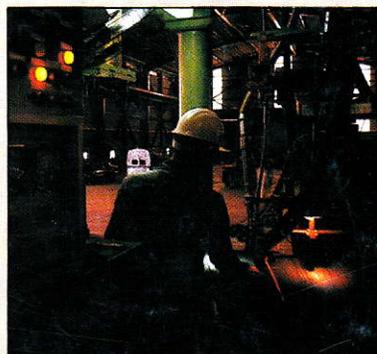
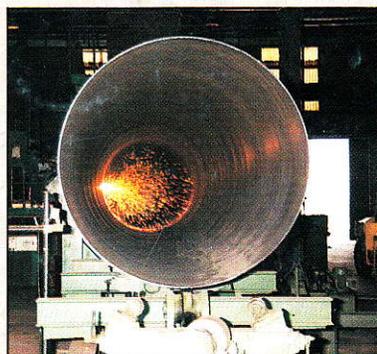


CRESCENT GROUP



Annual Report 1993



Crescent Steel and Allied Products Limited

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah, the Most Gracious, Most Merciful.



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COMPANY INFORMATION

Board of Directors

Chairman	Mazhar Karim
Chief Executive	Ahsan M. Saleem A.K.M. Saeed Azimuddin Syed Muhammad Arshad Mohammad Sharif Nasir Shafi Zahid Bashir Zaigham M. Rizvi

Management

Chief Executive and Managing Director	Ahsan M. Saleem, 41 1983*
Executive Vice President and Deputy Managing Director	Mohammad Sharif, 62 1984*
Executive Vice President Marketing and Sales	S. A. N. Kazmi, 52 1986*
Senior Vice President Logistics and Administration	B.A. Siddiqui, 61 1992*
Senior Vice President Finance & Control	Mohammad Amin, 47 1992*
Vice President & Factory Manager	Nadir Mazhar, 47 1993*

*Year joined company



COMPANY AND INVESTOR INFORMATION

Stock Exchange Listing

Crescent Steel and Allied Products Limited is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

Daily quotations on the Company's stock can be obtained from leading newspapers. Crescent Steel is listed under 'Engineering'.

Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information about 'Crescent Steel' should contact Mohammad Amin at Company's Principal office, Karachi.
Telephone: 568-8447

Shareholder Information

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfer should be directed to the Shareholder Services Department at the Registered office at Lahore.
Telephones: 042-723-8331
723-8336
723-8337
Fax : 042-723-0846

Annual Meeting

Tenth Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Wednesday, June 29, 1994 at 11.30 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore.

Corporate Secretary

Zaheer A. Shaikh

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Bankers

Crescent Investment Bank Limited
National Bank of Pakistan
National Development Finance Corporation
Societe Generale The French & International Bank
Standard Chartered Bank

Registered Office

45, Shahrah-e-Quaid-e-Azam
Lahore-54000

Principal Office

9th Floor, Sidco Avenue Centre
Maulana Din Muhammad Wafai Road
Karachi-74400

Factory

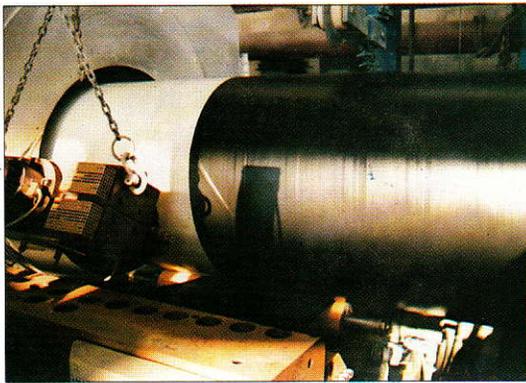
A/25, S.I.T.E., Nooriabad,
District Dadu, Sindh.



COMPANY PROFILE

Crescent Steel and Allied Products Limited is a Public Limited Company listed on all the Stock Exchanges of Pakistan. It started its commercial production in March 1987. The manufacturing facility consists of a Spiral Pipe Production Line and a High Density Polyethylene Coating Line, both located side by side at the Sindh Industrial Trading Estate, Nooriabad in Dadu district of Sindh.

Crescent Steel and Allied Products Limited is an equal opportunity employer with a sense of social responsibility and strongly supports education and environmental causes.



Pipes being coated with three layer side extruded high density polyethylene external coating

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8 5/8" (219mm) - 90" (2200mm) in wall thicknesses ranging from 4mm - 16mm and material grades up to API 5Lx70 grade. The maximum annual capacity of the pipe plant is 80,000 tons per annum. Crescent Steel and Allied Products Limited follows a strict quality regime and the product is comparable to any of its kind in the world. It is also authorised to use the API monogram which is the highest accreditation of quality in steel line pipes.

As a logical extension to pipe manufacturing operations, a new High Density Polyethylene Coating Plant was added adjacent to the pipe mill. This plant is capable of applying Multi Layer Coating comprising of Fusion Bonded Epoxy, Co-Polymer Adhesive and High Density Polyethylene on Steel pipes ranging from 8 5/8" (219mm) - 42" (1000mm). For clients who prefer a single layer protection only, the Plant is capable of delivering Fusion Bonded Epoxy as a single protection in the same range.

Crescent Steel maintains high quality norms in all its products and has consistently exceeded the requirements of international standards both in steel line pipe and multi layer coatings and will continue to remain at the cutting edge in terms of technology, quality control and quality assurance.



Pipe being cut automatically at the plasma arc cutting station.



CHIEF EXECUTIVE'S REVIEW

Dear Investors :

By the Grace of Allah, Fiscal 1993 was a year of exceptional activity and returns. Revenues, profits, & assets utilization were all better than ever before. We were able to build on the positive results of the last three years and achieve all round improvements. We improved revenues by 89.24%, increased production, improved our cash flow, strengthened our balance sheet and increased shareholders value, all of which resulted in excellent bottom line results enabling a first time stock bonus of 25%. It is indeed gratifying that we have been able to consistently report results in line with the targets and that the shareholders confidence in the Company has been well justified.

OPERATIONS

Assets utilization during the year was improved, resulting in an increase of 13.5% in actual production of pipes which was 26,438 tons (23,289). On a notional basis, the production was 55,281 tons (44,379 tons).

This is the third consecutive year that the production has been rising and has now reached near optimum utilization. Sales revenue during the year increased by 89% and stood at Rs. 640 million (Rs. 338.223 million). This boost was partly possible due to 4,776 tons of bare pipes carried as inventory in 1992 and coated in 1993.



Precoated pipes from the outgoing racks being transferred to storage area.

We started Fiscal 1993 with a full order book. Fresh order intake during the year was also good which has helped in carrying the order book into Fiscal 1994. Gross margins also improved by Rs. 63.967 million compared to Fiscal 1992 and represented an increase in selling price as well as reduction in manufacturing costs through better capacity utilization and efficiency. The net profit before taxation was Rs. 93.868 million which represents an earning per share before taxation of Rs. 8.89. After providing for current and deferred taxation, net profit after taxation amounted to Rs. 60.315 million or Rs. 5.71 per share. Although, the effect of deferred taxation will not become visible in the foreseeable future if the company's plans for expansion are carried out speedily, it was considered prudent to account for any effect of reversal due to the timing differences as a result of accelerated tax depreciation charged in earlier years.



30" dia pre-coated pipeline ready for lowering-in.

Operational costs have been kept generally in check and remained in line with targets set for the year. Due to accelerated activity, improvements were achieved by reducing financial costs despite higher cost of borrowing. The financial costs stood at Rs. 40.16 million as compared with Rs. 50.96 million in 1992. As reported in the Semi Annual Accounts, we had set for ourselves some specific targets to strengthen our Balance Sheet in order to remain within the parameters of prudent financial ratios. By the end of the year under review, we were able not only to achieve those targets but to improve upon them. Fiscal 1993 also saw a



complete transformation of the balance sheet and all around improvement in the balance sheet ratios and is reflected by Debt Equity ratio which improved from 55:45 to 45:55, Current ratio from 0.94:1 to 1.19:1, Liquidity ratio from 0.33:1 to 0.67:1, Equity ratio from 15.8% to 38%, Debt ratio from 84% to 62%, Inventory turnover from 1.56 to 3.18 times, Total Assets turnover from 0.48 to 1.35 times. There was also a marked improvement in the working capital which increased by Rs. 55.703 million from operations. The receivables were better managed and we were able to improve the receivable days from 48 to 24. All this helped us in reducing the short term borrowing which stood at Rs. 289.74 million at the end of Fiscal 1992 to Rs. 32.879 million at the end of Fiscal 1993. Debt servicing during the year has remained satisfactory and there are no overdues.

stringents, liquidity and equity requirements for short and long term fundings. Minimum debt equity ratio of 50:50 and a current ratio of 1:1 will remain a bench mark for future investments.

