

ADVICE FOR INVESTORS

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS PROSPECTUS, **ESPECIALLY THE RISK FACTORS GIVEN AT SECTION 5** BEFORE MAKING ANY INVESTMENT DECISION.

SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015.

INVESTMENT IN EQUITY SECURITIES INVOLVES A DEGREE OF RISK AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFER UNLESS THEY CAN AFFORD TO TAKE THE RISK OF LOSING THEIR INVESTMENT. INVESTORS ARE ADVISED TO READ THE RISK FACTORS CAREFULLY BEFORE TAKING AN INVESTMENT DECISION IN THIS OFFERING. FOR TAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THE EXAMINATION OF THE ISSUER AND THE OFFER INCLUDING THE RISKS INVOLVED AS DISCLOSED IN SECTION 5 OF THE PROSPECTUS.

ADVICE FOR INSTITUTIONAL INVESTORS AND HIGH NET WORTH INDIVIDUAL INVESTORS

A SINGLE INVESTOR CANNOT SUBMIT MORE THAN ONE BIDDING APPLICATION EXCEPT IN THE CASE OF UPWARD REVISION OF BID. IF AN INVESTOR SUBMITS MORE THAN ONE BIDDING APPLICATION THEN ALL SUCH APPLICATIONS SHALL BE SUBJECT TO REJECTION.

SUBMISSION OF CONSOLIDATED BID IS PROHIBITED UNDER PUBLIC OFFERING REGULATIONS, 2017 (PO Regulations). A BID APPLICATION WHICH IS BENEFICIALLY OWNED (FULLY OR PARTIALLY) BY PERSONS OTHER THAN THE ONE NAMED THEREIN SHALL BE DEEMED TO BE A CONSOLIDATED BID.

PLEASE NOTE THAT A SUPPLEMENT TO THE PROSPECTUS SHALL BE PUBLISHED WITHIN THREE WORKING DAYS OF THE CLOSING OF THE BIDDING PERIOD WHICH SHALL CONTAIN INFORMATION RELATING TO THE STRIKE PRICE, THE OFFER PRICE, NAMES OF THE UNDERWRITERS OF THE RETAIL PORTION OF THE ISSUE IF ANY, UNDERWRITING COMMISSION, BIFURCATING AS TAKE UP COMMISSION OR ANY OTHER, CATEGORY WISE BREAKUP OF THE SUCCESSFUL BIDDERS ALONG WITH NUMBER OF SHARES ALLOCATED TO THEM, DATES OF PUBLIC SUBSCRIPTION AND SUCH OTHER INFORMATION AS SPECIFIED BY THE COMMISSION.

**AGHA STEEL INDUSTRIES LIMITED****PROSPECTUS**

Date and place of incorporation: Karachi, November 19, 2013, **Incorporation number:** 0085815, **Registered Office:** Plot No. NWIZ/1/P-133, (SP-6) D-2, Port Qasim Karachi **Corporate Office:** Suit # 801 & 804, 8th Floor, Emerald Tower, Clifton Block 5, II Talwar, Karachi. **Contact No:** +92 041 111 112 2442, **Website:** www.aghasteel.com, **Email:** Corporate@aghasteel.com **Contact person:** Mr. Sher Ali, Manager Corporate Reporting, Phone: 0321-8469231, Email: sher.ali@aghasteel.com; Company Secretary, Mr. Muhammad Muneeb Khan, Phone, 0213-4154210; Email: muneeb.khan@aghasteel.com

Issue size: The Issue consists of 120,000,000 Ordinary Shares i.e. 20.83% of the total post-IPO paid up capital of Agha Steel Industries Limited of face value of PKR 10/- each.

Method of offering : 75% Book building method and 25% retail/general public portion

Book Building method and Floor price: The IPO would be conducted through 75% book building method and the strike price would be determined based on the same. The Book Building portion of the Issue comprises of 90,000,000 ordinary shares (75% of the total issue) at a Floor Price of PKR 30.00 (including premium of PKR 20.00 per share) with a maximum price band of up to 40% (Justification of premium is given under "Valuation Section" i.e. Section 4.2).

Retail/general public portion: General Public portion of the Issue comprises of 30,000,000 ordinary shares (25% of the total issue) at the Strike Price. The General Public portion will be fully underwritten. The Underwriters will be appointed upon determination of strike price and subsequently published in the supplement to the Prospectus.

Public Comments: Draft Prospectus was placed on PSX's website for seeking public comments starting from 21st May 2020 to 5th June 2020, however, no public comments were received.

REGISTRATION OF ELIGIBLE INVESTORS: The registration of eligible investors will commence at 9:00 am on 1st October 2020 and will close at 3:00 pm on 7th October 2020

BIDDING PERIOD DATES: From 6th October 2020 to 7th October 2020 (From: 9:00 am to 5:00 pm)

DATE OF PUBLIC SUBSCRIPTION: From 14th October 2020 to 15th October 2020 (both days inclusive) From: 9:00 am to 5:00 pm

Lead Manager & Book Runner	BOOK BUILDING PORTION WILL BE UNDERWRITTEN BY:

Bankers to the Book Building portion of the Issue: Habib Bank Limited

Bankers for the Retail portion of the Issue:

United Bank Limited	Habib Metropolitan Bank Limited	Habib Bank Limited	Bank Al-Habib Limited
Meezan Bank Limited	Faysal Bank Limited	MCB Bank Limited	

Online applications can be submitted through Centralized E-IPO system (CES) of Central Depository Company of Pakistan Limited (CDC) and Ubl e-IPO system. CES and ubl e-IPO system can be accessed via weblink www.cdceipo.com and <http://www.ubldirect.com/corporate/ebank> respectively. For details please refer to section 13.1.4 of the Prospectus.

Date of Publication of this Prospectus: 22nd September 2020

Prospectus and Subscription Form can be downloaded from the following websites: <https://www.aghasteel.com/asso/>, <http://www.psx.com.pk> & <http://www.arifhabibltd.com>

For further queries you may contact

Agha Steel Industries Limited: Mr. Sher Ali, Manager Corporate Reporting, Phone: 0321-8469231, Email: sher.ali@aghasteel.com; Mr. Muhammad Muneeb Khan, Phone: 0213-4154210, Email: muneeb.khan@aghasteel.com; **Arif Habib Limited:** Mr. Muhammad Ali Raza, Phone: 0213 246 0741, E-mail: m.aliraza@arifhabibltd.com; Syed Ali Ahmed, Phone: 021 3246 5891, Email: ali.ahmed@arifhabibltd.com

The Company is proposed to be listed at the Pakistan Stock Exchange Limited

RISK DISCLOSURES

Regulatory Risk:

The Government plays a major regulatory role and is responsible for enforcing laws including those related to the steel sector. Steel sector is exposed to Government regulations, tax schemes, policies, incentive schemes and duty structures. Currently, Regulatory duty of 15% and 25% on Billets and Rebars respectively is imposed by the Government of Pakistan to protect local steel industry. These duties make import of the product in Pakistan unviable. In addition, Chinese export is also liable to pay a 24.04% anti-dumping duty. Any change in the said duties can directly affects the company's performance which may in turn affect the share price.

Risk of delay in commissioning of Phase II expansion and its possible impact on revenue/profits of the Company:

There is a risk of possible delays in the commissioning of the plant due to COVID 19, however it will not impact the Company's revenue/profit in the short term because the desired results from this phase II expansion will come after 1 year, post commissioning of the Plant.

Further, there is possibility that due to delay in completion of civil, electric and mechanical works the project may not commence operation on time as disclosed. Mi Da rolling mill has been delivered in March 2020 and the same has been kept by the Company at a rented warehouse at Port Qasim. The installation of rolling mill would be started after the completion of civil, electric and mechanical works for which the Company is tapping the IPO market.

For further risk disclosures, please refer to Section 5 of the prospectus.

UNDERTAKING BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

[.]

WE HUSSAIN IQBAL AGHA, THE CHIEF EXECUTIVE OFFICER AND KAMRAN AHMED, THE CHIEF FINANCIAL OFFICER OF AGHA STEEL INDUSTRIES LIMITED CERTIFY THAT:

1. THIS PROSPECTUS CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
2. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF;
3. THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
4. THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THIS PROSPECTUS AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
5. ALL REQUIREMENTS OF THE SECURITIES ACT, 2015; THE DISCLOSURES IN PUBLIC OFFERING REGULATIONS, 2017 FOR PREPARATION OF PROSPECTUS, AND THE PSX'S RULE BOOK RELATING TO DISCLOSURES AND APPROVALS HAVE BEEN FULFILLED.
6. NO CHARGES, FEE, EXPENSES, PAYMENTS ETC. HAVE BEEN COMMITTED TO BE PAID TO ANY PERSON IN RELATION TO THIS PUBLIC OFFERING EXCEPT FOR THOSE AS DISCLOSED IN THIS PROSPECTUS.

For and behalf of **Agha Steel Industries Limited**

-Sd-

Hussain Iqbal Agha
Chief Executive Officer

-Sd-

Kamran Ahmed
Chief Financial Officer

Note: This Supplement shall be published within 3 working days of the close of Bidding Period in at least all those newspapers in which the Prospectus of Agha Steel Industries Limited was published.

This Supplement is being published pursuant to The Public Offering Regulations, 2017 and in continuation of the Prospectus of Agha Steel Industries Limited earlier published on 22nd September 2020

Agha Steel Industries Limited

- FLOOR PRICE: PKR 30/- PER SHARE
- PRICE BAND (MAXIMUM 40%) : PKR 42/- PER SHARE
- STRIKE PRICE: PKR XX/- PER SHARE
- ISSUE PRICE: PKR XX/- PER SHARE

Underwriters to the retail portion of the Issue

S. No.	Names of Underwriter	No. of shares Underwritten	Amount (PKR)	Date of Underwriting Agreement	Date of Due Diligence Report
(i)	•	•	•		
(ii)	•	•	•		
(iii)	•	•	•		
TOTAL		•	•		

- Underwriting Commission (in % age):
- Take up Commission (in % age), if any:
- Interest of Underwriters, in the Issue and the Issuer other than their role as Underwriters: The Underwriters are deemed to be interested to the extent of underwriting & take-up commission payable to them by the Issuer for the amount underwritten. The Underwriters have no other interest in any property or profits of the Company

Category wise Breakup of Successful Bidders

S. No	Category	No. of Bidders	No. of shares allocated
1	Commercial Banks	•	•
2	Development financial institutions	•	•
3	Mutual Funds	•	•
4	Insurance Companies	•	•
5	Investment Banks	•	•
6	Employees' Provident / Pension Funds	•	•
7	Leasing Companies	•	•
8	Modarabas	•	•
9	Securities Brokers	•	•
10	Foreign Institutional Investors	•	•
11	Any other Institutional Investors	•	•
	Total Institutional Investors	•	•
	Individual Investors:	•	•
12	Foreign Investors	•	•
13	Local Investors	•	•
	Total Individual Investors	•	•
	GRAND TOTAL		

Glossary of Technical Terms

ACT	Securities Act, 2015
ACD	Additional Custom Duty
AHL	Arif Habib Limited
ASI	Agha Steel Industries (A partnership firm)
ASIL	Agha Steel Industries Limited (Issuer)
Billet	Steel billets are used as a raw material or feedstock in extrusion, forging, rolling and other metal processing applications. Used to create rebars, rods, sections in particular shapes
BR	Book Runner
BVPS	Book Value Per Share
BMR	Balancing, Modernization and Replacement
CAGR	Compound Annualized Growth Rate
CDA	Central Depository Act, 1997
CDC / CDCPL	Central Depository Company of Pakistan Limited
CDC Regulations	Central Depository Company of Pakistan Limited Regulations
CDS	Central Depository System
CES	Centralized e-IPO System
COI	Certificate of Incorporation
Collection Bank (Book Building)	Habib Bank Limited
Companies Act	Companies Act, 2017
Commission / SECP	Securities and Exchange Commission of Pakistan
CRO	Company Registration Office
CUIN	Computerized Unique Identification Number
CVT	Capital Value Tax
Deformed Bars / Debars	Reinforcing Bar / Rebars
Danieli	Danieli & C. Officine Meccaniche S.p.a. ("D&C") or the Supplier of the New Continuous Casting Machine and Rolling Mill
EAF	Electric Arc Furnace
Electric Arc Furnace	It is a furnace that heats charged material by means of an electric arc. Arcing usually occurs when a circuit becomes overloaded and overheats
EPS	Earnings Per Share
FBR	Federal Board of Revenue
FED	Federal Excise Duty
FOREX	Foreign Exchange

FTP	Fumes Treatment Plant
FY	Financial Year
GDP	Gross Domestic Product
GOP	Government of Pakistan
Induction Furnace	An induction furnace is a furnace in which the heat is applied by induction heating of metal. Induction heating is the process of heating an electrically conducting object (usually a metal) by electromagnetic induction
ITO	Income Tax Ordinance, 2001
ISAC System	Integrated Shredded Scrap Automatic Charging System
LV	Low Voltage
Mm	Millimetre
Mn	Million
MT p.a.	Metric Tonnes per Annum
Mi.Da.	Micro Mill Danieli
M/s	Meter per second
MV	Medium Voltage
NICOP	National Identity Card for Overseas Pakistani
NOC	No Objection Certificate
PKR or Rs.	Pakistan Rupee(s)
PSX / Exchange	Pakistan Stock Exchange Limited
p.a.	Per Annum
Rebar	It is a steel bar used in reinforced concrete and masonry structures to strengthen and hold the concrete in tension
SCRA	Special Convertible Rupee Account
SST	Sindh Sales Tax
TMT	Thermo Mechanically Treated
UIN	Unique Identification Number
WDV	Written Down Value
WHT	Withholding Tax

DEFINITIONS

Application Money	In case of bidding for shares out of the Book Building portion, the total amount of money payable by a successful Bidder which is equivalent to the product of the Strike Price and the number of shares to be allotted.
Banker to the Book Building	<p>Any bank(s) with whom an account is opened and maintained by the Issuer for keeping the bid amount.</p> <p>Habib Bank Limited has been appointed, in this IPO, as the Banker to the Book Building.</p>
Bid	An indication to make an offer during the Bidding Period by a Bidder to subscribe to the Ordinary Shares of Agha Steel Industries Limited at a price at or above the floor price, including upward revisions thereto. An Eligible Investor shall not make a bid with price variation of more than 10% of the prevailing indicative strike price subject to a maximum price band of 40% of the Floor Price. Please refer to paragraph 12.1.2 for details.
Bid Amount	The amount equal to the product of the number of shares Bid for and the Bid price.
Bid Collection Center	Designated offices of the Book Runner, specified branches of the Banker to the Book Building and offices of any other institutions specified by the Book Runner where bids are received and processed. For this Issue, addresses of the Bid Collection Centers are provided in <u>section 12.1.6 of this Prospectus</u> .
Bid Price	The price at which bid is made for a specified number of shares.
Bid Revision	<p>The Eligible Investors can revise their bids upward subject to the provision of regulation 10(2)(iii) of the PO Regulations. The bids can be revised with a price variation of not more than 10% from the prevailing indicative Strike Price in compliance with Regulation 10(2)(iii) of the PO Regulations.</p> <p>As per regulation 10(2)(vi) of the PO Regulations, the bidder shall not make downward revision both in terms of Bid Price and Bid Volume; Provided that in case of upward revision of the Bid Price, the number of shares Bid for i.e. Bid Volume may be adjusted ensuring that the bid amount or bid money remains the same.</p> <p>As per regulation 10(2)(vii) of the PO Regulations, the bidder shall not withdraw their bids.</p>
Bidder	An Eligible Investor who makes bids for shares in the Book Building process.
Bidding Form	The form prepared by the Issuer for the purpose of making bids.
Bidding Period	The period during which bids for subscription of shares are received.

	<p>The Bidding Period shall be of two days, from 6th October 2020 – 7th October 2020 both days inclusive (daily from 9:00 a.m. to 5:00 p.m.).</p>
Book Building	<p>A process undertaken to elicit demand for shares offered through which bids are collected from the Bidders and a book is built which depicts demand for the shares at different price levels.</p>
Book Building Account	<p>An account opened by the Issuer with the Collection Bank. The Bidder will pay the Margin Money / Bid Amount through demand draft, pay order or online transfer in favor of this account as per the instructions given in section 12.1.16 of this Prospectus.</p> <p>The part of the total Issue allocated for subscription through the Book Building.</p>
Book Runner	<p>A securities broker or a scheduled bank who holds a valid license from the Commission to act as an Underwriter.</p> <p>Arif Habib Limited has been appointed as Book Runner for this Issue.</p>
Book Building System	<p>An online electronic system operated by the Designated Institution for conducting Book Building.</p>
Centralized E-IPO System	<p>In order to facilitate investors, the Central Depository Company of Pakistan (“CDC”) has developed a Centralized e-IPO System (“CES”) through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this Issue and can be accessed through the web link (www.cdceipo.com). Payment of subscription money can be made through 1LINK’s member banks available for CES, list of which is available on above mentioned website.</p> <p>For making application through CES, investors must be registered with CES. Registration with CES is one time, free of cost and can be done under a self-registration process by filling the CES registration form, which is available on the above mentioned web link 24/7 all throughout the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number and CDS Account (Investor account or sub account) may register themselves with CES.</p> <p>Investors who do not have CDS account may visit www.cdcpakistan.com for information and details.</p> <p>For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com.</p>
Cold Commissioning	<p>Cold Commissioning Tests are procedures that are conducted without inputs in order to assess the theoretical completion of the manufacturing process.</p>
Collection Banks	<p>Habib Bank Limited is the collection bank for the Book Building portion. For this purpose, Habib Bank Limited has opened an account titled “AGHA STEEL IND LTD BOOK BUILDING”, Number: 0042-79920372-03 at</p>

	<p>its HBL Plaza Branch, Karachi. The Collection Bank shall keep and maintain the bid money in the said account. Once the Strike Price is determined and lists of successful bidders and successful applicants/allottees are finalized and shares are credited to the successful bidders and applicants, the Lead Manager, after obtaining NOC from PSX, may request in writing to the Collection Bank for transfer of the money of successful and accepted applications to the Issuer's account(s).</p>
Company	Agha Steel Industries Limited (the "Company" or "ASIL")
Company's Legal Advisor	Asad Mahmood Advocate & Legal Consultant
Commission	Securities & Exchange Commission of Pakistan ("SECP").
Consolidated Bids	A bid which is fully or partially beneficially owned by persons other than the one named therein.
Designated Institution	<p>Includes securities exchange, central depository or clearing house approved by the Commission to provide a system for conducting Book Building.</p> <p>Pakistan Stock Exchange Limited ("PSX") will act as the Designated Institution for this Issue.</p>
Dutch Auction Method	The method through which Strike Price is determined by arranging all the Bid Prices in descending order along with the number of shares and the cumulative number of shares bid for at each Bid Price. The Strike Price is determined by lowering the price to the extent that the total number of shares issued under the Book Building Portion are subscribed.
e-IPO facility	<p>E-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of e-IPO. The following two systems are available for e-IPOs:</p> <p>(i) Centralized e-IPO System (CES):</p> <p>In order to facilitate investors, the Central Depository Company of Pakistan ("CDC") has developed a Centralized e-IPO System ("CES") through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this Issue and can be accessed through the web link (www.cdceipo.com). Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on above website.</p> <p>For making application through CES, investors must be registered with CES. Registration with CES is free of cost and can be done under a self-registration process by filling the CES registration form, which is available 24/7 all throughout the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any commercial bank,</p>

email address, mobile phone number and CDS Account (Investor account or sub account) may register themselves with CES.

In addition to the above, CDC has also introduced a new facility in CES through which sub-account holder(s) will request their respective TREC Holders who are Participants in Central Depository System (CDS) to make electronic subscription on their behalf for subscription of securities of a specific company by authorizing (adding the details of) their respective Participant(s) in CES. Consequently, authorized Participants will electronically subscribe on behalf of their sub-account holder(s) in securities offered through Initial Public Offerings (IPOs) and will also be able to make payment against such electronic subscriptions through all the available channels mentioned on CES only after receiving the subscription amount from the sub-account holder(s). To enable this feature, the CDS Participant may request CDC to activate his ID on the CES portal. The securities will be credited directly in Investors' subaccount. In case the sub-account of the investor has been blocked or closed, after the subscription, then securities shall be parked into the CDC's IPO Facilitation Account and investor can contact CDC for credit of shares in its respective account

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details.

For further guidance and queries regarding CES and opening of CDS account, **investors may contact CDC at phone number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or contact Mr. Farooq Ahmed Butt at Phone 021-34326030 and email: farooq_butt@cdcpak.com.**

Investors who are registered with CES can submit their applications through the web link www.cdceipo.com 24 hours a day during the subscription period which will close at midnight on 15th October 2020.

(ii) e-IPO facilities by Bankers to the Issue:

Currently, UBL is providing e-IPO facilities to its respective accountholders.

UBL account holders can use UBL Net Banking to submit their application via link <http://www.ubldirect.com/corporate/ebank>

Account holders of UBL can submit their applications through the above mentioned link 24 hours a day during the subscription period which will close at midnight on 15th October 2020.

Eligible Investor

An Individual and Institutional Investor whose Bid Amount is not less than the minimum bid size of PKR 1,000,000 (One Million Rupees only).

Floor Price

The minimum price per share set by the Issuer in consultation with the Lead Manager. For this Issue, Floor Price is PKR 30/- per share.

General Public

All Individual and Institutional Investors including both Pakistani (residents & non-residents) and foreign investors.

Hot Commissioning	Hot Commissioning includes procedures that are conducted with standard inputs in order to achieve the nameplate output in a given testing scenario.
Initial Public Offer (IPO)	Initial Public Offering or IPO means first time offer of securities to the general public.
Institutional Investors	<p>Any of the following entities:</p> <ul style="list-style-type: none"> ▪ A financial institution; ▪ A company as defined in the Companies Act, 2017; ▪ An insurance company established under the Insurance Ordinance, 2000; ▪ A securities broker; ▪ A fund established as Collective Investment Scheme under the Non-Banking Finance Companies and Notified Entities Regulations, 2008; ▪ A fund established as Voluntary Pension Scheme under the Voluntary Pension System Rules, 2005; ▪ A private fund established under Private Fund Regulations, 2015; ▪ Any employee's fund established for beneficial of employees; ▪ Any other fund established under any special enactment; ▪ A foreign company or any other foreign legal person; and ▪ Any other entity as specified by the Commission.
Issue	<p>Issue of 120,000,000 Ordinary Shares representing 20.83% of total post-IPO paid-up capital having a Face Value of PKR 10/- each.</p> <p>Book Building portion of the Issue comprises of 90,000,000 ordinary shares (75% of the total issue) at a Floor Price of PKR 30.00 per share (including premium of PKR 20.00 per share).</p> <p>General Public portion of the Issue comprises of 30,000,000 ordinary shares (25% of the total issue) at the Strike Price.</p>
Issue Price	The price at which Ordinary Shares of the Company are issued to the General Public. The Issue Price will be the Strike Price.
Issuer	Agha Steel Industries Limited (the "Company" or "ASIL")
Key Employees	Chief Executive Officer, Directors, Chief Financial Officer and Company Secretary of the Company.
Lead Manager	<p>Any person licensed by the Commission to act as a Consultant to the Issue/Lead Manager.</p> <p>Arif Habib Limited has been appointed as Lead Manager by the Issuer for this issue.</p>
Limit Bid	The bid at a Limit Price.
Limit Price	The maximum price (up to 40% of the Floor Price) a prospective Bidder is willing to pay for a share under Book Building.
Margin Money	The partial or total amount, as the case may be, paid by a bidder at the time of registration as an Eligible Investor. The Book Runner shall collect full amount of the bid money as Margin Money in respect of bids placed

	by an individual investor and not less than twenty five percent (25%) of the bid money as Margin Money in respect of bids placed by an institutional investor.
Minimum Bid Size	The Bid amount equal to One Million Rupees (PKR 1,000,000/-).
Ordinary Shares	Ordinary Shares of Agha Steel Industries Limited having face value of PKR 10.00/- each.
Price Band	Floor Price with an upper limit of 40% above the Floor Price, allowing Bidder to make Bid at Floor Price or within the Price Band
Prospectus	Prospectus means any document described or issued as a prospectus and includes any document, notice, circular, material, advertisement, and offer for sale document, publication or other invitation offering to the public (or any section of the public) or inviting offers from the public for the subscription or purchase of any securities of a company.
Registration Form	The form which is to be submitted by the Eligible Investors for registration to participate in the Book Building process.
Registration Period	The period during which registration of bidders is carried out. The registration period shall commence three working days before the start of the Bidding Period from 1 st October 2020 to 7 th October 2020 from 9:00 am to 5:00 pm and shall remain open till 3:00 pm on the last day of the Bidding Period.
PO Regulations	The Public Offering Regulations, 2017
Related Employees	Related Employees mean such employees of the Issuer, the Lead Manager & Book Runner, who are involved in the Issue. Please refer to Section 3.19.5 for further details.
Listing Regulations	Chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited, titled 'Listing of Companies and Securities Regulations'.
Sponsor	<p>A person who has contributed initial capital in the issuing company or has the right to appoint majority of the directors on the board of the issuing company directly or indirectly;</p> <p>A person who replaces the person referred to above; and</p> <p>A person or group of persons who has control of the issuing company whether directly or indirectly.</p>
Step Bid	Step Bid means a series of limit bids at increasing prices. In case of a step bid, the amount of each step will not be less than Rupees One Million (PKR 1,000,000/-).

Strike Price	The price per ordinary share of the Issue determined / discovered on the basis of Book Building process in the manner provided in the Regulations, at which the shares are issued to the successful bidders. The Strike Price will be disseminated after conclusion of Book Building through publication in at least all those newspapers in which the Prospectus was published and also posted on the websites of the Securities Exchange, Lead Manager & Book Runner and the Company.
Supplement to the Prospectus	The Supplement to the Prospectus shall be published within three (3) working days of the closing of the Bidding Period at least in all those newspapers in which the Prospectus was earlier published and disseminated through the Securities Exchange where shares are to be listed.
System	An online electronic system operated by the Designated Institution for conducting Book Building.

Interpretation:

Any capitalized term contained in this Prospectus, which is identical to a capitalized term defined herein, shall, unless the context expressly indicates or requires otherwise and to the extent as may be applicable given the context, have the same meaning as the capitalized / defined term provided herein.

Table of Contents

1	APPROVALS AND LISTING ON THE STOCK EXCHANGE	14
2	SUMMARY OF THE PROSPECTUS	16
3	OVERVIEW, HISTORY AND PROSPECTS	21
4	PRINCIPAL PURPOSE OF THE ISSUE AND FUNDING ARRANGEMENTS.....	42
5	RISK FACTORS.....	55
6	FINANCIAL INFORMATION	63
7	MANAGEMENT.....	79
8	LEGAL PROCEEDINGS AND OVERDUE LOANS	87
9	UNDERWRITING, ARRANGEMENT, COMMISSION, BROKERAGE AND OTHER EXPENSES	88
10	MISCELLANEOUS INFORMATION	90
11	MATERIAL CONTRACTS	93
12	BOOK BUILDING PROCEDURE/INSTRUCTIONS FOR REGISTRATION AND BIDDING	96
13	APPLICATION AND ALLOTMENT INSTRUCTIONS FOR RETAIL PORTION	109
14	SIGNATORIES TO THE PROSPECTUS	117
15	MEMORANDUM OF ASSOCIATION	118

1 APPROVALS AND LISTING ON THE STOCK EXCHANGE

1.1. APPROVAL OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities & Exchange Commission of Pakistan (the "**Commission**" or the "**SECP**") under Section 87(2) of the Securities Act, 2015 read with Section 88(1) thereof, has been obtained by Agha Steel Industries Limited for the issue, circulation and publication of this offering document (hereinafter referred to as the "**Prospectus**") vide their letter No. SMD/PO/SA-88/05/2020 Dated 17th September 2020.

DISCLAIMER:

IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS APPROVAL, SECP DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE COMPANY AND ANY OF ITS SCHEMES STATED HEREIN OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITH REGARD TO THEM BY THE COMPANY IN THIS PROSPECTUS.

SECP HAS NOT EVALUATED QUALITY OF THE ISSUE AND ITS APPROVAL FOR ISSUE, CIRCULATION AND PUBLICATION OF THE PROSPECTUS SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC / INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE BIDDING / SUBSCRIBING.

1.2. APPROVAL OF PROSPECTUS BY PSX

The Prospectus of the Company has been approved by PSX vide letter No. PSX/GEN-1495 in accordance with the requirements of the Listing Regulations.

DISCLAIMER:

THE SECURITIES EXCHANGE HAS NOT EVALUATED THE QUALITY OF THE ISSUE AND ITS APPROVAL SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC / INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT INVESTIGATION AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.

THE PUBLICATION OF THIS DOCUMENT DOES NOT REPRESENT SOLICITATION BY SECURITIES EXCHANGE.

THE CONTENTS OF THIS DOCUMENT DOES NOT CONSTITUTE AN INVITATION TO INVEST IN SHARES OR SUBSCRIBE FOR ANY SECURITIES OR OTHER FINANCIAL INSTRUMENT BY SECURITIES EXCHANGE, NOR SHOULD IT OR ANY PART OF IT FORM THE BASIS OF, OR BE RELIED UPON IN ANY CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER OF EXCHANGE.

IT IS CLARIFIED THAT INFORMATION IN THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS ADVICE ON ANY PARTICULAR MATTER BY SECURITIES EXCHANGE AND MUST NOT BE TREATED AS A SUBSTITUTE FOR SPECIFIC ADVICE.

SECURITIES EXCHANGE DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM OR IN RELIANCE UPON THIS DOCUMENT TO ANYONE, ARISING FROM ANY REASON, INCLUDING, BUT NOT LIMITED TO, INACCURACIES, INCOMPLETENESS AND / OR MISTAKES, FOR DECISIONS AND /OR ACTIONS TAKEN, BASED ON THIS DOCUMENT.

SECURITIES EXCHANGE NEITHER TAKES RESPONSIBILITY FOR THE CORRECTNESS OF CONTENTS OF THIS DOCUMENT NOR THE ABILITY OF THE COMPANY TO FULFILL ITS OBLIGATIONS THEREUNDER.

ADVICE FROM A SUITABLY QUALIFIED PROFESSIONAL SHOULD ALWAYS BE SOUGHT BY INVESTORS IN RELATION TO ANY PARTICULAR INVESTMENT.

1.3. FILING OF PROSPECTUS AND OTHER DOCUMENTS WITH THE REGISTRAR OF COMPANIES

Agha Steel Industries Limited has filed with the Registrar of Companies as required under Sections 57 (1) of the Act, a copy of this Prospectus signed by all the Directors of the Company.

1.4. LISTING AT PSX

Application has been made to PSX for permission to deal in and for quotation of the shares of the Company.

If for any reason the application for formal listing is not accepted by PSX or approval for formal listing is not granted by PSX before the expiration of twenty-one days from the date of closing of the subscription period / list or such longer period not exceeding forty-two days as may, within the said twenty-one days, be notified to the applicants for permission by the PSX, the Issuer undertakes that a notice to that effect will immediately be published in the press and will refund Application Money to the applicants without surcharge as required under the provisions of Section 69 of the Companies Act.

If any such money is not repaid within eight (08) days after the Company becomes liable to repay it, the Directors of the Company shall be jointly and severally liable to repay that money from the expiration of the eight day together with surcharge at the rate of two percent (2.0%) for every month or part thereof from the expiration of the eight day and, in addition, shall be liable to a penalty of level 3 on the standard scale in accordance with the provisions of sub-section (2) of Section 69 of the Companies Act.

As required under sub-section (3) of Section 69 of the Companies Act, the Application Money including the Bid Money, in case of Book Building, shall be deposited and kept in a separate bank account in a scheduled bank so long as the Company may become liable to repay it under sub-section (2) of Section 69 of the Companies Act; and, if default is made in complying with the said sub-section (3), the Company and every officer of the Company who authorizes or permits the default shall be liable to a penalty of level 2 on the standard scale.

2 SUMMARY OF THE PROSPECTUS

2.1. PRIMARY BUSINESS OF AGHA STEEL INDUSTRIES LIMITED

The ground breaking of the steel manufacturing plant of Agha Steel Industries (“ASI”), a partnership firm, took place on 1st January 2010, and it started its commercial operations on 1st January 2012, producing Billets and Rebars at an installed capacity of 250,000 MT p.a. and 150,000 MT p.a. respectively.

Agha Steel Industries introduced a composite unit whereby the steel melting and re-rolling takes place on the same premises located at the industrial hub of Port Qasim. This was to be a key competitive advantage as many of the steel makers in Pakistan have their re-rolling and melting facilities at different locations resulting in time lags and cost inefficiencies. ASI had completely automatic Rolling Mill with a capacity to produce Re-Bars ranging from 9.5mm to 40mm at the maximum speed of 18 m/s. ASI is the pioneer in introducing the thermo-mechanically treated (“TMT”) technology in the Pakistan, in conjunction with fully automated Rolling Mill. TMT is the simultaneous application in steel manufacturing that involves heating and cooling. It develops better properties in steel by refining its micro structure. This heating technology is referred as hot rolling in this process where vast quantities of steel can be handled.

ASI installed the 45-ton Electric Arc Furnace (“EAF”) in Pakistan in 2012. The EAF allowed ASI to efficiently manage its output due to the raw material flexibility, thereby giving it a competitive edge in the industry. (For further details about EAF, please refer to Section 4.2.3 of the prospectus)

Agha Steel Industries Limited (Issuer, the Company or ASIL) was incorporated on 19th November 2013 as a private limited company with registered office at Plot No. NWIZ/1/P-133, (SP-6) D-2, Port Qasim, Karachi and Corporate Office at Suit # 801 & 804, 8th Floor, Emerald Tower, Clifton Block 5, II Talwar, Karachi. The Company was converted into a public limited company on 7th April 2015.

On 1st June 2017, the Agha Steel Industries Limited entered into a Business Transfer Agreement (“BTA”) with the Agha Steel Industries for the acquisition of net assets of ASI against issuance of shares of ASIL to the partners of ASI (Mr. Iqbal Hussain Agha, Mr. Hussain Iqbal Agha and Mr. Raza Iqbal Agha) who are also the Sponsors of ASIL.

Since the Sponsors of ASIL and partners of ASI were the same, the acquisition was a move to convert the business status from a Partnership Firm to a Public Limited Company.

As per terms of the Business Transfer Agreement, net assets of ASI of PKR 3,604.013 Million excluding cash and bank balances and Government dues were transferred to ASIL against issuance of 360,401,293 ordinary shares of PKR 10 per share to the partners / directors of ASI.

The Company only deals in graded steel and now operates at an annual Billets and Rebars production capacity of 450,000 MT p.a. and 250,000 MT p.a. respectively and has a market share of more than 3%, according to the management of the Company.

2.2. SPONSORS OF AGHA STEEL INDUSTRIES LIMITED

ASIL is a family owned business. Sponsors of the Company are:

1. Mr. Iqbal Hussain Agha
2. Mr. Hussain Iqbal Agha
3. Mr. Raza Iqbal Agha

Mr. Iqbal Hussain Agha is the father of Mr. Hussain Iqbal Agha and Mr. Raza Iqbal Agha

2.3. ABOUT THE ISSUE

The Issue comprises of 120,000,000 Ordinary Shares of face value of PKR 10/- each, which constitutes 20.83% of the total post-IPO paid up capital of the Company.

The Issue is being made through the Book Building process at a Floor Price of PKR 30.00/- per share (including a premium of PKR 20.00/- per share), whereby 75% of the total issue size i.e. 90,000,000 Ordinary Shares will be issued through the Book Building process to Eligible Investors. The balance 25% of the total Issue size i.e. 30,000,000

Ordinary Shares will be issued to the General Public through retail offer at the Strike Price determined through the Book Building process. The Book Building Portion will be underwritten by Arif Habib Limited and names of the underwriters to the Retail Portion will be published in the Supplement to the Prospectus.

2.4. PRE AND POST ISSUE SHAREHOLDING OF THE SPONSORS

Post IPO, the share capital will increase from 456,075,293 ordinary shares to 576,075,293 ordinary shares. Given below is the Pre and Post IPO shareholding of the sponsors of the Company:

Description	Pre IPO	Post IPO
Shares held by sponsors	383,794,734	383,794,734
% shareholding	84.15%	66.62%

2.5. PRINCIPAL PURPOSE OF THE ISSUE

The Company prides itself for being the technology leader of steel industries of Pakistan. The technology used by the Company is world accredited. ASIL is the first private sector steel manufacturer employing Italian Electric Arc Furnace technology in Pakistan.

In 2018, the Company completed the BMR and Expansion Phase I of its existing facilities. Through this Expansion phase I, the Company was able to increase its production capacity of intermediary (Billets) and final product (Rebars) from 250,000 MT p.a. to 450,000 MT p.a. and 150,000 MT p.a. to 250,000 MT p.a. respectively.

The Company undertook further expansion (Phase II) with a view to increase its capacity and also continue its technological advancement by installing a state of the art and first in Pakistan Mi.Da. Rolling Mill. The IPO proceeds of PKR 3.6 Billion will go towards financing this expansion (Refer to section 4.1 of the Prospectus for further details).

Mi.Da. Rolling Mill is characterized by a single strand Continuous Casting-Rolling process featuring ultra-high speed Power Mold Caster, in-line billet inductive heating as well as bar quenching and tempering system, and a Direct Rolling Bundling system, all arranged in an extremely compact layout. All this, along with the continuous uninterrupted production cycle from raw material to finished product, and with the extreme compactness of the technological area, will allow ASIL to be one of the most cost-efficient plants of Pakistan.

This is the most competitive way to produce Rebars in terms of Capital Expenditure and Operating Expenditure. Mi.Da. Rolling Mill is considered as a winning strategy for the best integration of the most advanced technologies to allow to be the most competitive in steel production.

Mi.Da. Rolling Mill is a super compact unit as compared to the traditional mini mills. It requires almost 49% less space and requires 23-hours/day uninterrupted production. (for more details, see section 4.1).

The said move is in line with the Company's successful completion of Phase I of Capacity Expansion with state of the art Danieli (who is also the supplier for Mi.Da. Plant, Phase II Expansion) Integrated Shredded Scrap Automatic Charging System ("ISAC") and Fumes Treatment Plant ("FTP") alongside robust and seamless BMR expansion of Rolling mill and Electric Arc Furnace.

ASIL intends to raise upto PKR 3.6 Billion against completion of Phase II of its Expansion Project. The funds will be used to finance the remaining project cost for the Mi.Da. Rolling Mill project ("Expansion Project") and setting up an in-house Air Separation Unit ("ASU") project. (For details regarding ASU project, please refer 4.1.3 of the Prospectus)

More details are covered in Section 4 of the Prospectus.

