given and received

- (i) if delivered by hand or courier, on the day of delivery if delivered before 3:00 PM on a Business Day otherwise on the next Business Day; or
- (ii) if transmitted by electronic mail, on the dispatch of the same, if before 3:00 PM (and if not, then on the next Business Day of the addressee), provided that no error has been received by the sender.

12.3 Address and Emails for Notices

12.3.1 For the purposes of this Clause, addresses and e-mail addresses of the Partners are:

The Issue Agent

Address: 1st Floor, Tower A, FTC, Main Shahra-e-Faisal, Karachi

Attention: Tariq Hasan

Email: tariq.hasan@pakoman.com

The Managing Partner



Address: 31/A Shadman 1, Lahore, Pakistan

Attention: Fahad Hafeez

Email: fahadhafeez@mughalsteel.com

13. GOVERNING LAW AND JURISDICTION

13.1 This Agreement shall be governed by the laws of the Islamic Republic of Pakistan and the courts of Lahore shall have non-exclusive jurisdiction in respect of any dispute arising hereunder.

14. LIMITATION OF LIABILITY

14.1 The Issue Agent's liability to share the Operating Loss of the Designated Business shall be limited to the share of Operating Loss determined in accordance with Clause 8.2 and the Issue Agent shall not be liable for any amount other than or beyond the share of Operating Loss so calculated and in no case exceeding the Issue Agent's Investment.

14.2 The Issue Agent shall not be responsible for raising or providing any financing for the Designated Business except for the Issue Agent's Investment. The Managing Partner shall be solely and exclusively liable for any Financial Indebtedness of the Managing Partner for the purpose of the Designated Business or otherwise and the Issue Agent shall have no responsibility in this regard. For the avoidance of doubt, raising any financing by the Managing Partner or creating security therefor shall not create any liability on the part of the Issue Agent for securing of paying/repaying such Financial Indebtedness of the Managing Partner.

15. CHARITY

15.1 If the payments or any other amounts due under this Agreement are not made by the Managing Partner to the Investors / Issue Agent in full on the respective due date(s), the Managing Partner hereby irrevocably undertakes to pay to the Investors / Issue Agent, as charity upon written demand and receipt of written notice from Issue Agent if the Issue Agent is of the opinion that the delay is without a valid reason which the Issue Agent shall inform through a notice, an amount calculated at the rate of 25% (twenty five percent) per annum of such unpaid amounts, or part thereof or any other amount due for each day of delay beyond the relevant due date by which such amount, any part thereof or any other amount due remains unpaid, to be donated by the Investors / Issue Agent on behalf of the Managing Partner for charitable purposes as deemed fit and advised by the Shariah Advisor.

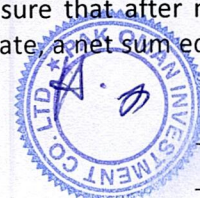
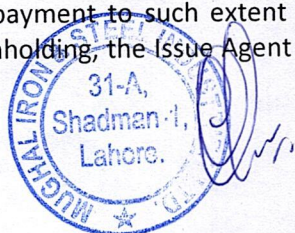
16. GENERAL INDEMNITY

16.1 The Managing Partner shall indemnify the Issue Agent on its first demand against all losses, claims, actions, proceedings, damage, costs and expenses incurred by the Issue Agent as a result of the Managing Partner's failure to comply with its obligations under this Agreement.

17. TAX INDEMNITY

17.1 If any law or regulation or any order of any court, tribunal or authority has the effect of subjecting the Issue Agent to taxes or charges with respect to any payment under this Agreement (other than taxes or taxation on the overall income of the Issue Agent), the Managing Partner shall be liable to pay such amount of taxes in addition to the amount otherwise payable by it under this Agreement.