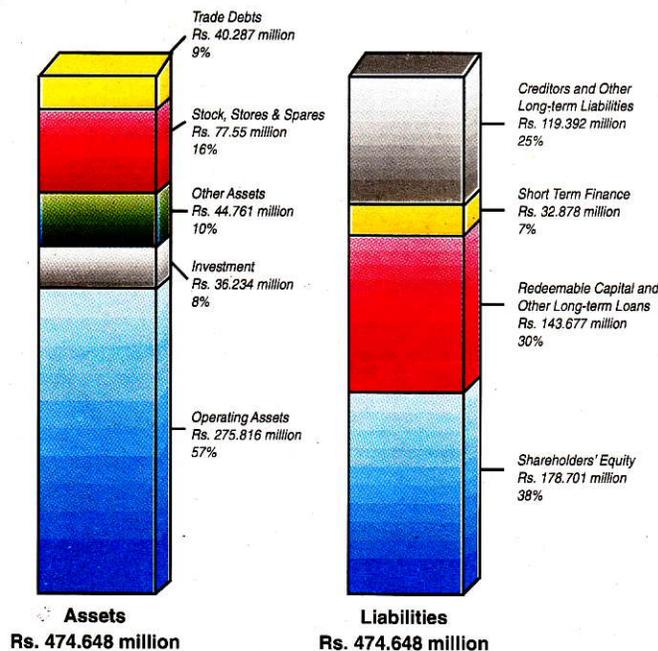
COATING PLANT

As reported in the last Annual Report, a new facility for Multi Layer High Density Polyethylene coating was added and had worked for only 46 days in Fiscal 1992. In Fiscal 1993 the coating plant was run on an extended basis and 193,266 sq. metres surface area was coated during the year. The capacity utilization of the coating plant remained low but, it was encouraging that more and more utilities are switching to this most modern coating method and apart from coating our own products, some orders for coating of client supplied pipes were also taken.

The coating facility has proved itself to be a valuable extension of our pipe production facility. The quality of coated products is consistently monitored and tested at independent laboratories in Europe and upto now, the results have been comparable with the best in business today.

There are plans to add an ability to provide Polypropylene coating in addition to High Density Polyethylene Coating.

**Balance Sheet
as at December 31, 1993**



INVESTMENTS

In our endeavour to strengthen the balance sheet, we were able to make selective investments in the stock market and build up a portfolio for Rs.35.51 million. At the end of Fiscal 1993 the market value of our portfolio was Rs. 64.8 million reflecting unrealized capital gains of Rs. 2.77 per share. We intend to continue building this portfolio which will not only give strength to the balance sheet but also promise good returns and a cushion for future years.

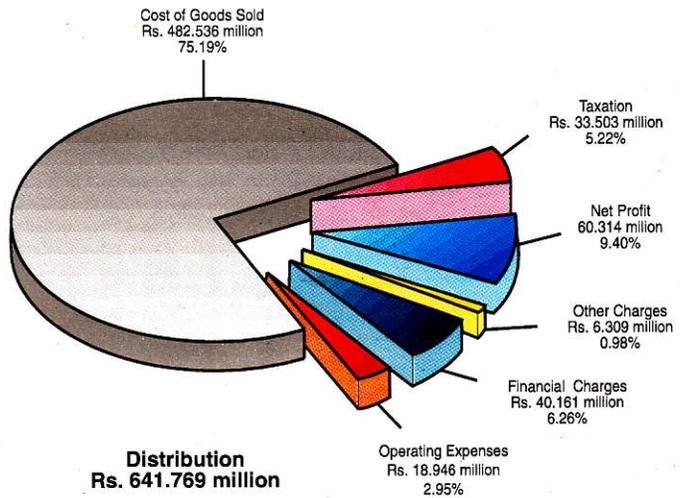
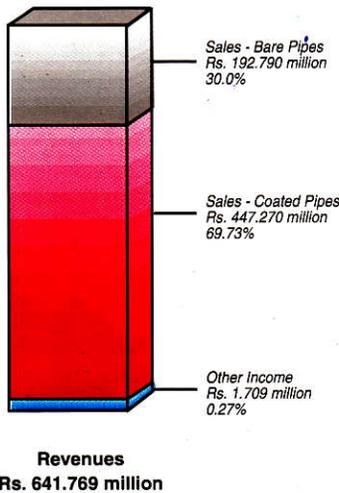
INDUSTRY PROBLEMS

For the record, I must mention here that our product exceeds the most stringent quality norms which are being periodically audited by international agencies like American Petroleum Institute. The setting up of this unit has also created a capacity to substitute imports and contribute significantly to conserving foreign exchange

As indicated in my last report, a high standard of financial performance remains an important goal. For present operations the capitalization is adequate and so is our ability to borrow. We have been able to bring our balance sheet to a position which satisfies all the



SOURCES/DISTRIBUTION OF REVENUE-1993



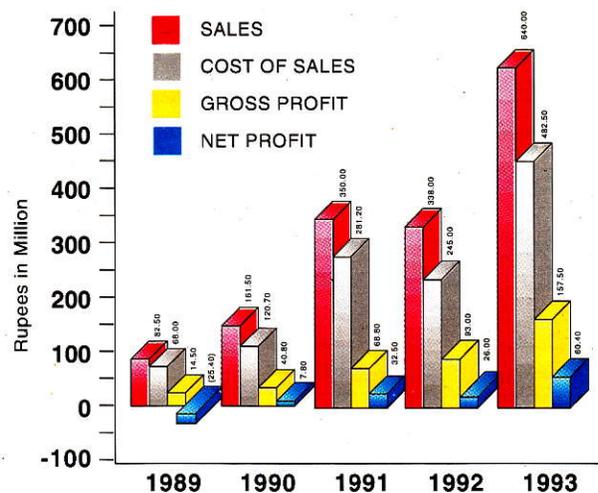
and solving unemployment problems in the country. Accordingly, I feel that the Government should see that Pakistan industries are encouraged by giving them competitive edge as is done in the neighbouring and other developing countries and also by the most developed countries who propagate Western free market ideas in countries like ours.

establish a fair system of octroi so that the entire industrialization process is not strangled. Before it is too late, the Government should issue guidelines for fixing octroi rates to all local bodies as they are now in a position to hold industry to ransom.

The Government should also respond immediately to dumping of engineering goods by the developed countries who do the same by imposing stiff counter-vailing duties on imports. I may also point out that the procedure for evaluation of international tenders - considered as exports if procured from Pakistani industry - also needs to be looked into. The present procedure is heavily biased in favour of off-shore suppliers as their C & F prices are compared against our ex-factory prices and import add-ons e.g. import licence fee, different surcharges, wharfage, octroi and transportation charges are ignored. Pakistani bidders are thus put in an unadvantageous position against the foreign bidders. In fact, the net impact to the user agencies is even higher, considering that they would have to additionally pay import duties at the usual tariff.

The octroi collected by the local bodies is extortionate in nature. The Octroi collecting regime which has been in force has resulted in huge sums stuck up in dispute and litigation. The Government needs to step in and

SALES, COST OF SALES, GROSS PROFIT AND NET PROFIT



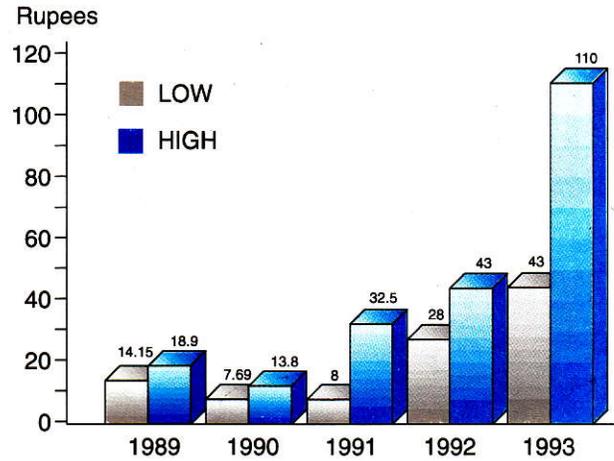


We are however, continuing our efforts to overcome these problems and other potential threats. Based on the strength of our technology, quality and organization, we are focusing on the opportunities opening up at home and abroad.

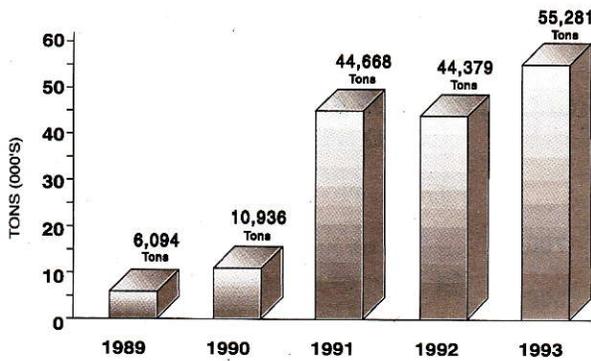
SOCIAL RESPONSIBILITY

Crescent Steel and Allied Products Limited has always remained conscious of its responsibility to the society. Besides creating environment and adding value, we have always supported the cause of education and environmental awareness. This year also, substantial contributions have been made to these causes. Crescent Steel and Allied Products Limited will continue to play its role according to its financial capacity in making this country a better place to live.

MARKET PRICE OF SHARE



PRODUCTION-BARE PIPES



Production on the basis of notional pipe size of 30" dia x 1/2" thickness

FUTURE OUTLOOK

Your company has come a long way and the results in 1993 show an exceptional bottom line position. However, it also brings us to a position from where the Company has to consolidate on the gains it has made in the last three years. The prospects of Fiscal 1994 can be viewed with considerable optimism but without expectation of another great leap from the results of Fiscal 1993. Considering the good order intake in 1994 and any optimum utilization of capacity, we expect the results in 1994 to be in line with those achieved in 1993. We are however determined to maintain a leading share in the market as well as market leadership in quality. We have a world class product and have every intention to keep it world class by upgrading our facilities continuously. After accelerating growth in 1993 both in terms of revenues and profits, we will be focusing on consolidating the same in 1994. Focus on improvement in technology and investment in training will remain a high priority to keep us at the cutting edge.



BOARDROOM CHANGES

During the year, there were changes in the Board of Directors. On behalf of my colleagues and on my behalf I would like to thank the following outgoing directors for their continued support and contribution to the Company.