2.5.1. Source of Funding

The Company intends to issue 120,000,000 ordinary shares at a floor price of PKR 30/- per share to raise PKR 3,600,000,000 through IPO. The total project cost of PKR 7.04 Billion shall be financed at the project Debt:Equity ratio of 49:51. Details of utilization of debt and equity proceeds are given below:

Break up of fund requirement	Fund raised (PKR)	Contribution of mode of financing
IPO Proceeds	3,600,000,000	51%
Long Term Debt ¹	1,735,438,212	25%
Short Term Debt Financing ²	1,706,240,000	24%
Total Funding requirement	7,041,678,212	100.0%

¹PKR 1.735 Billion has already been incurred on the project (see details in section 4.1.1). This expense has already been incurred through Sukuk Issuance by the Company on October 9, 2018, amounting to PKR 5 Billion.

²PKR 1.706 Billion reflects the suppliers credit obtained from Danieli & C. Officine Meccaniche S.p.a. ("D&C"), with regards to the acquisition of New Continuous Casting Machine and Rolling Mill. The payment terms under the contract dated October 5, 2017, between ASIL and D&C, allows ASIL to defer this payment for upto 24 months, post shipment of the plant. The shipment arrived in March 2020. The Company expects to repay this amount through available short term running finance facilities.

2.5.2. Utilization of Proceeds

The Issue will generate PKR 3,600,000,000 at floor price of PKR 30/- per share. As per the funds requirement given above, the total debt and IPO proceeds shall be utilized as hereunder:

Sources		Expenditure Heads	
Particular	PKR	Particular	PKR
IPO Proceeds	3,600,000,000	Plant & Machinery	2,705,598,040
Long Term Debt	1,735,438,212	Land (17 Acres)	445,438,212
Short Term Debt Financing ¹	1,706,240,000	Civil Works	510,000,000
		Electrical Works	486,387,463
		Mechanical Works	458,231,960
		Duties & Others	554,361,978
		Air Separation Unit	476,000,000
		LC Discount Charges	255,660,558
		Contingency	150,000,000
		Working Capital	1,000,000,000
TOTAL	7,041,678,212	TOTAL	7,041,678,212

¹PKR 1.706 Billion reflects the suppliers credit obtained from Danieli & C. Officine Meccaniche S.p.a

Break up of IPO Proceeds Utilization	PKR
Civil Works ¹	377,380,707
Electrical	486,387,463
Mechanical	458,231,960
Duties and Others ²	534,403,866
Air Separation Unit ³	399,735,446
LC Discount Charges ⁴	193,860,558
Contingency	150,000,000
Working Capital Requirement	1,000,000,000
Total Funding requirement	3,600,000,000

¹Civil Works amounting to c. PKR 132.6 Million have already been incurred by the Company. The remaining c. PKR 377.3 Million will be paid through IPO proceeds.

²Duties and Other charges amounting to c. PKR 19.9 Million have already been incurred by the Company. The remaining c. 534 Million will be paid through IPO proceeds.

³LC opening charges amounting to c. PKR 76 Million have been paid with regards to the procurement of Air Separation Unit. The remaining c. PKR 399.7 Million will be paid through IPO proceeds.

⁴LC Discount Charges amounting to c. PKR 61.8 Million have been paid with regards to the procurement of Mi.Da. Plant, the remaining PKR c. 193.8 Million will be paid through IPO proceeds. This amount of PKR 193.8 Million shall be used to pay the LC discounting charges for ASU plant and also partial LC discounting charges for Mi.Da. Plant. This is expected to be paid in 2Q FY 2021.

A detailed break up of funds required by the Company and expenditure already incurred is provided in Section 4.1.

2.6. Justification given by the Lead Manager/Consultant to the Issuer in favor of Floor price of PKR 30 per share may be seen at Para 4.2 of the Prospectus titled valuation Section.

2.7. QUALIFIED OPINION, IF ANY GIVEN BY THE AUDITOR DURING THE LAST THREE FINANCIAL YEARS

Nil

2.8. FINANCIAL INFORMATION (Please refer to Section 6.4 for further details)

In PKR Million	Audited FY 2018	Audited FY 2019	Audited FY 2020
Share Capital	3,614	3,614	4,561
Net Worth	5,413	6,182	8,160
Gross Revenue	10,688	10,482	15,710
Less sales tax ¹	-	-	(2,283)
Net Revenue	10,688	10,482	13,427
Gross Margin	25.20%	19.38%	24.35%
Operating Margin	21.46%	16.21%	21.70%
Profit after tax	1,455	768	1,236
Profit after tax Margin	13.61%	7.33%	9.20%
Earnings per share (PKR) ²	4.02	2.12 ³	2.71
Break-up value per share (PKR)	14.97	17.11	17.89
Total Borrowings as per the Balance Sheet ⁴	11,740	16,008	17,654
Debt to Equity (times)	2.19	2.64	2.20
Cash flow from Operations	(1,836)	(1,962)	(37)

¹During the period FY 2020, sales tax regime for the Company is changed from special procedures to VAT mode. Therefore sales tax amounting to PKR 2,283 Million is shown as a deduction from turnover in FY 2020.

²Ordinary shares outstanding of 456,075,293 has been used for computing the EPS.

³This EPS also includes deferred taxation.

⁴Excludes loan from Directors.

2.9. LEGAL PROCEEDINGS

Particulars	Date	Details
ASIL Tax Year 2017	30 th April 2018	During the year ended June 30, 2018, the Commissioner Inland Revenue ("CIR") raised a demand of PKR 618.251 Million under section 122(5A) for tax year 2017 by disallowing current liability on stores spares parts and loose tools, import purchases, carry forward tax losses, tax credit u/s 65B and adding income amounting to PKR 1,717.364 Million. The Company filed an appeal against the said order with Commissioner Appeals Inland Revenue on May 18, 2018 which is pending till date. Based on the advice of tax advisor and legal counsel of the Company, management is confident that the decision will be made in favor of the Company. Therefore, for calculation of tax liability for the period ended June 30, 2020, the entity has not taken the impact of CIR order and calculated it on the basis of original return submitted for tax year 2017.
Iqbal Hussain Agha TY 2017 – 122(5A)	18 th February 2019	Deputy Commissioner Inland Revenue acting under Section 122(5A) of Income Tax Ordinance 2001, raised an additional demand of PKR 47 Million against Mr. Iqbal Hussain Agha's deemed assessment for tax year 2017. The matter was challenged on grounds and the case is pending

		for adjudication before Commissioner (Appeals) Income tax.
Hussain Iqbal Agha TY 2013 – 122(5A)	31 st August 2015	Deputy Commissioner Inland Revenue acting under Section 122(5A) of Income Tax Ordinance 2001, raised an additional demand of PKR 2.8 Million against Mr. Hussain Iqbal Agha's deemed assessment for tax year 2013. The matter was challenged on grounds and the case is pending for adjudication before Commissioner (Appeals) Income tax.
Raza Iqbal Agha TY 2013 – 122(5A)	19 th September 2015	Deputy Commissioner Inland Revenue acting under Section 122(5A) of Income Tax Ordinance 2001, raised an additional demand of PKR 3.6 Million against Mr. Raza Iqbal Agha's deemed assessment for tax year 2013. The matter was challenged on grounds and the case is pending for adjudication before Commissioner (Appeals) Income tax.

Legal Proceedings are also disclosed in Section 8 of the Prospectus, titled Legal Proceedings and Overdue Loans.

Note: There are no other pending litigations against the Company other than already mentioned above.

2.10. RISK FACTORS

For key risk factors that would have an impact on the Company, its business operations and the Issue, please refer to Section 5.

2.11. SUMMARY OF RELATED PARTY TRANSACTIONS

All transactions with related parties are carried out at mutually agreed price on an arm's length basis. The related parties comprise of associated undertakings, directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties, which are as follows:

Transaction Type	Particulars of Related Party	FY 2020 PKR '000'	FY 2019 PKR '000'	FY 2018 PKR '000'
Mark up received from associated undertaking	Denim International (Pvt.) Limited	23,019	81,129	24,906
	Denim International (Pvt.) Limited	33,029	53,861	30,120
Mark up income on loan to associated undertaking	Agha Steel Industries	82,072	-	-
Loan disbursed to associated undertaking	Denim International (Pvt.) Limited	579,548	452,486	523,810
Loan recovered from associated undertaking	Denim International (Pvt.) Limited	605,229	782,547	487,178
Director's Remuneration	Executive Directors	27,600	27,600	24,900
Donation to Agha Welfare Trust ("AGWT")	Agha Welfare Trust	38,961	61,021	53,375

3 months KIBOR +1% is the mark-up and PKR 221.461 Million is the outstanding amount of loan as of June 30, 2020 of Denim International (Pvt.) Limited.

3 OVERVIEW, HISTORY AND PROSPECTS

3.1. SPONSOR'S BACKGROUND

The Agha family ("the Group") is a known name in the industrial sector over the past 5 decades with interest in various industries. In late 1960s, the Agha family entered into the steel sector with Mr. Iqbal Hussain Agha playing a crucial role in setting up family's steel business under the name of Abbas Steel, Korangi, Karachi. The family was able to successfully install and operate a meltshop with a re-rolling plant at the steel manufacturing facility. In addition to its interests in steel making, the Group was able to expand into the shipbreaking industry, setting up the Abbas Shipbreaking Industries at Gadani in 1970. The family has also maintained a long-standing link to the textile industry. In 1991, Al-Abbas Fabrics (Private) Limited was established, with the company growing rapidly and establishing itself as one of the leading knit fabric and garment exporters of Pakistan. This entity was able to set up a complete hosiery, knitting and dyeing unit with a significant portion of the revenue being derived from exports (Subsequently the sponsors have divested its stake in 1980's). With its experience in textile industry, the family also entered into the denim business in 2003 by setting up Denim International, a sole proprietorship of Mr. Iqbal Hussain Agha, having a composite fabric and garments unit with over 12 Million meters/annum of fabric production and 4 Million pieces of value-added garments. The company is currently exporting majority of its garments to the European Union and the United States of America.

The Sponsors currently have investments in ASIL and Denim International (Pvt) Limited, with both entities becoming significant players in the fabrics and steel industries over the past few years. Since its inception, ASIL has built a reputation as one of the leading manufacturers of Re-enforcement Bars and Billets in Pakistan, matching international standards and achieving production efficiencies driven by its state of the art plant & machinery.

3.2. OVERVIEW OF AGHA STEEL INDUSTRIES LIMITED

The ground breaking of the steel manufacturing plant of Agha Steel Industries ("ASI"), a partnership firm, commenced on 1st January 2010, and it started its commercial operations on 1st January 2012, producing Billets and Rebars at an installed capacity of 250,000 MT p.a. and 150,000 MT p.a. respectively.

Agha Steel Industries introduced a composite unit whereby the steel melting and re-rolling takes place on the same premises located at the industrial hub of Port Qasim. This was to be a key competitive advantage as many of the steel makers in Pakistan have their re-rolling and melting facilities at different locations resulting in time lags and cost inefficiencies, however, some of the competitors do possess the same facilities under one roof. ASI had energy efficient and fully flexible Composite unit including Electric Arc Furnace ("EAF") and completely automatic Rolling Mill with a capacity to produce Re-Bars ranging from 9.5mm to 40mm at the maximum speed of 18 m/s. ASI is the pioneer in introducing the thermo-mechanically treated ("TMT") technology in the Pakistan, in conjunction with fully automated Rolling Mill.

ASI installed the 45-ton EAF in Pakistan in 2012. The EAF allowed ASI to efficiently manage its output due to the raw material flexibility, thereby giving it a competitive edge in the industry.

Agha Steel Industries Limited (Issuer, the Company or ASIL) was incorporated on 19th November 2013 (Incorporation Number: 0085815) as a private limited company with registered office at Plot No. NWIZ/1/P-133, (SP-6) D-2, Port Qasim, Karachi and Corporate Office at Suit # 801 & 804, 8th Floor, Emerald Tower, Clifton Block 5, II Talwar, Karachi. The Company was converted into a public limited company on 7th April 2015.

On 1st June 2017, the Agha Steel Industries Limited entered into a Business Transfer Agreement ("BTA") with the Agha Steel Industries for the acquisition of net assets of ASI against issuance of shares of ASIL to the partners of ASI (Mr. Iqbal Hussain Agha, Mr. Hussain Iqbal Agha and Mr. Raza Iqbal Agha) who are also the Sponsors of ASIL. Since the Sponsors of ASIL and partners of ASI were the same, the acquisition was a move to convert the business status from a Partnership Firm to a Public Limited Company.

As per terms of the Business Transfer Agreement, net assets of ASI of PKR 3,604.013 Million excluding cash and bank balances and Government dues were transferred to ASIL against issuance of 360,401,293 ordinary shares of PKR 10 per share to the partners / directors of ASI.

The Company only deals in graded steel and now operates at an annual Billets and Rebars production capacity of 450,000 MT p.a. and 250,000 MT p.a. respectively and has a market share of more than 3%, according to the management of the Company.

3.3. PATTERN OF SHAREHOLDING:

Description	Number of shares	% Shareholding status
Shares held by Sponsor Directors:		
Iqbal Hussain Agha	201,364,616	44.15%
Hussain Iqbal Agha	91,215,059	20.00%
Raza Iqbal Agha	91,215,059	20.00%
Shares held by Family Members:		
Shazia Agha	72,280,259	15.85%
Shares held by Independent Directors:		
Saleem Parekh	100	0.00%
Abkar Ali Pesnani	100	0.00%
Askari Asghar Agha	100	0.00%
Total	456,075,293	100.00%

3.4. REVENUE DRIVERS

Sale of Rebars:

Sale of reinforcing bars is the key revenue driver for the Company contributing on average approximately 98% of the revenues for ASIL over the last three years with a market share of more than 3 percent [Source: Management's view].

The Company's flagship products include: ASTM A706 Deformed Grade 60: Earthquake Resistance Rebar', 'ASTM A615 Deformed Grade 60: The Gold Standard' and the 'E-Bar G 500+: Ultimate High Yield Strength' – products which it has supplied to landmark projects in Pakistan in the recent years.

Selected landmark projects which the Company has partly contributed in the supply of steel in recent years include:

- Neelum Jhelum Hydropower Project (17,747 MT)
- Bahria Town (7,813 MT)
- FWO - M-9 / Turbat (13,320 MT)
- Sahiwal Coal-Fired Power Plant (16,070 MT)
- SSRL Thar Coal Block 1 6.8 MTPA & SEC - Coal Fired Power Plant (5,394 MT)
- Thar Block-II Coal & Lignite - Coal Fired Power Plant (1,160 MT)
- HUB, Baluchistan – CPEC (3,727 MT)
- Matiari to Lahore HVDC Transmission Line (5,651 MT)

Sale of Billets:

Since the completion of Phase I of capacity expansion, the Company has attained ability to produce specialized grades of Billets. This has become a key differentiation factor from its competitors (specially the ones in South). Only ASIL's modernized Italian Electric Arc Furnace is capable of producing specialized grades of Billets. Further, being the only large scale EAF, the Company is well poised to attain sustainable position in long steel segment with reference to product differentiation and threat of new entrants.

Increase in Production Capacity:

ASIL is continuously increasing its melting and rolling capacities and over the period of last two years, the Company has increased its melting and rolling capacities from 250,000 MT p.a. to 450,000 MT p.a. and 150,000 MT p.a. to 250,000 MT p.a. respectively. The Company is planning to further increase its processing capacity to cater increased demand and achieving cost leadership through most efficient processes in Pakistan.

Particulars	Pre Expansion/MT p.a.	Post Phase I Expansion/ MT p.a.	Post Phase II Expansion/ MT p.a.
-------------	-----------------------	------------------------------------	-------------------------------------

Melt shop (Billets)	250	450	450
Re- Rolling	150	250	650

3.5. COST DRIVERS

Scrap / Raw Material:

Scrap metal is one of the most important raw materials in the steel making process and accounts for 60-65% of the cost of manufacturing for Agha Steel Industries Limited. The price of scrap in the international market is important to the overall cost of manufacturing since this component in the production process is primarily imported in Pakistan.

Fuel and Power (Electricity):

Fuel and power account for c. 20% of the cost of manufacturing of the Company. ASIL's use of state of the art machinery leads to an efficient production process helping them to keep the cost of electricity low. The phase II expansion is expected to further reduce the expenditure on fuel and power.

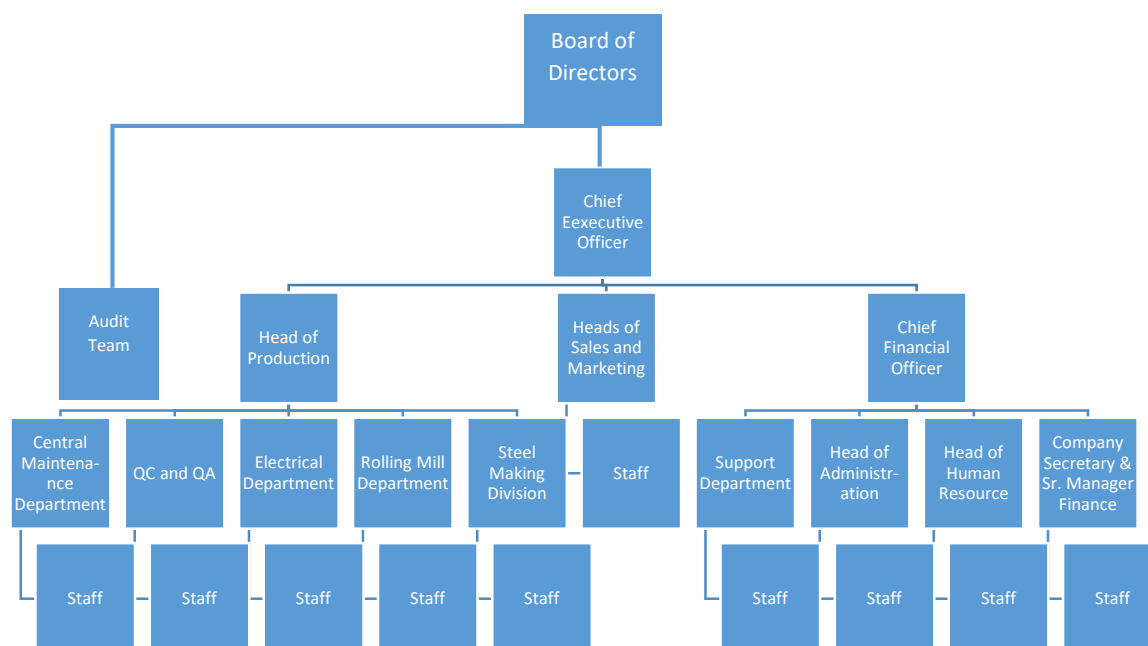
Furthermore, in order to ensure smooth factory operations at the facility, a dedicated 132kV grid station capable of transmitting 70MW electricity is installed for uninterrupted power supply from K-Electric.

The Company does not have its own captive power plant however a dedicated 132kV grid is installed by K-Electric at ASIL premises to ensure dedicated end to end transmission of electricity.

Human Resources:

Salaries and wages account for c. 7% of the cost of manufacturing for ASIL. ASIL's adoption of state of the art machinery such as the Electric Arc Furnace has led to many of the Company's production processes being automated compared to other steel producers in Pakistan. As a result, the Company has been able to reduce its HR cost as a percentage of its revenues over the last three years.

3.6. COMPANY ORGANOGRAM



3.7. Key Milestones

Years	Events
2010	Ground Breaking of Factory premises (Agha Steel Industries)
2012	Commencement of Commercial Production (Agha Steel Industries)
2013	Incorporation of Agha Steel Industries Limited
2014	Crossed 5,000 MT per month production of D-Bars (Agha Steel Industries)
2015	Conversion of ASIL from Private Limited Company to Public Limited Company
2015	Crossed 10,000 MT per month production of D-Bars (Agha Steel Industries)
2015	11th Consumer's Best Choice Award for being 1st Electric ARC Furnace, EBAR G500+ (Agha Steel Industries)
2015	CSR Event - Opening of First Agha Dialysis Center
2016	8th Corporate Social Responsibility Award (Agha Steel Industries)
2016	Signing of Meltshop BMR Contract with M/s Danieli S.P.A Italy under phase 1 of the expansion
2017	Highest Production D-Bar 12,008 M. tons (Agha Steel Industries)
2017	National Forum for Environment & Health 9th CSR Summit & Awards-2017 (Agha Steel Industries)
2017	Acquisition of Net Assets of Agha Steel Industries by Agha Steel Industries Limited ¹
2017	Signing of New Mi.Da. Rolling Mill Contract with M/s Danieli S.P.A, Italy of phase II expansion (Agha Steel Industries Limited)
2018	Successful completion of Billets and Rebars expansion project, taking plant capacity to 450,000 MT p.a. and 250,000 MT p.a. respectively (Agha Steel Industries Limited)

¹On 1st June 2017, the Agha Steel Industries Limited (which was dormant before the acquisition) entered into a Business Transfer Agreement ("BTA") with the Agha Steel Industries for the acquisition of net assets of ASI against issuance of shares of ASIL to the partners of ASI (Mr. Iqbal Hussain Agha, Mr. Hussain Iqbal Agha and Mr. Raza Iqbal Agha) who are also the Sponsors of ASIL.

Since the Sponsors of ASIL and partners of ASI were the same, the acquisition was a move to convert the business status from a Partnership Firm to a Public Limited Company. Post BTA, ASI becomes dormant and the entire operations were carried out by ASIL.

3.8. LOCATION OF PLANT AND PRODUCTION CAPACITY

The current production facility of the Company is strategically located at Port Qasim giving the Company an inherent benefit due to proximity to the sea port and covers an area of approximately 10 acres. In 2018, the Company acquired an additional 17 acres of land adjacent to its existing facility for setting up the new re-rolling mill and for any further expansion in the future. Furthermore, in order to ensure smooth factory operations at the facility, a

dedicated 132kV grid station capable of transmitting 70MW electricity is installed for uninterrupted power supply from K-Electric.

The Company does not have its own captive power plant however a dedicated 132kV grid is installed by K-Electric at ASIL premises to ensure dedicated end to end transmission of electricity.

In June 2018, the Company completed its first Balancing, Modernization, Rehabilitation and Expansion (“BMRE”) activity, at its current premises, to expand melting capacity from 250,000 MT p.a. to 450,000 MT p.a and rolling capacity from 150,000 MT p.a. to 250,000 MT p.a.

Due to the planned expansion, the plant was non-operational for almost 5 months and became fully functional from January 2019, effecting FY 2019. This has further caused under capacity utilization in FY 2019 as depicted below:

Year	Rebars Production Capacity in MT	Capacity Utilization
FY 2015	150,000 – ASI	70%
FY 2016	150,000 – ASI	77%
FY 2017	150,000 – ASI	84%
FY 2018	150,000 – ASIL	84%
FY 2019	250,000 – ASIL	50%
FY 2020	250,000 – ASIL	62%

Year	Billets Production Capacity in MT	Capacity Utilization
FY 2015	250,000 – ASI	49%
FY 2016	250,000 – ASI	56%
FY 2017	250,000 – ASI	57%
FY 2018	250,000 – ASIL	55%
FY 2019	450,000 – ASIL	31%
FY 2020	450,000 – ASIL	41%

The Industry average capacity utilization for Billets and Rebars are 50% and 60% respectively for FY 2019.

ASIL intends to raise the equity through the Initial Public Offer to finance the ongoing expansion of the Company with regards to setting up Mi.Da. Rolling Mill. The Mi.Da. Rolling Mill is characterized by a single strand Continuous Casting-Rolling process featuring ultra-high speed Power Mold Caster, in-line billet inductive heating as well as bar quenching and tempering system, and a Direct Rolling Bundling system, all arranged in an extremely compact layout.

With this significant milestone, ASIL steel production capacity (Rebars) will increase to 650,000 MT p.a. from 250,000 MT p.a.

Particulars	Pre Expansion/MT p.a.	Post Phase I Expansion/ MT p.a.	Post Phase II Expansion/ MT p.a.
Melt shop (Billets)	250	450	450
Re- Rolling	150	250	650

From FY 2012 to FY 2019, all of the billets produced were consumed internally for making Rebars, however in FY 2020 the Company has decided to sell billets directly to the market. During FY 2020, the Company sold c. 8,723 MT in the market whereas 174,129 MT was consumed internally.

3.9. INFRASTRUCTURE OVERVIEW

The Company’s production facility is an international standard integrated composite melting and re-rolling unit, strategically located at Port Qasim giving the Company an inherent benefit due to proximity to the sea port. The presence of melting and re-rolling unit in the same facility allows for greater efficiency and cost advantage in the production process and gives the Company a competitive edge over its peers who have their melting and re-rolling facilities at different locations.

The current production facilities of the Company cover an area of approximately 10 acres. In addition to the existing operational unit, the Company has also acquired an additional 17 acres of land adjacent to its existing facility for setting up the new re-rolling mill (Mi.Da. Rolling Mill) and for any further expansion in the future.

Furthermore, in order to ensure smooth factory operations at the facility, a dedicated 132kV grid station capable of transmitting 70MW electricity is installed for uninterrupted power supply from K-Electric.

The Company does not have its own captive power plant however a dedicated 132kV grid is installed by K-Electric at ASIL premises to ensure dedicated end to end transmission of electricity.

1. Internationally Compatible and Efficient Production Infrastructure:

The Company possesses 45-ton Eccentric Bottom Tapping (“EBT”) Electric Arc Furnace (“EAF”) with ladle refining furnace and has Cut to Length (“CTL”) facility allowing it to cast molten steel in a 3 strand continuous casting machine and enabling the Company to produce customized lengths of Billets and Rebars. The process drives the Company’s exclusive method of manufacturing, enabling it to attain the highest quality and safety standards available in the Pakistani market.

The EAF enables the Company to grade its Billet through a refining process, thus improving the overall product mix to focus on consumer requirements and giving the Company flexibility in terms of raw material input. This flexibility results in reducing the risk of supply of raw material input and places it at a significant competitive advantage over its peers who use induction furnaces which require a pre-set mix of raw materials input.

The manufacturing process adopted by ASIL also ensures lower level of impurities and wastage, thereby increasing the efficiency of the production resources. Additionally, the EAF is considered energy efficient compared to induction furnaces and is primarily automated which leads to lower labour costs.

Further, the ability to produce Rebars of different grades and sizes from the same production facility allows the Company to adjust its production mix with respect to the demand in the market.

Electric Arc Furnace vs Induction Furnace:

As per the management of ASIL, following is the competitive advantage to the Company of having an Electric Arc Furnace instead of an Induction furnace:

- I. Electric Arc Furnace has lower energy costs as compared to an Induction Furnace. It gives saving of c. 180 units /MT (i.e. savings of 20%-25% of the total electricity cost).
- II. Electric Arc technology, being modern, is up to the standard and fully compliant with the current environmental regulations in any country whereas, an Induction Furnace is not. This is the very reason that induction melting facility of up to 140 Million Metric Ton per annum has been banned in China in the year 2017.
- III. In Electric Arc Furnace, it is easier to change materials, therefore recipe can be made as per customers’ specific requirement. Induction Furnace follows a fix recipe process.
- IV. Electric Arc Furnace is less labor intensive vis a vis an Induction Furnace and saves labor cost up to PKR 200/MT.
- V. Electric Arc Furnace is 10% higher efficient, in terms of yield recovery, than an Induction Furnace.
- VI. Electric arc Furnace is capable of producing high carbon and low carbon Billets, a feature that is not available through induction melting.

Induction furnace is ideal for smelting and investments having low budgets. The capital expenditure is lower in induction furnace while the operation cost is higher i.e. high variable cost with low fixed cost. Electric Arc Furnace is ideal for large scale manufacturing of quality steel. Its capital expenditure is higher but the operation costs is lower and efficiencies are much more in steel making i.e. high fixed cost with relatively low variable cost.

2. Customized Product Range and Quality Control:

The Company uses thermo-mechanically treated (“TMT”) technology in conjunction with a fully automated rolling mill in its production process enabling it to produce high quality Rebars which includes accuracy in terms of the length and grade, thus meeting the customers’ needs. ASIL’s EAF composite unit allows it to produce high and low carbon Billets of specialized grades and has ability to produce 9.5mm to 40mm Rebars, thus enhancing ASIL’s capability to target a larger base of industries through its diversified products.

The facility also includes a state of the art Spectro Lab in order to ensure the best customized output. The Company is the pioneer of ASTM A706, Earthquake Resistance Rebar which won 'Consumer Choice Award' for the year 2014-15.

3. International & Local Accreditations:

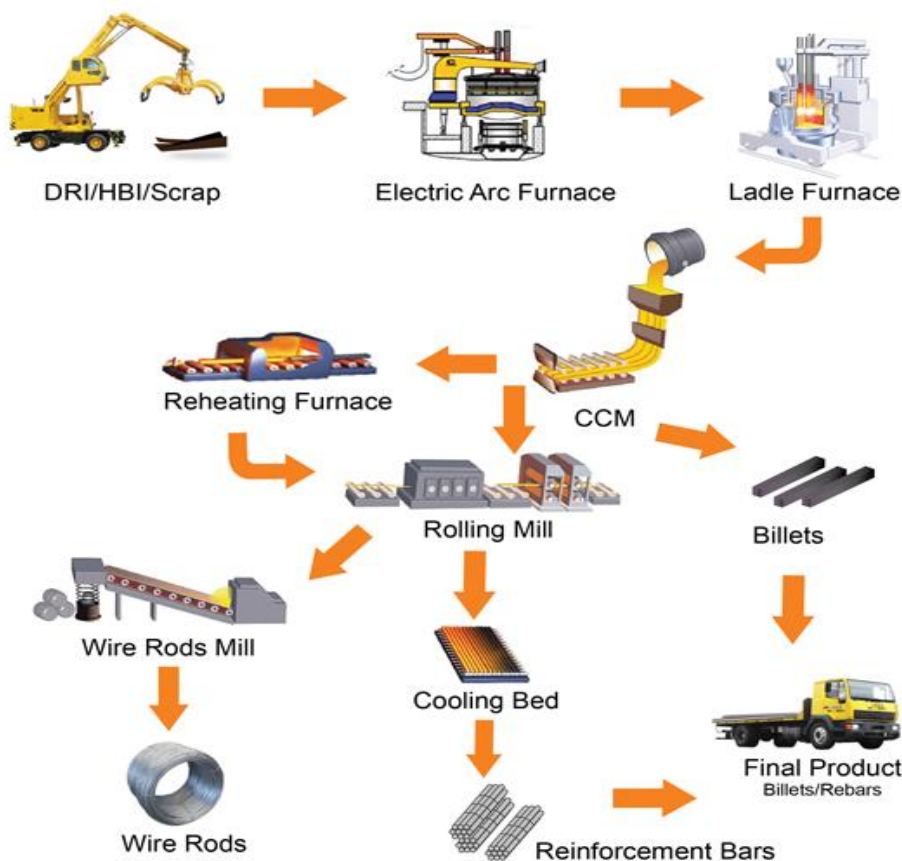
The quality of ASIL products has been certified by international and local accreditations including the following:

- i. Pakistan Standards and Quality Control Authority¹ ("PSQCA")
- ii. ISO 9001:2015 certification

¹The PSQCA certification has been expired on 28th February 2020, however, the Company has already applied for the renewal. Due to COVID-19, the new certificate has been delayed.

3.10. MANUFACTURING PROCESS OVERVIEW

ASIL's production process starts with the melting of steel scrap through a 45-ton Electric Arc Furnace. The scrap is melted using arcing technology with electricity as base source energy. Once the scrap has been completely melted and the required temperature has been achieved, it is sent to the Ladle Refining Furnace for refining and achieving the desired steel grade. The refining of molten steel is carried out by adding various ferroalloys and removing certain impurities such as sulfur at the Ladle Refining Furnace, while maintaining its required temperature. This molten steel is then sent to a three strand continuous casting machine, where molten steel is solidified into a "semi-finished" billet for subsequent rolling in the finishing mills.



At the second phase of production, Billets are reheated under a controlled temperature in an automatic reheating furnace at 1,100-1,200°C. The heated Billets are subsequently rolled through a sequence of fully automatic computerized rolling strands, progressively reducing to the required sizes and lengths. With the help of a rolling conveyor, the Billets are made to pass through a Roughing Strand. This begins the process of gradual size reduction of Billets. Following the Roughing Mill, the size is further reduced in Intermediate and Finishing Mills. During this

gradual reduction, the bar is also processed through a water quenching and self-tempering process. This ensures finer grain structure and also ensuring that the bar has a high Corrosion Resistance Property.

The Company has decommissioned its wire rod facility and is no longer producing wire rods.

3.11. PRODUCT PORTFOLIO

3.11.1. Billets

The Company offers a wide range of alloy, carbon and mild steel Billets manufactured using premium quality scrap imported from China, UK, US and other European Countries. The range of Billets contains high tensile strength. The Billets are available in sizes of 120x120mm, 110x110mm and 100x100mm.

Billets are mainly used as the basic material for production of different types of Rebars and Wire Rods. At the moment, the Company largely consumes its Billet production internally to cater to its Rebar production requirement.

There are no long term contracts with the suppliers of scrap, whoever provides the quality raw material at competitive pricing, the Company purchases it.

Post expansion Phase I, the Company has also attained the ability to manufacture the specialized grades of Billets. These specialized graded Billets are primarily import substitution.

Details of major suppliers of ASIL is as follows:

Supplier Name	Product	Origin
Stamcorp International Pte Ltd	Shredded Steel Scrap ISRI 211	Australia
ATL Steel Limited	Tin can Shredded Scrap	United Kingdom
Jaguar Steel & Coal Pte Ltd.	Shredded Steel Scrap ISRI 211	United Kingdom
Eurajoen Romu Oy	Shredded Steel Scrap ISRI 211	Europe
Air Global FZC	Iron and Steel Turning Briquette Scrap	South Africa
Stamcorp International Pte Ltd	Shredded Steel Scrap ISRI 211 (24/25 Per Container Loading)	Brazil

3.11.2. Rebars

Using in-house Billets, ASIL further rolls the heated steel to produce various types of steel bars. Rebars are produced with different grades which demonstrate their respective mechanical properties and chemical composition. Moreover, Rebars produced are of multiple diameters (depicting the sturdiness of a steel bar), with lower diameter bars catering to residential demand whereas higher diameter bars addressing commercial and industrial usage.

Earthquake Resistance bars - ASTM A706; Grade 60: Recipient of the consumer choice award, ASTM A706/A706M continues to place upper limits on yield strength, a fundamental requirement for satisfactory use in reinforced concrete structures designed to resist earthquakes. A706 also has excellent strain ductility capacity and chemical composition that makes it more suitable for welding.

Deformed Bars - ASTM A615; Grade 60: Particularly suited for medium to heavy duty reinforcement applications, ASTM A615 Grade 60 rebar offers minimum yield strength of 60.000 pounds per square inch (420 megapascals).

EBar G 500+: A unique offering and designed, E-Bar G500+ is the “Ultimate High Yield Strength” rebar promising stronger rebars and extra savings.

3.12. DEMAND OF THE PRODUCT & FUTURE PROSPECTS

Total steel demand of Pakistan is 7.1 Million MT p.a. [Source: World Steel Association (“WSA”). Demand growth is expected to increase in the long-term despite the slower economic growth in the short run due to Global Pandemic

of COVID – 19. However post COVID – 19, economic activity of Pakistan is expected to accelerate with an increase in large scale manufacturing and Government spending.

In Pakistan, graded products are mostly manufactured by organized operators who, due to their size and volume, are able to invest in quality controls and resultantly competitive pricing. Ungraded operators mostly operate in a sporadic manner catering to domestic residential real estate demand in smaller cities. However, industry consolidation due to exit of smaller non-integrated and inefficient players (ungraded sector) is expected to support sales of the players like Agha Steel Industries Limited.

Owing to an increase in large infrastructure projects planned by the government, hugely with regards to China–Pakistan Economic Corridor and the Naya Pakistan Housing Scheme, demand is expected to be high in medium to long term. However going forward, demand will be affected by the following drivers:

1. COVID – 19 Effect
2. Public Sector Expenditure
3. CPEC led Projects

1. The effect of Global Pandemic, COVID 19

Covid-19 or coronavirus pandemic is having a severe impact on global and local economic activity with closure of businesses, compression in demand and impact on international trade. Severity of the impact can be gauged by the forecast that most developed economies will be entering into a recession. As of 20th August 2020, the global count for coronavirus infected patients has crossed 22.4 Million with number of deaths being over 788,000. There are however, signs of recovery and re opening in various western and European countries.

Special reliefs are being granted by the GOP to enable the supplies of construction industry. Being a highly leveraged sector, the high cost of capital and low market liquidity has created a negative impact on the sector. With recent governmental measure for reduction in bank offer rates and stability in currency rates, any business with strong fundamentals, demonstrated ability to manufacture at competitive rates complimented by a developing demand of its product is bound to perform good.

(For further details please refer Section 4.2.9 of the Prospectus)

2. Public Sector Expenditure

Social measures being undertaken such as the “Naya Pakistan Housing Scheme” to provide affordable housing for low / middle income families (will be done under a Public Private Partnership), construction of dam for water conservation and measures being taken to ensure energy and food security will underpin steel demand in the future.

In addition to the above, the Government of Pakistan also intends to address the impending issue of water security with creation of dams and reservoirs. A number of projects have been announced which are as follows:

Project	Lead Project	FY	Expected Demand of Bars/Steel products	QTY
Tarbella Extension V	Wapda	FY22	210,000	MT p.a.
Suki Kinari	CPEC	FY22	230,000	MT p.a.
Karot	CPEC	FY22	200,000	MT p.a.
Kohala	CPEC	FY25	230,000	MT p.a.
Dasu	WAPDA	FY24	640,000	MT p.a.
Daimer Bhasha	WAPDA	FY21-25	660,000	MT p.a.
Total Expected Future Demand for these projects			2,170,000	MT p.a.

Source: Infrastructure Projects|CPEC < <http://cpec.gov.pk/energy> > and WAPDA Projects < <http://wapda.gov.pk/> >

3. China Pakistan Economic Corridor (“CPEC”) Impact

Several projects under CPEC umbrella have also fueled demand for long steel products. Currently valued at c. US\$ 62 Billion (expected to add up to 2% to GDP growth), CPEC-led projects are intended to rapidly modernize infrastructure and strengthen the economy by construction of modern transportation networks, initiation of numerous energy projects and special economic zones.