17.2 If at any time, the Managing Partner is required to make any deductions or withholding in respect of taxes (other than taxes or taxation on the overall income of the Issue Agent) from any payment to the Issue Agent under this Agreement, the Managing Partner will pay an additional amount in respect of such payment to such extent as is necessary to ensure that after making of such deduction or withholding, the Issue Agent receives on the due date, a net sum equal to the sum



which it would have received had no such deduction or withholding been required to be made and the Managing Partner shall indemnify the Issue Agent against any losses or costs incurred by the Issue Agent by reason of any failure of the Managing Partner to make any such deduction or withholding. The Managing Partner shall promptly deliver to the Issue Agent any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid.

18. SET OFF

18.1 The Issue Agent shall be entitled at any time and without notice to the Managing Partner to set-off any rightful obligations of the Issue Agent to the Managing Partner in or towards satisfaction of any obligations of the Managing Partner to the Issue Agent, regardless of the place of payment, booking branch or currency of either obligation in relation to this Musharaka. If the obligations are in different currencies, the Issue Agent may convert either obligation at a market rate of exchange in its usual course of business for the purposes of set-off.

19. ASSIGNMENT

19.1 This Agreement shall be binding upon and inure to the benefit of each party and its permitted successors and assigns.

19.2 The Managing Partner shall not be entitled to assign or transfer any of its rights or obligations under this Agreement.

19.3 The Issue Agent may assign all or any part of its rights or transfer all or any part of its obligations under this Agreement to any person, without the written consent of the Managing Partner by giving prior notice of such assignment to the Managing Partner.

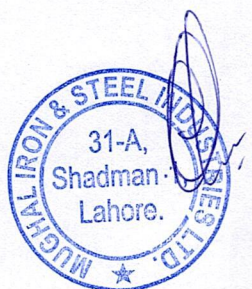
19.4 The Issue Agent may disclose to a potential assignee or transferee or to any other person who may propose entering into contractual relations with the Issue Agent in relation to this Agreement such information about the Managing Partner as the Issue Agent shall consider appropriate.

20. SEVERABILITY

20.1 If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any jurisdiction will in any way be affected or impaired.

21. NATURE OF RELATIONSHIP

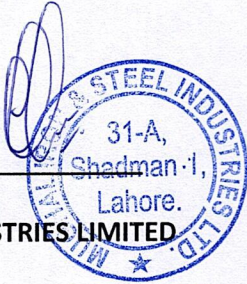
21.1 The Partners shall participate in the Musharaka on profit and loss sharing basis, based on the concept of Shirkat-ul-aqd, in accordance with the principles of Shariah. Notwithstanding anything stated above, this Agreement shall not be deemed to create a partnership (as envisaged in the Partnership Act, 1932, or any successor legislation thereof) or company (as envisaged under the Companies Act, 2017 or any successor legislation thereof) and in no event does the Managing Partner have any right or authority, express or implied, to bind the Issue Agent with a third party or impose any obligation or liability on the Issue Agent in connection with the management of the Designated Business and Musharaka. In no event shall the Issue Agent be liable for the debts and obligations of the Managing Partner incurred by the Managing Partner, except as expressly stipulated in this Agreement.



IN WITNESS WHEREOF the Partners hereto have caused this Agreement to be duly executed on the date and year first aforementioned.

For and on behalf of
MUGHAL IRON & STEEL INDUSTRIES LIMITED
(As the Managing Partner)

Name: Khussam Javaid
Designation: CEO
CNIC No.: 35202-9750871-7



In presence of the following Witnesses

1 Signature: [Signature]
Name: Zeehan Ejaz
CNIC No.: 35202-5727757-3
2 Signature: [Signature]
Name: Abdul Qasim
CNIC No.: 36103-5154835-1

For and on behalf of
PAK OMAN INVESTMENT COMPANY LIMITED
(As the Issue Agent)

Name: TARIQ HASAN FAHIZ SAAD KHAN
Designation: SVP-IBD SVP CBD
CNIC No.: 42201-0612185-9 42201-6206093-9



In presence of the following Witnesses

1 Signature: [Signature]
Name: HASSAN ROBAK
CNIC No.: 42101-3860547-1
2 Signature: [Signature]
Name: FAHAD UDDIN
CNIC No.: 42201-2481255-5

SCHEDULE 1

PROFIT SHARING MECHANISM

The Profit Sharing Mechanism between the Managing Partner and the Issue Agent (on behalf of the Investors) shall be as follows:

Tier 1 Profit:

Operating Profit up till the Tier 1 Profit Ceiling Amount shall be shared by the Managing Partner with the Issue Agent (on behalf of the Investors) on a pro rata basis based on the actual Musharaka Contribution by the Issue Agent (on behalf of the Investors) in the Musharakah Capital till such date.

