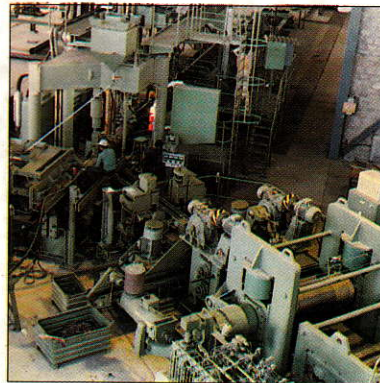


CRESCENT GROUP



Annual Report 1992



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 Azimuddin Syed Kabir A. Qureshi Maqbul Ahmad Muhammad Anwar Muhammad Javed Amin Mohammad Sharif Nasir Shafi Shaukat Shafi Zahid Bashir Zaigham M. Rizvi

Management

Chief Executive and Managing Director	Ahsan M. Saleem, 40 1983*
Executive Vice President and Deputy Managing Director	Mohammad Sharif, 61 1984*
Executive Vice President Marketing and Sales	S. A. N. Kazmi, 51 1986*
Senior Vice President Logistics and Administration	B.A. Siddiqui, 60 1992*
Senior Vice President Finance & Control	Mohammad Amin, 46 1992*

*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

Ninth Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Tuesday, June 29, 1993 at 11.00 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

National Bank of Pakistan
National Development Finance Corporation

Registered Office

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

Principal Office

9th Floor, Sidco Avenue Centre
Maulana Din Muhammad Wafai Road
Karachi-74200

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.



Medium sized cars can easily ply through our large diameter spirally welded steel pipes

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.



Three layer Polyethylene Coating being cut back at pipe ends for field jointing



CHIEF EXECUTIVE'S REVIEW

Nineteen hundred and ninety two was a very special year for us and at its start we were looking to wipe out a carried forward deficit and consolidate on the gains made in the last two years. By its close, we not only wiped out the deficit but also returned a surplus, increased share capital and also shareholders value and made an addition of Rs. 149 million to the net operating assets. It is indeed gratifying that, by the Grace of Allah the results are in line with the targets and that the confidence expressed in the last report was well justified.

OPERATIONS

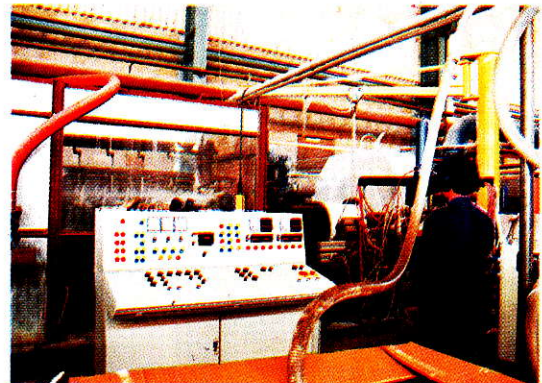
Production was stepped up and was 23,289 tons compared to 17,759 tons in 1991 showing an increase of 31 percent. Sales revenue was Rs. 338.22 million, nearly the same as last year mainly due to 4,776 tons of finished pipes carried as inventory awaiting coating application and a conversion order of 3,612 tons where the material was supplied by the clients and as such its value is not indicated in the revenues. Some additional revenue on the pipe inventory awaiting coating will be reflected in fiscal year 1993. We had started fiscal 1992 with a good order book. Fresh order intake was also good during the year and utilization of assets was satisfactory. For the first time in many years, there were no cavities in available capacity. Gross margin also improved by Rs. 24.69 million compared to fiscal 1991 and represented an increase in sales price as well as reduction in manufacturing costs through improved capacity utilization and efficiency. The net profit for the year was also higher and stood at Rs. 26.09 million against Rs. 24.41 million in 1991

All other costs were also kept generally in check and the increase reflects budgetary impact and continued fall in parity in Rupee versus Dollar. Financial expenses show a steep rise of 21.52% which are largely attributable to increased level of activity, higher costs of borrowing, excise duty on loans and costs relating to new coating plant.

COATING PLANT

As reported last year, a new facility for Multi Layer High Density Polyethylene Coating Plant was added. This is a first such facility in Pakistan and has added to the operating costs of the Company. With a capital spending of Rs. 126.19 million, the plant was finished in record time and was in production for 46 days during the year. During the operation of the coating plant, 25,115 sq. metres surface area of 30" diameter pipes was coated. The Coating Plant has an installed capacity of coating of 600,000 sq. metres surface area and it is expected that during 1993 the plant will remain busy with carried forward jobs as well as new orders for coating of pipes not only of our own production but also those supplied by the clients for coating only.

The quality of coating produced has been more than satisfactory and according to tests carried out at independent laboratories in Europe the results have proved comparable with the best in business today.



Separation of coating at pipe ends

MORE CAPITAL

During 1992, the Company raised the Authorised Capital from Rs. 100 million to Rs. 200 million. Through a Rights Issue an additional capital of Rs. 36.90 million



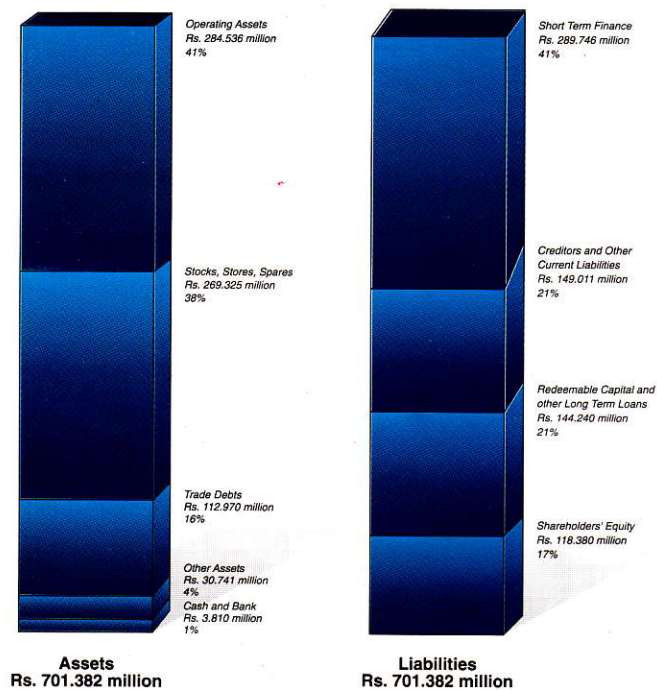
was raised to bring the total Paid Up Capital to Rs. 98.40 million. National Development Finance Corporation (NDFC) also exercised its option to convert part of the long term loan into equity to the tune of Rs. 7.24 million. Long term loans also stood reduced by the same amount. This amount appears in the Balance Sheet as an advance against shares as the consent order of Controller of Capital Issues was received after the balance sheet date. The injection of new capital was complete by October 29, 1992. Though the usage was for 63 days only, the Analysts will evaluate the performance on the total capital employed.

this will also remain a bench mark figure for future investments till such time that cost of borrowings comes down significantly. Although, we could not reach our target of a current ratio of 1:1 by the close of fiscal 1992, the current ratio stood at 0.94:1 significantly better than 0.88:1 in 1991.