Several critical projects are still in development phase and are expected to add to the growing long steel demand in the foreseeable future:

Selected Road Projects:

- KKH Phase II (Thakot -Havelian Section)
- Peshawar-Karachi Motorway (Multan-Sukkur Section)
- Khuzdar-Basima Road N-30 (110 km)
- Upgradation of D.I.Khan (Yarik) - Zhob, N-50 Phase-I
- KKH Thakot-Raikot N35 remaining portion (136 Km)

Source: Infrastructure Projects|CPEC <<http://cpec.gov.pk/infrastructure>>

Selected Rail Projects:

- Expansion and reconstruction of existing Line ML-1
- Havelian Dry port (450 M. Twenty-Feet Equivalent Units)

Source: Infrastructure Projects|CPEC <<http://cpec.gov.pk/infrastructure>>

Selected Power Generation Projects:

- Sahiwal Coal-fired Power Plant, Punjab
- SSRL Thar Coal Block-I 6.8 mtpa & SEC Mine Mouth Power Plant
- Quaid-e-Azam Solar Park (Bahawalpur)
- Thar Block II Coal & Lignite fired projects
- CPHGC, Hub, Baluchistan
- Thar Mine Mouth Oracle Power Plant

Source: Power|CPEC <<http://cpec.gov.pk/energy#>>

Power Transmission Projects:

- Matiari to Lahore ± 660 kV HVDC Transmission Line Project
- Matiari (Port Qasim) to Faisalabad Transmission Line Project

Source: Power|CPEC <<http://cpec.gov.pk/energy#>>

3.13. NAMES OF THE COMPETITORS

1. Mughal Iron & Steel Industries Limited ("Mughal")
2. Amreli Steels Limited ("Amreli")
3. Ittefaq Iron Industries Limited ("Ittefaq")

3.14. INTELLECTUAL PROPERTY RIGHTS

None

3.15. MATERIAL PROPERTY

Following are the material properties appearing on ASIL's Balance Sheet:

S.No.	Particulars	Address
1.	Leasehold Land – 10 Acres	Plot No. N.W.I.Z. / 1 / P-133, (SP-6 and 6/E), D-2, Port Qasim Authority, Karachi.
2.	Leasehold Land – 17 Acres	Plot No. N.W.I.Z. / 1 / P-133, (SP-6/E-1), D-2, Port Qasim Authority, Karachi.
3.	Office Suite (Owned)	Plot no. G-19, Office # 801, 8th Floor, Emerald Tower, II Talwar, Block # 5, Clifton, Karachi.
4.	Office Suite (Owned)	Plot no. G-19, Office # 803, 8th Floor, Emerald Tower, II Talwar, Block # 5, Clifton, Karachi.
5.	Office Suite (Owned)	Plot no. G-19, Office # 804, 8th Floor, Emerald Tower, II Talwar, Block # 5, Clifton, Karachi.

3.16. MAJOR CUSTOMERS

The Company has a blue chip clientele comprising of large government and private sector enterprises. The Company has been successful in becoming a major player in the Pakistan steel industry in a short period of time and has supplied its products for some of the major landmark projects being carried out in Pakistan.

Customer base comprises c. 75% institutions and c. 25% retail network. Due to its geographical presence, the Company's market position is stronger in the Southern regions, whereas in the North, the Company has increased its presence through various distribution channels.

The Company has quantity based contracts with its customers of short term to medium term.

Some of the key customers which the Company has served in recent years include the following:



Selected landmark projects which the Company has partly contributed in the supply of steel in recent years include:

- Neelum Jhelum Hydropower Project (17,747 MT)
- Bahria Town (7,813 MT)
- FWO - M-9 / Turbat (13,320 MT)
- Sahiwal Coal-Fired Power Plant (16,070 MT)
- SSRL Thar Coal Block 1 6.8 MTPA & SEC - Coal Fired Power Plant (5,394 MT)
- Thar Block-II Coal & Lignite - Coal Fired Power Plant (1,160 MT)
- HUB, Baluchistan – CPEC (3,727 MT)
- Matiari to Lahore HVDC Transmission Line (5,651 MT)

3.17. ALL GOVERNMENT AND OTHER APPROVALS WHICH ARE MATERIAL AND NECESSARY FOR CARRYING ON THE BUSINESS OF THE ISSUER

There are no material government and other approvals required for carrying on the business of the Issuer.

3.18. ASSOCIATED COMPANIES

Name of Company	Nature of Relation	Names of Common Directors	Shareholding of ASIL	Nature of Business
Denim International Private Limited	Common directorship	1. Iqbal Hussain Agha 2. Raza Iqbal Agha 3. Hussain Iqbal Agha	None	Textile Unit
Agha Welfare Trust	Common Trustees	1. Iqbal Hussain Agha 2. Raza Iqbal Agha 3. Hussain Iqbal Agha	None	Welfare Trust
Agha Steel Industries	Common directorship	1. Iqbal Hussain Agha 2. Raza Iqbal Agha 3. Hussain Iqbal Agha	None	Inactive
Agha Oxygen Private Limited	Common directorship	1. Iqbal Hussain Agha 2. Raza Iqbal Agha 3. Hussain Iqbal Agha 4. Shazia Iqbal Agha	None	Trading and Manufacturing of Liquid Oxygen

3.19. RELATED PARTY TRANSACTION

All transactions with related parties are carried out at mutually agreed price on an arm's length basis. The related parties comprise of associated undertakings, directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties, which are as follows:

Transaction Type	Particulars of Related Party	FY 2020 PKR '000'	FY 2019 PKR '000'	FY 2018 PKR '000'
Mark up received from associated undertaking	Denim International (Pvt.) Limited	23,019	81,129	24,906
Mark up income on loan to associated undertaking	Denim International (Pvt.) Limited	33,029	53,861	30,120
	Agha Steel Industries	82,072	-	-
Loan disbursed to associated undertaking	Denim International (Pvt.) Limited	579,548	452,486	523,810
Loan recovered from associated undertaking	Denim International (Pvt.) Limited	605,229	782,547	487,178
Director's Remuneration	Executive Directors	27,600	27,600	24,900
Donation to Agha Welfare Trust ("AGWT")	Agha Welfare Trust	38,961	61,021	53,375

3.20. INDUSTRY OVERVIEW

Pakistan's steel sector, can be categorized into two types:

- Long Steel (Re-bars, Billets, Wire Rods etc.)
- Flat Steel (Hot Rolled Coils, Hot Dipped Galvanized steel, Cold Rolled Coils, Sheets, etc.)

Rebar, also known as reinforcement steel and reinforcing steel, is a steel bar used in reinforced concrete and masonry structures to strengthen and hold the concrete in tension.

Billets are not of practical use until they have been formed into more functional shapes and sizes. While they have already been put in the furnace, they still require a series of shaping and molding procedures such as hot and cold working, milling and cutting before they are sold. It is used as a raw material to Rebar which has to be processed further.

Wire rod is used for many different products. Wire is used, for example, to produce not only wire ropes, barbed wire, wire mesh and nails, but also springs, welded wire mesh and reinforcement wire.

Pakistan remains amongst the lowest per capita consumer of steel (c. 43kgs per capita) in comparison to the region (c. 276kgs per capita) and the world (c.214kgs per capita) [Source: World Steel Association], presenting an exceptional opportunity for the steel sector to grow manifolds and for operators to benefit from a significant upside potential. Currently total steel demand of Pakistan is c. 7.1 Million tons p.a. of which imports meet 45% of local demand.

The price difference on imports mainly pertains to the regulatory duty of 15% and 25% on Billets and Rebars respectively, imposed by the Government of Pakistan to protect local steel industry. These duties make the product unviable to import in Pakistan.

3.20.1. Effects of the Outbreak of International Pandemic - COVID 19

Pakistan's GDP growth, which has suffered over the last 2 years due to macroeconomic stabilization policies being pursued by the government, is expected to slow down further in FY20 due to COVID - 19. While the number of infected patients and casualties in August 2020 have crossed 293,130 and 6,244, respectively. Risk of rapid spread remains high given the sizeable and densely populated rural segment in the Country.

Regulatory relief from the central bank and recent cut in policy rate to 7%, should provide some relief to corporates in these challenging times.

Experts are assessing the current situation closely with a view to understand its impact on the Pakistan economy as a whole and its variable impact on its major GDP sectors. Given the soft lock down situation all over the Country, the services and manufacturing sectors are being hit to a significant extent as workers are not able to reach workplaces, leading to closures of businesses and loss of production of goods and services.

3.20.2. Global Steel Sector and Effects of COVID-19 on it

World crude steel production touched c. 1.8 Billion MT during 2019 (4.6% rise from last year) according to the World Steel Association. Global demand for steel is expected to remain flat in the near future, owing to a slower global economic growth. Uncertainty over the trade environment and volatility in global financial markets due to COVID - 19 could pose downside risks to this forecast.

Asia produces 1.34bn MT of crude steel. An increase of 5.7% in 2019 as compared to 2018. The highest crude steel production in the world is done in China, wherein in 2019, 928.3 Million tons crude steel was produced. [Source: world steel.org]

China's steel industry faced great difficulties in steel production and sales since the beginning of the new lunar year due to COVID 19

Effects of this pandemic brought on China's steel industry are:

- **Falling demand**
Demand dropped as all the construction, machinery, automotive, shipbuilding and home appliances stopped functioning and delayed their resumption of work because of which demand declined sharply.
- **Steel inventories on the rise**
Chinese steel inventories increased after the holiday due to low demand and restriction on transportation.

- **An increase in exports of steel**
 Since domestic demand had fallen, china's exporters had cut prices to attract overseas. But there is a great uncertainty about unloading at ports.
 In addition to the duties mentioned under Section 3.20 of the Prospectus, the Chinese export is also liable to pay a 24.04% anti-dumping duty.
- **Uncertain steel prices**
 Steel prices dropped suddenly as soon as the Lunar Year holiday ended due to the bearish sentiment because of the coronavirus.
- **Tight supply of steel making raw materials**
 Steelmaking raw materials are low in supply as there is a restriction on transport which is limiting deliveries. Companies are unable to source for raw scrap because scrapyards are closed in China. Workers are at home due to the government's restrictions to contain the virus.
- **Production cuts**
 Steel production had a 5.4% cut from early February as steel mills either cut production or closed down.
- **Restrictions on transport**
 To stop the spread of the coronavirus, domestic trucks and their drivers were stopped from working. That made transport of raw material impossible and steel mills dependent on trucking were hit hard.

3.20.3. Effect of COVID – 19 on Steel Sector of Pakistan:

Steel Sector being heavily dependent on imported raw material is a highly leveraged sector. The overall economic slowdown prior to the COVID 19 lockdown has had a negative impact on construction sector as well the steel sector of Pakistan. Pakistan's steel industry has suffered due to the sudden outbreak of the pandemic, which has disturbed pace of work on public sector developmental projects and CPEC.

Construction being the backbone of the industry was a special concern for economic policy makers. During the Covid lockdown the economic measure taken by the Government whereby the offer rate was reduced to 7%. Reduced rates financing and deferment of liabilities were introduced, the highly leverage steel sector was the biggest beneficiary of the said relief measures. Also with certain tax benefit schemes introduced in the construction sector, the demand in post COVID scenario for steel sector is on higher side.

3.20.4. Mitigating Factors for Rehabilitation of Industry in Pakistan

- **Regulatory Relaxations:**
 State Bank of Pakistan ("SBP's") role in the crisis has been very proactive and, recognizing the urgency of the situation, it held various discussions with the stake holders and has announced a number of regulatory relaxations for the borrowers which would facilitate the banks in providing them relief as well as maintain their portfolio quality, within permissible guidelines of the SBP. These relaxations cover most segments of the borrower from corporate, commercial to consumer and export oriented borrowers. SBP has also taken actions to increase the overall pool of credit funds by the banks. The policy rate has also been revised downwards to 8% by SBP to provide more space in cost of doing business.
- **Deferment of Payment of Principal for Businesses upto 1 Year:**
 Financial Institutions can defer the payment of principal on loans for obligor by one year but mark-up needs to be serviced in a timely manner. The deferment will not affect the credit history of the obligor and will not be reported in the eCIB as restructuring. Such deferment by financial institutions cannot be availed on non-performing loans as of 31-Dec-2019.
- **Relaxation in Criteria for Restructuring / Rescheduling of Loans:**
 For borrowers/obligors whose financial conditions require relief beyond the extension of principal repayment for one year, SBP has relaxed the regulatory criteria for restructuring/rescheduling of loans. The loans that are

re-scheduled/restructured within 180 days from the due date of payment will not be treated as defaults. Banks would also not be required to suspend the unrealized mark-up against such loans.

– **Facilitating New Investments:**

A Temporary Economic Refinance Facility (“TERF”) has been announced which will provide concessionary refinance for setting up new industrial units. The facility caters to the post-pandemic scenario and is available at Banks/DFIs. Maximum limit is PKR 5 billion per project.

– **Relaxation in Capital Conservation Buffer (“CCB”) Requirement**

Banks can now supply additional loans to businesses and households. The CCB has been reduced from its current level of 2.50% to 1.50%. Now banks can lend an additional amount of around PKR 800 billion, an amount equivalent to about 10% of their current outstanding loans.

3.20.5. Effect of COVID – 19 on Agha Steel Industries Limited:

ASIL had planned a routine quarterly maintenance plant shutdown from 21st March 2020 to 15th April 2020. However, the shutdown period got extended till 14th May 2020 amid the lockdown due to COVID-19. The plant resumed its operations from 15th May 2020. It played out in the Company’s favour that the planned maintenance shutdown coincided with the lockdown due to the COVID-19.

With the specific case of ASIL, the Company faced a drop in its sales which was consistent with rest of the industry. However, the sales have increased considerably due to investment measures taken by the Government of Pakistan in construction sector.

Agha Steel Industries Limited has been engaged in the Phase II of its expansion which was halted during the COVID-19 lockdown. The local preparation and installation of the equipment has resumed from 15th May 2020 and the Company’s management is confident that if there are no further lockdowns they will be able to complete the work on time as they were ahead of the schedule prior to the lockdown. The second part of this project i.e. Installation and cold / hot commissioning shall be carried out in the presence of Italian experts between January to March, 2021.

3.20.6. Long Steel Segment

Long Steel accounts for c. 75% of total steel produced in Pakistan with market size estimated at c. 5.5mn MT p.a. and the rest c. 25% comprises of Flat Steel Products. Agha Steel Industries Limited deals in graded segment of the Industry.

3.20.7. Competitive Landscape

The long steel sector of Pakistan can broadly be segmented into the following:

S. No.	Sector Composition	Market Share
1	Graded	25%
2	Ungraded – Shipbreaking	22%
3	Ungraded – others	53%

3.20.8. Graded and Ungraded Segment of Long Steel

Steel is graded as a way of classification and is often categorized into four groups, which are as follows:

Carbon Steels only contain trace amounts of elements besides carbon and iron. This group is the most common, accounting for 90% of steel production. Carbon Steel is divided into three subgroups depending on the amount of carbon in the metal: Low Carbon Steels/Mild Steels (up to 0.3% carbon), Medium Carbon Steels (0.3–0.6% carbon), and High Carbon Steels (more than 0.6% carbon).

Alloy Steels contain alloying elements like nickel, copper, chromium, and/or aluminium. These additional elements are used to influence the metal’s strength, ductility, corrosion resistance, and machinability.

Stainless Steels contain 10–20% chromium as their alloying element and are valued for their high corrosion resistance. These steels are commonly used in medical equipment, piping, cutting tools, and food processing equipment.

Tool Steels make excellent cutting and drilling equipment as they contain tungsten, molybdenum, cobalt, and vanadium to increase heat resistance and durability.

ASIL deals in Carbon Steels segment of the graded steel. There are two kinds of commonly used long reinforcements in Pakistan. The graded steel and ungraded steel (often called a TOR bar). The difference is explained hereunder.

Graded Steel (Recycling of steel through melting process):

Composed from melting the scrap of various kinds through furnaces (Blast, induction and Arc). Since steel is obtained through melting process, the composition / ingredients are defined in the light of currently stated standards. The graded steel process consists of two phases. First one is the melting of scrap to create Billets. The second and final process includes the thermo-mechanical re-rolling of these Billets to form re-bar.

Constituting nearly a quarter of total supply of the long steel in the industry and producing c. 1.5 Million MT p.a. of long steel products, this market segment is made up of renowned companies and other emerging corporates.

Graded steel products are mainly produced in mini mills as there is no Integrated Mill operator in Pakistan. It is pertinent to note that most of the older mill operators use Induction Furnace hence, are in a disadvantageous position when stacked against environment and quality controls.

Within the graded segment, large players operate in both steel melting and rolling plants whereas, other players are involved in either of the two using combinations of input-output matrix to maintain most profitable production mix. As per market checks, margin of the producers can remain adequate with a billet-rebar strategy, however, operating combined melting and rolling plant provides the producer ability to achieve higher volumes and better Rebar quality.

Manufacturing plants of large operators are mostly located in Lahore and Karachi, which are metropolitan cities and provincial capitals. Lahore connects steel producers to the market in North Region with an increased cost of raw material transportation and higher inventory levels, whereas Karachi connects directly to the South Region offering ease of import of the scrap through sea ports but with higher cost of transporting finished goods up north. However, no regional dominance is prevalent in the local steel market especially in the institutional segment where quality of steel is the most important benchmark.

Ungraded Steel (TOR Bars):

Composed from rolling the ship breaking scrap. Unlike the graded process, the large ship plates are not melted here, instead they are directly thermos-mechanically re-rolled to produce bars. In this process grading and composition of elements cannot be measured as the process does not involve melting.

3.20.9. Ungraded Sector

Shipbreaking Grade

The ship breaking industry, situated at Gadani, Baluchistan consists of around 100 shipyards owned by various ship breakers. Ship breakers buy used ships from around the world, consisting of 5,000 to 45,000 MT of steel and dismantle the ships into steel scrap plates which are then sold to steel re-rolling mills for production of Rebars. However, since the quality of scrap derived from shipbreaking mostly does not pass the quality benchmarks, Rebars produced from this scrap is largely ungraded.

The ship breaking industry accounts for more than c. 1mn MT of steel sold annually to the local market which is then re-rolled into Billets and Rebars. The Gadani ship breaking yard lost its aura of being the largest ship breaking yard in the world to India and Bangladesh while the industry itself is inherently volatile due to the high variation in vessel prices globally. Since steel produced from ship scrap is of low quality, it tends to be cheaper in price vs. commercial quality scrap.

Gadani shipbreaking industry dominance has been declining due to higher consumer knowledge of selecting graded steel products and also environmental movement of standards used while ship demolition. This has caused a major breakdown in efficiencies as environmental approvals can be time-consuming and has virtually put the industry to standstill as of late. Moreover, consumers are also gaining conscience to move towards quality products, posing a severe risk to the industries survival. Additionally, the growing safety and environmental risk has already plagued the shipbreaking industry which can further lead to risks in Induction furnace manufacturing in the coming years.

Others

It is estimated that the unorganized sector contributes c. 3.2mn MT per annum to total long steel production through highly fragmented players operating either melting mill or re-rolling mill or rarely both. Such operators use highly shattered scraps mostly procured locally or from Iran, Afghanistan or India.

3.20.10. Demand Analysis

Demand growth is expected to increase in the long-term despite the slower economic growth and COVID-19. Industry consolidation due to exit of smaller non-integrated and inefficient players (ungraded sector) is expected to support sales. Demand outlook over the medium to long-term is expected to improve post COVID-19 and once work on construction of dams and government's housing scheme picks pace. The demand contraction is outweighed by the substantial supply reduction observed in the steel industry.

Special reliefs are being granted by GOP to enable the supplies of construction industry. Being a highly leveraged sector, the high cost of capital and low market liquidity has created a negative impact on the sector. Prima facie, the sector and its profits are still healthy but due to massive slow down, low market liquidity and longer credit period, the sector's leveraging position has deteriorated a great deal.

With recent governmental measure for reduction in bank offer rates and stability in currency rates, the equity market liquidity is expected to increase. Any business with strong fundamentals, demonstrated ability to manufacturer at competitive rates complimented by a developing demand of its product is bound to perform good.

3.21. SHARE CAPITAL AND RELATED MATTERS

3.21.1. Share Capital

No. of shares	Shareholders	Face Value (PKR)	Premium (PKR)	Total (PKR)
AUTHORIZED CAPITAL				
625,000,000	Ordinary shares (voting plus non-voting) of PKR 10/- each	10.00	0.00	6,250,000,000
456,075,293	ISSUED, SUBSCRIBED, & PAID UP CAPITAL	10.00	0.00	4,560,752,930
ISSUED, SUBSCRIBED & PAID-UP CAPITAL (VOTING SHARES) OF AGHA STEEL INDUSTRIES LIMITED IS HELD AS FOLLOWS:				
No. of shares	Shares held by Directors / Sponsors of the Company	Face Value (PKR)	Premium (PKR)	Total Value (PKR)
201,364,616	Iqbal Hussain Agha	10.00	-	2,013,646,160
91,215,059	Hussain Iqbal Agha	10.00	-	912,150,590
91,215,059	Raza Iqbal Agha	10.00	-	912,150,590
Shares held by Family Members				
72,280,259	Shazia Agha	10.00	-	722,802,590
Shares held by Directors				
100	Saleem Parekh	10.00	-	1,000
100	Abkar Ali Pesnani	10.00	-	1,000
100	Askari Asghar Agha	10.00	-	1,000
456,075,293	Total Paid up Capital	10.00	-	4,560,752,930
PRESENT ISSUE OF ORDINARY SHARES				
No. of shares	Allocation	Face Value (PKR)	Premium (PKR)	Total Value (PKR)
90,000,000	Allocations to Institutions / Individual Investors through Book Building process at Strike Price	10.00	20	2,700,000,000
30,000,000	General Portion	10.00	20	900,000,000
120,000,000	Total Issue size	10.00	20	3,600,000,000
576,075,293	Grand Total (Post-IPO) Paidup Capital	10.00	-	5,760,752,930

3.21.2. Sponsors shares to be kept in blocked form

Sponsors	Shareholding	% Shareholding
Iqbal Hussain Agha	201,364,616	44.15%
Hussain Iqbal Agha	91,215,059	20.00%
Raza Iqbal Agha	91,215,259	20.00%

Given above are sponsor shareholding to be kept in blocked form as per the below mentioned regulations.

NOTE:

- As per regulation 5(1) of the PO Regulations, the Sponsors of the Company shall retain their entire shareholding in the Company for a period of not less than twelve months from the last date for public subscription;

2. As per regulation 5(2) of the PO Regulations, the Sponsors of the Company shall retain not less than twenty five percent of the post issue paid up capital of the Company for not less than three financial years from the last date for the public subscription;
3. As per regulation 5(3) of the PO Regulations, the shares of the Sponsors mentioned at (1) and (2) above shall be kept unencumbered in a blocked account with central depository;
4. Subject to compliance with sub-regulation 1 and 2 of regulation 5 of the PO Regulations and with the prior approval of the securities exchange, the Sponsors of the Company may sell their shareholding through block-sale to any other person who shall be deemed Sponsor for the purposes of the PO Regulations.

3.21.3. Present Issue

The Issue comprises of 120,000,000 Ordinary Shares of face value of PKR 10/- each, which constitutes 20.83% of the total post-IPO paid up capital of the Company.

The Issue is being made through the Book Building process at a Floor Price of PKR 30.00 per share (including a premium of PKR 20.00 per share), whereby 75% of the total issue size i.e. 90,000,000 Ordinary shares will be issued through the Book Building process to Eligible Investors. The balance 25% of the total Issue size i.e. 30,000,000 Ordinary Shares will be issued to the General Public through retail offer at the Strike Price determined through the Book Building process. The Book Building Portion is underwritten by Arif Habib Limited and the names of underwriters to the Retail Portion will be published in the Supplement to the Prospectus.

3.21.4. Shares Issued in Preceding Years

Ordinary Voting Shares Issued by the Company					
S. No.	No. of Shares Issued	Consideration	Form	Total Value (PKR)	Date of Issuance / Allotment
1	1,000,000	10	Initial Subscription	10,000,000	Initial Subscription
2	360,401,293	10	Right Issue	3,604,012,930	June 01, 2017
3	94,674,000	10	Right Issue	946,740,000.0	November 28, 2019

3.21.5. Related Employees of the Company (Agha Steel Industries Limited)

S. No.	Name	Designation
1	Hussain Agha	Chief Executive Officer
2	Kamran Ahmad	Chief Financial Officer
3	Muhammad Muneeb Khan	Company Secretary
4	Muhammad Asif	D. Manager Tax
5	Umar Irshad	Sr. Manager Tax
6	Sher Ali	Manager Corporate Reporting
7	Waqar Ahmed	DGM Commercial

▪ Related employees of the Lead Manager & Book Runner (Arif Habib Limited)

S. No.	Name	Designation
1	Shahid Ali Habib	Chief Executive Officer
2	Ahmed Rajani	Director, Investment Banking
3	Syed Saquib Ali	Director, Investment Banking
4	Ammad Tahir	Assistant Vice President, Investment Banking
5	Syed Ali Ahmed	Sr. Associate, Investment Banking
6	Muhammad Ali Raza Hussain	Associate, Investment Banking
8	Hamza Amir	Associate, Investment Banking
9	Fatima Diwan	Analyst, Investment Banking
10	Mahnoor Sartaj	Analyst, Investment Banking

Note:

1. As per regulation 7(9) of the PO Regulations the associates of the Lead Manager & Book Runner shall not in aggregate make bids in excess of ten (10%) percent of the shares offered through Book Building. Provided that it shall not apply to such associates of the Lead Manager & Book Runner that are Financial Institutions, Mutual Funds and Insurance Companies.
2. As required under regulation 20(10) of the PO Regulations, Related Employees of the Issuer, Lead Manager & Book Runner to the Issue shall not participate in the bidding for shares.

Undertaking of the Sponsors to the Issuer regarding IPO utilization

Pakistan Stock Exchange

Stock Exchange Building
 Stock Exchange Road
 Karachi – 74000, Pakistan

UNDERTAKING

We, Iqbal Hussain Agha, being sponsor / Non Executive Director / Chairman of Agha Steel Industries Limited CNIC No. 42301-0954658-3 resident of 55 Khayaban-e-Shaheen, DHA Phase 5, Karachi and Raza Iqbal Agha son of Iqbal Hussain Agha being sponsor / Executive Director of of Agha Steel Industries Limited CNIC No. 42301-2387091-3, resident of House # 55 resident of Khayaban-e-Shaheen, DHA Phase 5, Karachi and Hussain Iqbal Agha son of Iqbal Hussain Agha being sponsor / Executive Director of of Agha Steel Industries Limited CNIC No. 42301-6446734-7, resident of 55 Khayaban-e-Shaheen, Phase 5 DHA, Karachi do hereby state on solemn affirmation on behalf of the Agha Steel Industries Limited as under:

- (1) That we are the sponsors and majority shareholders/owners of the shares of Agha Steel Industries Limited (the “**Issuer**”);
- (2) That the IPO Proceeds of Agha Steel Industries Limited shall be utilized as per the purpose disclosed in the Prospectus.

.....
 Iqbal Hussain Agha
Chairman
 Agha Steel Industries Limited

.....
 Raza Iqbal Agha
Sponsor / Executive Director
 Agha Steel Industries Limited

.....
 Hussain Iqbal Agha
Sponsor / Executive Director /
Chief Executive
 Agha Steel Industries Limited

Date:

4 PRINCIPAL PURPOSE OF THE ISSUE AND FUNDING ARRANGEMENTS

4.1. PRINCIPAL PURPOSE OF THE ISSUE

ASIL intends to generate c. PKR 3,600 million at the floor price of Rs. 30 per share. The principal purpose of the issue is to finance the phase II of its expansion project. Phase II of the expansion project includes Setting up : (i) Mi.Da. Rolling Mill and an in-house Air Separation Unit.

Phase II of expansion project would require PKR 7.04 billion.

Sources of Funds includes the following:

Sources of Funds	Fund raised (PKR)
IPO Proceeds	3,600,000,000
Long Term Debt ¹	1,735,438,212
Short Term Debt Financing ²	1,706,240,000
Total Funding requirement	7,041,678,212

¹PKR 1.735 Billion has already been incurred on the project. This expense has already been incurred through Sukuk Issuance by the Company on October 9, 2018, amounting to PKR 5 Billion.

²PKR 1.706 Billion reflects the suppliers credit obtained from Danieli & C. Officine Meccaniche S.p.a. ("D&C"), with regards to the acquisition of New Continuous Casting Machine and Rolling Mill. The payment terms under the contract dated October 5, 2017, between ASIL and D&C, allows ASIL to defer this payment for upto 24 months, post shipment of the plant, dated March 2020. The Company expects to repay this amount through available short term running finance facilities.

4.1.1 Utilization of total Proceeds (Both IPO and debt):

Description	Funds Required (PKR)	% Allocation	Already Incurred (PKR)	% Completed
Plant & Machinery (Mi.Da. Rolling Mill)	2,705,598,040	38.42%	999,358,040	36.94%
Land	445,438,212	6.33%	445,438,212	100.00%
Civil Works	510,000,000	7.24%	132,619,294	26.00%
Electrical Works	486,387,463	6.91%	-	0.00%
Mechanical Works	458,231,960	6.51%	-	0.00%
Duties & Others	554,361,978	7.87%	19,958,112	3.60%
Air Separation Unit (Plant & Machinery)	476,000,000	6.76%	76,264,554	16.02%
LC Discount Charges	255,660,558	3.63%	61,800,000	24.17%
Contingency	150,000,000	2.13%	-	0.00%
Working Capital	1,000,000,000	14.20%	-	0.00%
Total	7,041,678,212	100.00%	1,735,438,212	

The utilization of IPO proceeds shall be as follows:

Utilization of IPO Proceeds	PKR
Civil Works ¹	377,380,707
Electrical	486,387,463
Mechanical	458,231,960
Duties and Others ²	534,403,866
Air Separation Unit ³	399,735,446
LC Discount Charges ⁴	193,860,558

Contingency	150,000,000
Working Capital Requirement	1,000,000,000
Total Funding requirement	3,600,000,000

¹Civil Works amounting to c. PKR 132.6 Million have already been incurred by the Company. The remaining c. PKR 377.3 Million will be paid through IPO proceeds.

²Duties and Other charges amounting to c. PKR 19.9 Million have already been incurred by the Company. The remaining c. 534 Million will be paid through IPO proceeds.

³LC opening charges amounting to c. PKR 76 Million have been paid with regards to the procurement of Air Separation Unit. The remaining c. PKR 399.7 Million will be paid through IPO proceeds.

⁴LC Discount Charges amounting to c. PKR 61.8 Million have been paid with regards to the procurement of Mi.Da. Plant, the remaining PKR c. 193.8 Million will be paid through IPO proceeds. This amount of PKR 193.8 Million shall be used to pay the LC discounting charges for ASU plant and also partial LC discounting charges for Mi.Da. Plant. This is expected to be paid in 2Q FY 2021.

Plant & Machinery (Mi.Da. Plant):

Plant & Machinery – Description	Value (PKR'000)
New Mi.Da. Rolling Mill	1,623,359
Mi.Da. Continuous Casting Machine	1,082,239
Total	2,705,598

Local Cost Component:

Civil Works – Description	Value (PKR'000)
Civil Works	280,000
Civil works for Allied Building	24,000
Steel Requirement of Pre-Engineered Building Structure	133,956
Excavation and Backfilling	17,544
Road Works	45,000
Local Design Cost	9,500
Total	510,000
Cost already incurred	132,619
Cost to be paid through IPO proceeds	377,381

Electrical Works	Value (PKR'000)
Cost of Cable and Allied Material	200,200
MV Switchboard	53,500
Cost of Electrical Material	12,000
Cost of Installation of Cables, Instruments, Drives, Panels, Cable trays inclusive of LV and MV	150,000
Cost of Transformer	37,312
Installation of Transformer	3,520
Supply and Installation of Lighting for Shed, Roads etc	20,000
Local Consultant Cost for MV, Lighting Works	9,855
Total	486,387

Mechanical Works	Value (PKR'000)
Tentative weight of Fabrication	37,597
Tentative weight of Erection	88,000

Material Cost for Fabrication	122,500
Material Cost for Pipe, Pipe Fittings, Valves, flanges etc.	25,705
Fabrication and Erection Cost of Piping	50,400
Cooling Tower (Procurement + Installation)	16,000
Pumps (Procurement + Installation)	25,000
Compressor (Procurement + Installation)	27,030
Air Dryers	16,000
Fire Fighting System (Design +Material +Installation)	40,000
Sand Filters	4,000
Oil Skimmer	6,000
Total	458,232

Duties and Other Expenses	Value (PKR'000)
Freight	42,814
Bank Charges	22,898
Sales Tax	272,886
Income Tax	165,096
Excise Clearance etc.	50,668
Total	554,362
Cost already incurred	19,958
Cost to be paid through IPO proceeds	534,404

4.1.2 The Need for Expansion

Some of the key factors that determine the need for expansion in the Steel Business:

- The Country is currently witnessing demand lags in steel industry. The overall fall for demand in the long steel sector is upto 5% with its corresponding supply-cut upto 20% [Managements View]. In addition to the above, the overall long term scope of steel and low per capita consumption landscape of Pakistan will attain equilibrium and will become at par with per capita steel consumption of the region.
- Overall consolidation of long steel products between graded and branded producers will bring capacity pressures to the existing players.
- Real profits of steel industry are based on scalability and consistency of production. With consolidation and stable supply, players with most efficient process, technological advancements and economies of scale are expected to be cost leaders in the industry.
- With overall population growth of Pakistan and majority of age scale between 19 to 45 years, the Country's basic per capita consumption is bound to increase despite the sluggish economic growth.
- Per Capita Consumption for Pakistan has increased approximately 68% since 2013 (2013: 22 Kg per capita against 2018: 43 Kg per capita). The growth population trends will increase the demand irrespective of overall stagnant economic growth in short term. In long term, the per capita is expected to match with overall regional countries thereby creating massive demand for steel product.

4.1.3 Expansion Details:

Location of the Plant: Port Qasim, Karachi

Details of Plant & Machinery:

Category	Supplier	Country of Origin	Date of Placement of Order	Expected date of Delivery	Cost of Machine (PKR)
Mi.Da. Rolling Mill	Danieli & Co	Italy	October 2017	Delivered	2,705,598,040
Air Separation Unit Plant	Hangzhou Fortune Engineering Co. Ltd.	China	March 2018	October 2020	476,000,000

Mi.Da. Rolling Mill:

Mi.Da. Rolling Mill is characterized by single strand Continuous Casting-Rolling process featuring ultra-high speed Power Mold Caster, in-line Billet inductive heating as well as bar quenching and tempering system, and a Direct Rolling Bundling system, all arranged in an extremely compact layout. All this, along with the continuous uninterrupted production cycle from raw material to finished product, and with the extreme compactness of the technological area, will allow ASIL to be one of the most cost-efficient plants of the Country.

This is the most competitive way to produce Rebars in terms of Capital Expenditure and Operating Expenditure. Mi.Da. Rolling Mill is considered as a winning strategy for the best integration of the most advanced technologies to allow to be the most competitive in steel production.

Mi.Da. Rolling Mill is a super compact unit as compared to the traditional mini mills. It requires almost 49% less space. Mi.Da. requires 23-hours/day uninterrupted production that means:

- Up to 32 continuous heats/day casting sequences
- Plant automation allows to switch from continuous casting and rolling to semi-continuous operation to accommodate for unexpected delays

Longest Billet rolled with the said technology is 8,220 Meters in a single un-interrupted casting / rolling sequence with no Reheating furnace required which will lead to significant savings in conversion cost sequence.

The Mi.Da Rolling Mill is being sourced from Danieli Group of Italy which will also provide support in terms of physical man hours of Danieli International experts as per the agreement. Danielli Group will install the plant along with the company's project team. As of now there is no international supplier that is offering same technology of such kind except Danieli Group.

Danieli Group will provide the following support services in addition to the supply of the plant:

- Primary design
- Detailed engineering plan
- Specification of bill of quantity
- Support in erection
- Cold and hot testing

Lasting Benefits of Mi.Da. Rolloing Mill over a traditional Mill:

- Elimination of Billets requirements to produce Rebars, resulting in reduction in cost of production by USD 42 per MT
- Higher yield of 99.2% resulting in lower material losses and cost saving of USD 6 per MT
- Reduction in per heat time from c. 70 minutes to c. 48 minutes
- Reduction in labor cost by USD 4 to 8 per MT
- Reduction in consumables cost by USD 3.5 per MT
- Fully automated operations

In House Air Separation Unit:

Liquid form of Oxygen, Nitrogen and Argon are used as catalysts in the melting of Steel. The air separation unit typically takes atmospheric air as an input then separates various gases in the air. Our air consists of 78% Nitrogen, 21% Oxygen and 0.93% Argon. Once these are separated, these individual elements are used as catalysts to speed up the steel melting process.

At present, ASIL procures these from the market. Going forward, with the installation of ASU plant these gases will be produced in house. This project intends to install capacity of 1.3 Million cubic meter combustible gaseous input for ASIL's manufacturing process. The gases that will be produced by ASU unit will be sufficient to meet the demand of the Company.

Cost of gases as percentage of total cost of sales for the last three years:

	FY 2018	FY 2019	FY 2020
Combustible Gases	360,581,038	389,788,517	473,044,726
Cost of Sales	7,995,144,956	8,451,066,000	10,286,367,261
% of Combustible Gases	4.51%	4.61%	4.60%

Name of suppliers from which ASIL has purchased gases during the last couple of years:

- Sultan Oxygen
- Pakistan Oxygen Limited
- Ghani Gases
- Denim International

The Percentage and Value Terms of Plant and Machinery Delivered:

Category	Percentage Delivered	Value in PKR
Mi.Da. Rolling Mill	100%	2,705,598,040
Air Separation Unit Plant*	0%	476,000,000
Total		3,181,598,040
Percentage of Plant and Machinery Delivered	85%	

The Percentage and Value Terms of Plant and Machinery for which Orders are yet to be Placed:

Nil

Danieli Group ("Danieli"), Mi.Da. Rolling Mill Supplier:

Danieli origin dates back to 1914, as one of the first companies in Italy to manufacture Electric Arc Furnaces. Danieli Group is headquartered in Italy and supported by technology offices and production centers in Germany, Sweden, France, Netherlands, UK, Austria, USA, Thailand, China, India and Japan. Danieli is one of the three largest equipment suppliers in its field, and the largest in respect of Turnkey Installations.

Turnkey Installation refers to, where a firm agrees to fully design, construct and equip a manufacturing/ business/ service facility and turn the project over to the purchaser when it is ready for operation

Since the beginning, the objective of Danieli Group was the supply of competitive equipment and plants that, by means of a low investment cost and the adoption of state of the art technology, can be market winners in their specific sector.

Danieli designs, manufactures, constructs and commissions competitive plants and equipment on a turnkey basis and as individual units for the metals industry, from ore treating to finished flat, long and tube processing. Danieli's design concept aims to reduce production and depreciation costs, while improving product quality.

Danieli will also provide support in terms of physical man hours of Danieli experts as per the agreement. Danieli Group has a total net worth of EUR 1.899 Billion, revenue of EUR 3.063 Billion and a Paid up share capital of EUR 81.304 Million

Danieli Group will provide the following support services in addition to the supply of the plant:

- Primary design
- Detailed engineering plan
- Specification of bill of quantity
- Support in erection
- Cold and hot testing

Hangzhou Fortune Engineering Co. Ltd, Air Separation Unit Plant Supplier:

Hangzhou Fortune Engineering Co. Ltd. ("Hangzhou") belonged to Hangzhou Fortune Group, is a professional Air Separation Plant & LNG plant manufacturer that established in 1984. So far, Hangzhou have successfully manufactured and delivered more than 350 plants all around the China, South-East Asia, Middle East, Middle Asia, North Africa and Latin America.