- Mr. Kabir A. Qureshi (Nominee of NIT)
- Mr. Maqbul Ahmed
- Mr. Muhammad Javed Amin
- Mr. Muhammad Anwar (Nominee of SAPICO)
- Mr. Shaukat Shafi

On the expiry of the term of the Board, the new Board was reduced to 9 and Mr. Muhammad Arshad and Mr. A.K.M. Sayeed were elected to the Board. I am confident that the vast and rich experience they bring with them, will be invaluable to the board.

The Board of Directors have always been a source of guidance and support for the management and we place on record our appreciation for the way they have complemented the efforts of the management in making 1993 a successful year.

CSAP PEOPLE

It is indeed the hardwork and devotion of the management and all employees which made it possible to produce the results which presently we are reporting and of which we are so proud. All the employees of Crescent Steel and Allied Products Limited deserve a warm vote of thanks.

FINAL WORD

Nothing is however more important to us than the confidence of the investors who have shared our optimism with us and have patiently waited for the reward. We are proud that the results have been in line with expectations and the investors' confidence has been justified.

Ahsan M. Saleem
Chief Executive



FINANCIAL HIGHLIGHTS

(In Rupees)

	1993	1992	Percent Change
Operating Results:			
Revenues	640,060,156	338,223,661	+89
Income from Operations	138,578,261	82,612,721	+68
Net Income	60,314,714	26,091,435	+131
Data Per Common Share:			
Earnings	5.71	4.24	+35
Book Value	16.91	11.29	+50
Stock Price Range	43—110	28— 43	—
Financial Position at December 31:			
Total Assets	474,648,806	701,381,743	-32
Capitalization	322,377,758	262,625,341	+23
Long Term Debts	99,658,509	135,603,643	-27
Lease Obligations	14,018,844	15,885,007	-12
Deferred Taxation	30,000,000	—	+100
Common Equity	178,700,405	111,136,691	+60
Current Liabilities	152,271,048	438,756,402	-65
Other Statistics:			
Return on Average Common Equity	41.61%	32.76%	+27
Market to Book Value (Times)	6.50	3.81	+70
Cash flow (Fund generated by business)	Rs. 118,381,234	Rs. 42,610,646	+178
Common Shares (Nos.)	10,564,900	9,840,000	+8

**FINANCIAL SUMMARY**

	1993	1992	1991	1990	1989
Operating Results (In Rupees)					
Net sales	640,060,156	338,223,661	350,097,360	161,541,400	82,524,651
Cost of Sales	482,535,534	244,666,237	281,233,695	120,739,704	68,074,701
Selling and Admin. exp.	18,946,361	10,944,703	8,096,765	5,018,215	4,427,785
Financial expenses	40,160,891	53,962,886	32,437,255	33,016,302	35,148,432
Other charges	6,257,937	1,913,650	2,671,700	496,114	355,013
Other Income, Net	1,709,242	1,337,937	675,800	329,426	124,398
Pre tax profit	93,868,675	28,074,122	26,333,745	2,600,491	-
Income tax	33,503,023	(1,982,687)	(1,922,233)	-	-
Prior year's adjustment	(50,938)	-	8,135,023	5,179,212	-
Net Income / (loss)	60,314,714	26,091,435	32,546,535	7,779,703	(25,356,882)
Per Share Results and Returns					
Earning per share	Rs. 5.71	Rs. 4.24	Rs. 5.29	Rs. 1.26	-
Net Income to sales	9.43%	7.70%	9.30%	4.80%	-
Return on average assets	10.27%	4.60%	8.80%	2.70%	-
Return on average equity	41.65%	32.76%	102.00%	66.00%	-
Financial Position (in Rupees)					
Current Assets	180,804,285	415,651,354	273,181,623	158,888,380	103,586,882
Current liability	152,271,045	438,756,402	311,864,619	207,546,948	146,877,756
Operating Fixed Assets	275,478,488	282,982,268	150,284,847	149,698,442	156,799,215
Total Assets	474,648,806	701,381,743	425,664,947	310,995,515	261,797,996
Long term Debt	143,677,353	144,239,650	65,655,072	87,849,846	107,101,222
Shareholders' Equity	178,700,405	111,136,691	48,145,256	15,598,721	7,819,018
Break-up Value per share	16.91	11.29	7.82	2.50	1.27
Financial Ratios					
Current assets to current liabilities	1.18	0.94	0.87	0.77	0.70
Long term debt to capitalization %	44.57	54.92	57.69	84.92	93.19
Total debt to total assets %	62.35	83.12	88.69	94.98	97.01
Interest coverage (times)	3.33	1.52	2.06	1.23	0.27
Average collection period (days)	24	48	131	47	43
Inventory turnover (times)	3.18	1.56	5.28	1.63	0.69
Fixed assets turnover (times)	2.32	1.18	2.30	1.06	0.52
Total assets turnover (times)	1.35	0.48	0.82	0.51	0.31
Other Data (In Rupees)					
Depreciation	28,396,450	16,521,551	13,819,631	7,382,952	12,555,512
Capital expenditure	26,333,265	149,418,512	6,174,076	1,633,986	3,457,713



DIRECTORS' REPORT

The directors of the company feel pleasure in submitting their report together with the audited accounts of the Company for the year ended December 31, 1993.

	1993	1992
	(Rupees in thousand)	
PROFIT FOR THE YEAR AND SURPLUS		
PROFIT BEFORE TAXATION	93,869	28,074
PROVISION FOR TAXATION		
— CURRENT	(3,503)	(1,983)
— DEFERRED	(30,000)	—
	(33,503)	(1,983)
NET PROFIT AFTER TAXATION	60,366	26,091
PRIOR PERIOD'S ADJUSTMENT	(51)	—
	60,315	26,091
ACCUMULATED PROFIT/(LOSS) BROUGHT FORWARD	736	(13,355)
PROFIT AVAILABLE FOR APPROPRIATION	61,051	12,736
APPROPRIATIONS		
— RESERVE FOR ISSUE OF BONUS SHARES	(26,412)	—
— TRANSFERRED TO GENERAL RESERVE	(34,000)	(12,000)
	(60,412)	(12,000)
UNAPPROPRIATED PROFIT CARRIED FORWARD	639	736

Auditors

The present auditors M/s. A.F. Ferguson & Company, Chartered Accountants retire, and being eligible, offer themselves for reappointment.

Pattern of Shareholdings

The pattern of shareholdings as referred by Section 236 of the Companies Ordinance, 1984 is enclosed.

The directors place on record their appreciation for the efforts put in by the executives, staff members and workers of the company.

FOR AND ON BEHALF OF THE BOARD

Ahsan M. Saleem
Chief Executive

Karachi: May 15, 1994



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at December 31, 1993 and the related profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

- (a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 1993 and of the profit and the changes in financial position for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

A. Ferguson & Co.

A. F. FERGUSON & CO.

Chartered Accountants

May 30, 1994



BALANCE SHEET AS AT DECEMBER 31, 1993

	Note	1993 Rupees	1992 Rupees
SHARE CAPITAL AND RESERVES			
Authorised			
20,000,000 (1992: 20,000,000) Ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up			
10,564,900 (1992: 9,840,000) Ordinary shares of Rs. 10 each fully paid in cash	3	105,649,000	98,400,000
General Reserve		46,000,000	12,000,000
Reserve for issue of Bonus Shares	33	26,412,250	-
Unappropriated Profit		639,155	736,691
		178,700,405	111,136,691
ADVANCE AGAINST SHARE CAPITAL		-	7,249,000
REDEEMABLE CAPITAL	4	1,325,557	4,889,467
LONG-TERM LOAN	5	98,332,952	123,465,176
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	14,018,844	15,885,007
DEFERRED TAXATION	29.3	30,000,000	-
CURRENT LIABILITIES			
Current maturity of long-term liabilities	7	34,216,903	30,151,837
Short term finances under mark-up arrangements	8	32,878,973	289,745,488
Creditors, Accrued and Other Liabilities	9	85,175,172	118,859,077
		152,271,048	438,756,402
CONTINGENCIES AND COMMITMENTS	10		
		474,648,806	701,381,743

The annexed notes form an integral part of these accounts



Crescent Steel and Allied Products Limited

	Note	1993 Rupees	1992 Rupees
TANGIBLE FIXED ASSETS			
Operating Assets	11	255,058,351	263,925,945
Assets subject to Finance Lease	12	20,420,137	19,056,323
Capital Work-in-Progress		338,495	1,216,696
		275,816,983	284,198,964
LONG-TERM INVESTMENTS			
	13	16,143,760	-
LONG-TERM DEPOSITS			
		1,883,778	1,471,480
LONG-TERM PREPAYMENTS			
		-	59,945
CURRENT ASSETS			
Stores, spares and loose tools	14	23,559,034	19,762,136
Stock-in-trade	15	53,991,605	249,901,854
Trade debts	16	40,287,609	112,970,811
Short-term advances	17	3,588,170	15,962,842
Short-term deposits and prepayments	18	2,166,524	2,400,592
Other receivables	19	37,120,400	10,842,825
Short-term investments	20	19,370,218	-
Cash and bank balances	21	720,725	3,810,294
		180,804,285	415,651,354
		474,648,806	701,381,743