“Tier 1 Profit Ceiling Amount” for the purposes hereof, calculated keeping in mind the following:

Musharaka Capital * Desired Profit Rate (Base Rate + Margin) * (Number of Days of Musharaka / 366)

Where:

Base Rate: The Base Rate (6 month KIBOR) will be set 1 (one) Business Day prior to the Musharaka Commencement Date (“**Base Rate Setting Date**”) by way of issuance of a notice in the format attached herewith as Schedule 1-A. The Base Rate will be subject to revision in case of any upward revision in the policy rate as announced/ issued by the SBP in its monetary policy statements, 2 (two) Business Days after the date of effectiveness of the first monetary policy statement and/or the second monetary policy statement after commencement of the Musharaka (the “**Base Rate Revision Date**”) by way of issuance of a notice in the format attached herewith as Schedule 1-B. The revised Base Rate shall be applicable from the Base Rate Revision Date till the remainder of the tenor of the Sukuk Issue. It being clarified that in case of any decrease in or a constant policy rate subsequent to the monetary policy statement, the Base Rate will remain unchanged.

The “KIBOR” rates used for reference will be taken from Reuters page “KIBR”, as published at 11.30 a.m. Pakistan Standard Time by the Financial Markets Association (FMA). The daily average of the 6 (six) months Offer Rate will be used. In the event that this rate is not published on Reuters on the Base Rate Setting Date or if less than 8 (eight) banks provide their rates for the KIBOR fixing, the FMA or other relevant market body will be contacted for the relevant fixing rate.

KIBOR: The daily average of Karachi Interbank Offered Rate (Ask side) for the relevant period as published on Reuters page KIBR or as published by the Financial Markets Association of Pakistan in case the Reuters page is unavailable;

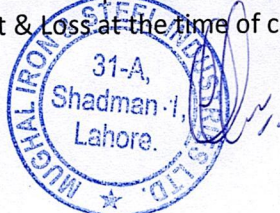
Margin: 110 bps per annum

Tier 2 Profit:

Operating Profit in excess of Tier 1 Profit Ceiling Amount shall be shared between the Partners in the following ratio:

- | | | |
|------|-------------------|-----------|
| (i) | Issue Agent: | 0.00001% |
| (ii) | Managing Partner: | 99.99999% |

It is clarified that the redemption of Sukuk at face value shall also comprise of Operating Profit up till the Tier 1 Profit Ceiling Amount. The operating profit in excess of the Tier 1 Profit Ceiling Amount will be shared as per agreed ratio specified above. Face value of the Sukuk Issue may be adjusted subject to final settlement of Profit & Loss at the time of calculation of Tier 2 Profit.



SCHEDULE 1-A

FORMAT OF BASE RATE NOTICE

Dated: [•]

To: MUGHAL IRON & STEEL INDUSTRIES LIMITED
(as the Managing Partner)

Subject: Musharaka Agreement dated [•] between Pak Oman Investment Company Limited (as the Issue Agent on behalf of the Investors) and Mughal Iron & Steel Industries Limited (as the Managing Partner)

Dear Sirs,

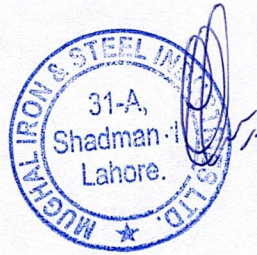
Capitalized terms used herein shall have the meanings as ascribed to them in the Musharaka Agreement dated [•] (the "**Musharaka Agreement**").

