

WITHOUT PREJUDICE

Mr. Hafiz Maqsood Munshi
Manager
Companies & Securities Compliance – RAD
Pakistan Stock Exchange Limited
Stock Exchange Building, Stock Exchange Road,
Karachi – 74000, Pakistan

Date: 18th, July, 2018

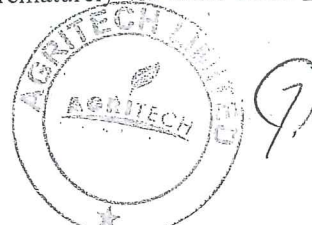
Subject: Non-holding of Annual General Meeting

Dear Sir,

1. This is with reference to your letter dated: 12th July, 2018 (Ref. No. PSX/C-1130-3198) wherein you have requested us to update you regarding the annual general meeting of M/S Agritech Limited (the “Company”).
2. By way of background, we would like to bring to your kind notice that AGL has always ensured Compliance with regards to holding of Annual General Meeting. However, during current annual audit, AGL has been facing unprecedented challenges with regards to gas supply to its urea plant, whereby natural gas has not been restored till date, after routine winter curtailment, despite constant follow-ups made by the management with relevant ministries/SNGPL Further, SNGPL has been pushing AGL to opt for economically unviable RLNG, which AGL has categorically rejected.

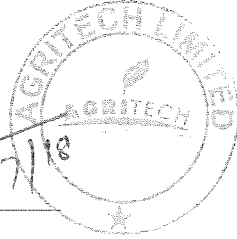
In order to resolve the issue at earliest, AGL is working on a solution with relevant ministries/SNGPL, for restoration of gas supply at competitive rates. In this regard a proposal has been submitted for supply of gas at affordable gas price to the three closed fertilizer plants including AGL (Proposal and copy of minutes of MoIP attached as Annexure-A). Further, Fertilizer policy for 2018 is expected to be finalized by 3rd Quarter of Calendar year, which seek to address the issues of fertilizer plants with regards to supply of gas and its pricing (Please refer Annexure-B for notification from MoIP regarding discussion item of fertilizer policy). In lieu of the pending status of above initiative with regards to gas supply and its pricing, it will be difficult to ascertain basis for finalization of accounts including rationale for testing going concern assumptions.

3. In light of the aforementioned, amongst other issues, the Company requested the Securities and Exchange Commission of Pakistan (SECP) through letter dated: 26th March, 2018 for an extension under Section 132, Section 223 and Section 237 of the Companies Act, 2017 (the “Companies Act”). The said extension was granted by the SECP (through letter dated: 30th March, 2018).
4. As the gas issue has not been resolved, the Company applied for a further extension to the SECP by way of letter dated: 24th May, 2018 under Section 147 of the Companies Act, however, the said application was rejected by the SECP (this has already been communicated to the PSX and has been announced on PSX’s official website through announcement dated: 1st June, 2018). Subsequently, the Company filed an appeal against the refusal of further extension but the same was erroneously (under incorrect interpretation of law) returned prematurely via order dated 4th July 2018.



5. In order to exercise our right of appeal, the Company has filed a Writ Petition against the afore-said orders which is to be put up for hearing before the Honourable Lahore High Court, tomorrow, on 19.07.2018. As the matter is pending before the Lahore High Court, we will provide you with further updates in the coming days as the case progresses and any order is passed therein.

Yours Sincerely,



Mr. Faisal Muzammil
Chief Executive Officer
M/S Agritech Limited

CC :

The Director CSD – SECP
The Additional Director (AD-SMD) – SECP
The Acting Chief Regulatory Officer - PSX
The DGM Operations - PSX

Government of Pakistan
Ministry of Industries & Production

ANNEXURE - A

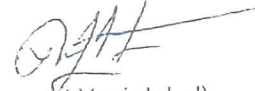
No.1 (18)/2017-R-III

Islamabad, the 26th December, 2017

OFFICE MEMORANDUM

Subject: MINUTES OF THE FERTILIZER REVIEW COMMITTEE (FRC)
MEETING HELD ON DECEMBER, 15 2017 IN THE MINISTRY OF
INDUSTRIES & PRODUCTION, ISLAMABAD.