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
DECEMBER 31, 1993**

	Note	1993 Rupees	1992 Rupees
Sales	22	640,060,156	338,223,661
Cost of sales	23	482,535,534	244,666,237
Gross Profit		157,524,622	93,557,424
Selling expenses	24	4,691,915	4,158,807
Administration expenses	25	14,254,446	6,785,896
		18,946,361	10,944,703
Operating profit		138,578,261	82,612,721
Other income	26	1,709,242	1,337,937
		140,287,503	83,950,658
Other charges	27	6,257,937	1,913,650
Financial charges	28	40,160,891	53,962,886
		46,418,828	55,876,536
Net profit before taxation and prior period's adjustment		93,868,675	28,074,122
Taxation	29		
Current			
— For the year		3,200,301	1,982,687
— Prior year		302,722	—
Deferred		30,000,000	—
		33,503,023	1,982,687
Net profit after taxation and before prior period's adjustment		60,365,652	26,091,435
Prior year's adjustment	30	(50,938)	—
Accumulated profit/(loss) brought forward		736,691	(13,354,744)
Profit available for appropriation		61,051,405	12,736,691
Appropriation:			
— Reserve for issue of bonus shares	33	(26,412,250)	—
— Transfer to general reserve		(34,000,000)	(12,000,000)
		(60,412,250)	(12,000,000)
Unappropriated profit carried forward		639,155	736,691

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive



**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993**

	1993 Rupees	1992 Rupees
FINANCIAL RESOURCES WERE PROVIDED BY:		
Operations :		
Net profit after taxation and before prior period's adjustments	60,365,652	26,091,435
Prior period's adjustments	(50,938)	-
	<hr/>	<hr/>
Net profit after taxation and prior period's adjustment	60,314,714	26,091,435
Add/(less): Charges/(credits) not involving movement of funds :		
Depreciation	28,396,450	16,521,551
Prior period's adjustment	(70,930)	-
Deferred cost written off	-	88,752
Profit on sale of fixed assets	(259,000)	(91,092)
Provision for Deferred tax	30,000,000	-
	<hr/>	<hr/>
	58,066,520	16,519,211
	<hr/>	<hr/>
	118,381,234	42,610,646
Other sources:		
Long-term loan	4,065,014	90,522,827
Proceeds from issue of right shares	-	36,900,000
Advance received against share capital	-	7,249,000
Liabilities against assets subject to finance lease	2,903,000	19,993,805
Sale proceeds on disposal of fixed assets	259,000	412,000
Decrease in long term prepayments	59,945	191,817
	<hr/>	<hr/>
	7,286,959	155,269,449
	<hr/>	<hr/>
	125,668,193	197,880,095
FINANCIAL RESOURCES WERE USED FOR:		
Repayment of		
— Redeemable capital and long term loans	23,053,296	23,286,334
— Liabilities against assets subject to finance lease	4,022,223	681,955
Capital expenditure	26,333,265	149,418,512
Increase in long-term deposits	412,298	1,189,070
Long term Investments	16,143,760	-
	<hr/>	<hr/>
	69,964,842	174,575,871
	<hr/>	<hr/>
INCREASE IN WORKING CAPITAL	55,703,351	23,304,224



**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993**

	1993 Rupees	1992 Rupees
ANALYSIS OF CHANGES IN WORKING CAPITAL INCREASE/(DECREASE) IN CURRENT ASSETS		
Stores, spares and loose tools	3,796,898	8,115,549
Stocks-in-trade	(195,910,249)	217,885,453
Trade debts	(72,683,202)	(96,350,998)
Short-term advances	(12,374,672)	6,187,323
Short-term deposits and prepayments	(234,068)	294,360
Other receivables	26,277,575	6,097,080
Short term investments	19,370,218	-
Cash & bank balances	(3,089,569)	3,475
	(234,847,069)	142,232,242
DECREASE/(INCREASE) IN CURRENT LIABILITIES		
Finances under mark-up arrangements	256,866,515	(132,682,923)
Creditors, accrued and other liabilities	33,683,905	13,754,905
	290,550,420	(118,928,018)
INCREASE IN WORKING CAPITAL	55,703,351	23,304,224

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive



**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1993**

1. LEGAL STATUS AND OPERATIONS

The company was incorporated on August 1, 1983 as a public limited company and its shares are quoted on the stock exchanges in Karachi, Lahore and Islamabad. It is one of the downstream industries of Pakistan Steel Mills manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Dadu). The company commenced commercial production from March 31, 1987. The company has a coating facility capable of applying 3 Layer High Density Polyethylene Coating on Steel Line Pipes. The Coating Plant commenced commercial production from November 16, 1992.

The company has the right to use API monogram of the American Petroleum Institute, which is the highest international standard accredited for quality of steel pipes.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The company operates a provident fund scheme for all permanent employees. Equal monthly contributions are made, both by the company and employees at the rate of 8.33 per cent of basic pay and dearness allowance for employees who have served the company for a period of less than five years. For employees who have completed five years or more of service, contributions are made at 10 per cent.

During the year company has established Pension Fund and Gratuity Fund schemes for all permanent employees who are in management cadre and working directors. Contribution is payable to the funds on a monthly basis according to the actuarial recommendation subject to a maximum of 10.2% and 6.51% of basic salary of the employees respectively. The actuarial valuation of Pension Fund and Gratuity Fund was carried out as of December 31, 1992 and 1991 respectively.

2.3 Tangible fixed assets and depreciation

Operating assets are stated at cost less accumulated depreciation. Leasehold land is amortized over the period of the lease. Capital work-in-progress is stated at cost.

Depreciation on fixed assets is charged to profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged on additions except major additions or extension to production facilities which are depreciated on pro-rata basis for the period of use during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Profit or loss on sale or retirement of fixed assets is included in income currently.

2.4 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are amortized over their respective useful lives.



Finance charge is allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Amortization of leased assets is charged to current year's income as part of depreciation.

2.5 Stores and spares

Stores and spares are valued at moving average cost.

2.6. Stocks-in-trade

Stocks are valued at lower of cost and net realisable value. Cost is arrived at on a moving average basis. Cost of work-in-process and finished goods includes cost of materials and appropriate portion of production overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred to make the sale. Goods-in-transit are valued at actual cost accumulated to the balance sheet date.

2.7 Foreign currencies

Foreign currency transactions are converted into rupees at the rates of exchange prevailing at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into local currency at the rates of exchange prevailing at the balance sheet date. Where foreign exchange contracts have been entered into, for current assets and liabilities, the rates contracted for are used.

Exchange differences and exchange risk cover fees on foreign currency loans for capital requirements are capitalized whereas those on current assets and liabilities are charged to income.

2.8 Deferred costs

Deferred costs are charged to income over a period of three years.

2.9 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions, if any.

Deferred

Deferred liability for taxation, if any, is accounted for on all significant timing differences using the liability method.

2.10 Revenue recognition

Revenue from sales is recognised on despatch of goods to customers. Sales are also recognised when the company specifically appropriates deliverable goods against confirmed orders.

Dividend income and gain on sale of investments are recognised on receipt basis.

2.11 Investments

Investments are stated at cost.



3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

1993	1992		1993 Rupees	1992 Rupees
9,840,000	9,840,000	Ordinary shares of Rs. 10/- each fully paid in cash	98,400,000	98,400,000
724,900	—	Ordinary shares of Rs. 10/- each fully paid in cash issued during the year	7,249,000	—
10,564,900	9,840,000		105,649,000	98,400,000

3.1 As partial consideration for the foreign currency loans, as referred to in note 5.1, National Development Finance Corporation (the Corporation) has the option to convert in aggregate a maximum of Rs. 37.84 million, being twenty percent of the amount sanctioned, into fully paid ordinary shares of the company at any time or from time to time during the subsistence of the credit.

The Corporation had applied for conversion of Rs. 7,249,000 into share capital of the company during the year 1992 exercising their option of converting principal amount of Rs. 7,249,000 due on September 1, 1992 into equity. Company received consent for increase in paid-up share capital from the Controller of Capital Issues in the year 1993 and issued share certificates for 724,900 ordinary shares of Rs. 10/- each to the Corporation on January 14, 1993.

4. REDEEMABLE CAPITAL-SECURED

Long term finances utilised under mark-up arrangements

	Note	1993 Rupees	1992 Rupees
National Development Finance Corporation (NDFC)			
Suppliers credit	4.1	2,088,775	3,609,864
Term finance	4.2	2,800,692	4,493,817
		4,889,467	8,103,681
Saudi Pak Industrial and Agricultural Investment Company Limited		—	983,889
		4,889,467	9,087,570
Less : Current maturity shown under current liabilities		3,563,910	4,198,103
		1,325,557	4,889,467



Redeemable capital and the long term foreign currency loans from NDFC as referred to in note 5.1 below are secured by way of pari-passu first fixed charge on all the company's immovable properties including plant and machinery, spare parts, accessories and electrical and other equipment, and a first floating charge on all other movable property and assets (present and future) including receivables and inventory of raw materials, work-in-process, finished goods and supplies and also ranking pari-passu with charges created to secure running finance obtained from a bank referred to in notes 8.1 and 8.2 below.

- 4.1 The company has arranged long term finances from NDFC for purchase of locally manufactured machinery. Under three separate agreements, assets valuing Rs. 0.293 million, Rs. 2.506 million and Rs. 7.2 million were sold to NDFC against which the purchase prices payable by the company are Rs. 0.636 million, Rs. 5.769 million and Rs. 18.760 million respectively. Rebates of Rs. 0.303 million, Rs. 2.257 million and Rs. 8.388 million respectively shall be available to the company if all instalments are paid on their respective due dates. The rates of mark-up are respectively 3%, 7.5% and 7.5% per annum. The purchase prices and the mark-up are payable in 16 half-yearly instalments by November 29, 1994, August 31, 1994 and April 20, 1995 respectively.
- 4.2 Term finance from NDFC was obtained for purchase of raw materials, finished goods and other assets etc. Under an agreement, assets valuing Rs. 9.268 million were sold to NDFC against which the purchase price payable by the company is Rs. 24.160 million. Rebate of Rs. 5.712 million shall be available to the company if all instalments are paid on their respective due dates. The rate of mark-up is 15% per annum. The purchase price and the mark-up are payable in 16 half yearly instalments by February 25, 1995.
- 4.3 In view of the substance of the transactions, the sales and repurchase of assets referred in notes 4.1 and 4.2 above and in notes 8.1 to 8.3 below have not been recorded in these accounts.