With reference to Schedule 1 of the Musharaka Agreement, Base Rate is defined as the 6 (six) Month KIBOR, prevailing 1 (one) Business Day prior to the Musharaka Commencement Date.

In this regard, the Base Rate, prevailing 1 (one) Business Day prior to the Musharaka Commencement Date, comes out to [•] % p.a.

Yours faithfully

For and on behalf of
PAK OMAN INVESTMENT COMPANY LIMITED



SCHEDULE 1-B

FORMAT OF REVISED BASE RATE NOTICE

Dated: [•]

To: MUGHAL IRON & STEEL INDUSTRIES LIMITED
(as the Managing Partner)

Subject: Musharaka Agreement dated [•] between Pak Oman Investment Company Limited (as the Issue Agent on behalf of the Investors) and Mughal Iron & Steel Industries Limited (as the Managing Partner)

Dear Sirs,

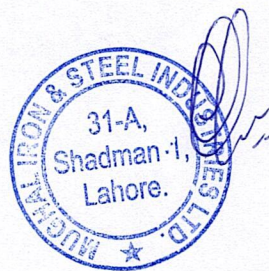
Capitalized terms used herein shall have the meanings as ascribed to them in the Musharaka Agreement dated [•] (the "Musharaka Agreement").

With reference to Schedule 1 of the Musharaka Agreement, Revised Base Rate is defined as the 6 (six) Month KIBOR, prevailing 2 (two) Business Days after the [first/second] monetary policy statement.

In this regard, Revised Base Rate, prevailing 2 (two) Business Days after the [first/second] monetary policy statement, comes out to [•] % p.a.

Yours faithfully

For and on behalf of
PAK OMAN INVESTMENT COMPANY LIMITED



SCHEDULE 2

Provisional Profit Calculation

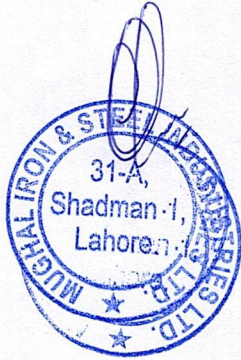
Provisional Profit Payment

The Provisional Profit Payment shall be the aggregate of the amount calculated in accordance with the formula given below, for each Profit Period:

$$P \times R \times (D/366)$$

Where:

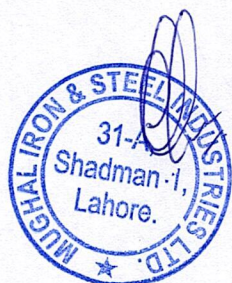
- P: is the outstanding balance of the Issue Agent's Investment utilized for Musharaka at the end of such day;
- R: Base Rate + Margin
- D: Number of days



SCHEDULE 3

Calculation of Profit/Loss of Musharaka Business

Musharakah Income Statement	
Sales Revenue	For Musharakah
Local Sales	XXXX
Export Sales	XXXX
Trading Sales	XXXXs
Less: Sales Tax	(XXXX)
Net Sales	XXXXXX
Less: Operating Costs	
Raw Material Consumed	(XXXX)
Fuel and Power	(XXXXX)
Repair and Maintenance	(XXXXX)
Salaries and Wages	
Stores, Spares and loose tools consumed	(XXXXX)
Other Manufacturing expense	
Total Operating Cost	(XXXXX)
Gross Profit/(Loss)	XXXX/(XXXX)
Share of Investor as per their Contribution in total production cost	XXXX



SCHEDULE 4

FORMAT OF MUSHARAKA CONTRIBUTION REQUEST

Dated: [•]

To: **PAK OMAN INVESTMENT COMPANY LIMITED**
(As the Issue Agent)

Subject: **Musharaka Agreement dated [•] between Pak Oman Investment Company Limited (as the Issue Agent on behalf of the Investors) and Mughal Iron & Steel Industries Limited (as the Managing Partner)**

Dear Sirs,

Capitalized terms used herein shall have the meanings as ascribed to them in the Musharaka Agreement dated [•] (the "Musharaka Agreement").