The commercial terms of the contract includes the advance payment of 30% and the remaining 70% will be paid after 1 year from the date of shipment of the plant.

ASIL team has got the sufficient capability to install, erect and run the plant. There will be no after sales service provided by the supplier as agreed in the contract.

4.1.4 Information relating to land as required under clause (b iv) of Para 10 of the Public Offering Regulations, 2017.

The current production facilities of the Company cover an area of approximately 10 acres. In addition to the existing operational unit, the Company has already acquired an additional 17 acres of land adjacent to its existing facility for setting up the new re-rolling mill (Mi.Da. Rolling Mill) and for any further expansion in the future.

4.1.5 Working Capital Requirement

Basis of estimation of working capital: Inventory Requirements	Value (PKR'000)
Scrap	3,398,000
Billet	2,727,000
Rebars	3,875,000
Total Projected Working Capital Requirement post expansion	10,000,000
Less: Existing Working Capital Requirements met through existing facilities	(9,000,000)
Additional Minimum Requirements	1,000,000

This includes purchase of scrap and conversion and holding cost of Billet and Rebar respectively. For the sake of abundant clarity the Company does not purchase billet and Rebars from outside

The Company has evaluated its working capital requirement based on past trends and requirements and future business outlook.

Reasons for raising working capital:

Once the two projects are operating at their optimal capacity, an incremental working capital requirement of more than PKR 1,000 Million will arise per annum. The Company already has working capital facilities of PKR 9 Billion and

intends to meet the additional requirement through equity instead of additional working capital facilities. This shall also help improve the debt to equity ratio of the Company.

4.1.6 Details regarding the completion of the project

The Company expects the installation of the Mi.Da. Plant to be completed by December, 2020 and Air Separation Unit to be installed in December, 2020 with plant becoming fully operational in March, 2021.

4.1.7 Utilization of the proceeds at Floor Price

Utilization of IPO Proceeds	PKR
Civil Works ¹	377,380,707
Electrical	486,387,463
Mechanical	458,231,960
Duties and Others ²	534,403,866
Air Separation Unit ³	399,735,446
LC Discount Charges ⁴	193,860,558
Contingency	150,000,000
Working Capital Requirement	1,000,000,000
Total Funding requirement	3,600,000,000

¹Civil Works amounting to c. PKR 132.6 Million have already been incurred by the Company. The remaining c. PKR 377.3 Million will be paid through IPO proceeds.

²Duties and Other charges amounting to c. PKR 19.9 Million have already been incurred by the Company. The remaining c. 534 Million will be paid through IPO proceeds.

³LC opening charges amounting to c. PKR 76 Million have been paid with regards to the procurement of Air Separation Unit. The remaining c. PKR 399.7 Million will be paid through IPO proceeds.

⁴LC Discount Charges amounting to c. PKR 61.8 Million have been paid with regards to the procurement of Mi.Da. Plant, the remaining PKR c. 193.8 Million will be paid through IPO proceeds. This amount of PKR 193.8 Million shall be used to pay the LC discounting charges for ASU plant and also partial LC discounting charges for Mi.Da. Plant. This is expected to be paid in 2Q FY 2021.

4.1.8 Utilization of excess IPO funds, in case the strike price is determined above the floor

If the Issue is subscribed at above the Floor Price, the additional funds will be utilized to reduce short term working capital lines availed from existing financial institutions.

4.1.9 Increase in Capacity Post Expansion

Below are the chart detailing production levels during the Pre Expansion and incremental production capacity post phase I and II expansion:

Particulars	Pre Expansion/MT p.a.	Post Phase I Expansion/ MT p.a.	Post Phase II Expansion/ MT p.a.
Melt shop (Billets)	250	450	450
Re- Rolling	150	250	650

With the proposed expansion plans, ASIL will be able to increase its total capacity of Deformed Bar upto 650,000 MT p.a. with yield as high as 99.2%. The Mi.Da Plant will be first in Pakistan with 4 year exclusive rights with ASIL for operating the Plant. The endless rolling technology with state of the art, internationally latest and finest continuous casting is expected to make ASIL the most efficient and cost effective player of not only the country but also a very efficient operator across the region.

4.1.10 Implementation Schedule

Details of date wise implementation schedule for the expansion plans is as follows:

Phase II – Implementation Schedule

Serial #	Particulars	Commencement Date	Completion Date	Status
1	Shipment of the Mi Da rolling mill	January 2020	March 2020	The Mi.Da. Plant shipment is completed whereas the Air Separation Unit shipment is awaited from China.
2	Installation of the of Mi Da rolling mill.	September 2020	December 2020	
3	Shipment of Air Separation Unit	August 2020	October 2020	
4	Installation of Air Separation Unit	November 2020	December 2020	
5	Pre-Commissioning and Commissioning	January 2021	March 2021	

As per clause (i) and (ii) of regulation 16 of the PO Regulations, the Company shall:

1. report detailed break-up of the utilization of the proceeds of the issue in its post issue quarterly / half-yearly and annual accounts; till the fulfillment of the commitments mentioned in the prospectus, and;
2. submit a half yearly progress report and annual progress report reviewed by the auditor providing the status of the commitments mentioned in the prospectus to PSX till the fulfillment of the commitments mentioned in the prospectus as per the format given in regulation 16 of the PO Regulations.
3. submit a final report reviewed by the auditor after the fulfillment of the commitments given in the prospectus.

4.2. VALUATION SECTION

The Ordinary Shares of Agha Steel are being issued at Floor Price of PKR 30/- per share which is at a premium of PKR 20/- per share Ordinary Share to the face value of PKR 10.00/- per Ordinary Share. The Lead Manager has reviewed the business performance of the Company and in their opinion, the Floor Price of PKR 30/- per share is justified based on:

4.2.1. Successful Operational History

The commercial operations of ASI started in 2012 (The operations of ASI were taken over by the Issuer, Agha Steel Industries Limited in 2017) with 45-ton Electric Arc Furnace ("EAF") in Pakistan. Production facility was established on 10 acres of land at Port Qasim, Karachi, producing Billets and Rebars at an installed capacity of 250,000 MT p.a. and 150,000 MT p.a. respectively. The EAF allows the Company to efficiently manage its output due to the raw material flexibility thereby giving it a competitive edge in the industry.

In June 2018, the Company completed its first Balancing, Modernization, Rehabilitation and Expansion ("BMRE") activity at its current premises to expand melting capacity to 450,000 MT p.a and rolling capacity to 250,000 MT p.a. For this purpose, ASIL has acquired further 17 acres of land beside the current facility to install a new Mi.Da. Plant which will take the Rolling capacity to 650,000 MT p.a.

ASIL possesses the following:

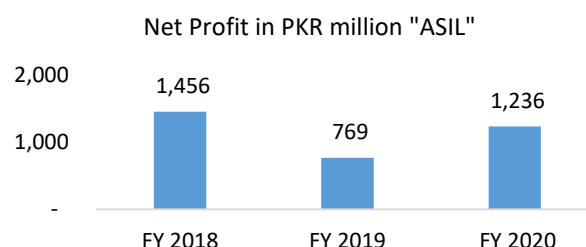
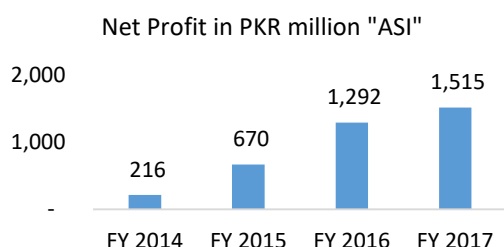
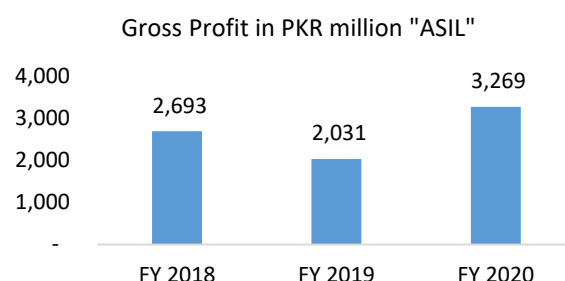
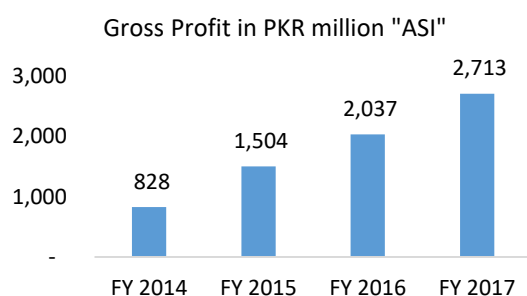
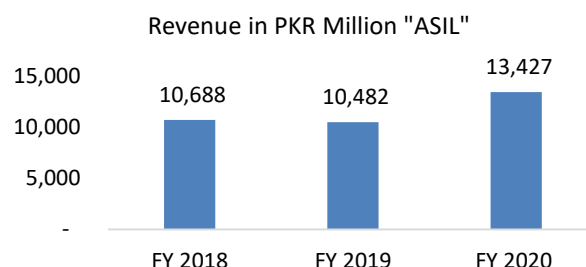
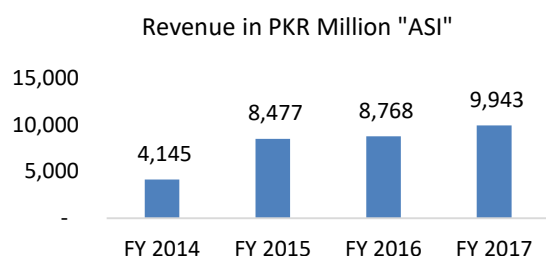
1. **Earthquake Resistance Rebar** catering to emerging need in the Northern Areas of Pakistan;
2. **A 45 Ton Electric Arc Furnace**, which features a tap to tap time of 48 minutes, installed with modern Danieli and MORE technological packages for injection of oxygen
3. **Integrated scrap feeding system** which is capable to feed the furnace at a rate 1.25 tons per minute
4. **Mini-mill** to establish melting and rolling facilities under a single roof providing significant cost and time advantages

The Mi.Da. Project will further accredit the Company to be the one of the first steel manufacturers in Pakistan to adopt the Italian Mi.Da. rolling plant, which is based on endless rolling concept thereby creating a by-pass for casting process delay. This endless feature will provide the Company with options of Cut-to-order facility which in turn will reduce the head and tail loss for Company's esteemed customers. The Company has exclusive rights to this technology in Pakistan and hence cannot be replicated by competitors promising the first movers advantage for a period of 4 years.

4.2.2. Commendable Financial Growth

Over the period FY 2014 - FY 2017, ASI has showcased significant improvement in its revenue base, which has grown at a 3 year CAGR of 33.8%, while gross profit has increased at a 3 year CAGR of 48.5% for the same period.

Post the acquisition of Net Assets of ASI by ASIL, the Company managed a steady growth rate in its revenue base and Gross profit, which are as follows:



ASIL Yearly Margins	Gross Profit Margin	Net Profit Margin
FY 2018	25%	14%
FY 2019	19%	7%
FY 2020	24%	9%

4.2.3. Strategically Located Facilities

The Company's production facility, an international standard integrated composite melting and re-rolling unit, is strategically located at Port Qasim, giving the Company an inherent benefit due to proximity to the sea port. The presence of melting and re-rolling unit in the same facility allows for greater efficiency and cost advantage in the production process.

The cost advantage of running rolling and melting mill under one roof are as follows:

- Transportation cost: The cost of transportation of Billet from offsite melt shop to rolling mill contributes up to 3% to 4% of additional costs
- Infrastructure cost

- Human resource cost

The current production facilities of the Company covers an area of approximately 10 acres. In addition to the existing operational unit, the Company has also acquired an additional 17 acres of land adjacent to its existing facility for setting up the new re-rolling mill and for any further expansion in the future.

Furthermore, in order to ensure smooth factory operations at the facility, a dedicated 132kV grid station capable of transmitting 70MW is installed for uninterrupted power supply from K-Electric.

The Company does not have its own captive power plant however a dedicated 132kV grid is installed by K-Electric at ASIL premises to ensure dedicated end to end transmission of electricity.

Electric Arc Furnace vs Induction Furnace:

As per the management of ASIL, following is the competitive advantage to the Company of having an Electric Arc Furnace instead of an Induction furnace:

- I. Electric Arc Furnace has lower energy costs as compared to an Induction Furnace. It gives a cost saving of c. 180 units /MT (i.e. savings of 20%-25% of the total electricity cost).
- II. Electric Arc technology, being modern, is up to the standard and fully compliant with the current environmental regulations in any country whereas, an Induction Furnace is not. This is the very reason that induction melting facility of up to 140 Million Metric Ton per annum has been banned in China in the year 2017.
- III. In Electric Arc Furnace, it is easier to charge materials, therefore recipe can be made as per customers' specific requirement. Induction Furnace follows a fix recipe process.
- IV. Electric Arc Furnace is less labor intensive vis a vis an Induction Furnace and saves labor cost up to PKR 200/MT.
- V. Electric Arc Furnace is 10% higher efficient, in terms of yield recovery, than an Induction Furnace.
- VI. Electric arc Furnace is capable of producing high carbon and low carbon Billets, a feature that is not available through induction melting.

Induction furnace is ideal for smelting and investments having low budgets. The capital expenditure is lower in induction furnace while the operation cost is higher i.e. high variable cost with low fixed cost. Electric Arc Furnace is ideal for large scale manufacturing of quality steel. Its capital expenditure is higher but the operation costs is lower and efficiencies are much more in steel making i.e. high fixed cost with relatively low variable cost. The steel industry in Pakistan relies on Induction furnace to produce steel products

4.2.4. Internationally Compatible and Efficient Production Infrastructure

The Company possesses 45-ton Eccentric Bottom tapping ("EBT") Electric Arc Furnace with ladle refining furnace and has Cut to Length ("CTL") facility allowing it to cast molten steel in a 3 strand Continuous Casting machine and enabling the Company to produce customized lengths of Billets, rebars and wire rods. The process drives Company's exclusive method of manufacturing, enabling it to attain the highest quality and safety standards available in the Pakistani market.

The EAF enables the Company to grade its Billet through a refining process, thus improving the overall product mix to focus on consumer requirements and giving the Company flexibility in terms of raw material input. This flexibility results in reducing the risk of supply of raw material input and places it at a significant competitive advantage over its peers who use induction furnaces which require a pre-set mix of raw materials input.

The manufacturing process adopted by ASIL also ensures lower level of impurities and wastage thereby increasing the efficiency of the production resources. Additionally, the EAF is considered energy efficient compared to induction furnaces and is primarily automated which leads to lower labour costs.

The Company has installed state of the art European technology based Fumes Treatment Plant designed on 10 microns European standardized fumes de-dusting technology. This technological edge provides the Company with highest level of environmental compliance against anti pollution measures required by local authorities, whereby the process emissions are collected within the close system without any leakage and are redistributed in the form of

thermal energy, dust ("Zinc Oxide") and normal air. The process provides a by-product called Zinc Oxide, which is also sellable in the market, however, the Company uses it for internal consumption.

4.2.5. Customized Product Range and Quality Control

The Company uses thermo-mechanically treated technology in conjunction with a fully automated rolling mill in its production process enabling it to produce high quality Rebars which includes accuracy in terms of the length and grade, thus meeting the customers' needs. ASIL's composite rolling mill allows it to produce High and Low Carbon Wire Rods up to fine sizes of 6.5mm and produce 9.5mm to 40mm Rebars, enhancing ASIL's capability to target a large base of industries through its diversified products.

The facility also includes a state of the art Spectro Lab in order to ensure the best customized output. Agha Steel Industries Limited is the pioneer of **ASTM A706**, Earthquake Resistance rebar which won 'Consumer Choice Award' for the year 2014-15.

4.2.6. International & Local Accreditations

The quality of ASIL products has been certified by local and international accreditations including the following:

- Pakistan Standards and Quality Control Authority¹ ("PSQCA")
- ISO 9001:2015 certification by TUV Austria

¹The PSQCA certification has been expired on 28th February 2020, however, the Company has already applied for the renewal. Due to COVID-19, the new certificate has been delayed.

4.2.7. Key Customers

The Company has a blue chip clientele comprising of large government and private sector enterprises. The Company has been successful in becoming a major player in the Pakistan steel industry in a short period of time and has supplied its products for some of the major landmark projects being carried out in Pakistan.

Customer base comprises c. 75% institutions and c. 25% retail network. Due to its geographical presence, the Company's market position is stronger in the Southern region. In the North, the Company has increased its presence through various distribution channels.

Some of the key customers which the Company has served in recent years include the following:



Selected landmark projects which the Company has partly contributed in the supply of steel in recent years include:

- Neelum Jhelum Hydropower Project (17,747 MT)
- Bahria Town (7,813 MT)
- FWO - M-9 / Turbat (13,320 MT)
- Sahiwal Coal-Fired Power Plant (16,070 MT)
- SSRL Thar Coal Block 1 6.8 MTPA & SEC - Coal Fired Power Plant (5,394 MT)
- Thar Block-II Coal & Lignite - Coal Fired Power Plant (1,160 MT)
- HUB, Baluchistan – CPEC (3,727 MT)

- Matiari to Lahore HVDC Transmission Line (5,651 MT)

4.2.8. Strong Management

With decades of experience in the Steel industry, ASIL's senior management is a trailblazer in modernizing the industry. From introducing new technology (as shown by the introduction of the first 45-ton Electric Arc Furnace for steel production in Pakistan), better quality products, a competitive and healthy work environment and the desire to grow bigger, which runs from the top management all the way to the factory workers. ASIL has achieved various milestones over the years and the current expansion plan is one of the many to come. The Company's leadership is in the prime driving seat to propel the industry and the Company forward.

The Agha family has a history of successfully setting up large scale businesses and introducing innovative production processes especially in the Pakistan steel industry, over a remarkable span of 60 years.

ASIL's top management consists of highly qualified, technically skilled and well versed individuals who possess valuable skillset and resources that enable the Company to implement efficient business practices (Further explained in Section 7.3).

4.2.9. Future Prospects

The long steel sector of Pakistan can broadly be segmented into the following:

S. No.	Sector Composition	Market Share
1	Graded	25%
2	Ungraded – Shipbreaking	22%
3	Ungraded – others	53%

In Pakistan, graded products are mostly manufactured by organized operators who, due to their size and volume, are able to invest in quality control and resultantly competitive pricing. Ungraded operators mostly operate in a sporadic manner catering to domestic residential real estate demand in smaller cities.

The demand of construction steel will improve largely due to Government of Pakistan's move towards documenting the economy. It is expected that the large number of fragmented and unstructured steel producers (Ungraded Steel producers) will cease to exist, creating much larger space for the structured integrated units like ASIL to further expand their capacities.

Construction activities will take an uptick due to incentive package for the construction industry announced by Government of Pakistan and large infrastructure projects planned by the government hugely with regards to China–Pakistan Economic Corridor and the Naya Pakistan Housing Scheme.

Relaxations given by Government of Pakistan in the recently announced FY 2021 Budget:

- **Removal of Additional Custom Duty ("ACD") on import of scrap under Finance Act:**

With abolishment of ACD (2%) proposed under the FY 2021 Budget on import of scrap, duty will be cut from 4% to 2% only. This will be materially positive for Rebar manufacturers and shall result in cost savings for long steel players.

- **Higher allocation for the Railways Division under Federal Public Sector Development Programme and a subsidy of PKR 30 Billion has been reserved for the Naya Pakistan Housing Scheme:**

PKR 24 Billion has been set aside for the Railways division under the Federal Public Sector Development Programme compared to PKR 16 Billion in FY 2020, while a subsidy of PKR 30 Billion has been assigned for the Naya Pakistan Housing Scheme. These augur well for Rebar demand.

- **Tax on steel melters under Section 235B to be omitted:**

Under Section 57 of Finance Bill 2020, steel melters, also known as manufacturers of Billets shall no longer be charged PKR 1/unit on electricity consumption for the production of steel Billets, Ingots and Mild Steel under section 235B of the Income tax Ordinance. This shall result in cost savings for long steel players.

4.2.10. Justification

Based on our review, the Lead Manager is of the opinion that the historical performance of the Company, the Sponsor's profile, quality of management and the demand for their quality products indicate sustainability of business performance in the future.

In light of the above, a Floor Price of PKR 30/- per share Ordinary Share (including a premium of PKR 20/- per share) is at a Price-to-Earnings ("PE") multiple of 11.07x based on the most recent audited accounts which are of FY 2020. The fully diluted EPS on 456,075,293 shares as per FY 2020 accounts is PKR 2.71 per share.

4.2.11. Post IPO Free Float Disclosure

Post IPO, the share capital will increase from 456,075,293 ordinary shares to 576,075,293 ordinary shares. The free float status post IPO is presented in the below table:

Description	Number of shares	% Shareholding status
Held by Sponsor Directors	383,794,734	66.62%
Held by Other Directors	300	0.00%
Held by other Family Members	72,280,259	12.55%
Held by General Public – Free Float	120,000,000	20.83%
Total Ordinary Shares	576,075,293	100.00%

4.2.12. Peer Group Analysis

Company	Share Price	EPS	BVPS	P/E	P/B	ROE	ROA	Free Float Shares (Million)	Free Float %
Mughal	63.80 ¹	4.09 ³	32.48 ⁵	15.59	1.96	12.56%	4.03%	62.90	25%
Amreli	49.73 ¹	(2.69) ³	40.16 ⁵	nm	1.23	(6.68%)	(2.46%)	74.25	25%
Ittefaq	10.68 ¹	(0.64) ³	27.33 ⁵	nm	0.58	(2.32%)	(1.40%)	79.38	55%
ASIL	30.00²	2.55⁴	16.80⁵	11.78	1.79	9.62%	2.82%	120.00	20.83%

1 Share price as at August 18, 2020

2 IPO Floor Price

3 LTM EPS from December 31, 2019

4 Based on profitability of 12 months from Jan 2019 to Dec 2019. Calculated on outstanding shares of 456,075,293

5 BVPS as at December 31, 2019

6 For Peer Group analysis, we have used the financial statements of 12 months from Jan to Dec, 2019. The primary reason for not using the most recent financial statement of June, 2020 is that they have not been published as yet for some of the peers. Thus, in order to remain consistent we have used Jan to Dec figures of all the companies

5 RISK FACTORS

5.1. INTERNAL RISK

5.1.1. Operational Risk

Loss resulting from inadequate or failed procedures, systems or policies and poor operation which can hurt the Company's reputation, cause financial damage, and hurt its relationship with its stakeholders, and decrease shareholder value.

Power supply plays a key role in maintaining uninterrupted operations of the Company. To mitigate the power supply risk and to ensure smooth factory operations, a dedicated 132kV power grid station, capable of transmitting 70MW electricity is installed for uninterrupted power supply from K-Electric.

5.1.2. Business Risk

Sales volume and profitability might be adversely impacted due to decrease in demand of the Company's product and/or intensification of competition. Drastic increase in the price of ASIL's key raw material i.e. scrap, will result in increased cost of production and the Company may not be able to achieve its profitability targets.

5.1.3. Risk of Higher Leverage

The Company has debt to equity ratio of 2.20:1 as per the audited accounts of June 2020. The Company has long term financing of PKR 4.9 Billion and short term bank borrowing of PKR 11.9 Billion. The Company had taken long term financing for its expansion plan (both Phase I and Phase II included). The short term financing is primarily used for working capital financing. As per the June 2020 accounts, total current assets stand at PKR 15.5 Billion against current liabilities of PKR 14.3 Billion. The possible impact of high leveraging effect Company's net profit.

The debt to equity of 2.20:1 has been calculated without considering IPO proceeds into the equity however, considering post IPO proceeds the Company's debt to equity will be 1.5:1 and the industry average of listed players is 1.4:1. This ratio will be further rationalized with the yearly profit generation and repayment of Long Term Loan.

The capacity of the Company to service its debt has decreased over the last two financial years. The Debt service coverage ratio of Company for the last three years is FY 2018: 5.81; FY 2019: 1.8 and FY 2020: 1.86.

5.1.4. Liquidity Risk

Lack of sufficient liquidity would inhibit the Company to meet its financial obligations due to shortage of cash. If ASIL is unable to service its debt obligations in a timely manner or to comply with various financial and other covenants, this may adversely affect its business prospects, results of operations and financial condition. However, Company has taken appropriate measures to ensure avoidance of such event.

5.1.5. Risk of Negative Cashflow from Operations

The Company has negative cashflow from operations for FY 2018, FY 2019 and 1H 2020. The major reasons for this increase are i) high financial charges due to expansion financing taken by the Company and ii) increasing inventory requirements of the Company.

5.1.6. Electricity Supply Risk

The Company does not have its own power plant for the supply of electricity needed to run the operations but solely rely on K-electric for the supply of electricity. Any undue interruption in electricity from K-Electric may affect its production level/Revenues.

5.1.7. Pending Legal Proceeding against the Company

During the year ended June 30, 2018, the Commissioner Inland Revenue ("CIR") raised a demand of PKR 618.251 Million under section 122(5A) for tax year 2017 by disallowing current liability, stores spares parts and loose tools, import purchases, carry forward tax losses, tax credit u/s 65B and adding income amounting to PKR 1,717.364 Million.

The Company filed an appeal against the said order with Commissioner Appeals Inland Revenue on May 18, 2018 which is pending till date. This amount has been disclosed in Financial Statements as at June 30, 2020 however, the appeal filed by the Company at the office of Honourable Commissioner Inland Revenue Appeals ("CIRA") has been decided in favour of the Company whereby the demand raised by CIR was not sustained hence to date there has been no liability against the Company in the aforementioned case

There are no other pending litigations against the Company other than already mentioned in Section 8 of the Prospectus.

5.1.8. Risk of Non-Compliance with Regulation of SECP and PSX

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

5.2. EXTERNAL RISK

5.2.1. Economic Slowdown

An economic slowdown occurs when the rate of economic growth slows in an economy. Global economic growth is expected to slow down in 2020. Slow down and/or deterioration of macroeconomic conditions as a whole could trigger reduction in disposable incomes and affect consumer discretionary spending, thus compelling consumers to switch to cheaper options to meet staple requirements. Steel industry is cyclical and reflective of overall market conditions—demand of steel increases during economic booms and plummets during global recessions. An economic slowdown may adversely affect the growth and performance of the steel sector as a whole.

5.2.2. COVID-19 Risk

The recent and rapid development of the coronavirus outbreak has required many countries and entities to limit or suspend business operations and implement travel restrictions and quarantine measures. These measures and policies have significantly disrupted (or are expected to disrupt) the activities of many entities. Disruptions and lockdowns are more prominent and pronounced in all of Europe, US, Middle eastern and Asian countries. It is important to note that all the aforementioned regions are important international commerce hubs. As the outbreak continues to progress and evolve, it is challenging at this juncture to predict the full extent and duration of its business and economic impact. Consequently, these circumstances may present entities with challenges with respect to cash flows, credit ratings, restructuring of debts and preparation of financial and public disclosures.

As a result of this, profitability of the Company may be hampered and this may also result in delay in the commissioning of Mi.Da. Plant, however, the management believes that the project will be completed as per the timelines mentioned in Section 4.1.9 of the Prospectus.

Given the sector in which Company operates, the only risk attributable to COVID is the possibility of the extended lockdown due to which the expected turnover of the business could be lower than projection. The said risk has been mitigated by the fiscal measures taken by the Federal Government and State Bank of Pakistan by reducing KIBOR rates, offering reduced rate financing and specialized financing for employee payrolls.

Despite swift policy response by regulators, containment measures for global Covid-19 are having a severe impact on global and local economic activity with closure of businesses, compression in demand and impact on international trade. Severity of the impact can be gauged by the forecast that most developed economies will be entering into a recession. As of 20th August 2020, the global count for coronavirus infected patients has crossed 22.4 Million with number of deaths being over 788,000. There are, however, signs of recovery and re opening in various western and European countries.

5.2.3. Risk of Shortage of raw material due to COVID 19

The risk that the Company is unable to produce goods on account of shortage of raw material due to international lockdowns and force majeure because of ongoing COVID 19. The risk of lockdown on account of COVID 19 has been minimized however the Company holds enough stock to continue its production for atleast two months in case of minimal supplies.

5.2.4. Risk of delay in commissioning of Phase II expansion and its possible impact on revenue/profits of the Company`

There is a risk of possible delays in the commissioning of the plant due to COVID 19, however it will not impact the Company's revenue/profit in the short term because the desired results from this phase II expansion will come after 1 year, post commissioning of the Plant.

Furthermore, there is possibility that due to delay in completion of civil, electric and mechanical works the project may not commence operation on time as disclosed. Mi Da rolling mill has been delivered in March 2020 and the same has been kept by the Company at a rented warehouse at Port Qasim. The installation of rolling mill would be started after the completion of civil, electric and mechanical works for which the Company is tapping the IPO market.

5.2.5. Raw Material Supply / Price Risk

Adverse price movement of Rebars due to excessive supply or non-availability of raw materials, which can put upward pressure on price of scrap, may deter smooth production.

The raw material is sourced from China, UK, US and other European Countries have resumed operations, post COVID-19 related lockdown. Hence the supply is expected to follow its usual course. In case of a second wave of virus in these countries, the supply may get disrupted.

5.2.6. Increased Competition Risk

Competition risk is the potential for actions of a competitor to negatively impact the business. In a healthy competitive environment, competition risk drives improvements such as cost reductions and quality improvements. Competition from business competitors may create a hostile environment for the Company and result in business loss.

5.2.7. Interest Rate Risk

The Company has entered into financing agreements in order to finance its capital expenditure and working capital requirements. Any unforeseen increase in interest rates will increase the cost of borrowing for the Company and may affect its profitability, as existing debts are based on floating rate. As at 30th June 2020, the Company's short term borrowing stands at c. PKR 11.9 Billion and long term loan amounting to c. 4.9 Billion.

5.2.8. Capital Market Risk

After being listed on the Pakistan Stock Exchange, the price of the Company's shares will be determined by market forces driven by socio – economic events – locally & internationally, capital & money market behavior, competitive scenarios and company performance. The value of share will be subject to fluctuation based on combined impact of market forces identified above.

5.2.9. Regulatory Risk

The Government plays a major regulatory role and is responsible for enforcing laws including those related to the steel sector. Steel sector is exposed to Government regulations, tax schemes, policies, incentive schemes and duty structures. Currently, Regulatory duty of 15% and 25% on Billets and Rebars respectively is imposed by the Government of Pakistan to protect local steel industry. These duties make import of the product in Pakistan unviable. In addition, Chinese export is also liable to pay a 24.04% anti-dumping duty. Any change in the said duties can directly affects the company's performance which may in turn affect the share price.

5.2.10. Under-subscription Risk

The Issue of Agha Steel Industries Limited may be under-subscribed due to lack of interest on the part of the investors. In such a case, the book building process shall be considered as cancelled and the bid money submitted by investors shall be refunded accordingly.

5.2.11. Risk of Technological Obsolescence

The technology employed is or may become obsolete in the future leaving the Company unable to deliver the required level of expertise and support for consistent growth.

5.2.12. Foreign Exchange Risk

A major component of the Company's production process includes imported scrap material. An adverse foreign exchange movement i.e. a PKR depreciation will inflate the price of imports, thus driving up the cost of production. Such a scenario will negatively affect the profitability of the Company. **Note: IT IS STATED THAT ALL MATERIAL RISK FACTORS HAVE BEEN DISCLOSED AND THAT NOTHING HAS BEEN CONCEALED IN THIS RESPECT.**

CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE ISSUER

[.]

The Chief Executive

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

We being the Chief Executive Officer and Chief Financial Officer of the Issuer accept absolute responsibility for the disclosures made in this Prospectus. We hereby certify that we have reviewed this Prospectus and that it contains all the necessary information with regard to the Issue and constitutes full, true and plain disclosures of all material facts relating to the Company and the issue being offered through this Prospectus and that nothing has been concealed.

The information contained in this Prospectus is true and correct to the best of our knowledge and the opinions and intendeds expressed herein are honestly held.

There are no other facts, the omission of which makes this Prospectus as a whole or any part thereof misleading.

For and behalf of **Agha Steel Industries Limited**

-Sd-

Hussain Iqbal Agha
Chief Executive Officer

-Sd-

Kamran Ahmed
Chief Financial Officer

STATEMENT BY THE ISSUER**2020****The Chief Executive**

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

On behalf of Agha Steel Industries Limited (“ASIL” or the “Company”), we hereby confirm that all material information as required under the Companies Act, 2017, the Securities Act, 2015, the Public Offering Regulations, 2017 and the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited has been disclosed in the Prospectus and that whatever is stated in Prospectus and the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and behalf of **Agha Steel Industries Limited**

-Sd-

Hussain Iqbal Agha
Chief Executive Officer

STATEMENT BY CONSULTANT TO THE ISSUE / LEAD MANAGER**[•], 2020****The Chief Executive**

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Being mandated as the Consultant/Lead Manager to this Initial Public Offering of Agha Steel Industries Limited through the Book Building process, we hereby confirm that all material information as required under the Securities Act, 2015, the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited and the Public Offering Regulations, 2017 has been disclosed in this Prospectus and that whatever is stated in Prospectus and in the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and behalf of **Arif Habib Limited**

-sd-

Ahmed Rajani

Director, Investment Banking

STATEMENT BY BOOK RUNNER**[•], 2019****The Chief Executive**

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Being mandated as the Book Runner to this Initial Public Offering of Agha Steel Industries Limited through the Book Building process, we hereby confirm that all material information as required under the Securities Act, 2015, the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited and the Public Offering Regulations, 2017 has been disclosed in this Prospectus and that whatever is stated in Prospectus and in the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and behalf of **Arif Habib Limited**

-sd-

Ahmed Rajani

Director, Investment Banking

6 FINANCIAL INFORMATION

6.1. AUDITORS REPORT AS CERTIFICATE ON ISSUED, SUBSCRIBED and PAID-UP CAPITAL.



September 11, 2020

The Board of Directors
Agha Steel Industries Limited,
Karachi.

AUDITORS' CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID - UP CAPITAL AS OF JUNE 30, 2020 AND JUNE 30, 2019

Dear Sirs,

We have been requested to provide you with a certificate on issued, subscribed and paid up capital of the Company as on June 30, 2020 and June 30, 2019.

Scope of Certificate

We understand that the certificate is required by the Company for the purpose of inclusion of information in the prospectus to be issued for initial public offer as required under the listing regulations of Pakistan Stock Exchange Limited (PSX).

Management Responsibility

The responsibility for fair presentation of subscribed and paid up capital is primarily that of the management of the Company. The management responsibility includes causing the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of assets of the company and prevention and detection of fraud and irregularities. This certification does not relieve the management from its responsibilities.

Auditors' Responsibility

Our responsibility is to certify the issued, subscribed and paid-up capital as on June 30, 2020 and June 30, 2019 in accordance with the "Guidelines for Issue of Certificate for Special Purposes by Practicing Chartered Accountants Firms" issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to as follows:

Room No. M1-M4, Mezzanine Floor, Progressiva Plaza, Civil Lines Quarter, Besant Road, Karachi-75530 Pakistan.
Phone: +92 21 35674741-44 | Fax: +92 21 35674745
Email: info@hzco.com.pk | URL: <http://www.hzco.com.pk>



- a) Traced the issued, subscribed and paid-up capital from the audited financial statements of the Company for the year ended June 30, 2020 and June 30, 2019; and
- b) Traced the issued, subscribed and paid-up capital of the Company as of June 30, 2020 and June 30, 2019 from:
- Form 35 filed with Securities and Exchange Commission of Pakistan (SECP);
 - Shares records as per member register; and
 - Trail balance of the Company as at June 30, 2020 and June 30, 2019.

Certificate

Based on the procedures performed as mentioned in the above paragraph, we are pleased to certify that the issued, subscribed and paid-up capital as at June 30, 2020 and June 30, 2019 are as follows:

		<i>As at June 30, 2020</i>	<i>As at June 30 2019</i>
	<i>Note</i>	<i>----- Rupees -----</i>	
Issued, Subscribed and Paid-up capital (Ordinary shares of Rs. 10 each)			
Issued for cash consideration		10,000,000	10,000,000
Issued for consideration other than cash	1	3,604,013,000	3,604,013,000
Issued for consideration other than cash	2	946,740,000	-
		<u>4,560,753,000</u>	<u>3,614,013,000</u>

Note 1:

Represents 360,401,293 ordinary shares issued by the Company to the partners of M/s Agha Steel Industries (the Firm), who are also directors of the Company, for acquisition of net assets of the Firm in accordance with the Business Transfer Agreement dated June 01, 2017.

Note 2:

Represents 94,674,000 ordinary shares issued during the year ended June 30, 2020 against conversion of directors' loan amounting to Rs. 946.740 million.



Restriction on use and distribution

This letter is being issued on the specific request of the management of the Company for the purpose of onward submission to PSX. Accordingly, this should not be distributed to any other third party without prior our written consent. This certificate is solely for the purpose set forth in the scope mentioned above and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

Yours faithfully,

Reanda Haroon Zakaria & Co
Reanda Haroon Zakaria & Company
Chartered Accountants

6.2. AUDITOR CERTIFICATE ON BREAK-UP VALUE PER SHARE



September 11, 2020

The Board of Directors
Agha Steel Industries Limited
Karachi.

AUDITOR'S CERTIFICATE ON BREAK-UP VALUE PER SHARE

Dear Sirs,

We have been requested to provide you with a certificate on break-up value of ordinary shares of the Company based on the audited financial statements of the Company for the year ended June 30, 2020.

Scope of certificate

We understand that the certificate is required by the Company for the purpose of inclusion of the information in the prospectus to be issued for initial Public offer as required under the listing regulation of Pakistan stock Exchange Limited (PSX).

Management's responsibility

The responsibility for computation of the break-up value of the Company, based on the audited financial statements of the Company for the year ended June 30, 2020 in accordance with the requirements of Technical Release – 22 of the Institute of Chartered Accountants of Pakistan (ICAP), is primarily that of the management of the Company. The management's responsibilities include causing the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. This certification does not relieve the management of its responsibilities.

Room No. M1-M4, Mezzanine Floor, Progressive Plaza, Civil Lines Quarter, Beaumont Road, Karachi-75530 Pakistan.
Phone: +92 21 35674741-44 | Fax: +92 21 35674745
Email: info@hzco.com.pk | URL: <http://www.hzco.com.pk>



Auditor's responsibility

Our responsibility is to certify the break-up value as at June 30, 2020 in accordance with the "guidelines for issue of Certificates for special Purposes by Practicing Chartered Accountant Firms" issued by the Institute of Chartered Accountants of the Pakistan. Our verification was limited to trace the relevant financial information used for the purpose of calculating the break-up value per share by the management of the Company from the audited financial statements of the Company for the year ended June 30, 2020, in this regard, we have also reviewed the compliance with requirements of technical release – 22 of the ICAP.