5. LONG-TERM LOANS

	Note	1993 Rupees	1992 Rupees
Secured			
From			
National Development Finance Corporation (NDFC)	5.1	124,812,162	145,992,067
Less: Current maturity shown under current liabilities		26,479,210	22,526,891
		98,332,952	123,465,176

- 5.1 The company has obtained foreign currency loans from NDFC for US\$ 5.82 million and US\$ 3.943 million under two separate agreements dated October 28, 1984 and December 24, 1991 respectively. The loan amount of US\$ 5.82 million was subsequently revised to US\$ 6.16 million in accordance with the supplemental credit agreement dated January 12, 1991. Interest on this loan is payable at the rate of 11% per annum calculated on six monthly outstanding balances in the loan account. A foreign exchange risk fee on the amount of credit drawn and remaining unpaid by the company is chargeable at the rate of 3% per annum.

In accordance with NDFC's letter no. IM&M/SRA/L-817/89 dated December 16, 1989, the repayment of the loan had been deferred for a period of two years. It is now payable in 10 half yearly instalments commencing from March 1, 1991.

The loan of US\$ 3.943 million in foreign currency was obtained from NDFC during the year 1992 for the import of machineries required for Pipe Coating Plant.



The amount of US\$ 3.783 million had been disbursed till December 31, 1992 and the liability in Pak Rupees was determined at Rs. 90,522,027 by NDFC applying exchange rates prevailing on the dates of transactions.

After the full disbursement of US\$ 3.943 million during the year NDFC has determined the liability in Rupees at Rs. 88,970,641 by applying forward exchange rate as per terms of agreement with them instead of various exchange rates as applied by them earlier.

The position of the loan after determination of liability in rupees is explained below:

	US\$ (million)	Pak Rupees
Balance as at January 1	3.783	90,522,027
Less: Adjustment for revised calculation of liability as determined by NDFC	—	5,616,400
	3.783	84,905,627
Add: Disbursed during the year	0.160	4,065,014
	3.943	88,970,641

The loan carries interest rate of 16.5% per annum and is now repayable in 14 consecutive semi annual instalments commencing from July 15, 1993

These loans are secured as more fully explained in note 4 above.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	1993 Rupees	1992 Rupees
Minimum lease payments-note 6.1	24,834,453	26,994,288
Less: Finance charge not yet due	6,641,826	7,682,438
	18,192,627	19,311,850
Less: Current maturity shown under current liabilities	4,173,783	3,426,843
	14,018,844	15,885,007



- 6.1 The company has entered into lease agreements with leasing companies and a modaraba to acquire items of plant and machinery and vehicles. Payments under lease include finance charge ranging from 19.5% to 21.574% per annum, which are used as discounting factors.

The company intends to exercise its option to purchase the leased assets for Rs. 1.456 million upon completion of the lease period.

Details of the lease agreements are as under:

Lessor	Minimum lease payments outstanding as at December 31, 1993 Rupees	Number of Instalments outstanding	Approximate rate of interest per annum	Expiry Date
Asian Leasing Corporation Limited	6,029,864	47 monthly	19.500%	November 30, 1997
Asian Leasing Corporation Limited	4,111,200	19 quarterly	20.383%	October 31, 1998
First Grindlays Modaraba	1,002,329	32 monthly	19.798%	August 31, 1996
National Assets Leasing Corporation Limited	4,687,223	11 quarterly	21.574%	September 30, 1996
Standard Chartered Mercantile Leasing Limited	9,003,835	11 quarterly	20.320%	September 20, 1996

7. CURRENT MATURITIES OF LONG TERM LIABILITIES

	Note	1993 Rupees	1992 Rupees
Redeemable Capital	4	3,563,910	4,198,103
Long-term Loans	5	26,479,210	22,526,891
Liabilities against assets subject to Finance Lease	6	4,173,783	3,426,843
		<u>34,216,903</u>	<u>30,151,837</u>



8. SHORT TERM FINANCES UNDER MARK-UP ARRANGEMENTS

	Note	1993 Rupees	1992 Rupees
Secured			
From National Bank of Pakistan Limited			
Running Finance	8.1	17,878,973	22,745,488
Demand Finance		-	100,000,000
		17,878,973	122,745,488
From National Development Finance Corporation (NDFC)			
Trade Finance	8.2	-	100,000,000
From Leasing Companies under morabaha arrangements			
Pakistan Industrial Leasing Corporation Limited – an associated undertaking		-	20,000,000
International Multi Leasing Corporation Limited		-	10,000,000
		-	30,000,000
Short Term Loans			
From Saudi Pak Industrial and Agricultural Investment Company Limited (SAPICO)	8.3	15,000,000	30,000,000
From Crescent Investment Bank Limited - an associated undertaking		-	7,000,000
		15,000,000	37,000,000
		32,878,973	289,745,488

8.1 The facility for running finance available amounts to Rs. 20 million (1992: Rs. 20 million). The rate of mark-up is 49 paise per 1,000 rupees per day. A rebate of 1 paise per 1,000 rupees per day will be allowed by the bank for prompt payment and a further rebate of 2 paise per 1,000 rupees per day will be admissible on giving foreign exchange business in the ratio of 1:3 to the bank. The purchase price is repayable on December 31, 1993. The above facility is secured by a charge on the present and future current assets of the Company, pledge/hypothecation of the stocks and first equitable mortgage for Rs. 20 million on the fixed assets of the Company, ranking pari passu with the charges created to secure the redeemable capital and foreign currency loans referred to in Notes 4 and 5 above.



8.2 The company has arranged a trade finance facility from NDFC. Under the agreement assets of Rs. 90 million were sold to NDFC against which the purchase price payable is Rs. 109.800 million. The rate of mark-up is 55 paise per 1000 rupees per day payable quarterly. The purchase price is repayable on June 30, 1994. This facility is secured by hypothecation of stocks and receivables.

8.3 Short term loan of Rs. 15.0 million is obtained under mark-up arrangement. The mark-up price of Rs. 16.500 million is payable on September 15, 1994. The loan is secured against a bank guarantee of Rs. 16.500 million furnished by a commercial bank on behalf of the company.

8.4 Unutilised credit facilities

The facility for opening letters of credit and guarantees as at December 31, 1993 amounted to Rs. 162.50 million (1992: Rs. 100.00 million) of which amount remaining unutilised at the year end was Rs. 108.60 million. (1992: Rs. 33.603 million).

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1993 Rupees	1992 Rupees
Trade creditors	8,544,443	13,431,616
Bills payable	-	34,621,437
Excise duty payable	2,149,148	1,576,082
Sales tax payable	1,111,653	347,681
Accrued liabilities	16,763,654	11,117,939
Interest accrued on secured loan	8,336,865	9,845,677
Accrued mark-up	16,334,294	14,458,416
Security deposit	-	75,000
Advances from customers	18,292,951	21,536,323
Taxation	3,516,380	1,982,687
Workers' profit participation fund	7,884,967	2,694,166
Retention money	20,146	5,090,088
Due to associated undertakings	1,401,464	1,849,301
Payable to gratuity fund	44,403	-
Payable to pension fund	559,404	-
Payable to provident fund	128,492	70,214
Others	86,908	162,450
	85,175,172	118,859,077

Maximum amount due to associated undertakings at the end of any month during the year was Rs. 1,918,339 (1992: Rs. 1,849,301).



10. CONTINGENCIES AND COMMITMENTS

10.1 The company is contesting a High Court case against octroi authorities in respect of excess octroi charges on Hot Rolled Steel Coils. If the decision of the High Court goes against the company, an amount of Rs. 660, 378 would become payable on account of octroi. Amounts aggregating Rs. 1,186,420 have been paid to the High Court of Sindh, as security deposit upto December 31, 1993.

10.2 Aggregate commitments for capital expenditures amounted to Rs. 1.166 million (1992: Rs. 4.3 million).

10.3 Under the Rural Development Scheme of Government of Pakistan, company enjoys a concessional rate of 2% import licence fee on import of coating plant machineries installed at Nooriabad. The Controller of Imports & Exports declined to issue Import Licence at 2% fee and insisted on payment @ 6%.

Company filed a Petition with the Sindh High Court for issuance of Import Licence on payment of fee at 2%. The High Court passed an interim order allowing the company to pay 2% import licence fee in cash and required the company to furnish a bank guarantee in favour of Controller of Imports & Exports for Rs. 3.420 million equivalent to balance of 4%. The case is pending with the High Court and a sum of Rs. 3.420 million is contingently payable by company in case the High Court decides against the company.

10.4 Company filed a petition with the Sindh High Court in respect of central excise duty on loan amounts charged by a bank. High Court passed an stay order against such charge. Company is not paying excise duty on loan amount since then. The final decision of the Court is awaited. A sum of Rs. 539,584 towards central excise duty is contingently payable by the company in case Court decision goes against the company.