Our target of a current ratio of 1:1 was nevertheless achieved in January 1993 and shall remain a bench mark minimum for guiding our future operations.

We will continue to focus on consolidating financial performance by strictly adhering to conservative financial ratios during 1993 and beyond.

**Balance Sheet
as at December, 31 1992**



INDUSTRY PROBLEMS

Local source of raw materials continues to be a cause for concern. During 1992 also, we experienced erratic deliveries and inconsistent quality which resulted in penalties due to delayed supplies to clients, excessive down time and scrap both of which cost a lot of money. Of late, some improvement in quality has been visible, but all the irritants will have to be addressed before the local sources of raw materials can be termed as reliable.

Most of our business has been secured against competitive international bidding. Some business, however, has easily been lost due to unrealistic pricing wherever the raw material has been in range of production of local suppliers. We have amply demonstrated our ability to compete internationally if we are offered a level playing field. However, in cases where we have to contend with unrealistic pricing of raw material, it may be a disadvantage heavily weighing against us. It is an established principle in the government that in cases of international bidding, the equalization of inputs must be ensured. We urge the relevant authorities to implement this principle.

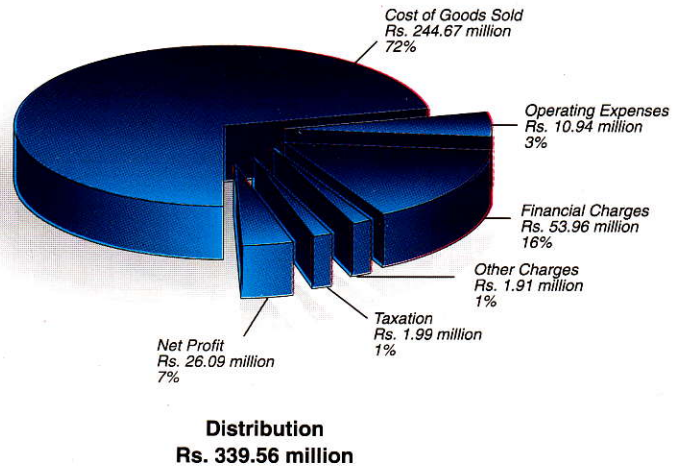
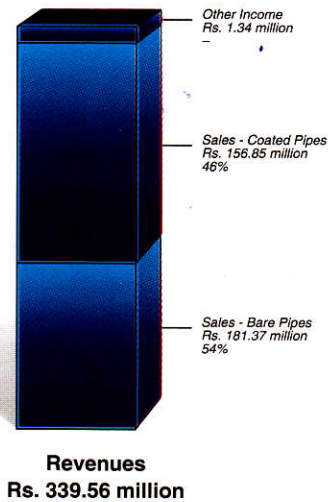
FINANCIAL PERFORMANCE

A high standard of Financial Performance is an important near term goal. The Company has been suitably deleveraged to improve the balance sheet ratios. After injection of fresh capital (Rs. 44.15 million), we have closed fiscal 1992 with a Debt Equity Ratio of 55:45 which we intend to improve further to 50:50 by the close of fiscal 1993. In the near and medium term,

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 establish a fair system of octroi so that the entire industrialization process is not strangulated. 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.



SOURCES/DISTRIBUTION OF REVENUE-1992



FUTURE OUTLOOK

Fresh order intake in 1993 has been good and we view the prospects with considerable optimism. To maintain a leading share of the market, upgrade of facility is being actively planned. Proportion of debt in any capital expenditure has to be kept within 50% considering the prohibitive cost of money prevailing in the market these days and as such it is our intention to fund future growth with matching cash generation. Our sights are set however, on accelerating growth both in revenues and profits and we believe the programs are in place to accomplish that. Our focus on improvement in technology and investment in training will continue to keep us at the cutting edge. The Company will continue to grow also in areas of linkage with our present capability where the potential is in line with our profitability objectives.

Looking to 1993 and beyond, our underlying performance and Cash Flow are sound and will enable us to begin delivering returns to the shareholders, while securing higher shareholder value and a successful future.

BOARD OF DIRECTORS AND CSAP PEOPLE

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 turning around the company from a position of adversity to prosperity and also their commitment to the future progress of the Company.

All the employees at Crescent Steel and Allied Products Limited deserve a warm vote of thanks. They have always shown their willingness to take up challenges and worked extremely hard throughout the year to keep the momentum going. It is indeed this hardwork and commitment which has made it possible to produce the results on which we are reporting.

FINAL WORD

Finally, we would like to express our appreciation for our bankers specially National Development Finance Corporation and National Bank of Pakistan who have stood by us in this year of intense activity and have a special contribution to this successful year.

We also appreciate the confidence which the investors have placed in us. They have shared our optimism all these years and have patiently awaited the rewards we should be able to deliver in 1993.

Ahsan M. Saleem
Chief Executive



FINANCIAL HIGHLIGHTS

(In Rupees)

	1992	1991	Percent Change
Operating Results:			
Revenues	338,223,661	350,097,360	-03.39
Income from Operations	82,612,721	60,766,900	+35.95
Net Income	26,091,435	32,546,535*	-19.83
Data Per Common Share:			
Earnings	4.24	5.29	-19.83
Book Value	11.29	7.82	+44.37
Stock Price Range	43 — 28	30 — 12	-
Financial Position at December 31:			
Assets	701,381,743	425,664,947	+64.77
Capitalization	385,198,853	245,566,108	+58.86
Long Term Debts and Capital Lease Obligation	54.92%	57.69%	-04.80
Common Equity	45.08%	42.31%	-06.55
Other Statistics:			
Return on Average Common Equity	32.76%	102%	-67.88
Market to Book Value	280.86%	283.88%	-01.07
Cash flow, (Fund generated by business)	42,610,646	38,101,528	+11.83
Common Shares (Nos.)	9,840,000	6,150,000	+60

* includes prior year's adjustment of Rs. 8,135,023.