The undersigned is directed to refer to the subject cited above and to enclose herewith a copy of approved minutes of Fertilizer Review Committee (FRC) meeting held on 15th December, 2017 in the Ministry of Industries and Production for information and necessary action.


(Muhammad Yasir Iqbal)
Assistant Chief (Reg)

1. The Secretary, Finance Division, Islamabad
2. The Secretary, Petroleum Division, Islamabad
3. The Secretary, Ministry of National Food Security & Research, Islamabad
4. The Secretary, Commerce Division, Islamabad
5. The Secretary, Statistics Division, Islamabad.
6. The Chief, NFDC, Islamabad
7. The Managing Director, NFML, Lahore.
8. The Secretary, Agriculture Department, Government of Punjab, Sindh, KPK and Balochistan.
9. The Executive Director, Fertilizer Manufactures of Pakistan Advisory Council.
10. The Chief Executive Officer, M/s Engro Fertilizer Ltd. Karachi.
11. The Chief Executive Officer, M/s FFC, Rawalpindi.
12. The Chief Executive Officer, M/s FFBL, Rawalpindi.
13. The Chief Executive Officer, M/s Faitma Fertilizer Ltd, Lahore.
14. The Chief Executive Officer, M/s Dawood Chemical, Lahore,
15. The Chief Executive Officer, M/s Agritech, Lahore.
16. The Chief Executive Officer, M/s Pakarab Fertilizer Ltd., Lahore

Copy to:

- i. SPS to Secretary, Mol&P, Islamabad
- ii. PS to Additional Secretary-I, Mol&P, Islamabad
- iii. APS to Joint Secretary (PSD), Mol&P, Islamabad

Government of Pakistan
Ministry of Industries and Production

Subject: Minutes of the Fertilizer Review Committee (FRC) Meeting Held on December 15, 2017 in the Ministry of Industries and Production, Islamabad.

A meeting of the Fertilizer Review Committee (FRC) was held under the Chairmanship of Additional Secretary-I, Ministry of Industries and Production on December 15, 2017 at 10:30 hrs in the Committee Room of MoIP. List of participants is at Annex-A.

2. The meeting started with the recitation from the Holy Quran. The Chair at the outset welcomed the participants. Following agenda came under discussion:

- I. Review of demand –supply position of urea for Rabi 2017-18 (Oct-Mar) with specific reference to total availability of urea for Rabi 2017-18 (Oct-Mar) by taking into account the estimated production of urea during Rabi 2017-18 and opening inventory, estimated consumption.
- II. FMPAC request to review the reimbursement of subsidy to the fertilizer manufacturers and its impact on production / sales.
- III. Review the leftover exports of 41,000 Metric tonnes of urea.
- IV. Punjab Government's request to review the Urea availability situation and making necessary arrangements to ensure the availability of a buffer stock of two hundred thousand metric (200,000) tonnes of urea as end balance of peak off-take months of November and December 2017.

3. The Chair inquired about the supply/demand situation during Rabi 2017-18. The following figures in the tabulated form were presented by FMPAC:-

000 (Tonnes)

| Description | Oct 17* | Nov 17* | Dec 17** | Jan 18** |
|---------------------|---------|---------|----------|----------|
| Opening Inventory | 844 | 707 | 526 | 164 |
| Domestic Production | 393 | 422 | 438 | 434 |
| Total Availability | 1237 | 1129 | 964 | 598 |
| Exports | 154 | - | - | - |
| Off-Take | 376 | 603 | 800 | 400 |
| Closing Inventory | 707 | 523 | 164 | 198 |