Certificate

Based on the procedures performed as mentioned in the above paragraphs, we are pleased to certify that the break-up value of ordinary shares of the face value Rs. 10 each of the Company as at June 30, 2020 based on the audited financial statements of the Company for the year ended June 30, 2020 is as follows:

		<i>June 30, 2020 Rupees in '000' Audited</i>
Issued, subscribed and paid-up capital		4,560,752,930
Revenue reserve – unappropriated profit		3,599,309,000
Total shareholder's equity	A	8,160,061,930
Number of ordinary shares of Rs. 10/- fully paid in cash	B	456,075,293
Break-up value of ordinary share of Rs. 10/- each	C=A/B	17.892



Restriction on use and distribution

This letter is being issued on the specific request of the management of the Company for the purpose of onward submission to PSX. Accordingly, this should not be distributed to any other third party without prior our written consent. This certificate is solely for the purpose set forth in the scope mentioned above and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

Yours truly,

Reanda Haroon Zakaria & Co
Reanda Haroon Zakaria & Company
Chartered Accountants

6.3. AUDITOR REPORT UNDER CLAUSE 1 OF SECTION 2 OF FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATION, 2017



September 11, 2020

The Board of Directors
Agha Steel Industries Limited
Karachi.

AUDITOR'S REPORT UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017

Dear Sirs,

We have been requested to provide you a report with respect to information of the Company as required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017.

Scope of report

Our engagement was undertaken on the request of the management of the Company for the purpose of inclusion of information in prospectus to be issued for Initial Public Offer as required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017 for onward submission to Pakistan Stock Exchange Limited (PSX).

Management's Responsibility

The responsibility for preparation and fair presentation of the Financial information and non-financial information is primarily that of the management of the Company. The management responsibilities include causing the maintenance of the adequate accounting records and internal controls, the selection and application of the accounting policies, safeguarding of assets of the Company and prevention and detection of frauds and irregularity. This report does not relieve the management from its responsibilities.

Auditors' Responsibility

Our responsibility is to report the information as required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017. Our report is being issued in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to checking the correctness of financial information and non-financial information included in this report (including annexures). For this purpose, we traced and checked the requisite information from audited financial statements of the Company for the years ended June 30, 2020, June 30, 2019 and June 30, 2018 in terms of requirements of Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017.

Room No. M1-M4, Mezzanine Floor, Progressive Plaza, Civil Lines Quarter, Beaumont Road, Karachi-75530 Pakistan.
Phone: +92 21 35674741-44 | Fax: +92 21 35674745
Email: info@hzco.com.pk | URL: <http://www.hzco.com.pk>



Auditors report

Based on the procedures performed as mentioned in the preceding paragraph, we are pleased to state the following:

1. We have audited the financial statements of the Company for the financial years ended on June 30, 2020, June 30, 2019 and June 30, 2018.
2. In terms of the requirement of Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017, and based on the audited financial statements, we state as under:
 - a. Summary of assets, liabilities and shareholder's equity of the Company for the for the three financial years ended on June 30, 2020, June 30, 2019 and June 30, 2018 is included in Annexure 'A' of this report; and
 - b. The statement of profit and loss and other comprehensive income of the Company for the three financial years ended on June 30, 2020, June 30, 2019 and June 30, 2018 are included in Annexure 'B' of this report.
3. No dividend was declared by the Company during the three financial years ended June 30, 2020, June 30, 2019 and June 30, 2018.
4. During the year ended June 30, 2017, Agha Steel Industries (the firm) has transferred the net assets amounting to Rs. 3,604.013 million to the Company in accordance with the Business Transfer Agreement dated June 01, 2017.
5. For the years ended June 30, 2020, June 30, 2019 and June 30, 2018 the Company does not have any subsidiaries.
6. No financial statements of the Company have been audited by us subsequent to the audit of the financial statements of the Company for the year ended June 30, 2020.



Restriction on use and distribution

This letter is being issued on the specific request of the management of the Company for the purpose of inclusion in prospectus to be issued for Initial Public Offer and for onward submission to Pakistan Stock Exchange Limited. Accordingly, this should not be distributed to any other third party without our prior written consent. This report is solely for the purpose set forth in the scope mentioned above and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein.

Yours truly,


Reanda Haroon Zakaria & Company
Chartered Accountants



Annexure: A

I SUMMARY OF ASSETS, LIABILITIES AND SHAREHOLDER'S EQUITY OF THE COMPANY WERE AS FOLLOWS:

	June 30, 2020	June 30, 2019	June 30, 2018
	----- Rupees in '000' -----		
ASSETS			
Non-Current Assets			
Property, plant and equipment	13,825,569	10,374,109	8,551,866
Intangible asset	61,230	59,330	26,667
Long term deposits and receivable	539,972	605,202	662,677
	14,426,771	11,038,641	9,241,210
Current Assets			
Stores, spares parts and loose tools	1,846,521	1,246,319	697,631
Stock-in-trade	8,627,400	7,756,588	5,171,321
Trade and other receivables	3,839,963	3,365,963	2,910,168
Loans and advances	593,644	295,595	914,686
Deposits	38,337	16,813	18,245
Short term investment at fair value through profit or loss	-	18,479	20,000
Tax refunds due from Government	517,046	526,195	418,230
Cash and bank balances	68,366	242,671	33,737
	15,531,277	13,468,623	10,184,018
Total Assets	29,958,048	24,507,264	19,425,228
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized Capital	6,250,000	5,000,000	5,000,000
Share Capital			
Issued, subscribed and paid up capital	4,560,753	3,614,013	3,614,013
Capital Reserve			
Remeasurements of defined benefit obligation	-	-	(1,453)
Revenue Reserve			
Unappropriated profit	3,599,309	2,568,119	1,800,839
Total Shareholders' Equity	8,160,062	6,182,132	5,413,399
Non-Current Liabilities			
Long term borrowings	4,944,318	5,602,245	3,087,690
Supplier credit	1,808,099	-	-
Loan from directors - unsecured	-	721,184	673,752
Lease liabilities	47,104	54,381	70,510
Deferred liability	678,293	723,567	965,322
	7,477,814	7,101,377	4,797,274
Current Liabilities			
Trade and other payables	1,339,265	529,799	531,329
Accrued markup	318,175	342,188	101,181
Short term borrowings	11,950,064	10,171,094	7,943,712
Current portion of non-current liabilities	712,668	180,674	638,333
	14,320,172	11,223,755	9,214,555
Contingencies and Commitments			
Total Capital and Liabilities	29,958,048	24,507,264	19,425,228
Operating Profit and Loss			
Operating profit	1,211,139	564,948	1,875,890
Other expenses	(114,553)	(34,702)	(146,372)
Other income	293,008	76,598	32,928
Profit before taxation	1,389,594	606,844	1,762,446
Taxation - net	(154,002)	161,889	(306,736)
Profit after taxation	1,235,592	768,733	1,455,710
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Remeasurements of defined benefit plan	-	-	(2,047)
Impact of deferred tax thereon	-	-	594
	-	-	(1,453)
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Amortization of loan from directors	-	-	272,988
Total comprehensive income	1,235,592	768,733	1,727,245

RHZCO

RHZCO

6.4. SUMMARY OF FINANCIAL HIGHLIGHTS OF AGHA STEEL INDUSTRIES LIMITED

In PKR Million	Audited FY 2018	Audited FY 2019	Audited FY 2020
Income Statement			
Gross Revenue	10,688	10,482	15,710
Less sales tax ¹	-	-	(2,283)
Net Revenue	10,688	10,482	13,427
Cost of Goods Sold	(7,995)	(8,451)	(10,158)
Gross Profit	2,693	2,031 ⁴	3,269
Administrative expenses	(180)	(208)	(202)
Selling and Distribution costs	(219)	(124)	(153)
Financial Charges	(419)	(1,135)	(1,703)
Operating Profit	1,876	565	1,211
Other Income/(Expense)	(113)	42	178
Profit/(Loss) before Taxation	1,762	606	1,390
Taxation	(307)	162	(154)
Profit/(Loss) after Taxation	1,455	768 ⁵	1,236
EBITDA	2,435	2,043	3,406
Depreciation and Amortization	254	302	314
Balance Sheet			
Non-Current Assets	9,241	11,039	14,427
Current Assets	10,184	13,469	15,531
Total Assets	19,425	24,507	29,958
Equity	5,413	6,182	8,160
Long-Term Debt	3,088	5,602	4,944
Liabilities against assets subject to finance lease	71	54	47
Accrued markup	101	342	318
Current Portion of non-current liabilities	638	181	713
Short-Term Borrowings	7,944	10,171	11,950
Non-Current Liabilities	4,797	7,101	7,478
Current Liabilities	9,215	11,224	14,320
Net Debt	11,134	16,108	19,712
Stock-in-trade	5,171	7,757	8,627
Trade debts	2,910	3,366	3,840
Trade and other payables	531	530	1,339
Cash Flow Statement			
Operating Activities	(1,836)	(1,962) ⁶	(37)
Investing Activities	(4,119)	(2,097)	(1,778)
Financing Activities	5,988	4,268	1,641
Cash Balance	34	243	68
Capex	4,110	2,128	1,863
Sales Growth	-	(1.93%)	28.09%
EBITDA Growth	-	(19.82%)	66.73%

Profit after Taxation Growth	-	(47.22%)	60.88%
------------------------------	---	----------	--------

Margins

Gross Margin	25.20%	19.39%	24.35%
Operating Profit Margin	21.46%	16.21%	21.70%
EBITDA Margin	23.84%	19.49%	25.37%
Profit before Taxation Margin	16.49%	5.78%	10.35%
Profit after Taxation Margin	13.61%	7.33%	9.20%

Earnings Ratios

Earnings per Share ²	4.03	2.13 ³	2.71
Break-up value per share	14.98	17.11	17.89
Return on Equity	26.88%	12.42%	15.14%
Return on Assets	7.49%	3.13%	4.12%

Balance Sheet Ratios

Fixed Asset Turnover (times)	1.16	0.95	0.93
Asset Turnover (times)	0.55	0.43	0.45
Capex to Total Assets	21.15%	8.68%	6.22%
Current Ratio (times)	1.11	1.20	1.08
Inventory Turnover (days)	236.07	335.03 ⁷	310.02
Receivables Turnover (days)	99.38	117.21 ⁸	104.39
Payables Turnover (days)	24.20	22.93	48.13

Leverage Ratios

Net Debt to EBITDA (times)	4.59	7.72	5.16
Total Debt to Equity (times)	2.19	2.64	2.20
EBITDA/Interest (times)	6.08	1.80	2.00
(EBITDA - Capex)	(1,561)	(85)	1,544
(EBITDA - Capex)/Interest (times)	(3.73)	(0.07)	0.91

Outstanding Shares	361,401,293	361,401,293	456,075,293
---------------------------	-------------	-------------	-------------

¹During the period FY 2020, sales tax regime for the Company is changed from special procedures to VAT mode. Therefore sales tax amounting to PKR 2,283 Million is shown as a deduction from turnover in FY 2020.

²Ordinary shares outstanding of 456,075,293 has been used for computing the EPS.

³This EPS also includes deferred taxation.

⁴The gross profit in FY 2019 was PKR 2,031 Million compared to FY 2018 gross profit of PKR 2,693 Million, which is a decline of PKR 662 Million. This decline as per the management is primarily due to depreciation in PKR against the USD from FY 2018 to FY 2019, which is also reflective in cost of sales. PKR/USD average of FY 2019 was 136.12 compared to PKR/USD average of FY 2018 i.e. 111.19, which depicts PKR depreciation of more than 22%.

Source: State Bank of Pakistan

⁵The net profit in FY 2019 was PKR 768 Million compared to FY 2018 net profit of PKR 1,455 Million, which is a decline of PKR 687 Million. This decline as per the management is primarily due to the aforementioned decrease in the gross profit along with the increase in finance cost in FY 2019 from FY 2018. The average 6 months KIBOR rate in FY 2019 was 10.21% compared to average 6 Months KIBOR rate in FY 2018 of 6.35%.

⁶In FY 2019, the Company was non operational for almost 5 months due to phase I of its expansion in relation to the BMRE activity. When the Company resume its operations after 5 months, in order to re-capture its old market share it had to maintain higher level of inventory available in variable sizes so that it would be available to customers on demand. Hence keeping this higher stock level meant that increased working capital was deployed in procuring inventory resulting in negative cash flow from operations.

⁷Industry average of inventory turnover days is 101 days. The inventory turnover days for the Company is on the higher side as the Company has been on a shut down on account of its BMRE activities. In order to re-capture its old market share it had to maintain higher level of inventory available in variable sizes so that it would be available to customers on demand. Further on account of expected PKR depreciation, the Company bought scrap in huge quantities on early basis.

⁸Industry average of receivable turnover days is 47 days. The higher receivables days are mainly attributable to the Company's efforts of regaining its market share (due to the closure of factory operations on account of BMRE activity) where huge quantities were sold to customers on easier terms which resulted in extended receivables days.

6.5. SUMMARY OF REVENUE AND EXPENDITURE OF ASIL

6.5.1. Revenue

In PKR Million	Audited FY 2018	Audited FY 2019	Audited FY 2020
Deformed bars	10,688	10,482	14,976
Billet	-	-	734
Total Sales	10,688	10,482	15,710
Less sales tax ¹			(2,283)
Total	10,688	10,482	13,427
Billets Production Quantity (MT)	138,461	140,335	182,852
Billets Sales Quantity (MT)	-	-	8,723
Deformed bars Production Quantity (MT)	125,563	124,131	153,604
Deformed bars Sales Quantity (MT)	122,778	104,882	134,615

¹During the period FY 2020, sales tax regime for the Company is changed from special procedures to VAT mode. Therefore sales tax amounting to PKR 2,283 Million is shown as a deduction from turnover in current period, whereas, sales tax amounting to PKR 650 Million was included in turnover for the year ended June 30, 2019.

6.5.2. Expenditure

In PKR Million	Audited FY 2018	Audited FY 2019	Audited FY 2020
Cost of sales	7,995	8,451	10,157
Selling and distribution costs	219	124	153
Administrative expenses	180	208	202
Finance costs	419	1,135	1,703
Other expenses	146	35	115

6.5.3. Working Capital Management

In PKR Million	Audited FY 2018	Audited FY 2019	Audited 1H FY 2020
Changes in working capital:			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools	(231)	(549)	(600)
Stock-in-trade	(2,538)	(2,585)	(871)
Trade and other receivables	(293)	(456)	(505)
Loans and advances	(591)	619	(298)
Deposits	(5)	1	(22)

	(3,657)	(2,969)	(2,295)
(Decrease) / increase in current liabilities	120	(35)	730
Net cash used in working capital	(3,538)	(3,004)	(1,565)

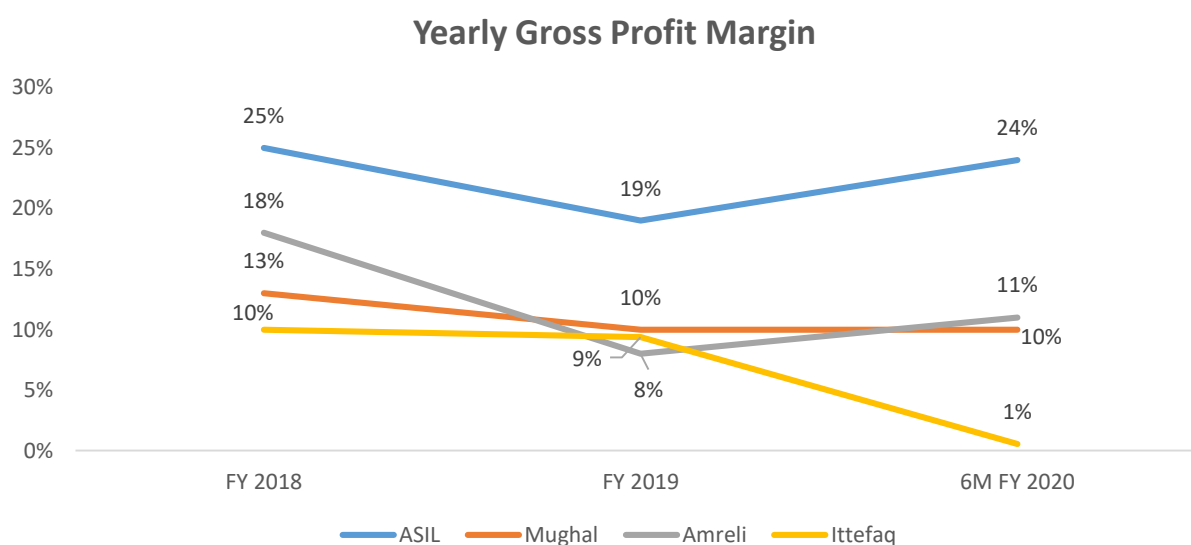
¹Represents Unaudited Financial Statements for the 3 months ended March 31, 2020.

Above is the breakup of changes in working capital of the Company over the past. The working capital is being managed prudently and the Company does not foresee issues in this regard. In recent times, the Company has reduced its holding inventory, however, due to ongoing COVID-19 pandemic, there has been a slight delay in payments from the customers.

6.6. COMPARATIVE FINANCIAL ANALYSIS WITH PEER GROUP COMPANIES

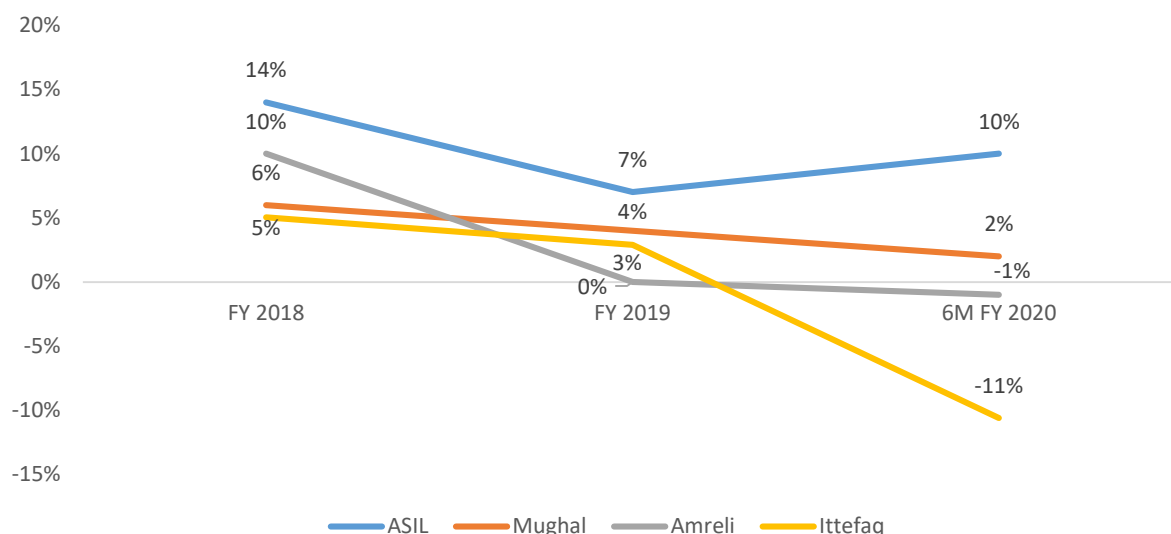
Agha Steel Industries started its commercial operation in 2012 (In June 2017, ASI was acquired by the Issuer, ASIL). Being a new player in the market relative to its peers i.e. Mughal Iron & Steel Industries Limited, Amreli Steels Limited and Ittefaq Iron Industries Limited. ASIL managed to gain substantial market share through providing quality products to its customers, which resulted in higher profits and significant growth of the Company.

The EAF allows the Company to efficiently manage its output due to the raw material flexibility, thereby giving it a competitive edge in the industry and provides greater cost efficiencies resulting in higher profit margins than its peers (shown in the below diagram).



Yearly Gross Profit Margin	FY 2018	FY 2019	6M FY 2020
ASIL	25%	19%	24%
Mughal	13%	10%	10%
Amreli	18%	8%	11%
Ittefaq	10%	9%	1%

Yearly Net Profit Margin



Yearly Net Profit Margin	FY 2018	FY 2019	6M FY 2020
ASIL	14%	7%	10%
Mughal	6%	4%	2%
Amreli	10%	0%	-1%
Ittefaq	5%	3%	-11%

6.7. DIVIDEND POLICY

The Company intends to follow a consistent profit distribution policy for its members, subject to profitability, availability of adequate cash flows, the Board's recommendation and shareholders' approval, where required.

The rights in respect of capital and dividends attached to each ordinary share are and will be the same. The Company in its general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors. Dividend, if declared in the general meeting, shall be paid according to the provisions of the Companies Act.

The Board of Directors may from time to time declare interim dividends as appear to it to be justified by the profits of the Company. No dividend shall be paid otherwise than out of the profits of the Company for the year or any other undistributed profits.

No unpaid dividend shall bear interest or mark-up against the Company. The dividends shall be paid within the period laid down in the Companies Act.

Under Section 242 of the Companies Act, any dividend payable in cash by a listed company, shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder.

Therefore, the applicants must fill-in the relevant part of the Shares Subscription Form under the heading, "Dividend Mandate".

Details of dividends and/or bonus shares issued over the past five years is as follows:

Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Dividends (PKR)	-	-	-	-	-
Dividend (%)	-	-	-	-	-
Bonus Shares	-	-	-	-	-
Bonus (%)	-	-	-	-	-

Covenants / Restriction on Payment of Dividends:

It is stated that there is no restriction on Agha Steel Industries Limited by any regulatory authority, creditor, stakeholder etc. on the distribution and capitalization of its profits.

6.7.1. Eligibility for Dividend

The Ordinary Shares issued shall rank pari-passu with the existing shares in all matters of the Company, including the right to such bonus or right issues, and dividend as may be declared by the Company subsequent to the date of issue of such shares.

6.7.2. Dividend payout of listed associated companies

There are no associated listed group companies of ASIL

7 MANAGEMENT

7.1. BOARD OF DIRECTORS OF THE COMPANY

S. No.	Name	Address	Designation	CNIC	Partnership	Directorships in Other Companies	Period of Directorship in ASIL
1	Iqbal Hussain Agha	House # 55 Khayaban-e-Shaheen Phase 5, DHA, Karachi, Pakistan	Non-Executive Director/ Chairman	42301-0954658-3	– Denim International – Agha Welfare Trust – Agha Steel Industries	– Denim International (Pvt) Limited	19 November 2013 – To Date
2	Hussain Iqbal Agha (Son of Mr. Iqbal Hussain Agha)	House # 55 Khayaban-e-Shaheen Phase 5, DHA, Karachi, Pakistan	Executive Director/ Chief Executive Officer	42301-6446734-7	– Agha Welfare Trust – Agha Steel Industries	– Denim International (Pvt) Limited	19 November 2013 – To Date
3	Raza Iqbal Agha (Son of Mr. Iqbal Hussain Agha)	House # 55 Khayaban-e-Shaheen Phase 5, DHA, Karachi, Pakistan	Executive Director	42301-2387091-3	– Agha Welfare Trust – Agha Steel Industries	– Denim International (Pvt) Limited	19 November 2013 – To Date
4	Shazia Agha (Daughter of Mr. Iqbal Hussain Agha)	House # 55 Khayaban-e-Shaheen Phase 5, DHA, Karachi, Pakistan	Executive Director	42301-6695622-2	– Agha Welfare Trust		30 th September 2017 – To Date
5	Saleem Parekh	House # 44 Street 8. Muslim Abad, New Town, Karachi, Pakistan	Independent Non-Executive Director	42201-5371151-7	– Associated Chairman Pakistan Hosiery Manufacturers & Exporters Association (PHMA) & SITE Association of Industry – Zonal Chairman PHMA – All Pakistan Textile Processing		30 th September 2017 – To Date
6	Akbar Ali Pesnani	D-14, Block 7, Kehkashan, KDA Scheme No. 5, Clifton, Karachi, Pakistan	Independent Non-Executive Director	42301-0981219-5		– Cherat Packaging limited – Aga Khan Cultural Services Pakistan Ltd. – Jubilee general insurance co Ltd – Pakistan Cables Limited – Cherat cement company limited	30 th September 2017 – To Date
7	Askari Asghar Agha	House # 81/2, Khayaban-e-Shahebaz, phase 6, DHA Karachi, Pakistan	Independent Non-Executive Director	42301-1040379-5	– Ali developers, – Zohzy Estate and Developers, – A & Z Associates, – A & A Associates, – Cosmos Properties – Ammar Shipbreaking		30 th September 2017 – To Date

7.2. PROFILES OF DIRECTORS

7.2.1. Mr. Iqbal Hussain Agha – Chairman

Mr. Iqbal Hussain Agha is a known name in the industrial sector over the past 5 decades with interest in various industries in Pakistan. His deep-rooted Industrial experiences comprise across a vast horizon of Industries, particularly in Steel and Textile sectors. The entrepreneurial background of Mr. Iqbal Agha is evidenced through the ventures having a span of over 25 years. Through his vast career background, Mr. Iqbal Agha has constantly excelled in Steel and Textile related Industries, proving to become the pillar stone of Pakistan's Industrial backbone. Prior to his current ventures, Mr. Iqbal Agha has been involved in several successful ventures, including Abbas Steel Korangi, Abbas Textiles and Denim International.

7.2.2. Mr. Hussain Iqbal Agha – Executive Director

Mr. Hussain Iqbal Agha is playing a pivotal role in transforming Pakistan's Steel Industry by spearheading Agha Steel Industries Limited enabling it to the leading Steel Manufacturer of the nation.

In 2005, Hussain Iqbal Agha graduated from Karachi American School as the salutatorian of his class. Upon graduation, Hussain Agha attended Bentley University, which is ranked amongst the top 20 Business Schools in North America. In 2009, Hussain Agha excelled to complete his undergraduate degree with a Bachelors of Management ranking in the top 10 percentile of his graduating class. Further pursuing to complete his MBA, he graduated with Honors from McCallum Graduate School of Business at Bentley University. After attaining an exceptional education, he attended many courses in Steel Making with the aim to re-define the Steel Industry of Pakistan.

Mr. Hussain is an active steel industry activist whereby he holds Chairmanship of BQATI (Bin Qasim Association for Trade and Industry). He has also attended ICAP's director training programs with approved credit hours for effective operations of Board.

7.2.3. Mr. Raza Iqbal Agha – Executive Director

Mr. Raza I. Agha, the eldest son of Mr. Iqbal Agha, is leading the Denim International as Managing Director. He is also working as Director of ASIL.

In 2002, Mr. Raza Iqbal Agha graduated from Karachi American School. Upon graduation, Raza Agha attended Mount Ida University located in Newton, Massachusetts USA. With a passion for business and marketing, he completed his Bachelors in Business Administration in 2006 with a concentration in Management and Marketing. In 2006, Mr. Raza Agha came back to Pakistan to join the Textile Division of the Group. His suave passion for marketing coupled with his keen management skills translated to tremendous year on year growth at Denim International.

7.2.4. Mrs. Shazia Agha – Executive Director

Mrs. Shazia Agha holds a post graduate Degree in Islamic Studies from University of Karachi, a PGD from Islamic College of Advance Studies (UK) and PGD in Higher Education from Middlesex University (UK).

Mrs. Shazia Agha is a well-known philanthropist and participates with significant dedication in welfare activities of different organizations. She established Al Hadi Educational Vocational Centre for women in various underprivileged areas in Karachi to eliminate the illiteracy, develop self-esteem, self-awareness of women with her distinctive coaching and training skills. Some of her other work comprises of conducting workshops on six skills for an empowered wife and women, teaching Islamic studies to undergraduate students at informatics institute.

Mrs. Shazia has been taking an active lead on the Agha Welfare Trust, a CSR Project of Agha Steel Industries Limited. With her experience, CSR projects of ASIL are being carried out in the true spirit and are expected to uplift the underprivileged on an aggressive scale.

7.2.5. Mr. Askari Asghar Agha – Non-Executive Director

Mr. Askari Agha is a reputable name in the construction industry. He operates with a rich experience of over 19 years in the construction and ship breaking industry. Mr. Askari holds a Bachelor's degree in Business Administration from California University Fullerton. He has been involved in the construction of some of the finest building in Karachi and has been associated in various roles with Ali developers, Zohzy Estate and Developers, A & Z Associates, A & A Associates, Cosmos Properties and Ammar Shipbreaking.

Mr. Askari is playing a pivotal role in the overall strategic expansion plans of ASIL. With his experience and professional expertise, ASIL intends to achieve financial prosperity through business diversity and vertical integration.

7.2.6. Mr. Saleem Parekh – Non-Executive Director

Mr. Salim Parekh, Bachelor of Engineering from University of Texas, Austin, U.S.A, is Director of M/s. Al Abbas Fabrics (Pvt) Limited, Karachi, one of the leading and prominent manufacturers and exporters of knitted garments and dyed fabric.

Presently, he is closely associated with Pakistan Hosiery Manufacturers & Exporters Association (“PHMA”) & SITE Association of Industry as focal person to guide and advise on the problems faced by the Industry.

He has held several posts in the Trade Associations among which as Central Chairman PHMA; Zonal Chairman PHMA; Chairman SITE Association of Industry; Central Chairman, All Pakistan Textile Processing Association. Being well versed with International & Local Trade, he was nominated as the Member of Textile Committee by the then Prime Minister, Mr. Shaukat Aziz. Besides Trade, he has been heading PHMA-Institute of Knitwear Technology, Karachi since 2000, to impart Textile Education. Realizing his business acumen and dedication, he has also been included as Member, Steering Committees to handle Sales Tax and Environment issues on Karachi Chamber platform.

7.2.7. Mr. Akbar Ali Pesnani – Non-Executive Director

Mr. Akbar Ali Pesnani is one of the most pertinent Business advisors of Pakistan. He is the fellow member of Institute of Chartered Accountants of Pakistan and Institute of Cost & Management Accountants of Pakistan.

With his immense and immeasurable experience, Mr. Akbar Ali Pesnani is contributing towards the overall development of control environment and execution of best business practices and strategies.

7.3. PROFILES OF KEY MANAGEMENT

7.3.1. Mr. Hussain Iqbal Agha – Executive Director and Chief Executive Officer

Mr. Hussain took charge as the CEO of entity in 2014. Ever since his placement, Mr. Hussain has been critically involved in Plant operations, Business Management and Strategic planning for sustainable growth of the Company.

Mr. Hussain’s vision was reflected when he urged Sponsors to convert the Business concern into a Public Company and be transparent in its operations.

For his relentless approach for sustainability through transparency, Mr. Agha urged respected Board to have the Company listed in Pakistan Stock exchange. This step is in line with his vision to have wide access to capital and optimum utilization of savings of general Public.

As a part of long term strategic plan, Mr. Hussain established an efficient Internal Audit Department and a Business Process Re-engineering Center. This enabled entity to find gaps in the processes and increased efficiencies in controls. Mr. Hussain is leading the current expansion plan of the Company that intends to increase production capacity by 3 times from its existing capacity along with cost reduction in the overall process.

Mr. Hussain works closely with Business Process Re-engineering Department in order to ensure that all gaps are measured and processes established are considered as best practices for the industry.

7.3.2. Mr. Kamran Ahmed – Chief Financial Officer

Seasoned and focused, Mr. Kamran Ahmed is a Fellow member of the prestigious Institute of Chartered Accountants (“ICAP”) of Pakistan. For over 20 years in prime regulatory bodies to growth champion entities, Mr. Kamran has rich experience in the field of finance and accounts in corporate environment both locally and internationally. Previously he served as Head of Finance at ICAP. Mr. Kamran achieved success with respect to unmatched excellence in Financial Reporting with close deadlines. Mr. Kamran was also secretary of Professional Accountants in Business

("PAIB") Committee at ICAP. PAIB Committee is a core committee of International Federation of Accountants ("IFAC") which strives to promote and contribute to the value of professional accountants in business by increasing the awareness of the important roles that professional accountants play.

For the past six years Mr. Kamran Ahmed is associated as CFO of Agha Steel Industries Limited, capitalizing his modernized skills to bring best practices and Professional accounting environment with respect to performance and conformance.

7.3.3. Mr. Muhammad Muneeb Khan – Company Secretary

Mr. Muhammad Muneeb Khan joined Agha Steel Industries Limited in year 2015 with a prime role to convert the Business from AOP to a Public Limited Company. During 2015, the Company was successfully converted into a public limited company. Mr. Muneeb is in charge with responsibilities of corporate compliances and effective management of Board meetings. Mr. Muneeb also played pivotal role in managing compliances for entity's Over the Counter Listing of Privately Placed Sukuk in year 2018. Mr. Muneeb is a post graduate in Economics from University of Karachi. Previously Mr. Muneeb has worked for Supernet Limited (a wholly owned subsidiary of Telecard Limited) and was extensively trained in corporate affairs from Rehman Sarfaraz Rahim Iqbal Rafique & Co. Chartered Accountants (RSRIR) Chartered Accountants.

7.3.4. Mr. Suleman Lakhani – Chief Marketing Officer

Mr. Suleman Lakhani has spent over 50 vintages in the field of Marketing, Brokerage, Trading, Manufacturing and Sales. The unmatched skill set of Mr. Suleman Lakhani witnessed the successful Business Management, Marketing and Sales of different businesses that were lucky enough to have his presence.

Mr. Suleman was associated with Bukhari Traders, Abbas Steel Industries, Al-Abbas Steel, Abbas Engineering, Al-Abbas Shipbreaking Industries, after which, Agha Steel Industries Limited plucked this remarkable talent as Chief Marketing Officer.

The versatility and ability to manage and market variety of commodities can be witnessed through tremendous transformation of commodities sold throughout the career. During his rich and rewarding career, Mr. Suleman has marketed Cotton, hot rolled and cold rolled products, wire rod, end to end ship breaking scrap and deformed bars all across Pakistan. His strict negotiation skills enable ASIL to keep a strict control over revenue assurance.

7.3.5. Mr. Muhammad Shafiq – Unit Head Sales, Special Projects

Mr. Shafiq holds a Master Degree in the field of Marketing and has been associated for over three years with ASIL. Incharge for special project Sales and Marketing, Shafiq spearheaded various teams for special projects constituting a majority share in sales with his diligent team. Under the vibrant leadership of Mr. Shafiq, ASIL successfully demonstrated its punch line 'Karachi se Kashmir tak' by winning contracts in the extreme North of Pakistan despite being situated in extreme south.

Mr. Shafiq has a prior professional experience of working as a Manager, Marketing and Operations in Versant Interiors. It's been three years that Mr. Shafiq is a part of ASIL family and because of his in depth knowledge in branding the products and in managing and developing stratagems for the special projects, he became a person who is no less than an asset for the company since the day of his joining.

7.3.6. Mr. Zain-ul-Abedin – Manager IT

Mr. Zain Ul Abdin has been working in the field of Information Technology for more than a decade. He attended a reputable institute of Pakistan to complete his Bachelors in Telecommunication by attaining merit scholarship from the institute. Besides completing his Masters in Information Technology from Ilma University, Pakistan, his eagerness for incessant learning and getting success led him to gain various certifications in IT, including, Cisco Certified Network Professional CCNP, Cisco Certified Network Associate CCNA, WiMAX Core Network Professional, MCITP and MCSA.

Because of amazing prowess in IT, Mr. Zain has been playing a vital role for managing the entire IT Infrastructure of Agha Steel Industries since last 5 years which includes management of more than 1,000 end users. His managing skills resulted in successfully leading the project teams for the development of three major projects of IT; Network, CCTV, VOIP and Analog Telephony Infrastructure. Previously, he has also been associated with MicroTech Incorporation as a Technical Engineer, and Americom Technology as Network Engineer.

7.3.7. Mr. Hazem Hassanin Labib – GM Meltshop

Mr Hazem Hassanin Labib is an experienced metallurgist with over 3 decades of rich and diverse experience in the steel industry.

Before joining Agha Steel Industries Limited in 2019, he held several positions in international companies. Prior to joining Agha Steel Industries Limited, Mr Hazem was serving as Group Director Steel Plant and Production Planning at Egyptian Steel Co. (Alexandria, Beniseuf, Portsaid & Sokhna plants, Egypt – 2014-2019). He has also served as Director Steel Plant at Mass Glopal Holdings (Kurdistan, Iraq – 2012-2014), Steel Plant Director at Suez Steel (Suez City, Egypt – 2010 -2012), Steel Plant Director at Al Yamamah Co (Yanbu, KSA – 2005 – 2010) and has served at various strategic positions at the Alexandria National Iron and Steel Company, Egypt during his 14 years (1992 – 2005).

He participated in several steel manufacturing projects such as the melt shop and has received world class trainings from Egypt, Germany, Qatar, Netherlands, Greece, Czech Republic, Austria, Switzerland, Mexico and Italy.

His role at Agha Steel Industries is to monitor and lead all operational aspects of steel making and assist in optimization and production planning for the group.

7.3.8. Mr. Ajmal Khan – GM Rolling Mill

Mr Ajmal Khan is a diligent professional with over 20 years' experience in steel industry where he has played a significant role in managing large and complex projects. A brief walk through of his experience covers Project Management, Equipment Erection & Commissioning, Rolling Mill & Roll Shop Operations, Mechanical Maintenance, Workshop Development, Fabrication & Machine Shop Operations primarily for steel plants and Re-bar Rolling Mills from raw material till end product.

Ajmal comes with a diverse experience and a proven track record of creating success stories. Ajmal's experience spans throughout mills across Pakistan. Ajmal has demonstrated proficiency, commitment and competency in revamping processes, systems and procedures to turn around underperforming operations. He possesses sound capabilities of leading, mentoring, motivating and monitoring large multinational teams eliciting superior performances. He is a proactive results-driven manager with excellent interpersonal, team building, troubleshooting, problem-solving, planning and execution skills.

7.4. APPOINTMENT AND ELECTION OF DIRECTORS

The board of directors have been appointed on 27th of October 2017.

The directors of the Company are elected in accordance with the procedure laid down in section 159, 174 to 178 of the Companies Act and Article 30.

As per Article 37, no person shall become the director of the company if he suffers from any of the disabilities or disqualifications mentioned in section 187 and, if already a director, shall cease to hold such office from the date he so becomes disqualified or disabled.

As per Article 49, subject to the provisions of the Companies Act, the Company may from time to time increase or decrease the number of Directors.

As per Article 50, Any casual vacancy occurring on the Board of Directors may be filled up by the directors, but the person so appointed shall be subject to retirement at the same time as if he / she had become a Director on the day on which the Director in whose place he / she is chosen was last elected as Director.

7.5. INTEREST OF DIRECTORS

The directors may have deemed to be interested to the extent of fees payable to them for attending the Board meetings. The Directors performing whole time services in the Company may also be deemed interested in the remuneration payable to them by the Company. The nominee directors have interest in the Company to the extent of representing the Sponsors in the capital of the Company.