FINANCIAL SUMMARY

	1992	1991	1990	1989	1988
Operating Results (In Rupees)					
Net sales	338,223,661	350,097,360	161,541,400	82,524,651	142,302,681
Cost of Sales	244,666,237	281,233,695	120,739,704	68,074,701	123,107,756
Selling and Admin. exp.	10,944,703	8,096,765	5,018,215	4,427,785	4,475,047
Interest expenses	53,962,886	32,437,255	33,016,302	35,148,432	27,082,993
Other charges	1,913,650	2,671,700	496,114	355,013	355,013
Other Income, Net	1,337,937	675,800	329,426	1,24,398	2,185,515
Pre tax profit	28,074,122	26,333,745	2,600,491	-	-
Income tax	(1,982,687)	(1,922,233)	-	-	-
Prior year's adjustment	-	8,135,023	5,179,212	-	-
Net Income / (loss)	26,091,435	32,546,535	7,779,703	(25,356,882)	(10,532,613)

Per Share Results and Returns (%)

Earning per share	4.24*	5.29	1.26	-	-
Net Income to sales	7.70	9.30	4.80	-	-
Return on average assets	4.60	8.80	2.70	-	-
Return on average equity	32.76	102.00	66.00	-	-

Financial Position (in Rupees)

Current Assets	415,413,865	273,181,623	158,888,380	103,586,882	125,566,419
Current liability	438,756,402	311,864,619	207,546,948	146,877,756	157,746,724
Operating Fixed Assets	282,982,268	150,284,847	149,698,442	156,799,215	166,242,014
Total Assets	701,381,743	425,664,947	310,995,515	261,797,996	293,566,419
Long term Debt	144,239,650	65,655,072	87,849,846	107,101,222	102,643,795
Shareholders' Equity	111,136,691	48,145,256	15,598,721	7,819,018	33,175,900
Break-up Value per share	11.29	7.82	2.50	1.27	5.39

Financial Ratios

Current Liabilities to currents assets	1.05	1.14	1.30	1.41	1.25
Long term debt to capitalization %	54.92	57.69	84.92	93.19	75.57
Total debt to total assets %	83.12	88.69	94.98	97.01	88.69
Interest coverage times	1.52	2.06**	1.23**	0.27	0.61
Average collection period (days)	48	131	47	43	1
Inventory turnover times	1.56	5.28	1.63	0.69	1.36
Fixed assets turnover times	1.18	2.30	1.06	0.52	0.85
Total assets turnover times	0.48	0.82	0.51	0.31	0.48

Other Data (In Rupees)

Depreciation	16,521,551	13,819,631	7,382,952	12,555,512	12,443,900
Capital expenditure	149,418,512	6,174,076	1,633,986	3,457,713	791,841

*Share Capital increased by Right Issue of 3.69 million shares of Rs. 10 each during 1992. Earning per share 1992 calculated ignoring Right Issue to make 1991 comparable.

**Earning before financial charges and taxation; includes prior year's adjustment.



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, 1992.

	1992 (Rupees in thousand)	1991
PROFIT FOR THE YEAR AND SURPLUS		
PROFIT BEFORE TAXATION	28,074	26,334
CURRENT TAXATION	(1,983)	(1,922)
NET PROFIT AFTER TAXATION	26,091	24,412
PRIOR PERIOD'S ADJUSTMENT	-	8,135
	26,091	32,547
ACCUMULATED LOSS BROUGHT FORWARD	(13,354)	(45,901)
UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS) APPROPRIATION - TRANSFERRED TO GENERAL RESERVE	12,737	(13,354)
	(12,000)	-
UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS) CARRIED FORWARD	737	(13,354)

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 29, 1993



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at December 31, 1992 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 except for the change as stated in note 2.3 with which we concur;
 - (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, 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, 1992 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.

Afferguson & Co.

A. F. FERGUSON & CO.

Chartered Accountants

May 31, 1993



BALANCE SHEET AS AT DECEMBER 31, 1992

	Note	1992 Rupees	1991 Rupees
SHARE CAPITAL AND RESERVES			
Authorised Capital			
20,000,000 (1991: 10,000,000) ordinary shares of Rs. 10 each		200,000,000	100,000,000
Issued, Subscribed and Paid-up Capital			
9,840,000 (1991: 6,150,000) ordinary shares of Rs. 10 each fully paid in cash	3	98,400,000	61,500,000
General Reserve		12,000,000	-
Unappropriated Profit/(accumulated loss)		736,691	(13,354,744)
		111,136,691	48,145,256
ADVANCE AGAINST SHARE CAPITAL	3.2	7,249,000	-
REDEEMABLE CAPITAL	4	4,889,467	10,185,833
LONG-TERM LOAN	5	123,465,176	55,469,239
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	15,885,007	-
CURRENT LIABILITIES			
Current maturity of			
- Redeemable Capital	4	4,198,103	8,159,794
- Long-term Loan	5	22,526,891	14,028,278
- Liabilities against assets subject to Finance Lease	6	3,426,843	-
Short term finances under mark-up arrangements	7	289,745,488	157,062,565
Creditors, Accrued and Other Liabilities	8	118,859,077	132,613,982
		438,756,402	311,864,619
CONTINGENCIES AND COMMITMENTS	9		
		701,381,743	425,664,947

The annexed notes form an integral part of these accounts.