11. OPERATING FIXED ASSETS

11.1 The following is a statement of operating fixed assets;

Pipe Plant:

	Cost as at January 1, 1993	Additions/ (deletions)	Cost as at December 31, 1993	Accumulated Depreciation as at December 31, 1993	Net book value as at December 31, 1993	Depreciation Rate as % of cost	Charge for the year Rupees
	Rupees						
Lease hold land	3,330,944	2,246,852	5,577,796	285,379	5,292,417	1	56,342
Improvement to Leasehold land	105,922	—	105,922	6,917	99,005	1	1,070
Building on leasehold land	36,539,557	3,245,830	39,785,387	12,523,816	27,261,571	5	2,022,670
Plant and Machinery	165,527,474	8,072,721	173,600,195	70,105,392	103,494,803	5-20	10,437,560
Office premises	1,351,916	4,938,049	6,289,965	1,845,720	4,444,245	10	621,678
Furniture and Fixtures	673,323	1,306,016	1,979,339	645,107	1,334,232	10	197,943
Office and other equipments	1,728,660	501,700 (35,200)	2,195,160	1,416,439	778,721	20	245,232
Workshop and laboratory equipments	3,152,559	11,140	3,163,699	1,921,062	1,242,637	5-20	267,137
Motor vehicles	3,430,915	1,536,101 (427,750)	4,539,266	2,185,956	2,353,310	20	907,853
Total pipe plant	215,841,270	21,858,409 (462,950)	237,236,729	90,935,788	146,300,941		14,757,485



Coating Plant:

	Cost as at January 1, 1993	Additions/ (deletions)/ adjustments	Cost as at December 31, 1993	Accumulated Depreciation as at December 31, 1993	Net book value as at December 31, 1993	Depreciation	
						Rate as % of cost	Charge for the year Rupees
	Rupees						
Building on leasehold land	5,802,781	986,647	6,789,428	376,036	6,413,392	5	339,471
Plant and Machinery	120,282,272	512,660 *(6,389,726)	114,405,206	12,147,960	102,257,246	5-20	10,794,072
Office and Other Equipments	56,600	750	57,350	12,896	44,454	20	11,470
Furniture and Fixtures	47,690	-	47,690	5,372	42,318	10	4,769
Total Coating Plant	126,189,343	1,500,057 *(6,389,726)	121,299,674	12,542,264	108,757,410		11,149,782
Total Assets	342,030,613	23,358,466 (6,852,676)	358,536,403	103,478,052	255,058,351		25,907,267
1992	212,919,082	129,546,075 (434,544)	342,030,613	78,104,668	263,925,945		15,584,069

- 1) Additions to plant and machinery and workshop and laboratory equipments of pipe plant include exchange risk cover fee of Rs. 1,374,548 and Rs. 11,140 respectively.
- *2) An adjustment of Rs. 6,389,726 shown against cost of Plant and Machineries is on account of downward revision of liability in Rupees of long-term loan of US\$ 3.943 million (as referred to in note 5.1) obtained from National Development Finance Corporation in the year 1992.



11.2 Following are the details of fixed assets sold during the year:

Description	Cost	Acumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Sold to
Rupees						
VEHICLES						
Nissan Sunny	252,500	252,500	-	181,000	Tender	Mr. Zahid Kamal, C-9, Noman Terrace, Phase-I, Block-II, Gulshan-e-Iqbal, Karachi.
Datsun Pickup	175,250	175,250	-	75,000	Negotiation	Maulana Abdul Munaf C/o. Kampale Motors, Khalid Bin Walid Road, P.E.C.H.S., Karachi.
COMPUTER	35,200	35,200	-	3,000	Negotiation	Computer System Second Floor, Mukhtar Centre, Batual Mukarrum Masjid, Gulshan-e-Iqbal, Karachi.
Total	<u>462,950</u>	<u>462,950</u>	<u>-</u>	<u>259,000</u>		

12. ASSETS SUBJECT TO FINANCE LEASE

DESCRIPTION	Cost as at January 1, 1993	Additions/ (Deletion)	Cost as at December 31, 1993	Accumulated Depreciation as at December 31, 1993	Net Book value as at December 31, 1993	Depreciation	
						Rate as % of cost	Charge for % of cost
Rupees							
Plant and Machineries	18,948,755	3,853,000	22,801,755	3,139,107	19,662,648	5-20	2,280,176
Motor Vehicles	1,045,050	-	1,045,050	287,561	757,489	20	209,010
Total	<u>19,993,805</u>	<u>3,853,000</u>	<u>23,846,805</u>	<u>3,426,668</u>	<u>20,420,137</u>		<u>2,489,186</u>
1992	-	19,993,805	19,993,805	937,482	19,056,323		<u>937,482</u>

Depreciation for the year on leased on leased assets has been charged to cost of goods sold of Coated Pipes.

Addition to Plant and Machineries amounting to Rs. 3,853,000 under sale and lease back arrangement includes a of Rs. 950,000 met out of own resources.



13. LONG TERM INVESTMENTS

	1993 Rupees	1992 Rupees
QUOTED ASSOCIATED UNDERTAKINGS		
Crescent Investment Bank Limited 300,000 fully paid ordinary shares of Rs. 10 each	8,499,647	-
Crescent Textile Mills Limited 101,070 fully paid ordinary shares of Rs. 10 each	5,029,613	-
OTHERS		
Crescent Leasing Corporation Limited 210,000 fully paid ordinary shares of Rs. 10 each	2,614,500	-
	<u>16,143,760</u>	<u>-</u>

13.1 Aggregate market value of investments in shares quoted on Karachi stock exchange as at December 31, 1993 was Rs. 33,435,600.

13.2 Following investments having face value of Rs. 5,499,350 are deposited as security with a commercial bank:

	1993 Rupees	1992 Rupees
i) Crescent Leasing Corporation Limited	2,100,000	-
ii) Crescent Investment Bank Limited	3,000,000	-
iii) Crescent Textile Mills Limited	399,350	-
	<u>5,499,350</u>	<u>-</u>

14. STORES, SPARES AND LOOSE TOOLS

Stores	2,280,277	927,999
Spare parts	20,859,730	18,549,959
Loose tools	419,027	284,178
	<u>23,559,034</u>	<u>19,762,136</u>

Spare parts include those in transit as at December 31, 1993 Rs. 1,558,648 (1992: Rs. 677,149).



15. STOCKS-IN-TRADE

	1993 Rupees	1992 Rupees
Raw Materials		
Hot Rolled Steel Coils	9,342,558	38,589,003
Coating materials	6,150,931	25,569,576
Others	2,030,245	872,733
Stocks-in-transit	5,706,752	70,230,762
Work-in-process	23,230,486	135,262,074
Finished goods	3,165,283	95,349,099
	27,595,836	19,290,681
	<u>53,991,605</u>	<u>249,901,854</u>

16. TRADE DEBTS

Secured	-	41,633,064
Unsecured		
Considered good		
Due from an associated undertaking	-	19,810
Others	40,287,609	71,317,937
Considered doubtful		
Others	169,359	-
	40,456,968	71,337,747
Provision for doubtful debts - others	(169,359)	-
	<u>40,287,609</u>	<u>112,970,811</u>

Trade debts include unbilled revenue of Rs. 13,007,765. (1992: Rs. 60,544,477).

Maximum amount due from associated undertakings at the end of any month during the year was Rs. nil (1992: Rs. 120,037)



17. SHORT TERM ADVANCES

	1993 Rupees	1992 Rupees
Considered good		
Advances to:		
Chief Executive	119,621	1,192
Executives	28,955	10,178
Others	12,590	60,699
	161,166	72,069
Suppliers for goods and services	3,427,004	15,890,773
	3,588,170	15,962,842

18. SHORT TERM DEPOSITS AND PREPAYMENTS

Security deposits	1,365,521	1,395,521
Prepayments	801,003	1,005,071
	2,166,524	2,400,592

19. OTHER RECEIVABLES

	1993 Rupees	1992 Rupees
Considered good		
Octroi refundable	3,723,460	3,476,175
Margin on letters of credit and guarantees	3,725,039	5,665,489
Advance income tax	260,056	131,532
Due from associated undertakings	27,583,515	1,080,709
Others	1,828,330	488,920
	37,120,400	10,842,825
Considered doubtful		
Others	369,958	-
	37,490,358	10,842,825
Provision for doubtful receivables		
Others	(369,958)	-
	37,120,400	10,842,825

Maximum amount due from associated undertakings at the end of any month during the year was Rs. 56.524 million (1992: Rs. 1.081 million)



20. SHORT TERM INVESTMENTS

	1993 Rupees	1992 Rupees
QUOTED ASSOCIATED UNDERTAKING		
Crescent Investment Bank Limited 130,000 fully paid ordinary shares of Rs. 10 each	3,683,180	-
Crescent Textile Mills Limited 55,000 fully paid ordinary shares of Rs. 10 each	2,737,002	-
OTHERS		
First Crescent Modaraba 81,890 fully paid ordinary shares of Rs. 10 each	1,254,937	-
First Equity Modaraba 13,700 fully paid ordinary shares of Rs. 10 each	105,320	-
Modaraba Al Mali 54,900 fully paid ordinary shares of Rs. 10 each	842,760	-
First UDL Modaraba 4,000 fully paid ordinary share of Rs. 10 each	46,400	-
Atlas Bot Lease Company Limited 24,200 fully paid ordinary shares of Rs. 10 each	817,520	-
English Leasing Company Limited 9,200 fully paid ordinary shares of Rs. 10 each	124,345	-
Al-Towfeek Investment Bank Limited 101,000 fully paid ordinary shares of Rs. 10 each	1,428,673	-
Citicorp Investment Bank Limited 10,000 fully paid ordinary shares of Rs. 10 each	432,500	-
Muslim Commercial Bank Limited 28,750 fully paid ordinary shares of Rs. 10 each	1,191,125	-



Crescent Steel and Allied Products Limited

	1993 Rupees	1992 Rupees
Prime Commercial Bank Limited 100,000 fully paid ordinary shares of Rs. 10 each	1,771,320	-
Karachi Electric Supply Corporation Limited 28,200 fully paid ordinary shares of Rs. 10 each	985,205	-
Sui Northern Gas Pipelines Limited 92,000 fully paid ordinary shares of Rs. 10 each	3,738,556	-
Century Paper and Board Mills Limited 5,000 fully paid ordinary shares of Rs. 10 each	130,750	-
Baluchistan Glass Limited 2,500 fully paid ordinary shares of Rs. 5 each	80,625	-
	<u>19,370,218</u>	<u>-</u>

20.1 Aggregate market value of investments in shares quoted on Karachi Stock Exchange as at December 31, 1993 was Rs. 31,431,533.