Following directors are holding ordinary shares of the Company:

Name of Shareholder	Designation	Numbers of Shares held	Value of Shares held
Iqbal Hussain Agha	Non- Executive Director/ Chairman	201,364,616	2,013,646,160
Hussain Iqbal Agha	Executive Director/ Chief Executive Officer	91,215,059	912,150,590
Raza Iqbal Agha	Executive Director	91,215,059	912,150,590
Shazia Agha	Executive Director	72,280,259	722,802,590
Akbar Ali Pesnani	Independent Non-Executive Director	100	1,000
Askari Agha	Independent Non-Executive Director	100	1,000
Saleem Parekh	Independent Non-Executive Director	100	1,000

7.6. INTEREST OF DIRECTORS IN PROPERTIES/ASSETS OF THE COMPANY

Nil.

7.7. BENEFITS TO PROMOTERS AND OFFICERS

No benefit has been given or is intended to be given by the Company to the promoters and officers of the Company other than remuneration for services rendered by them as full time executives of the Company.

7.8. AUDIT COMMITTEE

The Board of Directors has set up an effective internal audit function managed by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

The audit committee comprises of the following members:

1. Mr. Askari Agha Chairman
2. Mr. Saleem Parekh Member
3. Mr. Iqbal Agha Member

7.9. POWERS OF DIRECTORS INCLUDING ANY BORROWING POWER

As per Articles of Association clause 28, the business of the Company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the company, and may execute all such powers of the Company as are not by the Company's Ordinance 1984 or any statutory modification thereof for the time being in force, or by these regulations, required to be exercised by the Company in the General Meeting, subject nevertheless to the provisions of the Company's Ordinance 1984 or to any of these regulations, and such regulation being not inconsistent with the aforesaid provisions, as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

As per Articles of Association clause 33, the amount for the time being remaining undercharged of moneys borrowed or raised by the Directors for the purposes of the Company (otherwise than by the issue of share capital) shall not any time, without the sanction of the Company in General Meeting, exceed the issued share capital of the company.

The control of the Company shall be vested in the Board of Directors and the business of the Company shall be managed by the Board of Directors who may exercise all such powers of the Company and do all such acts and things

as may be exercised or done by the Company as by the Companies Act or by Articles of the Company or by a special resolution expressly directed or required to be exercised or done by the Company.

The Directors may from time to time at their discretion borrow any sum or sums of money for the purposes of the Company and from any person, banks, firms or companies, particularly any person holding the office of Director, and may secure the payment of such money in such manner and upon such terms and conditions in all aspects as they think fit and in particular by the issue of debentures or debenture stock of the Company or by making, drawing, accepting or endorsing on behalf of the Company any promissory note, bills of exchange or giving or issuing any other security of the Company or by mortgage or charge of all of the property of the Company.

7.10. INDEMNITY AVAILABLE TO THE BOARD OF DIRECTORS AND OTHER EMPLOYEES OF THE COMPANY

Every Director and other officer or servant of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors to pay, out of the funds of the Company, all costs, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into, act or thing done by such officer or servant as such or in any way in the discharge of the duties of such officer or servant including travelling expense.

No Director or other officer of the Company shall be liable for the acts, receipts neglect or default of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of/ to any property required by order of the Directors for or behalf of the Company or for the insufficiency or deficiency of the security or investment in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or for any loss occasioned by an error of adjustment or oversight on his part or any other loss damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his dishonesty.

7.11. CORPORATE GOVERNANCE

The Company shall comply with all the rules and regulations applicable to the Company with regards to the Listed Companies (Code of Corporate Governance) Regulation, 2019. Furthermore, the Company will also ensure that:

1. by June 30th, 2020, at least half of the directors on its board;
2. by June 30th, 2021 at least 75% of the directors on its board; and
3. by June 30th, 2022 all the directors on its board

have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.

The Company shall also encourage representation of minority shareholders on the board of directors

7.12. NUMBER OF DIRECTORS

Pursuant to Section 154 of the Companies Act, 2017 a listed Company shall not have less than seven (7) directors. At present, the Board consists of 7 directors, including the Chief Executive Officer.

7.13. QUALIFICATION OF DIRECTORS

No person shall be appointed as a Director of the Company who is ineligible to be appointed as Director on any one or more of the grounds enumerated in Section 153 of the Companies Act or any other law for the time being in force.

7.14. REMUNERATION OF THE DIRECTORS

As per article 31, the remuneration of directors shall from time to time be determined by the company in the general meeting, subject to the provisions of the Companies Act.

Name of Directors	FY 2018	FY 2019	6M FY 2020
Iqbal Hussain Agha	Nil	Nil	Nil
Hussain Iqbal Agha	12,000,000	12,000,000	2,000,000
Raza Iqbal Agha	12,000,000	12,000,000	2,000,000
Shazia Agha	900,000	3,600,000	600,000
Saleem Parekh	Nil	Nil	Nil
Akbar Ali Pesnani	Nil	Nil	Nil
Askari Asghar Agha	Nil	Nil	Nil
Total	24,900,000	27,600,000	4,600,000

7.15. VOTING RIGHTS

According to Articles of Association clause 88, subject to any rights or restrictions for the time being attached to any class of shares, on a show of hands every member present in person shall have one vote except for election of directors in which case the provisions of Section 159 shall apply. On a poll every member shall have voting rights as laid down in Section 134 of the Companies Act.

As per Article 89, in case of joint-holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the joint-holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

As per Article 90, a member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

7.16. HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board of Directors has set up an effective Human Resources function managed by suitable and qualified personnel who are conversant with the policies & procedures of the Company and are involved in Human Resources function on a full time basis.

The human resource and remuneration committee comprises of the following members:

- | | |
|--------------------------|----------|
| 1. Mr. Saleem Parekh | Chairman |
| 2. Mrs. Shazia Agha | Member |
| 3. Mr. Akbar Ali Pesnani | Member |

8 LEGAL PROCEEDINGS AND OVERDUE LOANS

8.1. LEGAL PROCEEDINGS

ASIL Tax Year 2017 – 30th April 2018

During the year ended June 30, 2018, the Commissioner Inland Revenue (“CIR”) raised a demand of PKR 618.251 Million under section 122(5A) for tax year 2017 by disallowing current liability, stores spares parts and loose tools, import purchases, carry forward tax losses, tax credit u/s 65B and adding income amounting to PKR 1,717.364 Million.

The Company filed an appeal against the said order with Commissioner Appeals Inland Revenue on May 18, 2018 which is pending till date. Based on the advice of tax advisor and legal counsel of the Company, management is confident that the decision will be made in favor of the Company. Therefore, for calculation of tax liability for the period ended June 30, 2020, the entity has not taken the impact of CIR order and calculated it on the basis of original return submitted for tax year 2017.

Iqbal Hussain Agha Tax Year 2017 – 122(5A) – 18th February 2019

Deputy commissioner Inland Revenue acting under section 122(5A) of Income Tax Ordinance 2001, raised an additional demand of PKR 47 Million against Mr. Iqbal Hussain Agha’s deemed assessment for tax year 2017. The matter was challenged on grounds and the case is pending for adjudication before Commissioner (Appeals) Income tax.

Hussain Iqbal Agha TY 2013 – 122(5A) – 31st August 2015

Deputy commissioner Inland Revenue acting under section 122(5A) of Income Tax Ordinance 2001, raised an additional demand of PKR 2.8 Million against Mr. Hussain Iqbal Agha’s deemed assessment for tax year 2013. The matter was challenged on grounds and the case is pending for adjudication before Commissioner (Appeals) Income tax.

Raza Iqbal Agha TY 2013 – 122(5A) – 19th September 2015

Deputy commissioner Inland revenue acting under section 122(5A) of Income Tax Ordinance 2001, raised an additional demand of PKR 3.6 Million against Mr. Raza Iqbal Agha’s deemed assessment for tax year 2013. The matter was challenged on grounds and the case is pending for adjudication before Commissioner (Appeals) Income tax.

Note: There are no other pending litigations against the Company other than already mentioned above.

8.2. OVERDUE LOANS

There are no overdue loans (local or foreign currency) on the Company, its sponsor and promoters, substantial shareholders, directors and associated group companies (over which the Company has control). The Company, its CEO, its directors and its sponsors, under the oath, undertakes that they have no overdue payment to any financial institutions.

CIB report of Mr. Iqbal Hussain Agha, obtained before approval from PSX, depicted outstanding amounts of PKR 6,988,260 and PKR 2,438,000 that were overdue past 30 days and 60 days respectively. On the instruction of PSX, Mr. Iqbal Hussain Agha cleared all the overdue loans and Bank Alfalah Limited vide letter dated August 4, 2020 has also confirmed the same. As of the date of PSX’s approval, no loan was overdue from the Sponsors, substantial shareholders and directors of the Company.

9 UNDERWRITING, ARRANGEMENT, COMMISSION, BROKERAGE AND OTHER EXPENSES

9.1. UNDERWRITING

Book Building Portion

Arif Habib Limited has been appointed as the Book Runner to the Issue. The Book Runner will credit underwrite the Book Building Portion of the Issue which comprises 75% of the issue i.e. 90,000,000 Ordinary Shares as required under regulation 7(6) of the PO Regulations, with the limitations in effect that the Book Runner shall only underwrite the default portion of the Book Building, if any, at the Strike Price determined through the Book Building process.

General Public Portion

The General Public Portion of the Issue of 30,000,000 Ordinary Shares will be fully underwritten as required under 7(3) of the Regulations. Names of the Underwriters will be published in supplement to the prospectus.

9.2. RATE OF UNDERWRITING AND TAKE UP COMMISSION

The names of the underwriters to the retail portion, rate of underwriting and take up commission will be published in the Supplement to the Prospectus.

9.3. BUY BACK / REPURCHASE AGREEMENT

UNDERWRITERS WILL NOT ENTER INTO ANY BUY BACK / RE-PURCHASE AGREEMENT WITH THE COMPANY OR ANY OTHER PERSON IN RESPECT OF THIS ISSUE OF SHARES.

ALSO, NEITHER THE COMPANY NOR ANY OF ITS ASSOCIATES WILL ENTER INTO ANY BUY BACK / RE-PURCHASE AGREEMENT WITH UNDERWRITERS OR ITS ASSOCIATES. THE COMPANY AND ITS ASSOCIATES SHALL NOT BUY BACK / RE-PURCHASE SHARES FROM THE BOOK RUNNERS AND ITS ASSOCIATES TAKEN UP, IF ANY, BY IT IN CAPACITY AS THE BOOK RUNNER.

9.4. FEES AND EXPENSES FOR CENTRALIZED E-IPO SYSTEM ("CES")

Commission on application received through CES will be paid to CDC which shall not be more than 0.8% of the amount of the successful applications. CDC will share, the fee with other participants of CES at a ratio agreed amongst them.

9.5. COMMISSION OF THE BANKERS TO THE ISSUE

Commission at the rate of 0.25% (inclusive of all taxes) of the amount collected on allotment in respect of successful applicants will be paid by the Company to the Bankers to the Issue for services to be rendered by them in connection with the Retail Portion of the Issue.

9.6. BROKERAGE

For this Issue, brokerage shall be paid to the TRE Certificate Holders of PSX at the rate of 1.00% of the value of shares (including premium, if any) on successful applications for Book Building and General Public Portion. No brokerage shall be payable in respect of shares taken up by the Underwriters pursuant to under subscription of retail portion of the Issue.

9.7. ESTIMATED EXPENSES OF THE ISSUE

Expenses to the Issue are estimated not to exceed PKR 182,850,000/-. The break-up of these preliminary expenses is given below:

Particulars	Rate	Expense
Lead Manager & Book Runner	2.50%	90,000,000
Underwriters Commission General Public	1.50%	13,500,000
Take-up Commission - General Public	1.50%	13,500,000
Commission to Bankers for General Public	0.25%	1,800,000

E-IPO Banks charges		600,000
CDC e-IPO Facility Charges	0.80%	1,440,000
Bankers to the Issue - Out of Pocket Expenses		500,000
Broker's Commission	1.00%	36,000,000
PSX Initial Listing Fees		1,500,000
PSX Services Fee		50,000
PSX Book Building Software Charges		500,000
Share Registrar, Transfer Agent and Balloting Agent		1,000,000
Marketing & Printing Expenses		6,000,000
CDC - Fresh Issue Fee	0.16%	5,760,000
CDC - Annual Listing Fee		850,000
SECP IPO Application Processing Fee		200,000
SECP Supervisory Fee		150,000
Miscellaneous expenses		500,000
Total		173,850,000

Please note that fee mentioned in percentages above are calculated on the basis of floor price. The actual fee will be finalized once the strike price is determined in the book building process

10 MISCELLANEOUS INFORMATION

10.1. REGISTERED OFFICE of Agha Steel Industries Limited.

Plot No. NWIZ/1/P-133, (SP-6) D-2,
 Port Qasim Karachi, Sindh, Pakistan
 Phone: 0213 4154245
 Fax: +92 21 3415 4227
 Email: info@aghasteel.com

10.2. CORPORATE OFFICE OF Agha Steel Industries Limited.

Suit # 801 & 804, 8th Floor,
 Emerald Tower, Clifton Block 5,
 II Talwar, Karachi, Sindh, Pakistan
 Phone: 021 111 112 442
 Fax: +92 21 3404 6044
 Email: corporate@aghasteel.com

10.3. BANKERS OF THE COMPANY

Name	Address	Contact no.	Email
Bank Al Habib Limited	4th Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi, Pakistan	021-32412164 Ext: 392	raza.hassan@bankalhabib.com
Bank Alfalah Limited	Bank Alfalah Limited BC-06, Block-9, Clifton, Karachi	021-38203645	usman.ali@bankalfalah.com
Askari Bank Limited	Floor 3, Plot BC – 1 Block 9 KDA Clifton	021-35361096	neelam.deepak@askaribank.com.pk
United Bank Limited	14th Floor, UBL Head Office, I.I. Chundrigar Road, Karachi.	021-111-825- 888	babar.syed@ubl.com.pk
Samba Bank Limited	Samba Bank Limited Sidco Avenue Centre 5 th Floor Saddar	0213-8247172	sumaira.abbasi@samba.com.pk
Habib Metro Bank Limited	Address: 2nd Floor, HBZ Plaza, I.I.Chundrigarh Road,Karachi, Pakistan	0213-2644375	abbas.alamdar@habibmetro.com
Habib Bank Limited	HLB 1 st Floor, Plot No. G-4, HBL Tower, KDA Scheme # 5, Block 7, Near Teen Talwar, Clifton, Karachi , Pakistan.	021-33117832	sameen.ferzan@hbl.com
MCB Bank Limited	Main Branch – Adamjee House	021-32420254	attia.mobeen@mcb.com.pk

	1 st Floor - I.I Chundrigar Road Karachi		
JS Bank Limited	Shaheen Complex, Dr Ziauddin Ahmed Road, Opposite Supreme Court, Karachi.	021-38907520	najaf.Shah@jsbl.com
Faysal Bank Limited	Corporate & Investment Banking Group 09th Floor, Faysal House, Street No.2, Shahrah-e-Faisal,	021-32795338	mohammadjawad@faysalbank.com
Dubai Islamic Bank Limited	Hassan Chambers 2nd Floor, DC-7, Block-7, Kehkashan Clifton Karachi - 75350,	021-35368531	usman.kh@dibpak.com
MCB Islamic Bank Limited	Mezzanine Floor, Nice Trade Orbit, Main Shahrah-e- Faisal, Karachi	021-34322562	mairaj.shahid@mcbislamicbank.com
Meezan Bank Limited	Meezan Bank Ltd., P&O Plaza, Opposite Muhammadi House I.I. Chundrigar Road, Karachi	021- 3213246	ammar.ahmed@meezanbank.com
Bank Islami Limited	Head office 15th, Floor Executive Tower Dolmen City Clifton Block - 4 Karachi	UAN 111-247- 111 Ext.3818	ayesha.khan@bankislami.com.pk

10.4. AUDITORS OF THE COMPANY

Reanda Haroon Zakaria & Company
Plot No. 5-CL-10, Civil Lines Quarter,
Beaumont Road, Karachi-75530 Pakistan
Email: igbal@hzco.com.pk
Phone: 021 35674741

10.5. LEGAL ADVISOR OF THE COMPANY AND TO THE ISSUE

ASAD MAHMOOD ADVOCATE & LEGAL CONSULTANT
NTN # 2839771-1.
Office No. 705, 7th
Floor, Uni Shopping Centre, Abdullah Haroon Road, Saddar
Karachi
Phone: 021-35217068
Email: asad.mahmood@gmail.com

10.6. COMPUTER BALLOTTER & SHARE REGISTRAR**CDC Share Registrar Services Limited**

CDC House, 99-B, Block B, S.M.C.H.S.

Main Shahra-e-Faisal, Karachi – 74400.

Email: muhammad_sarwar@cdcsrsl.com

Website: www.cdcpakistan.com

Phone: 021-111 111 500

10.7. LEAD MANAGER & BOOK RUNNER**Arif Habib Limited**

Arif Habib Center

23, MT Khan Road, Karachi

Phone: 021-3246 5891

Fax: 021-3242 9653

Email: m.aliraza@arifhabibltd.com

Website: www.arifhabibltd.com

10.8. BANKER TO THE ISSUE FOR BOOK BUILDING

Habib Bank Limited

9th Floor, HBL Tower, Jinnah Avenue, Blue Area,
Islamabad, Pakistan.

Phone: (92-51) 2872203, (92-51) 2821183

Email: muhammad.nasib@hbl.com

10.9. BANKERS TO THE ISSUE FOR GENERAL PORTION

Habib Metropolitan Bank Limited

Bank Al-Habib Limited

Faysal Bank Limited

United Bank Limited

Meezan Bank Limited

MCB Bank Limited

Habib Bank Limited

11 MATERIAL CONTRACTS

11.1. DETAILS OF SHORT TERM BORROWING

Bank	Facility	Limit (PKR millions)	Mark-up Commission	Date Sanctioned	Expiry / Review Date
Bank Al Habib	Running Finance	2,900	1M KIBOR + 0.85%	30-04-2018	31-10-2021
	Local Bill Discount	100	KIBOR + 1%		
Askari Bank Limited	Running Finance	640	3M KIBOR + 0.75%	25-03-2020	31-12-2020
	FATR	1,410	3M KIBOR + 0.75%		
Bank Alfalah Limited	Running Finance	200	1M KIBOR + 1.25%	19-03-2020	31-12-2020
	FATR	600	1M KIBOR + 1.25%		
Meezan Bank Limited	Musawammah	1,000	6M KIBOR + 1%	23-09-2019	31-08-2020
Habib Bank Limited	Running Finance	100	1M KIBOR + 1.25%	01-05-2019	31-12-2020
	FATR	500	KIBOR + 1%		
United Bank Limited	Running Finance	250	1M KIBOR + 1%	31-12-2019	31-12-2020
	FATR	500	1M KIBOR + 1%		
Samba Bank Limited	Running Finance	300	3M KIBOR + 0.95%	03-04-2020	28-02-2021
	FATR	400	3M KIBOR + 0.95%		
Habib Metropolitan Bank	Running Finance	300	3M KIBOR + 0.75%	17-08-2019	31-03-2021
	FATR	700	KIBOR + 0.75%		
JS bank	Running finance	300	3M KIBOR + 1.25%	25-02-2020	31-03-2021
	FATR	700	3M KIBOR + 1.25%		
Faysal Bank Limited	Running Finance	300	1M KIBOR + 0.75%	05-03-2019	28-02-2021
	FATR	1,200	KIBOR + 0.5%		
Bank Islami Pakistan Limited	Istisna	500	KIBOR + 1%	26-03-2019	31-03-2021
MCB	Running Finance	300	3MK + 0.5%	11-01-2019	31-08-2020
	FATR	200	3MK + 0.5%		
MCB Islamic	Musharkah RF	200	KIBOR + 1%	04-07-2019	31-08-2020
	Murabaha	300	KIBOR + 1%		
Dubai Islamic	Musharkah RF	50	KIBOR + 1.25%	12-07-2019	31-03-2021
	Murabaha	200	KIBOR + 1%		

*Renewal of these facilities is in process

11.2. DETAILS OF LONG TERM FINANCING

Bank	Facility	Limit (PKR millions)	Mark-up Commission	Date Sanctioned	Expiry / Review Date
United Bank Limited	Long Term Finance	500	3M KIBOR + 1%	20-12-2017	05-05-2024
Samba Bank Limited	Long Term Finance	500	3M KIBOR + 0.75%	29-11-2017	23-04-2024

Particulars of Sukuk Certificates	Issue Size (PKR Millions)	Coupon Rate	Issue Date	Maturity Date
Privately Placed, Rated and Secured Islamic Sukuk Certificates	5,000	3 Month KIBOR 0.8%	09-10-2018	09-10-2024

During FY 2018, the Company has issued privately placed rated secured Sukuk certificates aggregating to PKR 5,000 Million for a period of 6 years (Inclusive of 2 years grace period) for the purpose of funding of costs associated with BMRE phase 1 of the expansion. These carry markup at the rate of 3 Months KIBOR + 80 basis points per annum.

11.3. DETAILS OF OTHER COMPANY RELATED PARTY AGREEMENT

Expansion Related Agreements:

Title of Agreements	Party to the Agreement	Date	Particular
New Continuous Casting Machine and Rolling Mill	Danieli & C. Officine Meccaniche S.p.a.	05-10-2017	Agreement to procure new Continuous Casting Machine and Rolling Mill from Danieli & C. Officine Meccaniche S.p.a.
One Air Separation Plant	Hangzhou Zhongtai Cryogenic Technology Corporation	16-01-2018	One Air Separation Plant to be acquired from Hangzhou Zhongtai Cryogenic Technology Corporation

Technical Agreements:

Title of Agreements	Party to the Agreement	Date	Particular
Agreement for licencing of SAP's ERP, SAP S / 4 HANA version with fiori interface	SAP	23-02-2018	Implementation of SAP S / 4 HANA Modules customized to meet the requirements of ASIL

Other Agreements:

Title of Agreements	Party to the Agreement	Date	Particular
40,000 KW	K-Electric	01-11-2017	New Connection of K-Electric
Land agreement 10,17 Acres	Port Qasim Authority		Land Lease Agreement
Head Office Emerald Tower 8 th Floor Agreement Office No.801 & 804	Emerald Tower Block 5 Clifton		Land Lease Agreement

11.4. DETAILS OF LETTER OF CREDIT

To date, the Company has opened Letter of Credit for machinery pertaining to Mi.Da..Plant. Details of all LCs opened to date and their status is as follows:

Particular	Beneficiary	Country	L/C NO. & Date	PKR
New Continuous Casting Machine and Mi.Da. Rolling Mill- LC*	Danieli & C. Officine Meccaniche S.p.a.	Italy	25-01-2018 Ref.BAHL L/C No.1001/LC/27585/2018	2,661 Million
One Air Separation Plant	Hangzhou Zhongtai Cryogenic Technology Corporation	China	16-04-2018 Ref.UBL L/C No.LC036462	395 Million

*The Mi.Da. Rolling Mill has been shipped to Pakistan.

11.5. INSPECTION OF DOCUMENTS AND CONTRACTS

Copies of the Memorandum and Articles of Association, the Audited Financial Statements, the Auditor's Certificates, Information Memorandum and copies of the agreements referred to in this Prospectus may be inspected during usual business hours on any working day at the registered office of the Company from the date of publication of this Prospectus until the closing of the subscription list.

11.6. MEMORANDUM OF ASSOCIATION

The Memorandum of Association, inter alia, contains the objects for which the Company was incorporated and the business which the Company is authorized to undertake. A copy of the Memorandum of Association is annexed to this Prospectus and with every issue of the Prospectus except the one that is released in newspapers as advertisement.

11.7. FINANCIAL YEAR OF THE COMPANY

The financial year of the Company commences on July 1 and ends of June 30.

12 BOOK BUILDING PROCEDURE/INSTRUCTIONS FOR REGISTRATION AND BIDDING

12.1. BOOK BUILDING PROCEDURE

12.1.1. Brief Structure

The Present Issue

The Issue comprises of 120,000,000 Ordinary shares of face value of PKR 10.00 each which constitutes 20.83% of the post-IPO paid up capital of the Company.

The Issue is being made through the Book Building process at a Floor Price of PKR 30.00 per share (including a premium of PKR 20.00 per share), whereby 75% of the total issue size i.e. 90,000,000 Ordinary shares will be issued through the Book Building process to the Eligible Investors. The balance 25% of the total Issue size i.e. 30,000,000 Ordinary Shares will be issued to the General Public through retail offer at the Strike Price determined through the Book Building process.

The General Public Portion of the Issue of 30,000,000 Ordinary Shares will be fully underwritten as required under 7(3) of the Regulations. Names of Underwriters to the Retail Portion will be published in the Supplement to the Prospectus.

As per PO Regulations, any bid above the Price Band of 40% is not acceptable. Thus, in this case, the maximum Strike Price of PKR 42/share can be achieved, given that Floor Price of PKR 30/share.

Within 3 working days of the closing of the Bidding Period, a Supplement to the Prospectus will be published in at least all those newspapers in which the Prospectus is published. The Supplement will contain information related to the Strike Price, the Offer Price, dates of the Public Subscription, and category wise break-up of the Successful Bidders. Format of the Supplement is given on page 3 of this Prospectus.

12.1.2. Types of Bids and Procedure for making a Bid

Book Building is a process whereby investors bid for a specific number of shares at various prices. The Issuer set a Floor Price, which is the minimum / lowest price a Bidder can bid at. An order book of bids is maintained by the Book Runner, which is then used to determine the Strike Price through the “Dutch Auction Method”.

Under the Dutch Auction Method, the Strike Price is determined by lowering the Bid Price to the extent that the total number of shares issued through the Book Building process are subscribed.

A bid by a Bidder can be a “Limit Bid”, or a “Step Bid”, each of which are explained below:

- **Limit Bid:** Limit bid is at the Limit Price, which is the maximum price a Bidder is willing to pay for a specified number of shares.

In such a case, a Bidder explicitly states a price at which he / she / it is willing to subscribe to a specific number of shares. For instance, a Bidder may bid for 1 Million shares at PKR 30.00 per share, based on which the total Application Money would amount to PKR 30 Million. In this case the Bid Amount will be also PKR 30 Million. Since the Bidder has placed a Limit Bid of PKR 30.00 per share, this indicates that he / she / it is willing to subscribe the shares at a price up to PKR 30.00 per share.
- **Step Bid:** A series of Limit Bids at increasing prices. The amount of any individual step bid shall not be less than PKR 1,000,000.
- Under this bidding strategy, Bidders place a number of Limit Bids at different increasing price levels. A Bidder may, for instance, make a bid for 0.7 Million shares at PKR 30.00 per share, 0.6 Million shares at PKR 32.00 per share and 0.5 Million shares at PKR 34.00 per share. Therefore in essence the Bidder has placed one Step Bid comprising of three Limit Bids at increasing prices. The Bid amount will be PKR 63.4 Million. In case of individual Bidder, the Margin Money will be 100% i.e. PKR 63.4 Million whereas in case of Institutional Bidders the Margin Money shall be 25% of the Bid amount i.e. PKR 15.85 Million.

RESTRICTIONS:

- (i) AN ELIGIBLE INVESTOR SHALL NOT:
- (a) MAKE BID BELOW THE FLOOR PRICE AND ABOVE THE UPPER LIMIT OF THE PRICE BAND;
 - (b) MAKE BID FOR MORE THAN 10% OF THE SHARES ALLOCATED UNDER THE BOOK BUILDING PORTION
 - (c) MAKE A BID WITH A PRICE VARIATION OF MORE THAN 10% OF THE PREVAILING INDICATIVE STRIKE PRICE AS PER REGULATION 10(2)(iii) OF THE PO REGULATIONS
 - (d) PLACE CONSOLIDATED BID
 - (e) MAKE MORE THAN ONE BID SEVERALLY OR JOINTLY
 - (f) MAKE DOWNWARD REVISION BOTH IN TERMS OF BID PRICE AND BID VOLUME; PROVIDED THAT INCASE OF UPWARD REVISION OF THE BID PRICE, THE NUMBER OF SHARES BID FOR I.E. BID VOLUME MAY BE ADJUSTED ENSURING THAT THE BID AMOUNT OR BID MONEY REMAINS THE SAME; OR
 - (g) WITHDRAW BID
- (ii) RELATED EMPLOYEES OF THE ISSUER, LEAD MANAGER & BOOK RUNNER SHALL NOT PARTICIPATE IN THE BIDDING PROCESS.
- (iii) NO PERSON SHALL TAKE PART IN THE BOOK BUILDING PROCESS, DIRECTLY OR INDIRECTLY SEVERALLY OR JOINTLY IN ANY MANNER OR ENGAGE IN ANY ACT OR PRACTICE WHICH CREATE A FALSE AND MISLEADING APPEARANCE OF ACTIVE BIDDING FOR RAISING OR DEPRESSING STRIKE PRICE IN THE BOOK BUILDING PROCESS.
- (iv) AS PER REGULATION 7(8) OF THE PO REGULATION, THE ASSOCIATES OF THE ISSUER AS DISCLOSED IN THE PROSPECTUS SHALL NOT IN AGGREGATE MAKE BIDS IN EXCESS OF TEN (10) PER CENT OF THE SHARES OFFERED THROUGH BOOK BUILDING.
- (v) AS PER REGULATION 7(9) OF THE PO REGULATIONS, THE ASSOCIATES OF THE LEAD MANAGER & BOOK RUNNER SHALL NOT IN AGGREGATE MAKE BIDS IN EXCESS OF 10 (10) PERCENT OF THE SHARES OFFERED THROUGH BOOK BUILDING.

LIST OF ASSOCIATED COMPANIES AND UNDERTAKINGS OF THE ISSUER, NAMES OF RELATED EMPLOYEES OF THE ISSUER, LEAD MANAGER & BOOK RUNNERS ARE PROVIDED IN SECTION 3.

Once the Bidding Period has lapsed and the book has been built, the, Strike Price shall be determined on the basis of Dutch Auction Method.

Successful Bidders shall be intimated, within one (1) working day of the closing of the Bidding Period, about the Strike Price and the number of shares allotted to each of them. Upon intimation by the Book Runner of the final allocation, successful institutional bidders shall deposit their balance margin money within (3) days of such intimation. **Where a successful Bidder defaults in payment of shares allotted to him / her / it, the Margin Money deposited by such Bidder shall be forfeited to the Book Runner.**

As per regulation 9(16) of the PO Regulations, the successful bidders shall be issued shares at the time of issuance of shares to the retail investors. Shares to successful bidders shall be issued only in the form of book-entry through credit in their respective CDS accounts (Investors Account or Sub-Account). All the bidders shall, therefore, provide number of their CDS accounts in the bid application.

The Bidders must provide the bank account details in their bidding form, so that cash dividend can be credited into their respective International Bank Account Number (IBAN).

12.1.3. Mechanism for Determination of Strike Price

1. At the close of the bidding period, the Strike Price shall be determined on the basis of Dutch Auction Method by the Designated Institution. Under this methodology, the Strike Price is determined by lowering the price to the extent that the total shares offered under the Book Building Portion are subscribed.
2. The Order Book shall display the bid prices in a tabular form in descending order along with the number of shares bid for and the cumulative number of shares at each price level.
3. As per the regulation 9(12) of the PO Regulation, in case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares will be allotted on proportionate basis against the bids made at the Strike Price.

The mechanism for determination of the Strike Price can be understood by the following illustration:

1. Number of shares being Issued through the Book Building: 90,000,000 Ordinary Shares
2. Floor Price: PKR 30/- per Ordinary Share with maximum price band of 40% i.e. PKR 42/- per share
3. Bidding Period: From 6th October 2020 to 7th October 2020
4. Bidding Time: 9:00am – 5:00pm
5. Bidding Revision Time (Upward Revision only): 9:00am – 5:00pm on all days

Bidder	Price (PKR/share)	Quantity	Cumulative Number of shares	Category of Order
Institution A	40.00	6,000,000	6,000,000	Limit Price
Institution B	39.25	5,000,000	11,000,000	Limit Price
HNWI A	38.75	5,500,000	16,500,000	Step Bid
Institution C	37.75	6,100,000	22,600,000	Limit Price
Institution D	37.50	2,000,000	24,600,000	Limit Price
Institution E	37.00	4,000,000	28,600,000	Limit Price
HNWI B	36.50	6,000,000	34,600,000	Limit Price
HNWI A	36.00	12,000,000	46,600,000	Step Bid
Institution F	35.00	8,000,000	54,600,000	Limit Price
Institution G	34.50	15,000,000	69,600,000	Limit Price
Institution H	34.00	12,000,000	81,600,000	Limit Price
HNWI C	33.50	4,500,000	86,100,000	Limit Price
Institution I	33.00	2,000,000	88,100,000	Step Bid
Institution H	31.75	12,000,000	76,100,000	Limit Price
HNWI D	31.25	10,000,000	86,100,000	Step Bid
Institution J	31.00	8,500,000	94,600,000	Limit Bid
HNWI E	30.00	5,000,000	99,600,000	Limit Price

↓

Strike Price determine
through Dutch Auction
Method

↓

Bid has been
revised upwards
and placed at PKR
34.00

↓

Total shares bid for at
and above the Floor
Price

On the basis of the figures provided in the above illustration, according to the Dutch Auction Method, the Strike Price would be set at PKR 31.00 per share to sell the required quantity of 90,000,000 ordinary shares.

At PKR 40.00 per share, investors are willing to buy 6,000,000 shares. Since 84,000,000 shares are still available, therefore the price will be set lower.

At PKR 39.25 per share, investors are willing to buy 5,000,000 shares. Since 79,000,000 shares are still available, therefore the price will be set lower.

At PKR 38.75 per share, investors are willing to buy 16,500,000 shares. Since 73,500,000 shares are still available, therefore the price will be set lower.

At PKR 37.75 per share, investors are willing to buy 6,100,000 shares. Since 67,400,000 shares are still available, therefore the price will be set lower.

At PKR 37.50 per share, investors are willing to buy 2,000,000 shares. Since 65,400,000 shares are still available, therefore the price will be set lower.

At PKR 37.00 per share, investors are willing to buy 4,000,000 shares. Since 61,400,000 shares are still available, therefore the price will be set lower.

At PKR 36.50 per share, investors are willing to buy 6,000,000 shares. Since 55,400,000 shares are still available, therefore the price will be set lower.

At PKR 36.00 per share, investors are willing to buy 12,000,000 shares. Since 43,400,000 shares are still available, therefore the price will be set lower.

At PKR 35.00 per share, investors are willing to buy 8,000,000 shares. Since 35,400,000 shares are still available, therefore the price will be set lower.

At PKR 34.50 per share, investors are willing to buy 15,000,000 shares. Since 20,400,000 shares are still available, therefore the price will be set lower.

At PKR 34.00 per share, investors are willing to buy 12,000,000 shares. Since 8,400,000 shares are still available, therefore the price will be set lower.

At PKR 33.50 per share, investors are willing to buy 4,500,000 shares. Since 3,900,000 shares are still available, therefore the price will be set lower.

At PKR 33.00 per share, investors are willing to buy 1,900,000 shares. Since 1,900,000 shares are still available, therefore the price will be set lower.

At PKR 31.75 per share, investors are willing to buy 12,000,000 shares. Since 13,900,000 shares are still available, therefore the price will be set lower.

At PKR 31.25 per share, investors are willing to buy 10,000,000 shares. Since 3,900,000 shares are still available, therefore the price will be set lower.

At PKR 31.00 per share, investors are willing to buy 8,500,000 shares. **Since after bidding for 8,500,000 shares at PKR 31.00 per share, no shares will be available therefore the Strike Price will be set at PKR 31.00 per share for the entire lot of 90,000,000 shares.**

The bidders who have placed bids at prices above the Strike Price (which in this illustration is PKR 31.00 per share), will become entitled for allotment of shares at the Strike Price and the differential would be refunded.

In case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares shall be allotted against the bids made at the Strike Price on proportionate basis as per regulation 9(12) of the PO Regulations.

The Bidders who have made bids below the Strike Price shall not qualify for allotment of shares and the Book Runner shall intimate the respective banks for unblocking their Bid Money within one (1) working day of the close of the bidding period as per regulation 9(13) of the PO Regulation and the refunds, where required to such bidders shall be made within three (3) working days from the close of the bidding period.

Since this Issue is being made through 75% book building, as per the regulation 7(3) of the PO Regulation, the Bidders shall be allowed to place bids for seventy five percent (75%) percent of the issue size and the strike price shall be the price at which seventy five percent (75%) percent of the issue size is subscribed.

12.1.4. Timeframe for intimation to the successful bidders and mechanism for payment of the balance amount by the successful bidders

Successful bidders shall be intimated, within one (1) working day of the closing of the bidding period, the Strike Price and the number of shares allotted to each of them. Upon intimation by the Book Runner of the final allocation, successful institutional bidders shall deposit their balance margin money within (3) days of such intimation. **Where a successful Bidder defaults in payment of shares allotted to it, the Margin Money deposited by such Bidder shall be forfeited to the Book Runner.**

12.1.5. Book Runner to the Issue:

Arif Habib Limited has been appointed by the Issuer as Lead Manager & Book Runner.

Roles and Responsibilities of the Book Runner

The Book Runner to the issue shall be responsible to:

1. ensure that necessary infrastructure and electronic system is available to accept bids and to conduct the whole Book Building process in a fair, efficient and transparent manner;
2. ensure blocking of bid and margin money of the Bidders in their respective accounts;
3. the Book Runner must be financially capable for honoring its commitments arising out of defaults by their investors, if any;

4. use the software provided by the Designated Institution for the Book Building on such terms and conditions as may be agreed with the Designated Institution through an agreement in writing;
5. ensure that the software used for Book Building is based on Dutch Auction Method for display of the order book and determination of the strike price;
6. ensure that the bidders can access to the System and can revise their bids electronically using the user ID and the password;
7. ensure that it has obtained list and Unique Identification Number (UIN) of the associates of the Issuer, the Lead Manager and all the related employees;
8. ensure that names and UIN of all the persons mentioned under section 12.5 are entered and capped in a manner as prescribed in the PO Regulations before commencement of the Bidding Period;
9. ensure that no bid or bids exceeding ten per cent (10%), in aggregate, is or are made by the associated companies and associated undertakings of the Issuer;
10. ensure that no bid in aggregate exceeding ten per cent (10%) is made by the companies and associated undertakings of the Lead Manager & Book Runner;
11. enter into an underwriting agreement with the Issuer with respect to underwriting of the Book Building portion for covering the default risk;
12. establish bid collection centers at least in Islamabad, all the provincial capitals, Azad Kashmir and Gilgit/Baltistan;
13. maintain record of all the bids received; and
14. Ensure that all the Bids received in the Bid Collection Centers are entered into the system developed by the Designated Institution for the purpose of Book Building within the prescribed time.

The Book Runner have established bid collection centers at the following addresses (direct & fax numbers in all centers).