	Note	1992 Rupees	1991 Rupees
TANGIBLE FIXED ASSETS			
Operating Assets	10	263,925,945	150,284,847
Assets subject to Finance Lease	11	19,056,323	-
Capital Work-in-Progress		1,216,696	1,338,064
Spares held for Capital Expenditure		337,489	337,489
		284,536,453	151,960,400
LONG-TERM DEPOSITS			
		1,371,480	182,410
LONG-TERM PREPAYMENT			
		59,945	251,762
DEFERRED COST			
		-	88,752
CURRENT ASSETS			
Stores, Spares and Loose Tools	12	19,424,647	11,309,098
Stocks	13	249,901,854	32,016,401
Trade Debts	14	112,969,831	209,320,829
Short-term Advances	15	15,962,842	9,775,519
Short-term Deposits and Prepayments	16	2,500,592	2,206,232
Other Receivables	17	10,843,805	4,746,725
Cash and Bank Balances	18	3,810,294	3,806,819
		415,413,865	273,181,623
		701,381,743	425,664,947

Approved by the Board of Directors on
May 29, 1993 and signed on its behalf

Ahsan M. Saleem
Chief Executive

Mohammad Sharif
Director



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
DECEMBER 31, 1992**

	Note	1992 Rupees	1991 Rupees
Sales	19	338,223,661	350,097,360
Cost of sales	20	244,666,237	281,233,695
Gross profit		93,557,424	68,863,665
Selling expenses	21	4,158,807	3,086,950
Administration expenses	22	6,785,896	5,009,815
		10,944,703	8,096,765
Operating profit		82,612,721	60,766,900
Other income	23	1,337,937	675,800
		83,950,658	61,442,700
Other charges	24	1,913,650	2,671,700
Financial charges	25	53,962,886	32,437,255
		55,876,536	35,108,955
Net profit before taxation and prior period's adjustment		28,074,122	26,333,745
Taxation			
Current year	29.1	1,982,687	1,209,897
Prior year		-	712,336
		1,982,687	1,922,233
Net Profit after taxation and before prior period's adjustment		26,091,435	24,411,512
Prior period's adjustment		-	8,135,023
Net profit after taxation and prior period's adjustment		26,091,435	32,546,535
Accumulated loss brought forward		(13,354,744)	(45,901,279)
Profit available for appropriation/(accumulated loss)		12,736,691	(13,354,744)
Appropriation:			
Transfer to General Reserve		(12,000,000)	-
Unappropriated profit/(accumulated loss) carried forward		736,691	(13,354,744)

The annexed notes form an integral part of these accounts.

Approved by the Board of Directors on
May 29, 1993 and signed on its behalf

Ahsan M. Saleem
Chief Executive

Mohammad Sharif
Director



**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1992**

	1992 Rupees	1991 Rupees
FINANCIAL RESOURCES WERE PROVIDED BY:		
Operations:		
Net profit after taxation and before prior period's adjustment	26,091,435	24,411,512
Prior period's adjustment	-	8,135,023
Net profit after taxation and prior period's adjustment	<u>26,091,435</u>	<u>32,546,535</u>
Add / (less): Charges / (credits) not involving movement of funds:		
Depreciation	16,521,551	13,819,631
Prior period's adjustment	-	(8,135,023)
Deferred cost written off	88,752	355,013
Profit on sale of fixed assets	(91,092)	(484,628)
	<u>16,519,211</u>	<u>5,554,993</u>
	42,610,646	38,101,528
Other sources:		
Long term loan	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	19,993,805	-
Sale proceeds on disposal of fixed assets	412,000	497,456
Decrease / (increase) in long term prepayments	191,817	(251,762)
	<u>155,269,449</u>	<u>245,694</u>
	197,880,095	38,347,222
FINANCIAL RESOURCES WERE USED FOR:		
Repayment of		
- Redeemable capital and long term loans	23,286,334	19,611,884
- Liabilities against assets subject to finance lease	681,955	-
Capital expenditure	149,418,512	6,174,076
Increase in long-term deposits	1,189,070	2,800
	<u>174,575,871</u>	<u>25,788,760</u>
INCREASE IN WORKING CAPITAL	<u>23,304,224</u>	<u>12,558,462</u>



	1992 Rupees	1991 Rupees
ANALYSIS OF CHANGES IN WORKING CAPITAL INCREASE/(DECREASE) IN CURRENT ASSETS		
Stores, spares and loose tools	8,115,549	1,068,858
Stocks	217,885,453	(20,897,708)
Trade debts	(96,350,998)	171,305,533
Short-term advances	6,187,323	(2,028,220)
Short-term deposits and prepayments	294,360	1,975,628
Other receivables	6,097,080	1,196,032
Cash and bank balances	3,475	(38,326,880)
	<hr/>	<hr/>
	142,232,242	114,293,243
 (INCREASE)/DECREASE IN CURRENT LIABILITIES		
Finances under mark-up arrangements	(132,682,923)	(32,841,941)
Creditors, accrued and other liabilities	13,754,905	(68,892,840)
	<hr/>	<hr/>
	(118,928,018)	(101,734,781)
 INCREASE IN WORKING CAPITAL		
	<hr/>	<hr/>
	23,304,224	12,558,462

Approved by the Board of Directors on
May 29, 1993 and signed on its behalf

Ahsan M. Saleem
Chief Executive

Mohammad Sharif
Director



**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1992**

1. LEGAL STATUS AND OPERATIONS

The company was incorporated on August 1, 1983 as a public limited company and is 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 welded pipes at Nooriabad (District Dadu). The company commenced commercial production from March 31, 1987.

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

During the year the company has added 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.

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 its 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.

2.3 Tangible fixed assets and depreciation

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

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 extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year. In the previous years, full year's depreciation was charged on the additions to operating fixed assets relating to production. The aforesaid change in the method of charging depreciation on fixed assets relating to production has been made for appropriate presentation of financial statements of the company. Had there been no change, the depreciation for the year would have been higher and profit for the year would have been lower by Rs.13,956,357.

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 Stores and Spares

Stores and Spares are valued at moving average cost.



2.5 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is arrived 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 costs necessarily to be incurred to make the sale. Goods-in-transit are valued at actual cost accumulated to the balance sheet date.

2.6 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 Pakistan rupees at the rate 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.

Consistent with previous year all 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.

2.7 Financial charges under the finance lease

Financial charges under the finance lease agreements are allocated over the period of lease using 'sum of years' digit method' which produces an approximate constant periodic rate of financial cost on the remaining balance of the principal liability during each period.

2.8 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 available, if any.

Deferred

The company accounts for deferred taxation on all significant timing differences using the liability method.

2.9 Deferred costs

Deferred costs are written off over a period of five years from the date of commencement of commercial production.

2.10 Revenue recognition

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

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

3.1 During the year the Company offered 3,690,000 ordinary shares of Rs.10 each as fully paid right shares to the members in the ratio of 3 ordinary shares of Rs.10 each for every 5 ordinary shares held. The offer was fully subscribed and paid in cash.