*Actual, **Estimated

5. The National Fertilizer Development Centre (NFDC) placed following position before the Chair:-

000 (Tonnes)

| Description | Oct 17* | Nov 17** | Dec 17** | Jan 18** |
|---------------------|---------|----------|----------|----------|
| Opening Inventory | 732 | 689 | 494 | 132 |
| Domestic Production | 440 | 440 | 438 | 434 |
| Total Availability | 1172 | 1129 | 932 | 566 |
| Exports | 108 | - | - | - |
| Off-Take | 375 | 635 | 800 | 400 |
| Closing Inventory | 689 | 494 | 132 | 166 |

*Actual, **Estimated

6. The difference between FMPAC and NFDC regarding Opening Inventory is about 112 thousand tons. The Chief, NFDC further pointed out that if the Committee agrees with the figures provided by FMPAC, even then Closing Inventory for the month of December and January would be less than the Strategic Reserves of **200,000** Metric tonnes.

7. Chair invited the views of all the stakeholders with specific reference to estimated offtake during December and January. Their responses was as under:-

| Name of Stakeholder | Views |
|---|--|
| Ministry of National Food Security and Research (MNFSR) | <ul style="list-style-type: none"> • Currently area for cultivation of wheat has reduced as compared to last year, resultantly the consumption of urea would be less as compared to last Rabi Season. • Smog and late crushing of Sugarcane are the main factors for delay in sowing of wheat. |
| Punjab | <ul style="list-style-type: none"> • Offtake of urea was low in October, 2017 due to late sowing of crops. • Expected offtake will be high. |
| Khyber Pakhtunkhwa | <ul style="list-style-type: none"> • Offtake of urea was low in October, 2017 due to late sowing of crops. • Prices of urea were high in the province. • Fertilizer Manufacturers supply less quantity of urea as compared to previous year; in previous year 98,000 metric tonnes urea was supplied for rabi crops whereas in current year only 61,000 metric tonnes urea has been supplied. • Expected offtake will be high during December, 2017 and January, 2018. |
| Sindh | <ul style="list-style-type: none"> • Offtake was low due to shortage of water in three main districts. • The issue has now been resolved and offtake is expected to be high in December, 2017 and January 2018. |

8. The representative of Petroleum Division briefed that plants on Mari Gas will continuously be working throughout the Rabi season, whereas the plants on SNGPL will remain closed.

9. The Chair asked the representative of Fatima Fertilizer Ltd to brief about the issue of exports with Sri Lanka. The representative of Fatima Fertilizer Ltd explained that they have signed an agreement with two private traders of Sri Lanka. He further mentioned that the agreement was signed in the month of October, 2017 and in the meantime the deadline for export of urea ended. Consequently stocks of **41,000** metric tonnes are stuck up at the port waiting for extension in exports timeline. He further pointed out that Fatima Fertilizer Ltd also have excess quantity of Calcium Ammonium Nitrate (CAN) which is a nitrogen fertilizer and an alternate of Urea. It is banned in KPK due to terrorism. The representative of KPK also expressed his concern over the ban on CAN in KPK only whereas only FATA belt is sensitive regarding terrorism.

10. The Chair briefed the forum that Sri Lankan Government has requested Government of Pakistan to resolve the export issue as the Sri Lankan are facing difficulties in this context. The chair invited the views of all the stakeholders for allowing export of remaining quota of 41,000 metric tonnes. Their response was as under:

| Name of Stakeholder | Views |
|---|---|
| Finance Division | Disagreed |
| Commerce Division | Agreed with the condition if all other stakeholders agreed |
| Punjab | Disagreed and further demanded that the stocks at port may be brought back in the country |
| Sindh | Disagreed |
| Khyber Pakhtunkhwa | Disagreed |
| NFDC | Endorsed the point of view of provinces |
| Ministry of National Food Security and Research (MNFSR) | Endorsed the point of view of provinces |
| National Fertilizer Marketing Limited | Disagreed |
| FMPAC | Agreed |

12. The Executive Director, FMPAC on his turn apprised that three units of Fertilizers i.e Fatima Fertilizer Ltd (formely Dawood Herculeus), Agritech Ltd and Pak Arab Fertilizer are not operating and production capacity of approximately of 1.4 million MT of fertilizers is not being fully utilized due to the high cost of RLNG. In order to operate these units he proposed as under:

Domestic production of Urea on imported LNG is more expensive as compared to indigenous gas. Fertilizer Plants on RLNG have to bear significantly higher input cost as compared to other fertilizer manufacturers operating on indigenous natural gas

- In order to ensure availability of fertilizers at affordable prices to farmers, indigenous & RLNG mix average gas price of Rs. 650/MMBTU needs to be ensured to compensate extra cost of RLNG based fertilizers, output GST to be reduced to zero percent on fertilizers produced by using RLNG as recommended by Ministry of Energy (Petroleum Division)

The Chair appreciated this suggestion.

13. After detailed deliberations involving analysis of existing situation, requirement during peak Rabi Season and production capacity of industrial units, it was concluded that it is not safe to extend the timeline for exports of Urea at this time.

14. The meeting ended with a vote of thanks to and from the Chair.

LIST OF PARTICIPANTS

Sr. No

Participants

1. Mr. Ajaz Ahmad, Additional Secretary-I, MoIP. (In Chair)
2. Mr. Ghulam Dastgir Khan Baloch, Joint Secretary (PSD) MoIP.
3. Mr. Muhammad Sohail Mufti, Deputy Secretary (Reg.) MoIP.
4. Mr. Hussain Haider, Joint Secretary, M/o Commerce.
5. Mr. Imtiaz Ali Gopang, Food Security Commissioner –II, M/O NFS&R
6. Mr. Abdul Jalil, Chief, NFDC, Islamabad.
7. Mr. Muhammad Yasir Iqbal, Assistant Chief (Reg), MoIP.
8. Dr. Imran Ullah Khan, Deputy Secretary, M/o Finance
9. Mr. Imran Saleem, Research Officer, M/o Petroleum & Natural Gas.
10. Mr. Qudrat Ullah, General Manager, NFML, Lahore.
11. Mr. Muhammad Nasir, Director, Agriculture Extension, Punjab.
12. Mr. Abid Hussain Qureshi, Director Agriculture, Sindh.
13. Mr. Zia Mohiy-ud-Din, Agriculture Deptt. KPK
14. Brig Sher Shah (Retd), Executive Director, FMPAC, Islamabad.
15. Mr. Sikandar Shah, Director, FMPAC, Islamabad.
16. Mr. Qazi M. Hammad (Sr. Advisor Sales), Engro, Islamabad.
17. Mr. Saqib Aziz , Deputy Manager, Fatima Group.
18. Mr. Syed Ali Nasir, Manager Planning, Fatima Group.
19. Mr. Naseerullah Khan, Fatima Group
20. Mr. Javed Iqbal Khan, GM, Agritech.
21. Mr. Ashraf Khan, FFC, Islamabad.
22. Mr. Ather Javed, SMM (sale) FFC
23. Mr. Ather Saleem, , FFBL
24. Mr. Tanveer Raza (NSM), Agritech Limited, Islamabad.

F. No.10 (1)/2018-R-III

Islamabad, the 18th April, 2018

OFFICE MEMORANDUM

Subject: FORMULATION OF FERTILIZER POLICY 2018

The undersigned is directed to refer to the subject cited above and to enclose herewith an outline indicating the broad contours of the envisaged Fertilizer Policy 2018 with the request for valuable input of all stakeholders. It would be appreciated if input / proposals / suggestions are sent to this Ministry by the end of April, 2018.