12.1.6. Bid Collection Centers

The Book Runner has established bid collection centers at the following addresses:

	Karachi	
Contact Officer:	Ammad Tahir	Fatima Diwan
Direct No.:	021-32433542	021-32465891
Mobile No.:	0321 821 0505	0321 232 9864
PABX No.:	021 111 245 111	021-34302171-177
Fax No.:	021 3242 9653	021-34302186
Email:	ammad.tahir@arifhabibltd.com	fatima.diwan@arifhabibltd.com
Postal Address:	Arif Habib Center, 23 MT Khan Road, Karachi	Arif Habib Center, 23 MT Khan Road, Karachi
	Lahore	Islamabad
Contact Officer:	Muhammad Ali Raza	Mr. Assad Manzur (Branch Operations Manager)
Direct No.:	042-35871730-34; 0333 2016338	051-2829656 & 051-2273819
Email:	m.aliraza@arifhabibltd.com	Assad.butt@hbl.com
Postal Address:	Arif Habib Office House No. 16/7-B, Eden Cottages; Main Gulberg 2, Near MCB House Lahore.	Habib Bank Limited (CDA Civic Centre Branch Code-0602); CDA Civic Centre Branch ; Tariq Chambers, Block-2, Melodi Market, Markaz E-6, Islamabad
	Faisalabad	Peshawar
Contact Officer:	Mr. Muhammad Iqbal Dogar (Branch Operations Manager)	Mr. Muhammad Husnain (Branch Operations Manager)

Direct:	041- 2541137 & 041-2541135	091-2210579 & 091-2550012
Email:	igbal.dogar@hbl.com	muhammad.husnain1@hbl.com
Postal Address:	Habib Bank Limited (Circular Road Branch Code-0143); Corporate Centre, Circular Road Branch; P-832/A-1 Block 10, Circular Road Faisalabad	Habib Bank Limited (Peshawar City Branch Code-0223); Peshawar City Branch, Chowk Abrasham Garan 153, Peshawar
	Quetta	Azad Kashmir
Contact Officer:	Syed Ali Abbas (Branch Operations Manager)	Mr. Tanveer Ahmed (Branch Operations Manager)
Direct:	081- 2822543 & 081- 22822869 Ext. 236	05822-920475 & 05822-920475
Email:	ali.abbas3@hbl.com	tanveer.ahmed@hbl.com
Postal Address:	Habib Bank Limited (Quetta Complex Branch Code-1649); Quetta Complex Branch, Quetta Complex; 402-A Gulistan Road, Quetta Cantt.	Habib Bank Limited (Main Branch Muzaffarabad Code-0422); Main Branch Muzaffarabad; Khasra # 1275/488, Gillani Chowk, Muzaffarabad Tehsil & Distt Muzaffarabad, Azad Kashmir
	Gilgit/Baltistan	
Contact Officer:	Mr. Shah Alam (Branch Operations Manager)	
Direct:	05811-450377 & 05811-450405	
Email:	shah.alam@hbl.com	
Postal Address:	Habib Bank Limited (Gilgit Branch Code-0107); Gilgit Branch; Shahrah-e-Quaid-e-Azam NLI Market Gilgit Baltistan	

12.1.7. Roles and Responsibilities of the Designated Institution

PSX being provider of the Book Building System (Designated Institution), shall ensure that Book Building System shall smoothly perform following functions:

- Record name, UIN, National Tax Number (NTN), postal and email addresses, land line and cell numbers, International Bank Account Number (IBAN) and branch address and complete CDS Account Number (i.e. Investor Account Number or Sub-Account Number);
- Provide a mechanism for registration of the bidders before commencement of the bidding period till 03:00 p.m. on the last day of the Bidding Period and require the investors to provide at least such information as mentioned above;
- Generate bidders' Internet Protocol (IPs) address and keep record of all IP addresses from where the bids are placed;
- Record the number of shares bid for, the Bid Price, type of the bid i.e. Limit Bid or Step Bid, date and time of the entry of the bid;
- Display the bids revised, and date and time of upward revision;
 - Neither allow withdrawal of bid, nor accept the bids placed at a Bid Price that is below the Floor Price or above 10% of the Indicative Strike Price at any point of time and above the upper limit of the Price Band;
- Display live the total number of shares offered for sale, the Floor Price, Price Band, total number of bids received, total number of shares bid for and the indicative Strike Price;
- Build an order book showing demand for the shares at various price levels in a descending order along with the accumulated number of shares bid for and percentage of total shares offered under the Book Building Portion;
- Discover the strike price at the close of the Bidding Period;
- Generate alerts for the Bidders via Short Message Service ("SMS") through cell phones and emails upon entry of the bid, at the time of upward revision of the bid, upon variation in the Indicative Strike Price and upon discovery of the strike price; and
- Ensure that the system must provide the bidders the option to upward revise their bids online or through the Book Runner during the period permitted under these PO Regulations.

The Designated Institution shall ensure that:

- identity of the bidder is not displayed; and
- no bid is entered into the System after closing of the Bidding Period.

12.1.8. Roles and Responsibilities of the Issuer:

The Issuer shall ensure that:

1. the Issuer, its sponsors, promoters, substantial shareholders, directors and associates shall have no over dues or defaults, irrespective of the amount, appearing in the report obtained from the credit information bureau;
2. the Issuer or its directors, sponsors or substantial shareholders should not have held the office of the directors, or have not been sponsors or substantial shareholders in any company:
 - I. which had been declared defaulter by the securities exchange or futures exchange; or
 - II. whose TRE certificate has been cancelled or forfeited by the securities exchange; or
 - III. which has been de-listed by the securities exchange due to non-compliance of its regulations.
3. The Lead Manager & Book Runner, Underwriter, Balloter and Share Registrar and Banker to the Issue, are appointed through separate agreements in writing.
4. It has submitted through its Lead Manager, an application along with draft prospectus for listing of its securities to the PSX.
5. the shares shall be issued in book-entry form only.

12.1.9. Opening and Closing of the Registration Period

The Registration period shall be for **Five (5)** working days as under:

REGISTRATION PERIOD	
1 st October 2020	9:00am to 5:00pm
2 nd October 2020	9:00am to 5:00pm
5 th October 2020	9:00am to 5:00pm
6 th October 2020	9:00am to 5:00pm
7 th October 2020	9:00am to 3:00pm

12.1.10. Opening and Closing of the Bidding Period

The Bidding Period shall be for **Two (2)** working days as under:

BIDDING PROCESS STARTS ON	6 th October 2020 (9:00 AM to 5:00 PM)
BIDDING PROCESS ENDS ON	7 th October 2020 (9:00 AM to 5:00 PM)

12.1.11. Eligibility to Participate in Bidding

Eligible Investors who can place their bids in the Book Building process include local and foreign Individual and Institutional Investors whose Bid Amount is not less than PKR 1,000,000/- (Rupees One Million only).

12.1.12. Information for Bidders

1. The Prospectus for Issue of Shares has been approved by PSX and SECP.
2. The Prospectus, Registration Forms and the Bidding Forms can be obtained from the Registered Office of ASIL, AHL, and the designated Bid Collection Centers. Prospectus, Registration Forms and Bidding Forms can also be downloaded from the following websites of the Lead Manager & Book Runner and the Company i.e. <http://www.arifhabilttd.com> and <http://www.aghasteel.com/>.
3. Eligible Investors who are interested to participate in bidding for subscribing the Ordinary Shares of the Company should approach the Book Runner at the addresses provided in section 10.8 of this prospectus for registration for submitting their Bids.

4. THE REGISTRATION FORMS SHOULD BE SUBMITTED ON THE PRESCRIBED FORMAT AT THE ADDRESSES PROVIDED IN SECTION 12.1.6. FOR DETAILS ON THE PROCEDURE OF REGISTRATION PLEASE REFER TO SECTION 12.1.14.
5. THE BIDS SHOULD BE SUBMITTED ON THE PRESCRIBED BIDDING FORM IN PERSON, THROUGH FAX NUMBERS GIVEN IN SECTION 10.8 OR THROUGH THE ONLINE SYSTEM USING THE USER ID AND PASSWORD ISSUED AT THE TIME OF REGISTRATION OF ELIGIBLE INVESTOR.
6. REGISTERED INVESTORS CAN PLACE AND REVISE THEIR BIDS UPWARDS BY ACCESSING THE DESIGNATED INSTITUTIONS ONLINE PORTAL FOR BOOK BUILDING BY USING THE USER ID AND PASSWORD COMMUNICATED TO THEM VIA EMAIL BY PSX.
7. EACH ELIGIBLE INVESTOR SHALL ONLY SUBMIT A SINGLE PAY ORDER, DEMAND DRAFT OR EVIDENCE OF ONLINE TRANSFER OF MONEY ALONG WITH THE REGISTRATION FORM. IT MAY ALSO BE NOTED THAT ONLY A SINGLE PAY ORDER, DEMAND DRAFT OR EVIDENCE OF ONLINE TRANSFER OF MONEY SHALL BE ACCEPTED BY THE BOOK RUNNER ALONG WITH EACH ADDITIONAL PAYMENT FORM.
8. ELIGIBLE INVESTORS WHO ARE ACCOUNT HOLDERS OF HABIB BANK LIMITED (THE BANKER TO THE BOOK BUILDING PORTION OF THE ISSUE) CAN USE THE ONLINE TRANSFER FACILITY PROVIDED BY HABIB BANK LIMITED TO DEPOSIT THEIR BID MONEY TO THE BOOK BUILDING ACCOUNT OPENED AT HBL.

12.1.13. Registration form and Procedure for Registration

1. A standardized Registration Form has been prescribed by the Issuer. The Registration Form shall be submitted, duly filled in, at the Bid Collection Centers in person on addresses given in section 12.1.6 on the standard Registration Form. The Registration Form shall be serially numbered at the bid collection centers and date and time stamped at the time of collection of the same from the Bidders.
2. Upon completion and submission of the Registration Form, the Bidders are deemed to have authorized the Issuer to make necessary changes in the Prospectus as would be required for finalizing and publishing the Supplement to the Prospectus in the newspapers in which Prospectus was published and filing the Supplement with PSX and SECP, without prior or subsequent notice of such changes to the Bidders.
3. The registration procedure under the Book Building process is outlined below:
 - The Registration period shall be for Five (5) working days i.e. 1st October 2020 to 6th October 2020 from 9:00 AM to 5:00 PM and from 9:00 AM to 3:00 PM on 7th October 2020.
 - The Registration Form shall be issued in duplicate signed by the Bidder and countersigned by the Book Runner, with the first copy for the Book Runner and the second copy for the Bidder.
 - The Registration Form shall be duly filled in and signed in duplicate and shall be submitted at the Bid Collection Centers in person, through representative or through fax on addresses and numbers given in paragraph 12.1.6.
 - Upon registration of the bidders in the System, PSX shall assign and communicate the User ID and Password to the Bidders via email on the email address provided by them in the Registration Form.
 - The Book Runner may reject any bid for reasons to be recorded in writing provided the reason of rejection is disclosed to such bidder. Decision of the Book Runners shall not be challengeable by the Bidder.
 - Bid Amount / Margin Money shall be deposited along with the Registration Form through demand draft, pay order or online transfer through Bidder's bank account only. In case of Online Transfer, the Bidders are requested to submit a bank receipt evidencing transfer of the bid money into the Issuer's designated bank account. **Please note that cash must not be deposited either directly or through online transfer in the Issuer's designated bank account.**
 - The pay order shall be made in favor of "**AGHA STEEL IND LTD Book Building**". For online transfer the payment shall be made into **0042-79920372-03** being maintained in HBL Plaza Branch, Karachi. Please note that online transfer facility shall only be allowed to Habib Bank Limited customers.
 - Please note that third party instruments will not be accepted for Margin Money.
 - In case of intra city payment instruments, the bidders shall ensure that the payment instruments are made "Payable at any Branch". Intra city payment instruments that are not made "Payable at any Branch" will not be accepted.

- The Book Runners shall collect an amount of 100% of the Application Money as Margin Money in respect of bids placed by Individual Investors.
- The Book Runners shall collect an amount of not less than 25% of the Application Money as Margin Money in respect of bids placed by Institutional Investors.
- The Bidder shall provide a valid email address in the Registration Form so that the relevant ID and password can be emailed to them upon registration.
- The Bidders can use the User ID and Password to independently place and upward revise their bids online.
- **The successful Bidders shall be issued shares only in the form of book-entry to be credited in their respective CDS accounts. All the bidders shall, therefore, provide their CDC account numbers in the bid application and Registration form.**
- **The successful Bidders shall be paid cash dividend, if any announced by the Company, only through direct credit in their respective International Bank Account Number (IBAN). All the Bidders, therefore, must provide their IBANs in the Bid Application and Registration Forms.**

12.1.14. Procedure for Bidding

1. A standardized Bidding Form has been prescribed by the Issuer.
2. Registered Investors can submit their bids in person or through representatives at the Bid Collection Centers during the bidding dates or can place their bids online at <https://bkb.psx.com.pk> using the user ID and Password received by them over email upon registration with the Book Runner.
3. The bidding procedure under the Book Building process is outlined below:
 - Bids can be placed either at the “Limit Price” or as a “Step Bid”. The minimum size of a Limit Bid by an Eligible Investor shall not be less than PKR 1,000,000/- (Rupees One Million) and in case of a Step Bid, the amount of any step shall also not be less than PKR 1,000,000/- (Rupees One Million).
 - The investors may place their bids through any of the Bid Collection Centers established pursuant to the requirements of sub-regulation 10 of regulation 8 of the PO Regulations. Please see para 12.1.6 for addresses and contact detail of persons at the Bid Collection Centers.
 - The persons at the Bid Collection Centers shall vet the bid applications and accept only such bid applications that are duly filled in and supported by pay order, demand draft or a bank receipt evidencing transfer of the bid money into the Issuer designated bank account.
 - On receipt of bid application in accordance with the aforementioned regulation, the Book Runner shall enter Bid into the System and issue to the Bidder an electronic receipt bearing name of the Book Runner, name of the bidding center, date and time.
 - The bidding shall commence from 09:00 a.m. and close at 05:00 p.m. on all days of the Bidding Period. The bids shall be collected and entered into the system by the Book-Runner till 05:00 p.m. on the last day of the bidding period.
 - The Bidders shall have the right to revise their bids upwards any time either manually through the Bid Collection Centers or electronically through direct access to the system till 05:00 p.m. on the last day of the Bidding Period.
 - **The Bidders shall NOT make downward revision both in terms of Bid Price and Bid Volume provided that in case of upward revision of the Bid Price, the number of shares Bid for i.e. Bid Volume may be adjusted ensuring that the bid amount or bid money remains the same.**
 - **The Bidders shall not withdraw the Bids.**
 - The Book Runner shall collect full amount of the Bid Amount as Margin Money in respect of bids placed by the High Net worth Individual and not less than twenty-five percent (25%) of the Bid Amount as Margin Money in respect of bids placed by the Institutional Investors.
 - Payment of Margin Money shall be accepted only through demand draft, pay order or online transfer and third party payment instruments shall not be accepted.
 - The Book runner may waive the margin requirement for institutional investors subject to confirmation from their respective banks or custodian banks (in case of foreign institutional investors) that an amount

equivalent to the bid money is available in the respective bank or custodian account and would be paid directly to the book runner on its request and confirmation of allocation of shares;

- The Book Runner may reject any bid for reasons to be recorded in writing provided the reason of rejection is disclosed to such bidder. The decision of the Book Runner shall not be challengeable by the Bidder.
- PSX shall, through the system, display live throughout the bidding period an order book in descending order showing demand for shares at various prices and the accumulated number of shares bid for along with percentage of the total shares issued (the “Order Book”). The Order Book should also show the revised bids upward. The Order Book shall be accessible through websites of PSX.
- At the close of the Bidding Period, the Strike Price shall be determined on the basis of the Dutch Auction Method.
- Once the Strike Price is determined, all those Bidders whose bids are found successful shall become entitled for allotment of shares.
- The Bidders who have made bids at prices above the Strike Price shall be allotted shares at the Strike Price.
- In case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares will be allotted against the bids made at the Strike Price on proportionate basis as per regulation 9(12) of PO Regulations. The procedure for allotment of shares to successful Bidders is mentioned in section 12.1.23 of the Prospectus.
- The Bidders who have made bids below the Strike Price shall not qualify for allotment of any Ordinary Shares and the Book Runner shall intimate their respective banks for unblocking their Bid Money within one (1) working day of the close of the bidding period and in case of refunds, the refund to such bidders shall be made within three (3) working days from the close of the bidding period.
- Successful bidders shall be intimated, within one (1) working day of the closing of the bidding period, the Strike Price and the number of shares allotted to each of them.
- In case the retail portion of the Issue is not fully subscribed, the unsubscribed shares shall be allotted to the Underwriters to the retail portion. In case the retail portion of the Issue is oversubscribed, the allotment shall be made in the manner given in section 12.1.15 of the prospectus.
- Upon intimation by the Book Runner of final allocation, successful institutional bidders shall deposit their balance margin within (3) days of such intimation. **Where a successful Bidder defaults in payment of shares allotted to it, the Margin Money deposited by such Bidder shall be forfeited to the Book Runner.**
- Final allotment of shares out of the Book Building Portion shall be made after receipt of full subscription money from the successful Bidders; however, shares to such Bidders shall be credited at the time of credit and dispatch of shares out of the retail portion.
- The successful Bidders shall be issued shares only in Book Entry Form to be credited in their respective CDS Accounts. All the bidders shall, therefore, provide their CDS Account Numbers in the Registration Form.
- The Designated Institution shall continue to display on its website, the data pertaining to the Book Building and determination of the Strike Price for a period of at least three working days after closure of the Bidding Period.
- The Book-Runner shall ensure that subscription money received against the bids accepted shall not be released to the Issuer by the Banker to the Book Building Portion until:
 - credit of all shares allotted to retail investors; and
 - issuance of NOC by the PSX.

12.1.15. Payment for Book Building Portion

The Issuer has opened a bank account for collection of applications’ money related to Book Building Portion.

The Bidders shall draw demand draft or pay order in favor of “**AGHA STEEL IND LTD BOOK BUILDING**” or online transfer of the Bid money into the respective Book Building account **0042-79920372-03** and submit the demand draft, pay order or bank receipt at the designated Bid Collection Centers either in person or through facsimile along with a duly filled in Registration Form.

For online transfer the payment shall be made into the Account **0042-79920372-03** being maintained at **HBL Plaza Branch**, Karachi with the Account Title **"AGHA STEEL IND LTD BOOK BUILDING"**. Please note that online transfer facility shall only be allowed for Habib Bank Limited customers.

CASH MUST NOT BE SUBMITTED WITH THE BIDDING FORM/REGISTRATION FORM AT THE BID COLLECTION CENTER NOR DEPOSITED DIRECTLY OR VIA ONLINE TRANSFER IN THE ISSUER'S DESIGNATED BANK ACCOUNT. BID AMOUNT MUST BE PAID THROUGH PAY ORDER, BANK DRAFT OR ONLINE TRANSFER DRAWN / TRANSFER IN FAVOR OF "AGHA STEEL IND LTD BOOK BUILDING" IN A MANNER ACCEPTABLE TO THE BOOK RUNNER. **PLEASE NOTE THAT THIRD PARTY PAYMENT INSTRUMENTS WILL NOT BE ACCEPTED.**

The Collection Banks shall keep and maintain the bid money in the said account. Once the shares allotted under the retail portion have been credited, the Lead Manager, after obtaining NOC from PSX, may request in writing to the Banker to the Book Building Portion for transfer of the money of the successful and accepted applications to the Issuer's account(s).

PAYMENT PROCEDURE

The payment procedures for a Limit Bid or a Step Bid are explained below:

▪ PAYMENT FOR LIMIT BID

If investors are placing their bids as a Limit Bid, then they shall deposit the Margin Money based on the number of shares they are bidding for at their stated bid price.

For instance, if an investor is applying for 1 Million shares at a price of PKR 30.00/- per share, then the total Application Money would amount to PKR 30 Million. In such a case, (i) Individual Investor shall deposit PKR 30 Million in the Book Building account as the bid amount which is 100% of PKR 30 Million; and (ii) Institutional Investor shall deposit at least PKR 7.5 Million in the Book Building account as the Margin Money which is 25% of PKR 30 Million.

▪ PAYMENT FOR STEP BID

If an investor is placing a Step Bid which is a series of Limit Bids at increasing prices, then he/she/it shall deposit the Margin Money / bid money based on the total number of shares he/she/it is bidding for at his/her/its stated bid prices.

Under this bidding strategy, Bidders place a number of Limit Bids at different increasing price levels. A Bidder may, for instance, make a bid for 0.8 Million shares at PKR 30 per share, 0.7 Million shares at PKR 32 per share and 0.6 Million shares at PKR 34 per share. Therefore, in essence the Bidder has placed one Step Bid comprising of three Limit Bids at increasing prices. The Bid amount will be PKR 65 Million. In such a case, (i) Individual Investors shall deposit PKR 65 Million in the Book Building Account as Margin Money which is 100% of PKR 65 Million and (ii) Institutional Investors shall deposit at least PKR 16.25 Million in the Book Building Account as Margin Money which is 25% of PKR 30 Million.

12.1.16. Payment by Foreign Investors

Companies are permitted under paragraph 6 (with specific reference to sub para (B) (I)) of Chapter 20 of the State Bank of Pakistan's ("SBP") Foreign Exchange Manual (the "Manual") to issue shares on repatriation basis to non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual, i.e. (I) A Pakistan national resident outside Pakistan, (II) A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan, (III) A foreign national, whether living in or outside Pakistan and (IV) A firm (including a partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government, provided the issue price, is paid in foreign exchange through normal banking channel by remittance from abroad or out of foreign currency account maintained by the subscriber/purchaser in Pakistan.

Non-residents who wish to bid for the subscription of shares being offered via book building can remit the subscription money through an Authorized Dealer directly to the book building accounts opened by the Company as given in para 12.1.16 of this Prospectus, however, those non-residents who wish to subscribe shares out of the general public portion may contact any of the bankers to the issue (retail portion) for taking instructions regarding payment of subscription money against shares offered to general public / retail investors. List of bankers to the Issue for retail portion is available on page 1 of this Prospectus.

The shares issued to non-resident shareholders shall be intimated by the Company to the designated Authorized Dealer, along with the documents prescribed in the Manual within 30 days of issue.

Non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual do not require SBP's approval to invest in the shares being issued in terms of this Prospectus. Furthermore, under paragraph 7 (vii) of Chapter 20 of the Manual the Authorized Dealer shall allow repatriation of dividends, net of applicable taxes and proceeds on sale of listed shares (i.e. divestment proceeds) not exceeding the market value less brokerage/commission on provision of prescribed documents.

Payments made by non-residents shall be supported by proof of receipt of foreign currency through normal banking channels. Such proof shall be submitted along with the Application by the non-residents.

12.1.17. Procedure for Rejection of Bids

In terms of regulation 9(7) of the PO Regulations, the Book Runner may reject any Bid placed by a Bidder for reasons to be recorded in writing provided the reason of rejection is disclosed to such Bidder. Decision of the Book Runner shall not be challengeable by the Bidder.

12.1.18. Time frame for upward revision of Bids by the Bidders

The registered investors may revise their Bids upwards any time either manually through the Bid Collection Centers or electronically through direct access to the system till 05:00 p.m. on the last day of the Bidding Period.

An investor will not be allowed to place or revise a bid with a price variation of more than 10% of the prevailing indicative strike price. **NO DOWNWARD REVISION BOTH IN TERMS OF BID PRICE AND BID VOLUME IS ALLOWED PROVIDED THAT IN CASE OF UPWARD REVISION OF THE BID PRICE, THE NUMBER OF SHARES BID FOR I.E. BID VOLUME MAY BE ADJUSTED ENSURING THAT THE BID AMOUNT OR BID MONEY REMAINS THE SAME. HOWEVER, NO WITHDRAWAL OF BID IS ALLOWED.**

12.1.19. Ten Percent (10%) Price Variation

An investor will not be allowed to place or upward revise a bid with a price variation of more than ten percent (10%) of the prevailing Indicative Strike Price subject to Floor Price and Price Band i.e. Bid Price must not be below the Floor Price and must not exceed 40% of the Floor Price which is upper limit of Floor Price. **Please note that the Indicative Strike Price may not be constant and may keep on changing during the bidding period. Therefore, the 10% range will also change with the changing Indicative Strike Price.**

For Example, if the Floor Price is PKR 30 per share and Indicative Strike Price at any given point in time during the bidding period is PKR 30 per share, registered bidders may place or revise their bids at/to any price between PKR 30 per share to PKR 33 per share. If at any given point in time during the bidding period, the Indicative Strike Price changes from PKR 30 per share to PKR 31 per share, the registered bidders may place or upward revise their bids at/to between PKR 31 per share to PKR 34.10 per share.

Please note that the 10% range on the lower side cannot go below the floor price and cannot exceed the upper cap of 40% of the floor price i.e. PKR 42 per share. The price range of 10% applicable at any given point in time during the bidding period will also be displayed on the bid screen available at the website of PSX.

12.1.20. Restriction on Downward Revision or Withdrawal of Bids by the Bidder

Under regulation 10(2)(vi) of the PO Regulations the Bidders shall not make downward revision both in terms of Bid Price and Bid Volume provided that in case of upward revision of the Bid Price, the number of shares Bid for i.e. Bid Volume may be adjusted ensuring that the bid amount or bid money remains the same.

Under regulation (10)(2)(vii) of the PO Regulations the Bidders shall not be allowed to withdraw Bids.

12.1.21. Procedure for Withdrawal of Issue

1. In accordance with regulation 8(16) of the PO Regulations, in case the Issuer does not receive bids for the number of shares allocated under the Book Building Portion at the Floor Price, the Issue shall be cancelled and the same shall be immediately intimated to the Commission and PSX and the Margin Money shall be refunded to the bidders immediately but not later than three (3) working days of the closing of the Bidding Period.
2. In accordance with regulation 8(17) of the PO Regulation, the Book Building process will be considered as cancelled if the total number of bids received is less than forty (40).

12.1.22. Basis of Allotment of Shares

Once the Strike Price is determined all those bidders whose bids have been found successful shall become entitled for allotment of shares. For allocation of shares priority shall be given to the bids placed at the highest price. The bidders, who have made bids at prices above the Strike Price, will be issued shares at the Strike Price and the differential, if any, will be refunded. The bidders, who have made bids below the Strike Price, shall not qualify for allotment of shares and their Margin Money shall be refunded.

In case the Bids received are sufficient to allot the total number of shares offered for sale under the Book Building Portion, the allotment shall be made on the basis of highest bid priority that is the bid made at the highest price shall be considered first for allotment of shares.

For the purpose of allotment of shares, the bid(s) made at the price determined / discovered as Strike Price through the Book Building process shall be ranked equally and preference will be given to the bidder who has made the bid earlier.

In case bids received at the Strike Price exceeds the number of shares allocated under the Book Building, then preference will be given to the bidders who have made the bid earlier.

Final allotment of shares out of the Book Building portion shall be made after receipt of full subscription money from the successful bidders; however, shares to such bidders shall be credited at the time of credit and dispatch of shares out of the retail portion of the issue to successful applicants as per regulation 9(16) of the PO Regulations.

12.1.23. Refund of Margin Money

The Bidders who have made Bids below the Strike Price shall not qualify for allotment of securities and the Book Runner shall intimate their respective banks for unblocking, where required, their Bid Money within one (1) working day of the close of the bidding period as required under regulation 9(13) of the PO Regulations and the refunds, where required to such bidders shall be made within three (3) working days from the close of the bidding period.

12.1.24. Publication of Supplement to the Prospectus

In accordance with regulation 11(1) of the PO Regulations within three (3) working days of the closing of the Bidding Period, Supplement to the Prospectus shall be published at least in all those newspapers in which the Prospectus was earlier published and also disseminated through PSX.

The Supplement to the Prospectus would contain information relating to the Strike Price, the Offer Price, names of the underwriters of the retail portion of the Issue, underwriting commission bifurcating as take up commission or any other and Category-wise breakup of the successful Bidders along with the number of shares allocated to them. Format of the Supplement is given on page 2 of this Prospectus

Public subscription for the shares shall be held at any date(s) within thirty days (30) of the publication of the Prospectus but not earlier than seven (7) days of such publication.

13 APPLICATION AND ALLOTMENT INSTRUCTIONS FOR RETAIL PORTION

13.1.1 Eligible Investors Include:

1. Pakistani citizen's resident in or outside Pakistan or Persons holding dual nationalities including a Pakistani nationality;*
2. Foreign Nationals whether living in or outside Pakistan
3. Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
4. Mutual Funds, Provident / Pension / Gratuity Funds / Trusts, (subject to the terms of the Trust Deed and existing regulations); and
5. Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

APPLICATION MUST BE MADE ON SECP's APPROVED APPLICATION FORM OR A LEGIBLE PHOTOCOPY THEREOF ON A PAPER OF A4 SIZE WEIGHING AT LEAST 62 GM

13.1.2 Copies of Prospectus

Copies of this Prospectus and Applications Forms can be obtained from members of PSX, the Bankers to the Issue and their branches, the Lead Manager & Book Runner to the Issue and registered office of the Company. The Prospectus and the Application Form can also be downloaded from the following websites:

<http://www.arifhabibltd.com>, <http://aghasteel.com> & www.cdceipo.com;

Shares against the successful and accepted applications shall be issued in the Book Entry Form only and will be credited into the Applicants CDS Account mentioned in the Application. The applicants, therefore, must provide detail of their CDS Account (investors Account or Sub-Account) in the Shares Subscription Form. Investors who do not have CDS account may visit www.cdcpakistan.com for information and details. For further guidance and queries regarding opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com.

NAMES(S) AND ADDRESS (ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH AND SHOULD NOT BE ABBREVIATED.

ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THE ONE RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR THE NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANI (NICOP) OR PASSPORT, BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.

13.1.3 OPENING AND CLOSING OF THE SUBSCRIPTION LIST

The subscription list will open at the commencement of banking hours on 14th October 2020 and will close on 15th October 2020 at the close of banking hours. **Please note that online applications can be submitted 24 hours during the subscription period which will close at 12:00 midnight on 15th October 2020.**

13.1.4 E-IPO SYSTEM

e-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of e-IPO. The following two systems are available for e-IPOs:

1. Centralized e-IPO System (CES):

The Central Depository Company of Pakistan Limited (CDC) in collaboration with 1Link (G) Limited (1Link) has developed a Centralized e-IPO System (CES) through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this Issue and can be accessed through the web link (www.cdceipo.com). Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on the above-mentioned website.

For making application through CES, investors must be registered with CES. Registration with CES is one time activity, free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the

year. Investors who have valid Computerized National Identity Card (CNIC), International Bank Account Number (IBAN) with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) may register themselves with CES.

In addition to the above, CDC has also introduced a new facility in CES through which sub-account holder(s) will request their respective TREC Holders who are Participants in Central Depository System (CDS) to make electronic subscription on their behalf for subscription of securities of a specific company by authorizing (adding the details of) their respective Participant(s) in CES. Consequently, authorized Participants will electronically subscribe on behalf of their sub-account holder(s) in securities offered through Initial Public Offerings (IPOs) and will also be able to make payment against such electronic subscriptions through all the available channels mentioned on CES only after receiving the subscription amount from the sub-account holder(s). To enable this feature, the CDS Participant may request CDC to activate his ID on the CES portal. The securities will be credited directly in Investors' subaccount. In case the sub-account of the investor has been blocked or closed, after the subscription, then securities shall be parked into the CDC's IPO Facilitation Account and investor can contact CDC for credit of shares in its respective account.

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or contact Mr. Farooq Ahmed Butt of CDC at Phone 021-34326030 and email: farooq_butt@cdcpak.com.

2. E-IPO Facilities by Bankers to the Issue

Currently, United Bank Limited (UBL) is providing e-IPO facilities to their respective account holders. UBL account holders can use UBL Net Banking to submit their application via link <http://www.ubldirect.com/corporate/ebank>.

Investors who are registered with CES or account holders of UBL can submit their applications through the above mentioned links 24 hours a day during the subscription period which will close at midnight on 15th October 2020.

APPLICATIONS MADE BY INDIVIDUAL INVESTORS

1. In case of individual investors, an attested photocopy of CNIC (in case of Resident Pakistanis) / NICOP or Passport (in case of Non-Resident Pakistanis) as the case may be, should be enclosed and the number of CNIC / NICOP / Passport should be written against the name of the applicant. Copy of these documents can be attested by any Federal / Provincial Government Gazette Officer, Councilor, Oath Commissioner or Head Master of High School or bank manager in the country of applicant's residence.
2. Original CNIC / NICOP / Passport, along with one attested photocopy, must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting the application. The attested photocopy will, after verification, be retained by the bank branch along with the application.

APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

1. Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by an attested photocopy of their Memorandum and Articles of Association or equivalent instrument / document. Where applications are made by virtue of Power of Attorney, the same should also be submitted along with the application. Any Federal / Provincial Government Gazette Officer, Councilor, Bank Manager, Oath Commissioner and Head Master of High School or bank manager in the country of applicant's residence can attest copies of such documents.
2. Attested photocopies of the documents mentioned in 8.7 (i) must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with the application.

ADDITIONAL INSTRUCTIONS FOR INVESTORS

1. Only one application will be accepted against each account, however, in case of joint account, one application may be submitted in the name of each joint account holder.
2. Joint application in the name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit attested copies of their CNICs / NICOP / Passport. The share certificates will be dispatched to the person whose name appears first on the application form while in case of CDS, it will be credited to the CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest,

profit or return. Please note that joint application will be considered as a single application for the purpose of allotment of shares.

3. Subscription money must be paid by check drawn on applicant's own bank account or pay order / bank draft payable to one of the Bankers to the Issue "**AGHA STEEL IND LTD GENERAL SUBSCRIPTION**" and crossed "**A/C PAYEE ONLY**".
4. For the applications made through pay order / bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order / bank draft individually for each application.
5. The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of shares.
6. Applications are not to be made by minors and / or persons of unsound mind.
7. Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the Application Form.
8. Applicants should retain the bottom portion of their Application Forms as provisional acknowledgement of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of shares for which the application has been made.
9. Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.
10. Bankers to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the Issue.
11. It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.
12. Submission of false and fictitious applications is prohibited and such applications' money may be forfeited under section 87(8) of the Securities Act, 2015.

ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON-RESIDENT INVESTORS

1. In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or an equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copies of these documents can be attested by the bank manager in the country of applicant's residence.
2. Foreign / resident should follow payment instructions given in Section 12.1.16 of this Prospectus.

CODE OF OCCUPATION OF INVESTORS / APPLICANTS

Code	Occupation
01	Business
02	Business Executive
03	Service
04	Housewife
05	Household
06	Professional
07	Student
08	Agriculturist
09	Industrialist
10	Other

NATIONALITY CODE

Code	Name of Country
------	-----------------

001	U.S.A
002	U.K
003	U.A.E
004	K.S.A
005	Oman
006	Bangladesh
007	China
008	Bahrain
009	Other

MINIMUM AMOUNT OF APPLICATION AND BASIS FOR ALLOTMENT OF SHARES OF THE ISSUE

The basis and conditions for allotment of shares out of the Issue shall be as follows:

- Application for shares must be made for 500 shares or in multiples of 500 shares only. Applications which are neither for 500 shares nor for multiples of 500 shares shall be rejected.
- The minimum amount of application for subscription of 500 shares is the Issue Price x 500 shares.
- Application for shares below the minimum amount shall not be entertained.
- SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015.**
- If the shares offered to the general public are sufficient to accommodate all applications, all applications shall be accommodated.
- If the shares applied for by the general public are in excess of the shares allocated to them, the distribution shall be made by computer balloting, in the presence of the representative(s) of PSX in the following manner:
 - If all applications for 500 shares can be accommodated, then all such applications shall be accommodated first. If all applications for 500 shares cannot be accommodated, then balloting will be conducted among applications for 500 shares only.
 - If all applications for 500 shares have been accommodated and shares are still available for allotment, then all applications for 1,000 shares shall be accommodated. If all applications for 1,000 shares cannot be accommodated, then balloting will be conducted among applications for 1,000 shares only.
 - If all applications for 500 shares and 1,000 shares have been accommodated and shares are still available for allotment, then all applications for 1,500 shares shall be accommodated. If all applications for 1,500 shares cannot be accommodated, then balloting will be conducted among applications for 1,500 shares only.
 - If all applications for 500 shares, 1,000 shares and 1,500 shares have been accommodated and shares are still available for allotment, then all applications for 2,000 shares shall be accommodated. If all applications for 2,000 shares cannot be accommodated, then balloting will be conducted among applications for 2,000 shares only.
 - After the allotment in the above mentioned manner, the balance shares, if any, shall be allotted in the following manner:
 - If the remaining shares are sufficient to accommodate each application for over 2,000 shares, then 2,000 shares shall be allotted to each applicant and remaining shares shall be allotted on pro-rata basis.
 - If the remaining shares are not sufficient to accommodate all the remaining applications for over 2,000 shares, then balloting shall be conducted for allocation of 2,000 shares to each successful applicant.
- If the Issue is over-subscribed in terms of amount only, then allotment of shares shall be made in the following manner:
 - First preference will be given to the applicants who applied for 500 shares;
 - Next preference will be given to the applicants who applied for 1,000 shares;
 - Next preference will be given to the applicants who applied for 1,500 shares;

- Next preference will be given to the applicants who applied for 2,000 shares; and then
 - After allotment of the above, the balance shares, if any, shall be allotted on pro rata basis to the applicants who applied for more than 2,000 shares.
8. Allotment of shares will be subject to scrutiny of applications for subscription of shares.
 9. Applications, which do not meet the above requirements, or application which are incomplete, will be rejected.

BASIS OF ALLOTMENT

The basis and conditions of transfer of shares to the General Public shall be as follows:

1. The minimum value of application will be calculated as Issue Price 500 shares. Application for amount below the minimum value shall not be entertained.
2. Application for shares must be made for 500 shares or in multiple of 500 shares only. Applications which are neither for 500 shares nor for multiples of 500 shares shall be rejected.
3. Allotment / Transfer of shares to successful applicants shall be made in accordance with the allotment criteria / instructions disclosed in the Prospectus.
4. Allotment of shares shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and / or the instructions by the Securities & Exchange Commission of Pakistan.
5. Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the Application Form.
6. The Company will credit shares in the CDS Accounts of the successful applicants.

REFUND/UNBLOCKING OF SUBSCRIPTION MONEY TO UNSUCCESSFUL APPLICANTS

As per the regulation 11(4) of the PO Regulations, within ten (10) working days of the close of public subscription period the Shares shall be allotted and issued against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/ refunded.

As per sub-section (2) of Section 68 of the Companies Act, if refund as required under sub-section (1) of Section 68 of the Companies Act is not made within the time specified hereinabove, the directors of the company shall be jointly and severally liable to repay that money with surcharge at the rate of two percent (2%) for every month or part thereof from the expiration of the fifteenth day and, in addition, shall be liable to a penalty of level 3 on the standard scale as defined in Section 479 of the Companies Act. Provided that the directors of the Company shall not be liable if it proves that the default in making the refund was not on their own account and was not due to any misconduct or negligence on their part.