3.2 As partial consideration for the redeemable capital and foreign currency loan, as referred to in notes 4.1 and 5.1 respectively, National Development Finance Corporation (the corporation) has the option to convert in aggregate a maximum of Rs. 22.22 million, being twenty per cent 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 and has exercised their option of converting principal amount of Rs.7,249,000, due on September 1, 1992, into equity. Consequently the amount has been transferred from long term loan and shown as advance against share capital. Subsequent to balance sheet date the Company has received consent for increase in paid-up share capital from the Controller of Capital Issues and has issued 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	1992 Rupees	1991 Rupees
National Development Finance Corporation (NDFC)			
Suppliers credit	4.1	3,609,864	6,874,600
Term finance	4.2	4,493,817	7,279,733
		8,103,681	14,154,333
Saudi Pak Industrial and Agricultural Investment Company Limited (SAPICO)	4.3	983,889	4,191,294
		9,087,570	18,345,627
Less: Current maturity shown under current liabilities		4,198,103	8,159,794
		4,889,467	10,185,833

Redeemable capital and the long term foreign currency loans from NDFC 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 note 7.1 and 7.2 below.

- 4.1 The company has arranged long term finances from NDFC for purchase of locally manufactured assets. 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 due dates. The rates of mark-up are respectively 3%, 7.5% and 3% and 7.5% per annum. The purchase price and the mark-up are payable in 16 half yearly instalments by December 1, 1994, September 1, 1994 and April 20, 1995 respectively.
- 4.2 Term finance from NDFC was obtained for purchase of raw materials, finished goods, other assets etc. Under an agreement, assets valuing Rs. 9.268 million were sold to NDFC against which the purchase prices 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 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 The Company has arranged long term finance of Rs.10.796 million from SAPICO. Under the agreement the amount utilised represents sales price against which the purchase price payable is Rs.21.020 million. A rebate of Rs.2.421 million will be available to the company if all instalments are paid on due dates. The rate of mark-up is 15% per annum. The purchase price is payable in 10 equal half yearly instalments by June 4, 1993.
- 4.4 In view of the substance of the transactions, the sales and repurchase of assets referred in notes 4.1 to 4.3 above and in notes 7.1 to 7.6 below have not been recorded in these accounts.



Crescent Steel and Allied Products Limited

6.1 During the year 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 14.20% to 16.70% per annum, which are used as discounting factors.

The company intends to exercise its option to purchase the leased assets for Rs. 1.166 million upon completion of the lease period.

Details of the lease agreements are as under:

Lessor	Minimum lease payments outstanding as at December 31, 1992	Number of Instalments outstanding	Approximate rate of interest per annum	Expiry Date
Standard Chartered Mercantile Leasing Limited	12,143,398	15 quarterly	14.20 %	July 20, 1996
National Assets Leasing Corporation Limited	6,071,713	15 quarterly	14.20 %	June 30, 1996
Asian Leasing Corporation Limited	7,440,164	59 monthly	16.57 %	Nov. 10, 1997
First Grindlays Modaraba	1,339,013	44 monthly	16.70 %	August 5, 1996



7 SHORT TERM FINANCES UNDER MARK-UP ARRANGEMENTS

	Note	1992 Rupees	1991 Rupees
Secured			
From a bank			
Running Finance	7.1	22,745,488	31,011,463
Demand Finance	7.2	100,000,000	--
		122,745,488	31,011,463
From National Development Finance Corporation (NDFC)			
Trade Finance	7.3	100,000,000	80,130,774
Export Refinance		--	45,920,328
		100,000,000	126,051,102
From Leasing Companies under morabaha arrangements	7.4		
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)	7.5	30,000,000	--
From Crescent Investment Bank Limited - an associated undertaking	7.6	7,000,000	--
		37,000,000	--
		289,745,488	157,062,565

- 7.1** The facility for running finance available amounts to Rs.20 million (1991: Rs.20 million). The rate of mark-up is 49 paisa per 1,000 rupees per day. A rebate of 2 paisa per 1,000 rupees per day will be allowed by the bank for prompt payment and a further rebate of 2 paisa per 1,000 rupees per day will be admissible on giving foreign exchange business in the ratio of 1:2 to the bank. The purchase price is repayable on December 31, 1992.
- 7.2** Demand Finance of Rs.100.0 million obtained from a bank under Locally Manufactured Machinery Scheme of State Bank of Pakistan (SBP) for refinance against international tender. Concessional mark-up rate of 8% per annum for the period of Export Refinance was allowed by SBP and 16% per annum was charged for rest of the period upto December 31, 1992.

The above facilities are secured by a charge on the present and future current assets of the company, pledge/hypothecation of stocks and first equitable mortgage for Rs.120.0 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 respectively.



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Demand Finance of Rs.100.0 million is also secured by assignment of Inland Letter of Credit for US \$ 19.216 million opened in company's favour by M/s. Sui Northern Gas Pipeline Limited and personal guarantees of the directors of the company.

The final adjustment or repayment of the loan is to coincide with the expiry date of the above letter of credit which is April 27, 1993.

7.3 The company has arranged a trade finance facility from NDFC. Under the agreement assets of Rs. 100 million were sold to NDFC against which the purchase price payable is Rs. 120.0 million. The rate of mark-up is 43 paisa per 1000 rupees per day payable quarterly. The purchase price is repayable on February 19, 1993. This facility is secured by hypothecation of stocks and receivables.

7.4 This represents finances obtained under morabaha arrangements. Under the agreements the amounts utilized represent sale price against which the purchase price payable is Rs.30.420 million. The rate of mark-up is 17% per annum. The purchase price is payable by January 22, 1993.

The finances are secured against hypothecation of stocks, demand promissory notes and personal guarantees of the two directors of the company.

7.5 Short term loan of Rs. 30.0 million is obtained under mark-up arrangement. The marked-up price of Rs.31.275 million is payable on February 16, 1993. The loan is secured by a bank guarantee of Rs.31.275 million issued by an associated undertaking.

7.6 Short term loan of Rs. 7.0 million is obtained under mark-up arrangement. The loan is secured against hypothecation of stock and carries interest at the rate of 18% per annum and is repayable on January 15, 1993.

7.7 Unutilised credit facilities

The facility for opening letters of credit and guarantees as at December 31, 1992 amounted to Rs.100.00 million (1991: Rs.100.354 million) of which amount remaining unutilised at the year end was Rs. 33.603 million. (1991: Rs.44.690 million).