With reference to the Musharaka Agreement we hereby issue this Musharaka Contribution Request for investment in the Designated Business on the following terms:

Date: [•] (or, if that is not a Business Day, the next Business Day)

Amount: PKR [•]/- (Pak Rupees [•])

By way of: Payment into account no [•] maintained with the [•] branch of [•]

We propose that upon receipt of the Issue Agent's Investment in terms of this Musharaka Contribution Request for investment in the Designated Business the profit-sharing ratio shall be as per Appendix A attached hereto. If the same are acceptable to the Issue Agent, the Issue Agent may make disbursement of the investment in terms of this Musharaka Contribution Request.

We further confirm that on the date of this Musharaka Contribution Request, all Representations and Warranties contained in the Musharaka Agreement are correct and no Event of Default & Termination has occurred and is continuing.

This Musharaka Contribution Request is irrevocable and is governed by the laws of the Islamic Republic of Pakistan.

Yours faithfully



For and on behalf of
MUGHAL IRON & STEEL INDUSTRIES LIMITED



Appendix A

Tier 1 Profit:

Operating Profit up till the Tier 1 Profit Ceiling Amount shall be shared by the Managing Partner with the Issue Agent (on behalf of the Investors) on a pro rata basis based on the actual Musharakah contribution by the Issue Agent (on behalf of the Investors) in the Musharakah capital till such date.

“Tier 1 Profit Ceiling Amount” for the purposes hereof, calculated keeping in mind the following:

(Musharaka Capital) * Desired Profit Rate (Base Rate + Margin) * (Number of Days of Musharakah / 366)

Where:

Base Rate: The Base Rate (6 month KIBOR) will be set 1 (one) Business Day prior to the Musharaka Commencement Date (“**Base Rate Setting Date**”) by way of issuance of a notice in the format attached herewith as Schedule 1-A. The Base Rate will be subject to revision in case of any upward revision in the policy rate as announced/ issued by SBP in its monetary policy statements, 2 (two) Business Days after the date of effectiveness of the first monetary policy statement and/or the second monetary policy statement after commencement of the Musharaka (the “**Base Rate Revision Date**”) by way of issuance of a notice in the format attached herewith as Schedule 1-B. The revised Base Rate shall be applicable from the Base Rate Revision Date till the remainder of the tenor of the Sukuk Issue. It being clarified that in case of any decrease in or a constant policy rate subsequent to the monetary policy statement, the Base Rate will remain unchanged.

The “KIBOR” rates used for reference will be taken from Reuters page “KIBR”, as published at 11.30 a.m. Pakistan Standard Time by the Financial Markets Association (FMA). The daily average of the 6 (six) months Offer Rate will be used. In the event that this rate is not published on Reuters on the Base Rate Setting Date or if less than 8 (eight) banks provide their rates for the KIBOR fixing, the FMA or other relevant market body will be contacted for the relevant fixing rate.

KIBOR: The daily average of Karachi Interbank Offered Rate (Ask side) for the relevant period as published on Reuters page KIBR or as published by the Financial Markets Association of Pakistan in case the Reuters page is unavailable;

Margin: 110bps per annum

Tier 2 Profit:

Operating Profit in excess of Tier 1 Profit Ceiling Amount shall be shared between the Partners in the following ratio:

- | | | |
|------|-------------------|-----------|
| (i) | Issue Agent: | 0.00001% |
| (ii) | Managing Partner: | 99.99999% |

It is clarified that the redemption of Sukuk at face value shall comprise only of Operating Profit up till the Tier 1 Profit Ceiling Amount. The operating profit in excess of the Tier 1 Profit Ceiling Amount will be shared as per agreed ratio specified above. Face value of the Sukuk Issue may be adjusted subject to final settlement of Profit & Loss at the time of calculation of Tier 2 Profit.