In case retail portion of the Issue remains unsubscribed, the unsubscribed shares shall be allotted to the Underwriters to the retail portion.

13.2. ISSUE AND CREDIT OF SHARE CERTIFICATES

Within ten (10) working days of the closing of public subscription period, the shares shall be allotted, issued and credited against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/refunded, as required under regulation 11(4) of the PO Regulations. **Shares will be issued only in the book-entry form and will be credited into the respective CDS Accounts of the successful applicants. Therefore, the applicants must provide their CDS Account Number in the Shares Subscription Applicant.**

If the Company defaults in complying with the above requirements, it shall pay PSX a penalty of PKR 5,000 per day for every day during which the default continues. PSX may also notify the fact of such default and name of the Company by notice and also by publication in its ready-board quotation of the Stock Exchange.

Name of the Company will also be notified to the TRE Certificate Holders of the PSX and placed on the web site of the PSX.

13.3. TRANSFER OF SHARES

The shares shall be transferred in accordance with the provisions of Section 74 of the Companies Act read with Section 75 thereof and the Central Depositories Act, 1997 and the CDCPL Regulations.

13.4. LIST OF BANKERS TO THE ISSUE

Code	Name of Bank
01	Habib Metropolitan Bank Limited
02	Bank Al-Habib Limited
03	Faysal Bank Limited
04	*United Bank Limited
05	Allied Bank Limited
06	Meezan Bank Limited
07	MCB Bank Limited
08	Habib Bank Limited

*UBL is providing their own e-IPO facilities. Account holders of these Banks may apply for subscription of shares electronically.

13.5. MINIMUM AMOUNT OF APPLICATION

As per PO Regulations, the minimum amount of bid shall not be less than PKR 1.0 million.

13.6. E-IPO FACILITIES

e-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of e-IPO. The following two systems are available for e-IPOs:

1. Centralized e-IPO System (CES):

The Central Depository Company of Pakistan Limited (CDC) in collaboration with 1Link (G) Limited (1Link) has developed a Centralized e-IPO System (CES) through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this Issue and can be accessed through the web link (www.cdceipo.com). Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on the above-mentioned website.

For making application through CES, investors must be registered with CES. Registration with CES is one time activity, free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), International Bank Account Number (IBAN) with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) may register themselves with CES.

In addition to the above, CDC has also introduced a new facility in CES through which sub-account holder(s) will request their respective TREC Holders who are Participants in Central Depository System (CDS) to make electronic subscription on their behalf for subscription of securities of a specific company by authorizing (adding the details of) their respective Participant(s) in CES. Consequently, authorized Participants will electronically subscribe on behalf of their sub-account holder(s) in securities offered through Initial Public Offerings (IPOs) and will also be able to make payment against such electronic subscriptions through all the available channels mentioned on CES only after receiving the subscription amount from the sub-account holder(s). To enable this feature, the CDS Participant may request CDC to activate his ID on the CES portal. The securities will be credited directly in Investors' subaccount. In case the sub-account of the investor has been blocked or closed, after the subscription, then securities shall be parked into the CDC's IPO Facilitation Account and investor can contact CDC for credit of shares in its respective account.

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or contact Mr. Farooq Ahmed Butt of CDC at Phone 021-34326030 and email: farooq_butt@cdcpak.com.

2. E-IPO Facilities by Bankers to the Issue

Currently, United Bank Limited (UBL) is providing e-IPO facilities to their respective accountholders. UBL account holders can use UBL Net Banking to submit their application via link <http://www.ubldirect.com/corporate/ebank>.

Investors who are registered with CES or account holders of UBL can submit their applications through the above mentioned links 24 hours a day during the subscription period which will close at midnight on 15th October 2020.

13.7. INTEREST OF SHAREHOLDERS

None of the holders of the Issued shares of the Company have any special or other interest in the property or profits of the Company other than their capacity as holder of Ordinary shares except from the shareholders who are also the Director of the company. Directors of the Company have interest in receiving remuneration for their role as Directors.

13.8. ELIGIBILITY FOR DIVIDEND

The ordinary shares issued shall rank pari-passu with the existing shares in all matters of the Company, including the right to such bonus or right issues, and dividend as may be declared by the Company subsequent to the date of issue of such shares.

13.9. DEDUCTION OF ZAKAT

Income distribution will be subject to deduction of Zakat at source, pursuant to the provisions of Zakat and Ushr Ordinance, 1980 (XVIII of 1980) as may be applicable from time to time except where the Ordinance does not apply to any shareholder or where such shareholder is otherwise exempt or has claimed exemption from payment / deduction of Zakat in terms of and as provided in that Ordinance.

13.10. CAPITAL GAINS TAX

Capital gains derived from the sale of listed securities are taxable in the following manner under section 37A of Income Tax Ordinance, 2001:

Serial #	Capital Gain Tax for FY 19	Filer	Non-Filer
1	Applicable Capital Gain Tax Rate	15%	30%

13.11. WITHHOLDING TAX ON DIVIDENDS

Dividend distribution to shareholders will be subject to withholding tax under section 150 of the Income Tax Ordinance, 2001 as specified in Part III Division I of the First Schedule of the said ordinance or any time to time amendments therein. In terms of the provision of Section 8 of the said ordinance, said deduction at source, shall be deemed to be full and final liability in respect of such profits in case of persons only. Applicable withholding tax rate on dividend is 15%.

13.12. TAX ON BONUS SHARES

As per section 236M of the Income Tax Ordinance 2001, amended vide Finance Act 2018-19, tax on issue of bonus shares has been omitted and will not be applicable from 1st July 2018 and onwards.

13.13. INCOME TAX

The income of the Company is subject to Income Tax under the Income Tax Ordinance, 2001.

13.14. DEFERRED TAXATION

Deferred tax is accounted for using the balance sheet liability method in respect of on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date. In this regard, the effect on deferred taxation of the portion of income subjected to Final Tax Regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax asset is recognized for all deductible temporary differences and carry-forward of unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profit will be available against which these can be utilized.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

13.15.SALES TAX

General Sales Tax is applicable as per Sales Tax Act, 1990 on supplies and services. Sales tax is applicable on services as per Punjab Sales Tax on Services Act, 2012 by Punjab Revenue Authority. Sales tax is applicable on services as per Sindh Sales Tax on Services Act, 2011 by Sindh Revenue Board.

13.16.SALES TAX ON SALE / PURCHASE OF SHARES

Under the Constitution of Pakistan and Articles 49 of the 7th NFC Award, the Government of Sindh, Government of Punjab, Government of Khyber Pakhtunkhwa and Government of Baluchistan have promulgated the Sindh Sales Tax on Services Act, 2011, Punjab Sales Tax on Services Act, 2012, Khyber Pakhtunkhwa Sales Tax on services through Khyber Pakhtunkhwa Finance Act, 2013 and the Baluchistan Sales Tax on services Act, 2015 respectively. The Sindh Revenue Board, the Punjab Revenue Authority, and the Khyber Pakhtunkhwa Revenue Authority and the Baluchistan Revenue Authority administer and regulate the levy and collection of the Sindh Sales Tax ("SST"), Punjab Sales Tax ("PST"), Khyber Pakhtunkhwa Sales Tax ("KST") and Baluchistan Sales Tax ("BST") respectively on the taxable services provided or rendered in Sindh, Punjab or Khyber Pakhtunkhwa provinces respectively.

The value of taxable services for the purpose of levy of sales tax is the gross commission charged from clients in respect of purchase or sale of shares in a Stock Exchange. The above mentioned Acts levy a sales tax on Brokerage at the rate of 13% in Sindh, 16% in Punjab and in Baluchistan and Khyber Pakhtunkhwa the rate is 15%. Sales tax charged under the aforementioned Acts is withheld at source under statutory requirements.

13.17.CAPITAL VALUE TAX ("CVT") ON PURCHASE OF SHARES

Pursuant to amendments made in the Finance Act, 1989 through Finance (Amendments) Ordinance, 2012 promulgated on April 24, 2012, 0.01% Capital Value Tax will be applicable on the purchase value of shares.

13.18.TAX CREDIT FOR INVESTMENT IN IPO

Under Section 62 of the Income Tax Ordinance, 2001, a resident person other than a Company, shall be entitled to a tax credit, as mentioned in the said section, for a tax year in respect of the cost of acquiring in the year, new shares offered to the public by a public company listed on a stock exchange in Pakistan, provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.

As per section 62(3)(b) of the Income Tax Ordinance, 2001, the time limit for holding shares has been designated as 24 months to avail tax credit.

13.19.TAX CREDIT FOR ENLISTMENT

Upon enlistment under Section 65C of the Income Tax Ordinance, 2001, tax credit at 20% of the tax payable shall be allowed for the tax year in which a Company is listed on PSX and also extended for the following three tax years of enlistment through Finance Bill 2017. Provided that the tax credit for the last two years shall be 10% of the tax payable.

14 SIGNATORIES TO THE PROSPECTUS

-sd-

Chairman

-sd-

Chief Executive Officer

-sd-

Non-Executive Director

-sd-

Non-Executive Director

-sd-

Executive Director

-sd-

Independent Director

-sd-

Independent Director

Signed by the above in presence of witnesses:

Witness 1:

-sd-

Witness 2:

-sd-

Date: [●]

15 MEMORANDUM OF ASSOCIATION



THE COMPANIES ORDINANCE, 1984
(COMPANY LIMITED BY SHARES)

MEMORANDUM OF ASSOCIATION
OF
AGHA STEEL INDUSTRIES LIMITED

- I. The name of the Company is "AGHA STEEL INDUSTRIES LIMITED".
- II. The Registered Office of the Company will be situated in the Province of the Sindh.
- III. The objects for which the Company is established are all or any of the following:
 1. To acquire and take over from 'Messrs Agha Steel Industries' a partnership firm, its assets and liabilities if any, including lands and buildings situated anywhere, business undertakings and all other articles connected therewith, and to carry the same into effect with or without modifications, as deemed fit.
 2. To set up, steel and re-rolling mills, and to carry on the business of iron foundries, iron re-rolling and milling products, iron masters, iron and steel converters, manufacturers of all kinds of steel and iron items/products including steel sheets, steel/tin ingots, iron chaser, iron base, iron, barrow, pipes, guardbars, nuts, bolts, screws, agricultural implements and all kinds of machinery parts, cycle parts, tool makers, brass foundries, metal workers, boiler makers, mill-weights, mill stores, gas generators etc., subject to permissions/licences/approvals as required under the law.
 3. To carry on the business of import, export, buy, sell, repair, convert, alter, distribute, store and deal in all kinds of iron and steel products and its by-products, machinery implements, rolling stocks, and hardware of all kinds and to carry on any other allied business as permissible under law.
 4. To set up and install furnaces for the manufacture of iron and steel products of all kinds and to buy, sell and deal in all kinds of metal scrap, plates, sheets and other metal and steel products.
 5. To manufacture, import, assemble, export, buy sell, let on hire, exchange, alter, improve, manipulate, prepare for market and/or otherwise deal in or distribute all kinds of, machineries, machine parts, tools, apparatus, utensils, raw material and substances necessary or convenient for carrying on any of the business of the company and other allied marketable commodities.
 6. To establish, maintain and operate mill or mills to undertake the production of ferrous and non ferrous metals and alloys. Casting and forgings, machinery and apparatus of all types including iron, steel and non ferrous castings, M.S Bars, TMT Bars, MS Angles, ingots, billets, tools, dies and refractories etc.
 7. To adopt such means of making known the products of the company may seem expedient and in particular by means of direct sales door to door sales, organizing, seminars, workshop and / or lectures and advertising in the press, by circulars, by purchase and exhibition of work of art or interest, by publication of books and periodical and by granting prize, rewards and donations.



—3—

that of this Company or otherwise, or for the purpose of acquiring all or any of the property together with the undertaking and liability of this Company or any other company, partnership concern or individuals undertaking or to take or otherwise acquire and hold shares or debentures in and to otherwise assist such Company or Companies.

20. To apply for and take licences for generating and supplying electrical energy anywhere in or outside Pakistan and to erect factories, generating stations and workshops and lay outlines, etc. and to do all other things for generating, storage and supply of the electrical energy.

21. To carry on the business of export and import of all kinds of goods, automobiles, lorries, cars and buses, chemicals, medicines, merchandise, implements, machinery, etc. spare parts including tractors, oil engines, scientific apparatus, electrical goods, radios and gramophones, their parts and accessories and to act as agent to importers, exporters, manufacturers or sub-agents for such goods, medicines, merchandise, machinery or plant, or any things related to PDL product etc. in or outside Pakistan.

22. To carry on, generally the business of transport agents, common carriers of goods and passengers, railway and forwarding agents, warehousemen and for this purpose, to take by purchase, on contract or on hire, transport vehicles, lorries and cars, and to do, all such things that may be necessary for achieving this object.

23. To create charge on all or any of the moveable and immovable properties/assets both present and future of the company by way of mortgage, pledge, hypothecation, lien, assignment, fixed/floating charge in favor of any person including a banking company and/or financial institution in respect of any finance facility whether fund based or non-fund based allowed to its associated companies, group concerns, subsidiaries and / or companies under common directorship and/or under common membership and/or to any Company, association, firm or person and to undertake and/or stand as surety, indemnifier, guarantor for performance of obligations of its associated companies, group concerns, subsidiaries and/or companies under common directorship and/or under common membership and/or of any Company, association, firm or person.

24. To arrange money by issue of debentures, debenture stock, perpetual or otherwise convertible into shares and to mortgage, or charge the whole or any part of the property or assets of the Company, present or future, by special assignment or to transfer or convey the same absolutely or in trust as may seem expedient and to, purchase, redeem or payoff any such securities.

25. To borrow or raise or secure the payments of money for the Company's trading and manufacturing business by the issue of debentures, or debenture stock, perpetual or otherwise, charged upon all or any of the Company's property (both present and future) and to purchase, redeem or pay off such securities.

26. To advance money, either with or without security to persons undertaking to build on or improve any property in which the Company is interested and to tenants, purchasers, builders and contractors.

—5—

trade and any movable and immovable property of any kind necessary or convenient for the purposes of or in connection with the COMPANY'S BUSINESS OF any branch or department thereof and to use, exercise, develop, grant licences in respect of or otherwise turn to account any property, rights and information so required, subject to any permission required under the law.

38. To open accounts with any Bank or Banks and to draw, make, accept, endorse, execute, issue, negotiate and discount cheques, promissory notes, bills of exchange, bills of lading, warrants, deposit notes, debentures, letter of credit and other negotiable instruments and securities.

39. To own, establish or have and maintain shops, branches and agencies all over Pakistan or elsewhere of the products of the company.

40. To acquire by concession, grant, purchase, barter, license either absolutely or conditionally and either solely or jointly with others any lands, buildings, machinery, plants, equipments, privileges, rights, licences, trademarks, patents, and other movable and immovable property of any description which the Company may deem necessary or which may seem to the Company capable of being turned to account, subject to any permission as required under the law.

41. To invest surplus money of the Company in shares, stocks or securities of any company, debentures, debenture stocks or in any investments, short term and long term participation, term finance certificates or any other government securities in such manner as may from time to time be decided by the directors, without indulging non banking finance business, banking business or an investment company or any other any lawful business.

42. To guarantee the performance of contracts, agreements, obligations or discharge of any debt of the company or on behalf of any other company or person subject to the provisions of section 195 of the Companies Ordinance, 1984 in relation to the payment of any financial facility including but not limited to loans, advances, letters of credit or other obligations through creation of any or all types of mortgages, charges, pledges, hypothecations, on execution of the usual banking documents or instruments or otherwise encumbrance on any or all of the movable and immovable properties of the company, either present or future or both and issuance of any other securities or sureties by any mean in favour of banks, Non-Banking Finance Companies (NBFCs) or any financial institutions and to borrow money for purpose of the company on such terms and conditions as may be considered proper.

43. To purchase, hold and get redeemed, debentures, bonds of any company, financial institution or any Government institutions;

44. To enter into arrangements with the government or authority (supreme, municipal, local or otherwise) or any corporation, company, or persons that may seem conducive to the Company's objects or any of them and to obtain from any such government, authority, corporation, company or person any charters, contracts, rights, privileges and commission which the Company may think desirable and to carry on exercise and comply with any such charters, contracts, decrees, rights, privileges and concessions.

---7---




finance company or insurance or leasing or business of managing agency or in any unlawful business and that nothing contained in the object clauses shall be so construed to entitle it to engage in such business directly or indirectly and the Company shall not launch multi-level marketing (MLM), Pyramid and Ponzi schemes.

56. Notwithstanding anything stated in any object clause, the company shall obtain such other approval or license from Competent Authority, as may be required under any law or the time being in force, to undertake a particular business.




- IV. The liability of the members is limited.
- V. The Authorized Capital of the Company is Rs. 6,250,000,000/- (Rupees Six Billion Two Hundred Fifty Million only) divided into 625,000,000 (Six Hundred Twenty Five Million Only) Ordinary Shares of Rs.10/- each with the powers to the company from time to time increase its capital in accordance with the provisions of the Companies Ordinance, 1984.



16 Registration Form

REGISTRATION FORM									
 AGHA STEEL INDUSTRIES Agha Steel Industries Limited	Book Runner  ARIF HABIB LIMITED	Tick One <input type="checkbox"/> KHI <input type="checkbox"/> LHR <input type="checkbox"/> ISB <input type="checkbox"/> PSH <input type="checkbox"/> QUT <input type="checkbox"/> AIZ <input type="checkbox"/> BLT/QUT <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Registration Dates</td> <td>1st October 2020 to 7th October 2020</td> </tr> <tr> <td>Bidding Dates</td> <td>10th October 2020 to 7th October 2020</td> </tr> <tr> <td>Bidding Form No.</td> <td></td> </tr> </table>		Registration Dates	1 st October 2020 to 7 th October 2020	Bidding Dates	10 th October 2020 to 7 th October 2020	Bidding Form No.	
Registration Dates	1 st October 2020 to 7 th October 2020								
Bidding Dates	10 th October 2020 to 7 th October 2020								
Bidding Form No.									
INITIAL PUBLIC OFFERING OF ORDINARY SHARES OF AGHA STEEL INDUSTRIES LIMITED THROUGH BOOK BUILDING PROCESS AT A FLOOR PRICE OF PKR 30.00 PER SHARE (INCLUDING A PREMIUM OF PKR 20.00/- PER SHARE)									
PLEASE FILL THE FORM IN BLOCK LETTERS. PLEASE PROVIDE ACCURATE DETAILS TO AVOID ANY INCONVENIENCE.									
ELIGIBLE INVESTORS MUST SUBMIT ONLY ONE PAYORDER ALONG WITH THE REGISTRATION FORM.									
Name		CNIC #							
		NTN*							
Address		Cell #							
		Land Line #							
E-mail		Fax #							
PLEASE TICK THE APPROPRIATE BOX			Nationality (If other than Pakistani)						
<input type="checkbox"/> Local Institutional Investor	<input type="checkbox"/> Resident								
<input type="checkbox"/> Foreign Institutional Investor	<input type="checkbox"/> Non Resident								
<input type="checkbox"/> Individual Investor	<input type="checkbox"/> Foreigner								
*INVESTORS ARE ENCOURAGED TO DISCLOSE THEIR NTN NUMBERS TO FACILITATE THE COMPANY TO CHECK STATUS OF THE SHAREHOLDERS AS TAX RETURN FILER OR NON-FILER FROM THE ACTIVE TAXPAYERS LIST (ATL) AVAILABLE ON THE WEBSITE OF FBR. PLEASE NOTE THAT REDUCED TAX RATE OF 15.0% APPLIES TO FILERS INSTEAD OF 20.0% FOR NON-FILERS ON PAYMENT OF CASH DIVIDEND DECLARED, IF ANY, BY THE COMPANIES.									
Payment Details:	Payments to be made in favor of "AGHA STEEL IND LTD BOOK BUILDING"								
Amount in Figures		Instrument #							
Instrument Date		Margin %age							
Banker's Name, Address & Branch									
CDC Details for Sub A/C & House A/C									
CDC Participant Name		CDC Participant ID							
Sub A/C No.		House A/C No.							
CDC Details for Investor A/C									
CDC Investor Service A/C ID		CDC Investor A/C No.							
I DECLARE THAT I have read all the terms and conditions stated in the Prospectus and the Instructions Page of the Bidding Form. The same terms and conditions would be applicable on the Registration Form.									
Signature of Bidder: _____		 Jama Punji <small>Chartered Accountants</small>							

17 Bidding Form

 Agha Steel Industries Limited	Book Runner  ARIF HABIB LIMITED	Tick One <input type="checkbox"/> KHI <input type="checkbox"/> LHR <input type="checkbox"/> ISB <input type="checkbox"/> PSH <input type="checkbox"/> QUT <input type="checkbox"/> AZK <input type="checkbox"/> BLT/GLT <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Bidding Dates</td> <td>6th October 2020 to 7th October 2020</td> </tr> <tr> <td>Bidding Form No.</td> <td></td> </tr> </table>	Bidding Dates	6 th October 2020 to 7 th October 2020	Bidding Form No.							
Bidding Dates	6 th October 2020 to 7 th October 2020											
Bidding Form No.												
INITIAL PUBLIC OFFERING OF ORDINARY SHARES OF AGHA STEEL INDUSTRIES LIMITED THROUGH BOOK BUILDING PROCESS AT A FLOOR PRICE OF PKR 30.00 PER SHARE (INCLUDING A PREMIUM OF PKR 20.00/- PER SHARE)												
PLEASE FILL THE FORM IN BLOCK LETTERS. PLEASE MAKE SURE TO PROVIDE ACCURATE DETAILS TO AVOID ANY INCONVENIENCE												
Name	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="4" style="text-align: center;">PLEASE TICK THE APPROPRIATE BOX</th> </tr> <tr> <td style="width: 33%; text-align: center;"> <input type="checkbox"/> Local Institutional Investor </td> <td style="width: 33%; text-align: center;"> <input type="checkbox"/> Foreign Institutional Investor </td> <td colspan="2" style="width: 34%; text-align: center;"> <input type="checkbox"/> Individual Investor </td> </tr> </table>			PLEASE TICK THE APPROPRIATE BOX				<input type="checkbox"/> Local Institutional Investor	<input type="checkbox"/> Foreign Institutional Investor	<input type="checkbox"/> Individual Investor		
PLEASE TICK THE APPROPRIATE BOX												
<input type="checkbox"/> Local Institutional Investor	<input type="checkbox"/> Foreign Institutional Investor	<input type="checkbox"/> Individual Investor										
Address	Cell #	Resident	<input type="checkbox"/>	Nationality (If other than Pakistani)								
	Land Line #	Non-Resident	<input type="checkbox"/>									
		Foreigner	<input type="checkbox"/>									
Fax #	E-mail:	CNIC #										
		NTN*										
*INVESTORS ARE ENCOURAGED TO DISCLOSE THEIR NTN NUMBERS TO FACILITATE THE COMPANY TO CHECK STATUS OF THE SHAREHOLDERS AS TAX RETURN FILER OR NON-FILER FROM THE ACTIVE TAXPAYERS LIST (ATL) AVAILABLE ON THE WEBSITE OF FBR. PLEASE NOTE THAT REDUCED TAX RATE OF 15.0% APPLIES TO FILERS INSTEAD OF 20.0% FOR NON-FILERS ON PAYMENT OF CASH DIVIDEND DECLARED, IF ANY, BY THE COMPANIES.												
Dividend Mandate: Mark tick [✓] in the appropriate boxes Yes [] No [] In case the Applicant intends that if Shares applied for are issued to him/it and the dividend declared by the Company, if any, is credited directly in his/it bank account, instead of issued of dividend warrants, then please fill in the following boxes:												
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Title of Account</td><td></td></tr> <tr><td>Account Number</td><td></td></tr> <tr><td>Bank Name</td><td></td></tr> <tr><td>Branch Name & Address</td><td></td></tr> </table>					Title of Account		Account Number		Bank Name		Branch Name & Address	
Title of Account												
Account Number												
Bank Name												
Branch Name & Address												
The Directors of Agha Steel Industries Limited Suit # 801 & 804, 8th Floor, Emerald Tower, Clifton Block 5, II Talwar, Karachi Dear Sir, On the basis of Prospectus by Agha Steel Industries Limited for the Initial Public Offer of its Ordinary Shares, I/we hereby bid for subscription of Shares of the Company as under:												
Bid Details												
	No. of Shares	Bid Price Per Share	Total Amount									
Bid Option (Please tick)	(In Figures)	(In Figures)	(In Figures)									
Limit Order												
Step Order:												
Option (1)												
Option (2)												
Option (3)												
Option (4)												
Total (Shares and Price)												
Important Instructions: <ol style="list-style-type: none"> Bids should be placed for a minimum amount of PKR 1,000,000/-. It should also be noted that no. of shares bid for should be rounded and fractional shares will not be acceptable. Please ensure that after rounding the number of shares multiplied by your bid price, is at least PKR 1,000,000/-. Eligible Investors who want to place a Step Bid, must ensure that each step amounts to PKR 1,000,000/- at least. Any Bid received below the Floor Price will not be accepted by the Book Runner. An investor shall not make downward revision both in terms of Bid Price and Bid Volume; Provided that in case of upward revision of the Bid Price, the number of shares Bid for i.e. Bid Volume may be adjusted ensuring that the bid amount or bid money remains the same. <u>An investor shall not make a bid with price variation of more than 10% of the prevailing indicative strike price subject to 40% maximum Price Band i.e. the strike price must not exceed 40% upper limit of floor price.</u> 												
 For investor education please visit www.jamapunji.pk Jama Punji is an Investor Education Initiative of the Securities & Exchange Commission of Pakistan												
Signature of Bidder: _____												

18 General Subscription Form

SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS AN OFFENCE UNDER SECTION 87(7) OF THE SECURITIES ACT, 2015 AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015

عوام اس کو مطلع کیا جاتا ہے کہ سیکورٹیز ایکٹ 2015 کی سیکشن 87(7) کے تحت جھوٹی یا جعلی درخواستیں دینا قانوناً ناجائز ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے، سیکورٹیز ایکٹ 2015 کی سیکشن 87(8) کے تحت ضبط کی جاسکتی ہے۔

INVESTMENT IN SECURITIES IS A HIGHLY RISKY BUSINESS. INVESTORS ARE, THEREFORE, ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE PROSPECTUS ESPECIALLY THE RISK FACTORS BEFORE MAKING ANY INVESTMENT DECISION.

Agha Steel Industries Limited

APPLICATION FOR SUBSCRIPTION OF SHARES

As per the Section 72 of Companies Act, 2017, the Company shall have shares in book-entry form only. Therefore, shares of Interloop Limited shall only be issued in scrip-less form in the CDS of CDCPL (Refer to instruction No.3 on the reverse hereof)

SUBSCRIPTION DATE
From 6th October 2020 to 7th October 2020 during banking hours

For Pakistanis
Resident ☐ 01
Non-resident ☐ 02

1) I/We apply for the following number of Shares at Issue Price for the value indicated below:

No. of Shares Applied For	Amount Payable in PKR	Cheque/ Demand Draft/Pay Order No.

2) I/We agree to accept the same or any smaller number of Shares that may be allotted to me/us upon the terms as stated in the Prospectus. I/We authorize you to credit the Shares to me/us pursuant to this application and if no Shares or a smaller number of Shares are allotted to me/us you are hereby authorized to return to me/us by cheque or other means my/our application money for the amount of Shares not credited to me/us.

3) DECLARATION
I/We declare that: i) I am/We are national(s) of _____; ii) I am/We are not minor(s); iii) I/We have not made nor have I/we instructed any other person(s)/institution(s) to make any other application(s) in my/our name(s) or in the name of any other person on my/our behalf or in any fictitious name; iv) I/We agree to abide by the instructions provided with this application and in case of any information given herein being incorrect I/we understand that I/we shall not be entitled to the allotment of Shares if successful rather the application money shall be liable to confiscation if this declaration proves to be incorrect at any time.
Yours faithfully,

Signature(s) a) _____ b) _____

4) ALL DETAILS MUST BE WRITTEN IN **B L O C K - L E T T E R S** **IN THE SPACES PROVIDED, LEGIBLY IN BLACK PEN**

a) Name in Full (as per CNIC)
Mr. ☐ Ms. ☐ Mrs. ☐ Co. ☐ Please Tick

Father's/Husband's Name (as per CNIC)

Identity Number (CNIC/ Passport/ Registration No.)

Identity Number (NTN)

*INVESTORS ARE ENCOURAGED TO DISCLOSE THEIR NTN NUMBERS TO FACILITATE AGHA STEEL INDUSTRIES LIMITED TO CHECK STATUS OF THE SHARE HOLDERS AS TAX RETURN FILER OR NON FILER FROM THE ACTIVE TAXPAYERS LIST (ATL) AVAILABLE ON THE WEBSITE OF FBR. PLEASE NOTE THAT REDUCED TAX RATE OF 15.0% APPLIES TO FILERS AND OF 20.0% FOR NON FILERS ON PAYMENT OF CASH DIVIDEND DECLARED, IF ANY, BY THE COMPANIES.

Full Address

Phone No.

Occupation Code

Muslim ☐ Non Muslim ☐

International Bank Account Number (IBAN)

Bank Name

Branch Name & Address

Additional Information - For Non-Resident Pakistanis and Foreign Investors Only

Place of Issue of Passport

Date of Issue of Passport (DD-MM-YYYY)

Corporate Business Letter enclosed Yes ☐ No ☐ Nationality Code

Country of Residence

5) FOR JOINT HOLDER, IF ANY

b) Name in Full (as per CNIC)
Mr. ☐ Ms. ☐ Mrs. ☐ Co. ☐ Please Tick

Identity Number (CNIC/ Passport/ Registration No.)

DIVIDEND MANDATE : Mark tick [✓] in the appropriate boxes Yes [] No []

In order to enable the Company to credit the cash dividend declared, if any, by the Company, in Shareholder Holder bank account, instead through dividend warrants, please fill in the following boxes:

Title of Account

International Bank Account Number (IBAN)

Bank Name

Branch Name and Address

Signature of the Applicant as per the Bank account

(TO BE FILLED IN BY THE APPLICANT'S BANKER)

6) It is certified that the above-mentioned applicant(s) is/are maintaining account number as mentioned above at this bank branch and his/her/their particulars and signature(s) are correct and verified as per the bank's record and their CNIC/Passport. It is further certified that only one application has been made in the name of the above account holder through this branch. We also confirm that the original CNIC/Passport has been seen by us.

Note: In case the subscription money is paid through a bank other than the Bankers to the Issue (through pay order or bank draft), this certification shall be provided by the manager of the bank where the applicant maintains his/her bank account.

Bank's Authorized Signatory
Bank's Rubber Stamp

SPECIMEN SIGNATURE(S) OF THE APPLICANT

NAME OF THE APPLICANT IN BLOCK LETTERS (AS PER CNIC)

SPECIMEN SIGNATURE(S)

a)

b)

Bankers to the Issue's Provisional acknowledgement of application for shares of Interloop Limited

Received from Mr/Ms/Mrs. _____ Shares. _____ application for _____

Name of Bank

Branch Code

Application Serial No.

Date of Receipt

Signature of Authorized Representative & Rubber Stamp of Receiving Bank

IMPORTANT: (i) This slip must be retained by the Applicant (ii) Please read instructions provided with this application

APPLICATION AND ALLOTMENT INSTRUCTIONS

- Eligible investors include:
 - Pakistani citizens resident in or outside Pakistan or Persons holding two nationalities including Pakistani nationality;
 - Foreign Nationals whether living in or outside Pakistan;
 - Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
 - Mutual Funds, (Provident/pension/gratuity funds/trusts), (subject to the terms of the Trust Deed and existing regulations); and
 - Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.
- Copies of the Prospectus and Application Forms can be obtained from the Trading Rights Entitlement Certificate (TREC) holders of Pakistan Stock Exchange Limited, the Bankers to the issue and their branches, the Consultant to the issue and the registered office of the Company. The Prospectus and the Application Forms can also be downloaded from the website: www.aghastel.com, www.aifundpk.com & www.secmemo.com.pk/stockexchange.shtml
- The Applicants are required to complete the relevant sections of the application to get the Shares in book entry form. In accordance with provisions of the Central Depositories Act, 1997 and the CDC Regulations, credit of such Shares are allowed ONLY in the applicant's own CDC Account.
- Name(s) and addresses must be written in full block letters, in English and should not be abbreviated.
- All applications must bear the name and signature corresponding with that recorded with the applicant's banker. In case of difference of signature with the bank and Computerized National Identity Card (CNIC) or National Identity Card for Overseas Pakistanis (NICO) or Passport both the signatures should be affixed on the application form.
- APPLICATIONS MADE BY INDIVIDUAL INVESTORS**
 - In case of individual investors, an attested photocopy of CNIC (in case of Resident Pakistanis)/Passport (in case of non-resident Pakistanis and FPs) as the case may be, should be enclosed and the number of CNIC/Passport should be written against the name of the applicant. Copy of these documents can be attested by any Federal/Provincial Government Gazetted Officer, Councillor, Oath Commissioner or Head Master of High School or bank manager in the country of applicant's residence.
 - Original CNIC/Passport, along with one attested photocopy, must be produced for verification to the Banker to the issue and the applicant's banker (if different from the Banker to the issue) at the time of presenting the application. The attested photocopy will, after verification, be retained by the bank branch along with the application.
- APPLICATIONS MADE BY INSTITUTIONAL INVESTORS**
 - Applications made by companies, corporate bodies, mutual funds, provident/pension/gratuity funds/trusts and other legal entities must be accompanied by an attested photocopy of their Memorandum and Articles of Association or equivalent instrument / document. Where applications are made by virtue of Power of Attorney, the same should also be submitted along with the application.
 - Attested photocopies of the documents mentioned in (i), must be produced for verification to the Banker to the issue and the applicant's banker (if different from the Banker to the issue) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with the application.
- Only one application will be accepted against each applicant, however, in case of joint account, one application may be submitted in the name of each joint account holder.
- Joint application in the name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit attested copies of their CNIC/Passport. The Shares will be credited to the CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit or return. Please note that joint application will be considered as a single application for the purpose of allotment of Shares.
- Subscription money must be paid by cheque drawn on applicant's own bank account or pay order/bank draft payable to one of the Bankers to the issue "AGHA STEEL IND LTD GENERAL SUBSCRIPTION" and crossed "AC PAYEE ONLY".
- For the applications made through pay order/bank draft, it would be permissible for a Banker to the issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order/bank draft individually for each application.
- The applicant should have at least one bank account with any of the commercial banks. Applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of Shares.
- Under Section 242 of the Companies Act, any dividend payable in cash by a listed company, shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder.
- To enable the Company to directly credit the cash dividend, if any, in the Bank Accounts of the shareholder, the applicants must fill-in relevant part of the Shares Subscription Form under the heading, "Dividend Mandate".
- Shares will be issued only in the book-entry form. Therefore, the applicants must provide their CDS account Number in the Shares Subscription Form.
- Applications are not to be made by minors and/or persons of unsound mind.
- Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.
- Applicants should retain the bottom portion of their application forms as provisional acknowledgement of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of Shares for which the application has been made.
- Making of any false statements in the application or wilfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.
- Bankers to the issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the issue.
- It would be permissible for a Banker to the issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.
- Submission of false and fictitious applications is an offence under section 87(7) of the Securities Act, 2015 and such applications' money is liable to confiscation under section 87(8) of the Securities Act, 2015.

عوام و انس کو مطلع کیا جاتا ہے کہ سیکورٹیز ریگولیشن ایکٹ 2015 کی شق نمبر (7) 87 کے تحت تصدیق یا جعلی درخواستیں دینا ناجائز ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے، سیکورٹیز ریگولیشن ایکٹ 2015 کی شق نمبر (8) 87 کے تحت ضبط کی جاسکتی ہے۔

ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON-RESIDENT INVESTORS

- In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of memorandum of association or an equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copies of these documents can be attested by the bank manager in the country of applicant's residence.
- Foreign / Non - resident investor's should follow payment instruction given in Section 2.2.17 of the Prospectus.

BASIS OF ALLOTMENT

- The minimum value of application for subscription of 500 shares (Issue Price x 500 shares) Application for amount below the minimum value shall not be entertained.
- Application for shares must be made for 500 shares or in multiple thereof only. Applications which are neither for 500 shares nor for multiple thereof, shall be rejected.
- Allotment of Shares to successful applicants shall be made in accordance with the allotment criteria/instructions disclosed in the Prospectus.
- Allotment of Shares shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and/or the instructions by the Securities & Exchange Commission of Pakistan.
- Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the Application Form.
- The Company will credit the respective CDS accounts of the successful applicants.

BANKERS TO THE ISSUE

Code	Name of Bank	Code	Name of Bank
01	Habib Metropolitan Bank Limited	06	Meezan Bank Limited
02	Bank AJZ-Habib Limited	07	MCB Bank Limited
03	Faysal Bank Limited	08	Habib Bank Limited
04	United Bank Limited	09	
05	Allied Bank Limited	10	

B. OCCUPATION CODE

Code	Occupation	Code	Occupation
01	Business	06	Professional
02	Business Executive	07	Student
03	Service	08	Agriculture
04	Housewife	09	Industrialist
05	Household	10	Other

- In order to facilitate investors, United Bank Limited ("UBL") is offering electronic submission of application (e-IPO) to their account holders. UBL account holders can use UBL Net Banking to submit their application via link <http://www.ublbank.com/ipoaccountubank>. Furthermore, please note that online applications can be submitted 24 hours a day during the subscription period which will close at midnight on 15th October 2020.
- The Central Depository Company of Pakistan ("CDC") has developed a Centralized e-IPO System ("CES") through which applications for subscription of securities offered through IPOs can be made electronically. CES has been made available in this IPO which can be accessed through the web link www.cespk.com. Payment of subscription money can be made through UBL's member banks available for CES, list of which is available or above website.
- For making application through CES, investors must be registered with CES. Registration with CES is free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) may register themselves with CES.
- Investors who do not have CDS account may visit www.cespk.com for information and details. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 - 29275 (CDCPA) and e-mail info@cespk.com or contact Mr. Farooq Ahmed at Phone (021-34326036) and email farooq.ahmed@cespk.com. For further details on CES, please refer para 2.5.3 of the Prospectus.

13. NATIONALITY CODE

Code	Name of Country	Code	Name of Country
001	U.S.A	006	Bangladesh
002	U.K	007	China
003	U.A.E	008	Indonesia
004	K.S.A	009	Other
005	Other		

For further queries you may contact:
 Agha Steel Industries Limited, Muhammad Muneer Khan; Phone: (021-4154210), E-mail: muneer.khan@aghi.com, Arif Habib Limited: Mr. Ali Raza; Phone: (021-3248074), E-mail: arifraza@arifhabib.com