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	1992 Rupees	1991 Rupees
Creditors		12,512,136 ✓	5,522,039
Bills payable		34,621,437 ✓	24,683,322
Sales tax Payable		347,681	--
Accrued liabilities		11,117,939	4,393,573
Interest accrued on secured loan		9,845,677	5,114,892
Accrued mark-up		16,034,498	7,249,149
Security deposit		75,000	75,000
Advances from customers		21,536,323	81,164,056
Taxation		1,982,687	1,209,897
Workers' Profits Participation Fund		2,694,166	1,377,220
Retention money		5,090,088 ✓	--
Due to associated undertakings		1,849,301	1,174,516
Others		1,152,144 ✓	650,318
		118,859,077	132,613,982



Maximum amount due to associated undertakings at the end of any month during the year was Rs.1,849,301 (1991: Rs. 1,174,516).

9. CONTINGENCIES AND COMMITMENTS

9.1 The company is contesting a High Court case against octroi authorities in respect of excess octroi charges on Hot Rolled 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. An amount of Rs.1,186,420 has been paid to the High court, Sind, as security deposit upto December 31, 1992.

9.2 Aggregate commitments for capital expenditures amounted to Rs.4.3 million (1991: Rs. 91 million).

10. OPERATING FIXED ASSETS

10.1 The following is a statement of operating fixed assets:

Pipe Plant:

	Cost as at January 1, 1992	Additions/ (deletions)	Cost as at December 31, 1992	Accumulated Depreciation as at December 31, 1992	Net book value as at December 31, 1992	Rate as % of cost	Depreciation Charge for the year Rupees
	Rupees						
Leasehold land	3,330,944	-	3,330,944	229,031	3,101,913	1	33,640
Improvements to Leasehold land	105,922	-	105,922	5,847	100,075	1	1,070
Building on leasehold land	36,539,557	-	36,539,557	10,501,147	26,038,410	5	1,826,977
Plant and Machinery	163,602,712	1,924,762	165,527,474	59,667,832	105,859,642	5-20	10,885,990
Office premises	1,351,916	-	1,351,916	1,224,042	127,874	10	135,192
Furniture and fixtures	624,884	48,439	673,323	447,164	226,159	10	69,761
Office and other equipment	1,186,171	542,489	1,728,660	1,206,407	522,253	20	215,263
Workshop and laboratory equipment	2,639,957	512,602	3,152,559	1,653,926	1,498,633	5-20	301,625
Motor vehicles	3,537,019	328,440 (434,544)	3,430,915	1,705,854	1,725,061	20	651,133
Total pipe plant	212,919,082	3,356,732 (434,544)	215,841,270	76,641,250	139,200,020		14,120,651



Coating Plant:

	Cost as at January 1, 1992	Additions/ (deletions)	Cost as at December 31, 1992	Accumulated Depreciation as at December 31, 1992	Net Book value as at December 31, 1992	Depreciation	
						Rate as % of cost	Charge for the year Rupees
			Rupees				
Building	--	5,802,781	5,802,781	36,565	5,766,216	5	36,565
Plant and Machinery	--	120,282,272	120,282,272	1,424,824	118,857,448	5-20	1,424,824
Office Equipment	--	56,600	56,600	1,426	55,174	20	1,426
Furniture and Fixture	--	47,690	47,690	603	47,087	10	603
Total Coating Plant	--	126,189,343	126,189,343	1,463,418	124,725,925		1,463,418
Total Owned Assets	212,919,082	129,546,075 (434,544)	342,030,613	78,104,668	263,925,945		15,584,069
1991	207,267,627	6,283,841 (632,386)	213,551,468	62,634,235	150,284,847		13,819,631

- a) Additions to plant and machinery and workshop and laboratory equipments of pipe plant include exchange risk cover fee of Rs.1,828,174 and Rs.14,815 respectively.
- b) Cost of plant and machineries of Coating Plant includes Rs.1,242,558 being costs incurred on test and trial run.
- c) Depreciation charge for the year is computed on pro-rata basis for the period of use of Coating Plant for 46 days from November 16, 1992 the date of commercial production to the balance sheet date and charged to cost of sales of coated pipes.



10.2 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						
Suzuki Van	44,544	35,636	8,908	72,000	Tender	Mr. Talib Hussain, S/o. Mr. Saifuddin, Hakim Manzil, Faiz Mohammad Fateh Ali Road, Karachi-74200.
Toyota Hiace	390,000	78,000	312,000	340,000	Insurance claim	Premier Insurance Company Limited State Life Building No. 2A, Wallace Road, Off I.I. Chundrigar Road, Karachi.
Total	<u>434,544</u>	<u>113,636</u>	<u>320,908</u>	<u>412,000</u>		

II. ASSETS SUBJECT TO FINANCE LEASE

	Additions	Cost as at December 31, 1992	Accumulated depreciation as at December 31, 1992	Book value as at December 31, 1992	Depreciation	
					Rate as % of cost	Charge for the year
Rupees						
Plant and Machineries	18,948,755	18,948,755	858,931	18,089,824	5-20	858,931
Motor Vehicles	1,045,050	1,045,050	78,551	966,499	20	78,551
Total	<u>19,993,805</u>	<u>19,993,805</u>	<u>937,482</u>	<u>19,056,323</u>		<u>937,482</u>
1991	-	-	-	-		-

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



12. STORES, SPARES AND LOOSE TOOLS

	1992 Rupees	1991 Rupees
Stores	927,999	1,134,407
Spare parts	18,212,470	9,962,867
Loose tools	284,178	211,824
	19,424,647	11,309,098

Spare parts include in transit Rs. 677,149 (1991: Rs. 707,199)

13. STOCKS

Raw materials

Hot Rolled Coils	38,589,003	10,535,672
Coating materials	25,569,576	-
Others	872,733	785,641
Stock-in-transit	70,230,762	4,951,344
	135,262,074	16,272,657

Work-in-process

Finished goods

	95,349,099	5,065,653
	19,290,681	10,678,091
	249,901,854	32,016,401

14. TRADE DEBTS

Secured

41,633,064

Unsecured

Considered good		
Due from an associated undertaking	19,810	-
Others	71,316,957	209,320,829
Considered doubtful - others	-	280,965
	112,969,831	209,601,794
Provision for doubtful debts - others	-	(280,965)
	112,969,831	209,320,829