Encl: As above


(Sarosh Sikander)
Assistant Chief (Reg)

Distribution:-

1. The Secretary, Finance Division, Islamabad.
2. The Secretary, M/o Commerce, Islamabad.
3. The Secretary, M/o National Food Security & Research, Islamabad.
4. The Secretary, M/o Energy (Petroleum Division), Islamabad
5. The Secretary, M/o Science and Technology, Islamabad
6. The Secretary, M/o Climate Change, Islamabad
7. Director General (Gas) M/o Energy (Petroleum Division), Islamabad
8. The Secretary, Planning Division, Islamabad.
9. Board of Investment (BOI)
10. The Secretary Agriculture Department, Government of Punjab, Sindh, KPK and Balochistan,
11. Chief Secretary, AJK.
12. Chief Secretary, Gilgit Baltistan.
13. The Chief, NFDC, Islamabad.
14. The Chairman, Federal Board of Revenue (FBR), Islamabad.
15. Chief Executive Officer, National Fertilizer Corporation, Lahore.
16. The Managing Director, NFML, Lahore
17. The Executive Director, FMPAC, Islamabad.
18. Chief Executive Officer, Engro Fertilizer Ltd. Karachi.
19. Chief Executive Officer, FFC, Rawalpindi.
20. Chief Executive Officer, FFBL, Rawalpindi.
21. Chief Executive Officer, Fatima Fert Ltd, Lahore.
22. Chief Executive Officer, Agritech, Lahore.
23. Chief Executive Officer, Pakarab Fertilizer Ltd, Lahore.

Tentative/Proposed Contours of Fertilizer Policy 2018

Fertilizer is a key input for agricultural production and therefore to ensure sustained agricultural growth it is of vital importance that fertilizers are made available to farmers at affordable and stable prices. The last Fertilizer Policy for Pakistan was launched in 2001 with the primary aim to enhance local production of fertilizer to meet demand. However, currently a number of issues pertaining to domestic fertilizer production need to be addressed including the question of natural gas supply. This is because the Fertilizer Policy has not been revised for more than 16 years; hence the need for a new Fertilizer Policy arises to be able to meet the challenges of the fertilizer industry comprehensively. Before addressing the specifics, and to be able to come up with the first draft, it is imperative to have key stakeholders' views on the following significant points.

(a) GAS PRICE

The feed gas price shall be fixed for investors in new fertilizer plants to incentivize local production and local investment in the fertilizer sector. For existing plants, commercial gas rates shall apply.

{Main Stakeholder: M/O Energy (Petroleum Division)}

(b) ALLOCATION OF GAS

Allocation of gas to fertilizer plants shall be as per Gas Allocation and Management Policy formulated by the Ministry of Petroleum and Natural Resources. Steps shall be taken to ensure uninterrupted supply of gas to fertilizer plants. Policy measures shall be introduced to convert already existing plants of urea for using LNG as raw material.

{Main Stakeholder: M/O Energy (Petroleum Division)}

(c) SUBSIDY & CONCESSION SCHEME FOR FERTILIZER

Duty free imports of machinery and equipment for the fertilizer industry besides the import of phosphate rock shall be allowed. GST on fertilizer inputs shall be reduced. Tax holidays for new investments shall be considered. Fertilizers shall be provided at a subsidised rate to farmers to increase off-take.

(Main Stakeholders: FBR Revenue Division, Finance Division, BOI, M/O Commerce)

(h) PRICE BENCHMARKING

To enhance domestic production of fertilizer, local fertilizer shall be protected against imported fertilizer using a tariff based system. Price benchmarks for such protection shall be fixed and reviewed by M/O Planning, Development & Reform and M/O National Food Security & Research in coordination with FBR. Proposals are specifically invited for a tariff based measure involving customs/regulatory duty or support price mechanism.

(Main Stakeholders: M/O Planning, Development & Reform, M/O National Food Security & Research, FBR, Finance Division)

(i) NEW INVESTMENT

New investment shall be promoted through investment facilitation and tax concessions. Such investment would be particularly aligned with CPEC based industrial/manufacturing projects.

(Main Stakeholders: M/O Planning, Development & Reform, BOI, M/O Industries & Production)

(j) ENVIRONMENTAL IMPACT

The Government shall promote/ invest in the production, consumption and promotion of bio-fertilizers being more environment friendly. The Government shall also put a premium on balanced and efficient use of fertilizers through suitable taxation measures and relevant fiscal/policy parameters.

(Main Stakeholder: M/O Climate Change)