20.2 Following investments having face value of Rs. 2,341,000 are deposited as security with a commercial bank.

— Al-Towfeek Investment Bank Limited	831,000	-
— Crescent Investment Bank Limited	850,000	-
— Muslim Commercial Bank Limited	245,000	-
— Crescent Textile Mills Limited	20,000	-
— First Crescent Modaraba	145,000	-
— Sui Northern Gas Pipelines Limited	250,000	-
	<u>2,341,000</u>	<u>-</u>

21. CASH AND BANK BALANCE

With banks – in time deposit accounts	323,165	424,646
— in current accounts	251,560	2,857,555
Cash and cheques in hand	146,000	528,093
	<u>720,725</u>	<u>3,810,294</u>



	1993 Rupees	1992 Rupees
22. SALES		
Bare Pipes - note 22.1	192,790,003	181,366,403
Coated Pipes - note 22.2	447,270,153	156,857,258
	640,060,156	338,223,661
22.1 Sales – Bare Pipes		
— Sales of own product	159,561,799	173,330,100
— Manufacturing charges	39,365,800	12,921,444
	198,927,599	186,251,544
Less: sales tax thereon	(6,137,596)	(4,885,141)
	192,790,003	181,366,403
22.2 Sales - Coated Pipes		
— Sales of own product	442,281,857	—
— Coating services	5,397,465	—
	447,679,322	156,857,258
Less : sales tax thereon	(409,169)	—
	447,270,153	156,857,258
23. COST OF SALES		
Bare Pipes note 23.1	146,799,072	130,152,727
Coated Pipes note 23.2	335,736,462	114,513,510
	482,535,534	244,666,237
23.1 COST OF SALES – BARE PIPES		
Raw material consumed	285,361,893	292,133,272
Salaries, wages and benefits	9,452,578	7,161,931
Stores and spares consumed	3,725,370	3,930,448
Insurance	1,403,777	1,352,586
Depreciation	13,224,749	13,383,758
Repairs and maintenace	1,155,716	731,015
Fuel, power and electricity	4,423,542	3,737,153
Other expenses	4,569,636	2,736,184
	37,955,368	33,033,075
	323,317,261	325,166,347



	1993 Rupees	1992 Rupees
Work-in-Process		
At beginning of the year	95,349,099	5,065,653
At the end of the year	(3,165,283)	(95,349,099)
	<u>92,183,816</u>	<u>(90,283,446)</u>
Cost of goods manufactured	415,501,077	234,882,901
Less:		
i) Cost of pipes capitalized as skids for stacking of finished goods	4,474,495	-
ii) Cost of bare pipes transferred to cost of sales of coated pipes – note 23.2	255,922,355	96,117,584
	<u>260,396,850</u>	<u>96,117,584</u>
	155,104,227	138,765,317
Finished Goods		
At beginning of the year	19,290,681	10,678,091
At the end of the year	(27,595,836)	(19,290,681)
	<u>(8,305,155)</u>	<u>(8,612,590)</u>
	<u>146,799,072</u>	<u>130,152,727</u>
23.2 COST OF SALES – COATED PIPES		
Materials consumed		
Cost of bare pipes - note 23.1	255,922,355	96,117,584
Coating raw materials	36,517,408	12,126,033
	292,439,763	108,243,617
Stores and spares consumed	3,972,188	1,449,491
Insurance	1,801,894	-
Fuel and power	3,011,046	898,345
Coating supervision charges	17,596,679	947,250
Pipe handling charges	1,935,667	477,044
Salaries, wages and other benefits	1,014,818	47,413
Depreciation	13,638,968	2,400,900
Other expenses	325,439	49,450
	<u>335,736,462</u>	<u>114,513,510</u>



	1993 Rupees	1992 Rupees
24. SELLING EXPENSES		
Salaries, wages and other benefits	878,404	616,246
Travelling and conveyance	488,171	333,321
Depreciation	115,992	55,306
Advertisement	121,250	13,190
Bid bond expenses	1,984,289	2,446,685
Provision for doubtful debts	539,317	-
Others	564,492	694,059
	<u>4,691,915</u>	<u>4,158,807</u>

25. ADMINISTRATION EXPENSES

Salaries, wages and other benefits	4,678,632	2,932,429
Travelling, conveyance, entertainment and gifts	1,535,626	371,355
Fuel and power	289,139	162,555
Postage, telephone and telegram	977,096	558,149
Insurance	343,072	333,100
Repairs and maintenance	239,506	150,373
Auditors' remuneration - note 25.1	105,137	230,409
Legal and professional charges	391,414	189,539
Depreciation	1,416,744	681,587
Advertisement	360,341	331,264
Printing, stationery and office supplies	540,313	390,130
Corporate service charges to an associated undertaking and others	636,357	240,000
Rents, rates and taxes	45,245	39,197
Advance to a supplier forfeited	1,700,000	-
Donations note - 25.2	624,787	340,000
News papers & periodicals	186,980	25,747
Recoveries from an associated undertaking	-	(291,095)
Others	184,057	101,157
	<u>14,254,446</u>	<u>6,785,896</u>

25.1 AUDITORS' REMUNERATION

Audit fee	75,000	75,000
Taxation and accounting services	20,000	137,894
Out of pocket expenses	10,137	17,515
	<u>105,137</u>	<u>230,409</u>

25.2 No director or his spouse has any interest in the donee's fund except for M/s. Mazhar Karim, Maqbul Ahmad, Shaukat Shafi and Muhammad Javed Amin who are trustees of Crescent Foundation to which a donation of Rs. 50,000 was given for relief of flood victims.



Crescent Steel and Allied Products Limited

	1993 Rupees	1992 Rupees
26. OTHER INCOME		
Laboratory testing income (customers' jobs)	310,904	-
Liabilities written back	-	195,117
Return on deposits	82,429	251,086
Gain on disposal of fixed assets	259,000	91,092
Insurance agency commission	470,517	797,712
Profit on sale of investment	474,360	-
Dividend income	29,000	-
Musharika income	35,479	-
Interest income from associated undertaking	47,553	2,930
	<u>1,709,242</u>	<u>1,337,937</u>
27. FINANCIAL CHARGES		
Interest on long term loans	19,241,487	8,816,885
Mark-up on		
Redeemable capital	804,963	2,296,854
Export Refinance	-	1,568,546
Finances from associated undertaking (net)	239,219	776,457
Finances under mark-up arrangements	11,707,385	33,644,107
Finance and lease processing charges on assets subject to finance lease	3,478,985	1,611,976
Penal interest	13,377	87,813
Commitment and other charges on foreign currency loans	-	26,823
Excise duty on running finances	1,290,439	4,222,465
Interest on Workers' profit participation fund	332,126	4,814
Bank charges	2,904,410	906,146
Bank guarantee commission	148,500	-
	<u>40,160,891</u>	<u>53,962,886</u>
28. OTHER CHARGES		
Deferred cost	-	88,752
Workers' Profit Participation Fund	4,957,937	1,403,946
Exchange loss	1,300,000	-
Expenses incurred on issue of right shares	-	420,952
	<u>6,257,937</u>	<u>1,913,650</u>
29. TAXATION		

29.1 The company has provided for minimum tax of 0.5 per cent of the declared turnover under section 80-D of the Income Tax Ordinance, 1979 for the year ended December 31, 1993. Company has filed a petition with the High Court of Sindh challenging levy of turnover tax. However, minimum tax is paid under protest by the company.

29.2 Accumulated net tax losses as at December 31, 1993 amounted to Rs. 15.604 million (1992: Rs. 117.690 million)



29.3 The deferred tax liability on account of timing differences due to accelerated depreciation amounts to approximately Rs. 50.0 million (1992: Rs. 57.7 million) against which a provision for Rs. 30.0 million has been made in the accounts in view of its likely reversal to the extent of Rs. 30.0 million in foreseeable future.

	1993 Rupees	1992 Rupees
30. PRIOR YEARS' ADJUSTMENTS		
Depreciation of Coating Plant	30.1	70,936
Financial charges on leased assets	30.2	680,587
Mark-up on long-term finance	30.3	(802,461)
		<u>(50,938)</u>

30.1 Consequent to the downward revision of liability in Rupees of long term loan of US\$ 3.934 million as referred to in note 5.1, obtained from NDFC in the year 1992 in respect of coating Plant and Machineries cost capitalized in the year 1992 also stands now adjusted. Hence excess depreciation charged in last year is now written back.

30.2 Financial charges pertaining to finance leases excess charged in previous year have been reversed.

30.3 Mark-up on long term finance of Rs. 10.796 million from SAPICO paid off in the year 1993 was short booked in previous years and has now been accounted for.