Trade debts include unbilled revenue of Rs. 60,544,477 (1991: Rs.118,858,536)

Maximum amount due from associated undertakings at the end of any month during the year was Rs. 120,037 (1991: Rs. 91,382)



15. SHORT TERM ADVANCES

	1992	1991
	Rupees	Rupees
Considered good Employees	72,069	66,462
Suppliers for goods and services	15,890,773	9,709,057
	<u>15,962,842</u>	<u>9,775,519</u>

16. SHORT TERM DEPOSITS AND PREPAYMENTS

Security deposits	1,495,521	1,346,420
Prepayments	1,005,071	859,812
	<u>2,500,592</u>	<u>2,206,232</u>

17. OTHER RECEIVABLES

Sales tax recoverable	-	233,836
Octroi refundable	3,476,175	1,468,154
Margin on letters of credits and guarantees	5,665,489	2,708,173
Advance Income tax	131,532	118,180
Due from associated undertakings	1,080,709	-
Others	489,900	218,382
	<u>10,843,805</u>	<u>4,746,725</u>

Maximum amount due from associated undertakings at the end of any month during the year was Rs. 1.081 million (1991: NIL)

18. CASH AND BANK BALANCES

With banks		
in time deposit accounts	424,646	50,783
in current accounts	2,857,555	446,216
Cash and cheques in-hand	528,093	3,309,820
	<u>3,810,294</u>	<u>3,806,819</u>

19. SALES

Bare Pipes (Note 19.1)	181,366,403	350,097,360
Coated Pipes	156,857,258	-
	<u>338,223,661</u>	<u>350,097,360</u>



	1992 Rupees	1991 Rupees
19.1 Sales - Bare Pipes		
Sales of Product	173,330,100	352,345,377
Manufacturing charges	12,921,444	-
	186,251,544	352,345,377
Less: Sales Tax thereon	4,885,141	2,248,017
	181,366,403	350,097,360
20. COST OF SALES		
Bare Pipes (Note 20.1)	130,152,727	281,233,695
Coated Pipes (Note 20.2)	114,513,510	-
	244,666,237	281,233,695
20.1 COST OF SALES - BARE PIPES		
Raw material consumed	292,133,279	251,409,893
Salaries, Wages and Benefits	7,161,931	5,835,991
Stores and Spares consumed	3,930,448	2,458,587
Insurance	1,352,586	1,273,110
Depreciation	13,383,758	13,249,510
Repairs and maintenance	731,015	663,082
Fuel, Power and Electricity	3,737,153	2,855,184
Other expenses	2,736,184	1,452,594
	33,033,075	27,788,058
	325,166,354	279,197,951
Work-in-Process		
Opening Stock	5,065,653	5,667,883
Closing Stock	(95,349,099)	(5,065,653)
	(90,283,446)	602,230
Cost of Goods manufactured	234,882,908	279,800,181
Less: Cost of bare pipes transferred to cost of sales of coated pipes - (Note 20.2)	(96,117,584)	-
	138,765,324	279,800,181
Finished Goods		
Opening Stock	10,678,091	12,111,605
Closing Stock	(19,290,688)	(10,678,091)
	(8,612,597)	1,433,514
	130,152,727	281,233,695



	1992 Rupees	1991 Rupees
20.2 COST OF SALES - COATED PIPES		
(For the period from November 16, to December 31, 1992)		
Materials consumed		
Cost of Bare Pipes - (Note 20.1)	96,117,584	-
Coating Raw Materials	12,126,033	-
	108,243,617	-
Stores and Spares consumed	1,449,491	-
Fuel and Power	898,345	-
Coating Supervision charges	947,250	-
Pipe handling charges	477,044	-
Salaries, wages and other benefits	47,413	-
Depreciation	2,400,900	-
Other expenses	49,450	-
	114,513,510	-
21. SELLING EXPENSES		
Salaries, wages and other benefits	616,246	477,857
Travelling and conveyance	333,321	258,077
Depreciation	55,306	55,090
Advertisement	13,190	57,522
Bid bond expenses	2,446,685	1,373,989
Bad debts	-	73,076
Provision for doubtful debts	-	280,965
Others	694,059	510,374
	4,158,807	3,086,950
22. ADMINISTRATION EXPENSES		
Salaries, wages and other benefits	2,921,429	2,687,177
Travelling and conveyance	371,355	561,600
Fuel and power	162,555	62,288
Postage, telephone and telegram	558,149	449,351
Insurance	333,100	51,258
Repairs and maintenance	150,373	104,458
Auditors' remuneration - (Note 22.1)	230,409	52,054
Legal and professional charges	189,539	393,097
Depreciation	681,587	515,031
Advertisement	331,264	98,541
Printing, stationery and office supplies	390,130	257,675
Corporate service charges to an associated undertaking	240,000	240,000
Training	11,000	17,896
Rents, rates and taxes	39,197	19,317
Donations (Note 22.2)	340,000	4,000
Others	126,904	58,372
Recoveries from an associated undertaking	(291,095)	(562,300)
	6,785,896	5,009,815



Crescent Steel and Allied Products Limited

	1992 Rupees	1991 Rupees
22.1 AUDITORS' REMUNERATION		
Audit fee	75,000	50,000
Taxation and accounting services	137,894	-
Out of pocket expenses	17,515	2,054
	<u>230,409</u>	<u>52,054</u>
22.2 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. 250,000 was given for relief of flood victims.		
23. OTHER INCOME		
Insurance claim refund	-	61,372
Liabilities written back	195,117	-
Return on deposits	251,086	56,157
Gain on disposal of fixed assets	91,092	484,628
Insurance Agency Commission	797,712	-
Others	2,930	73,643
	<u>1,337,937</u>	<u>675,800</u>
24. OTHER CHARGES		
Deferred cost	88,752	355,013
Workers' Profit Participation Fund	1,403,946	1,316,687
Corporate assets tax	-	1,000,000
Expenses on issue of right shares	420,952	-
	<u>1,913,650</u>	<u>2,671,700</u>
25. FINANCIAL CHARGES		
Interest on long term loan	8,816,885	8,217,982
Surcharge on custom debentures	-	625
Mark-up on		
Redeemable capital	2,296,854	2,601,951
Export Refinance	1,568,546	1,303,636
Finances from associated undertakings (net)	776,457	4,384,045
Finances under mark-up arrangements	33,644,107	14,334,116
Finance and lease processing charges on assets subject to finance leases	1,611,976	-
Penal interest	87,813	15,181
Commitment and other charges on foreign currency loan	26,823	39,717
Exchange loss	-	86,368
Excise duty on running finances	4,222,465	655,453
Interest on Workers' Profits Participation Fund	4,814	4,200
Bank charges	906,146	793,981
	<u>53,962,886</u>	<u>32,437,255</u>



26. REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVES

	Chief Executive		Executives		Total	
	1992	1991	1992	1991	1992	1991
Rupees						
Managerial remuneration	720,000	720,000	902,020	607,024	1,622,020	1,327,024
Rent	324,000	324,000	405,918	271,677	729,918	595,677
Utilities	72,000	72,000	90,202	60,370	162,202	132,370
Medical	14,767	51,147	42,410	28,742	57,177	79,889
Provident Fund contribution	60,024	60,024	65,362	50,364	125,386	110,388
Club subscription and expenses	62,664	45,764	6,230	3,645	68,894	49,409
Entertainment	-	--	78,014	67,000	78,014	67,000
Telephone	-	--	20,012	13,700	20,012	13,700
	<u>1,253,455</u>	<u>1,272,935</u>	<u>1,610,168</u>	<u>1,102,522</u>	<u>2,863,623</u>	<u>2,375,457</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>

The aggregate amounts charged in the accounts in respect of directors fee paid to Seven (1991:Seven) directors was Rs. 5,500 (1991: Rs. 3,500)

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

27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1992 Rupees	1991 Rupees
Sale of goods and services	1,538,081	1,379,528
Recoveries in respect of salaries of Chief Executive and staff	291,905	562,300
Mark-up paid (net)	776,457	4,350,358
Guarantee commission paid	1,489,081	1,121,616
Insurance premium paid	4,403,040	2,263,320
Corporate service charges	240,000	240,000



28. PLANT CAPACITY AND PRODUCTION

PIPE PLANT

The plant's installed/rated capacity for production 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 23,289 tons (1991: 17,759 tons) line pipes of varied sizes and thicknesses, which is equivalent to 44,379 tons (1990: 44,668 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 25,115 metres of 30" dia pipes (60,123 square metres surface area) was achieved during the period from November 16 to December 31, 1992.

29. TAXATION

29.1 The company has provided for minimum tax of 0.5 per cent of the declared turnover under section 80D of the Income Tax Ordinance, 1979 for the year ended December 31, 1992.

29.2 Accumulated tax losses as at December 31, 1992 amounted to Rs. 117.690 million (1991: Rs. 88.545 million)

29.3 The deferred tax liability on account of timing differences due to accelerated tax depreciation amounts to approximately Rs. 57.763 million (1991: Rs. 34 million).

Provision of deferred taxation has not been made as the management considers that the timing differences are not likely to reverse in the foreseeable future in view of accumulated tax losses.

30. COMPARATIVE FIGURES

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

Approved by the Board of Directors on
May 29, 1993 and signed on its behalf

Ahsan M. Saleem
Chief Executive

Mohammad Sharif
Director



FORM '34'

**PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS
AS AT 31ST DECEMBER, 1992**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
462	1	100	43680
420	101	500	90424
117	501	1000	96260
210	1001	5000	542140
57	5001	10000	417731
20	10001	15000	237117
22	15001	20000	378240
2	20001	25000	48801
2	25001	30000	53601
1	30001	35000	31600
3	35001	40000	113600
1	40001	45000	44800
2	45001	50000	99440
1	50001	55000	51057
2	65001	70000	138541
1	75001	80000	75160
1	105001	110000	105600
1	160001	165000	163220
1	375001	380000	378220
1	475001	480000	480000
1	530001	535000	531988
1	625001	630000	630000
1	645001	650000	645600
2	715001	720000	1440000
1	795001	800000	800000
1	835001	840000	836480
1	1365001	1370000	1366700
<hr/>			
1335			9840000

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	1312	2323352	23.61
Investment Companies	3	544440	5.53
Insurance Companies	2	31360	0.32
Joint Stock Companies	8	3276468	33.30
Financial Institution	6	3526380	35.84
Others	4	138000	1.40
TOTAL	1335	9840000	100.00

Others

Modarabas	2	87840	0.89
Trust	2	50160	0.51
TOTAL	4	138000	1.40



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 9th Annual General Meeting of the Crescent Steel and Allied Products Limited will be held on Tuesday, June 29, 1993 at 11.00 a. m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business :-

1. To confirm the Minutes of the 8th Annual General Meeting held on June 25, 1992.
2. To receive and adopt the Audited Accounts of the Company for the year ended December 31, 1992 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 1993 and to fix their remuneration. The present Auditors M/s A. F. Ferguson & Company, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

4. Special Business:

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

"Resolved that consent of the company be and is hereby accorded to invest upto Rs. 30 million in total in purchasing/acquiring ordinary shares of the following associated undertakings:

1. Crescent Jute Products Limited.
2. Shakarganj Mills Limited.
3. Pakistan Industrial Leasing Corporation Limited
4. Crescent Investment Bank Limited.
5. The Crescent Textile Mills Limited.
6. Crescent Sugar Mills & Distillery Limited.

Resolved further that the Chief Executive of the Company be and is hereby authorised to take any or all necessary actions to purchase/acquire the ordinary shares and to dispose off the shares so purchased/ acquired as 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 and Crescent Sugar Mills and Distillery Limited are Associated Listed Companies with an authorised capital of Rs. 200 million, Rs. 250 million, Rs. 200 million,

Rs. 500 million, Rs. 150 million and Rs. 200 million respectively and the Directors of Crescent Steel & Allied Products Limited have no vested interest in the abovesaid 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, 1993.

The Share Transfer Books of the Company will remain closed from June 23, 1993 to June 29, 1993 (both days inclusive).

By Order of the Board

ZAHEER A. SHAIKH
CORPORATE SECRETARY

Registered Office:

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

Dated:- May 31, 1993.

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.

9TH 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 wide Registered Folio No. as my/our proxy to attend
and vote for me/us and on my/our behalf at the 9th Annual General Meeting of the Crescent Steel and Allied
Products Limited to be held on Tuesday, June 29, 1993 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.