31. REMUNERATION TO CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	1993	1992	1993	1992	1993	1992	1993	1992
	Rupees							
Managerial remuneration	1,020,000	720,000	456,000	336,000	814,323	566,020	2,290,323	1,622,020
House rent	459,000	324,000	205,200	151,200	366,462	254,718	1,030,662	729,918
Utilities	102,000	72,000	45,600	33,600	81,652	56,602	229,252	162,202
Medical	48,809	14,767	21,855	16,800	40,716	25,610	111,380	57,177
Contributions to:								
– Provident Fund	102,036	60,024	45,636	28,018	52,117	37,344	199,789	125,386
– Gratuity Fund	113,274	–	51,560	–	71,086	–	235,920	–
– Pension Fund	74,966	–	33,514	–	46,300	–	154,780	–
Club subscription and expenses	37,890	62,664	3,110	6,230	–	–	41,000	68,894
Entertainment	–	–	36,000	24,000	83,983	54,014	119,983	78,014
Telephone	–	–	9,000	9,000	15,085	11,012	24,085	20,012
	<u>1,957,975</u>	<u>1,253,455</u>	<u>907,475</u>	<u>604,848</u>	<u>1,571,724</u>	<u>1,005,320</u>	<u>4,437,174</u>	<u>2,863,623</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>3</u>	<u>6</u>	<u>5</u>

The aggregate amounts charged in the accounts in respect of directors' fee paid to Nine (1992: Seven) directors was Rs. 10,000 (1992: Rs. 5,500).

In addition all other executives were provided with free use of company maintained cars, according to their entitlements. The chief executive, director, executives and their families are also covered under group and hospitalisation insurance.



32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1993 Rupees	1992 Rupees
Sales of goods and services	320,014	1,538,081
Recoveries in respect of salaries of Chief Executive and staff	-	291,905
Mark-up paid (net)	239,219	776,457
Guarantee commission paid	2,657,203	1,489,081
Insurance premium paid	4,517,142	4,403,040
Corporate service charges & others	636,357	240,000

33. It is proposed to issue Bonus Shares at the rate of 25% (1992 Nil) on paid-up ordinary share capital of Rs. 105,649,000 as on December 31, 1993 subject to approval of the Shareholders in Annual General Meeting.

34. PLANT CAPACITY AND PRODUCTION

PIPE PLANT

The plant's installed/rated capacity for production based on single shift, is 26,500 tons annually on the basis of notional pipe size of 30" dia x 1/2" thickness. The actual production achieved during the year was 26,438 tons (1992: 23,289 tons) line pipes of varied sizes and thicknesses, which is equivalent to 55,281 tons (1992: 44,379 tons), if the actual production is translated to the notional pipe size of 30" diameter.

COATING PLANT

The coating plant has a capacity of externally shotblasting and coating of line pipe with 3 layer high/medium density polyethylene coating at a rate of 250 square metres of surface area per hour on pipe sizes ranging from 219 to 1067 mm outside dia and thickness ranging from 3 to 16 mm.

The annual capacity of the plant works out to 600,000 square metres outside surface of pipes based on notional size of 30" dia on single shift working. Coating of 102,535 metres of different dia pipes (193,266 square metres surface area) was achieved during the year (1992: 60,123 square metres surface area). The plant capacity was utilized to the extent of orders received for coating of pipes.

35. COMPARATIVE FIGURES

Previous year's figures have been reclassified, wherever necessary, for the purposes of comparison.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive



FORM '34'

**PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS
AS AT 31ST DECEMBER, 1993**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
452	1	100	42560
403	101	500	89560
120	501	1000	100025
220	1001	5000	555280
58	5001	10000	428224
25	10001	15000	305010
19	15001	20000	328640
2	20001	25000	48801
2	25001	30000	53601
1	30001	35000	31500
3	35001	40000	113500
1	40001	45000	44800
3	45001	50000	149440
1	50001	55000	52150
2	65001	70000	138541
1	75001	80000	75160
1	100001	105000	101200
1	160001	165000	163020
1	220001	225000	225000
1	355001	360000	356620
1	475001	480000	480000
1	530001	535000	531988
1	625001	630000	630000
1	645001	650000	645600
2	715001	720000	1440000
1	720001	725000	724900
1	795001	800000	800000
1	820001	825000	820080
1	1085001	1090000	1089700
1327			10564900

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	1296	2320852	21.97
Investment	4	542640	5.13
Insurance Companies	2	31360	0.30
Joint Stock Companies	10	3282268	31.07
Financial Institution	6	3941780	37.31
Modaraba Companies			
Others	9	446000	4.22
TOTAL:	1327	10564900	100.00
Others			
Association	1	9000	0.09
Modarabas	3	95840	0.91
Non-Resident	3	291000	2.75
Trust	2	50160	0.47
TOTAL:	9	446000	4.22



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 10th Annual General Meeting of CRESCENT STEEL AND ALLIED PRODUCTS LIMITED will be held on Wednesday, June 29, 1994 at 11:30 A.M. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the Minutes of Extra-Ordinary General Meeting held on November 29, 1993.
2. To receive and adopt the Audited Accounts of the Company for the year ended December 31, 1993 together with the Directors' and Auditors' Reports thereon.
3. To approve issue of Bonus shares. The Directors have recommended the issue of Bonus Shares in the ratio of One Bonus share for every four issued ordinary shares (i.e. 25%).
4. To appoint Auditors for the year 1994 and to fix their remuneration. The present Auditors M/S A.F. Ferguson & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

5. SPECIAL BUSINESS :

To consider and pass the following resolutions under section 208 of the Companies Ordinance, 1984:

1. Resolved that approval of the company be and is hereby accorded to enhance the limit of investment in shares of the following associated undertakings from Rs. 30 million to Rs. 100 million.
 1. Crescent Jute Products Limited
 2. Shakarganj Mills Limited.
 3. Pakistan Industrial Leasing Corporation Ltd.
 4. Crescent Investment Bank Limited
 5. The Crescent Textile Mills Limited
 6. Crescent Sugar Mills & Distillery Limited
 7. Jubilee Spinning & Weaving Mills Limited
 8. The Premier Life Assurance Company Limited

Resolved further that Chief Executive of the company be and is hereby authorised to take any and all necessary actions to purchase/acquire the ordinary shares and to dispose of the shares so purchased/acquired as he thinks fit on behalf of the company.

2. Resolved that approval of the company be and is hereby accorded to enhance the limit of short term advances/loans to the following associated companies from Rs. 50 million to Rs. 100 million.
 1. Jubilee Spinning & Weaving Mills Limited.
 2. Elite Textile Mills Limited
 3. Crescent Jute Products Limited
 4. Shakarganj Mills Limited
 5. The Crescent Textile Mills Limited

Resolved further that Chief Executive of the company be and is hereby authorised to negotiate, sign any and all documents and to take any and all necessary actions to advance the above amount to the associated companies on such terms and conditions he thinks fit on behalf of the company.

STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984.

Crescent Jute Products Limited, Shakarganj Mills Limited, Pakistan Industrial Leasing Corporation Limited, Crescent Investment Bank limited, The Crescent Textile Mills Limited, Crescent Sugar Mills & Distillery Limited, Elite Textile Mills Limited and Jubilee Spinning & Weaving Mills Limited and the Premier Life Assurance Company Limited are Associated Listed Companies with an authorised capital of Rs. 200 Million, Rs. 250 Million, Rs. 200 Million, Rs. 500 Million, Rs. 500 Million, Rs. 200 Million, Rs. 20 Million, Rs. 50 Million and Rs. 100 Million respectively and the Directors of Crescent Steel & Allied Products Limited have no vested interest in the above said investments except that some of the Directors and their relatives are also Directors in the abovesaid companies. A copy of Memorandum and Articles of Association each of the abovesaid companies is kept at the Registered Office which can be inspected from 10.00 a.m. to 11.30 a.m. on all working days upto June 27, 1994.

The Share Transfer Books of the company will remain closed from June 22, 1994 to June 29, 1994 (both days inclusive) and bonus shares will be issued to such members whose name appear in the members register as at the close of business on June 21, 1994.

**BY ORDER OF THE BOARD
ZAHEER A. SHAIKH
CORPORATE SECRETARY**

REGISTERED OFFICE:

45-Shahrah-e-Quaid-e-Azam,
LAHORE:

Dated: May 30, 1994

NOTES:

1. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the Meeting.
2. Shareholders are requested to immediately notify the change in address, if any.

10TH ANNUAL GENERAL MEETING

The Corporate Secretary
Crescent Steel and Allied Products Limited
45, Shahrah-e-Quaid-e-Azam
Lahore-54000.

PROXY FORM

I / We
of
a member/members of the Crescent Steel and Allied Products Limited, and holder
of ordinary shares as per Registered Folio No.
do hereby appoint of
(Name) (Address)
or failing him of
who is also member of the Company vide Registered Folio No. as my/our proxy to attend
and vote for me/us and on my/our behalf at the 10th Annual General Meeting of the Crescent Steel and
Allied Products Limited to be held on Wednesday, June 29, 1994 and at any adjournment thereof.

Member:

Witness:

Date:

Signature on
Rs. 2/=
Revenue
Stamp

Notes:

- 1. A member eligible to attend and vote at this Meeting may appoint any other member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time of holding the Meeting.
- 2. Shareholders are requested to immediately notify the change in address, if any.
- 3. A proxy must be a member of the Company. Signature should agree with the specimen registered with the Company.



