



B.R.R. Guardian Modarabā
(An Islamic Financial Institution)

November 23, 2020

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

MATERIAL INFORMATION

Dear Sir,

In accordance with Section 96 of the Securities Act, 2015 and Clause 5.6.1(a) of PSX Regulations, we hereby convey the following information:

Please refer to our earlier Material Information dated October 1, 2020 and subsequent, dated October 29, 2020 regarding Right Issue of Certificates and we are pleased to attach herewith SECP approval of Right Certificates of B.R.R. Guardian Modaraba vide its letter No.SC/M/RS/BRRGM/2020/RS-5/115 dated November 20, 2020 (copy attached) along with draft Circular -Schedule-I under the Companies (Further Issue of Shares) Regulation, 2020.

Kindly acknowledge the receipt and oblige.

Yours sincerely,

Tahir Mahmood
Company Secretary

Cc,

The Registrar Modarabas
Specialized Companies Division
(Modaraba Wing)
Securities & Exchange Commission of Pakistan
NIC Building, Jinnah Avenue, Blue Area
Islamabad

The Director
Securities Market Division
Licensing and Capital Issue Department
Securities & Exchange Commission of Pakistan
Islamabad

The Manager Corporate Affairs
CDC



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Specialized Companies Division
Policy, Regulation Development Department
(Modaraba Wing)

No.SC/M/RS/BRRGM/2020/RS-5/115
November 20, 2020

The Chief Executive,
BRR Investment (Pvt) Limited,
Managers of B.R.R Guardian Modaraba,
18th Floor, BRR Tower, Hassan Ali Street,
Off. I.I. Chundrigar Road,
Karachi.

Subject: Approval of Right Certificate of B.R.R. Guardian Modaraba

Dear Sir,

Please refer to your email dated November 13, 2020 whereby information and necessary documents have been submitted to this office pertaining to your application on the subject noted above.

2. In this context, I am directed to inform you that this office has no objection to the proposed issuance of 10% Right Modaraba Certificates by BRR Guardian Modaraba at the rate of Rs. 10.00 each, subject to the following conditions:

- i) The Modaraba Certificates shall rank *par -passu* with the existing Certificates in all matters including Bonus, Right and Cash Dividend as may be declared subsequent to the date of issue of the proposed new Certificates.
- ii) The Modaraba Certificates shall be offered to all the existing certificate holders strictly in proportion to the paid-up value and the number of certificates held by them.
- iii) The offer of new Modaraba Certificates shall be made by a notice specifying the number of Certificates to which the certificate holder is entitled, and limiting a time within which the offer, if not accepted, will be deemed to be declined. A circular duly signed by the directors of the Modaraba Company shall accompany the notice. The circular shall contain material information about the affairs and accounts of the modaraba and setting forth the necessity for raising of further funds with business prospects. A final copy of the circular shall be filed with this office before its circulation to the certificate holders.
- iv) If any Modaraba Certificates are not taken up by existing certificate holders under the preceding clause, the same shall be underwritten by an underwriter. Please provide certified copies of underwriting agreements before issuance of Circular.

- v) The proceeds of the right modaraba certificates shall largely be utilized for the businesses mentioned in the circular.

Please also find attached a copy of draft Circular approved by the Registrar Modaraba.

Regards,



Tauqeer Ahmad Sipra
Management Executive

BRR Guardian Modaraba Managed by BRR Investment (Private) Limited

Schedule-I

Under the Companies (Further Issue of Shares) Regulations, 2020

(To be sent to the Members along with the Notice Offering New Shares)

A. INFORMATION PERTAINING TO MODARABA OFFERING RIGHT ISSUE:

a) Company Profile and History:

(i)	Name of Modaraba	BRR Guardian Modaraba (the "Modaraba")
(ii)	Incorporation Date:	May 16, 1985
(iii)	Date of commencement of business:	Not applicable.
(iv)	Corporate Universal Identification No. (CUIN):	0010330
(v)	Website address and web-link where latest available financial statements are placed:	www.firstdawood/brr
(vi)	Contact details for certificate holders facilitation:	Head Office: 1900-B, Saima Trade Towers, I.I. Chundrigar Road Karachi Tel: (+92-21)-32270181-6 URL: www.firstdawood/brr Email: brr@firstdawood.com Share Registrar: F.D. Registrar Services (Pvt.) Ltd 1705, 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi Tel: (92-21) 32271905, 32271906 Email: fdregistrar@yahoo.com

b) Profile of Management and Sponsors:

i	Profile of directors:	Annexure – A
ii	Other directorships held:	Annexure – B

c) Name of the Statutory Auditors: Crowe Hussain Chaudhury & Co. Chartered Accountants

d) Existing capital including classes of shares:

I	Authorized Capital	Rs. 1,400,000,000/- divided into 140,000,000/- Modaraba Certificates of Rs.10/- each
Ii	Paid up Capital	Rs. 863,622,630/- divided into 86,362,263 Modaraba Certificates of Rs.10/- each

e) Name of Holding Company, if any: N/A

f) Financial highlights of the Modaraba for preceding three years:

PKR in millions except per certificate data	FY20	FY19	FY18	FY17*
Revenue / Sales (Income)	342.942	227.617	225.980	462.051
Gross Profit (Profit before management fee)	171.529	51.587	74.688	195.193
Profit / (loss) before interest, tax	159.577	71.264	76.764	194.454
Profit / (loss) after tax	149.103	44.843	64.924	169.674
Accumulated profit or (loss)	(505.095)	(559.499)	(554.688)	(507.666)
Total Assets	2113.431	1,838.314	2081.775	2054.057
Total Liabilities	382.270	464.568	689.877	789.613
Net Equity	1,731.160	1,373.745	1,391.898	1264.443
Breakup Value Per Certificate (PKR)	20.05	15.906	16.116	16.201
Earnings Per Certificate (PKR)	1.726	0.5192	0.751	2.174
Dividend Per Certificate (PKR)	0.78	0.24	0.34	1.00
Bonus issue, if any	%	-	-	-

*The current sponsors acquired in and renamed the company to

g) Financial Highlights of preceding one year of consolidated financial statements same as (f), above, if any:

PKR in millions except per certificate data	FY20	FY19	FY18	FY17*
Revenue / Sales (Income)	358.437	225.458		
Gross profit (Profit before management fee)	187.365	51.058		
Profit / (loss) before interest, tax	173.329	68.300		
Profit / (loss) after tax	164.939	44.314		
Accumulated profit or (loss)	(490.125)	(560.364)		
Total Assets	2093.783	1,787.170		
Total Liabilities	347.652	414.290		
Net Equity	1746.131	1,372.879		
Breakup Value Per Certificate (PKR)	20.218	15.896		
Earnings Per Certificate (PKR)	1.909	0.513		
Dividend Per Certificate (PKR)	0.78	0.24		
Bonus issue, if any	%	-	-	

h) Details of issue of capital in previous five years:

Year	(i) Detail of issue of capital	(ii) Details of fund utilization
FY15	Not Applicable	
FY16	Not Applicable	
FY17	8,316,008 Certificates issued to certificate holders of BRR Guardian Modaraba under the Scheme of Amalgamation with Crescent Standard Modaraba.	Merger with Crescent Standard Modaraba.
FY18	Not Applicable	
FY19	Not Applicable	
FY20	Not Applicable	

B. DETAILS OF THE CURRENT RIGHT ISSUE:

a)	Description of Issue:	Rs. 86,362,260 divided into 8,636,226 ordinary certificates of Rs. 10/- each
b)	Face Value of the Certificate:	Rs.10/-
c)	Basis of determination of price of right issue:	Considering the average market price of the Modaraba's certificates, the Directors have decided to issue right certificates at par i.e. Rs.10 per certificate. This price is expected to attract public and certificate holders to further invest in the Modaraba.
d)	Proportion of new issue to existing certificates with any condition, if any: (exact percentage will be as advised by CDC)	10 modaraba certificates for every 100 certificates (i.e. 10%) held by existing certificate holders. The new certificates shall rank pari passu with the existing certificates of the Modaraba in all respect. Right Certificates issued shall not be entitled to profit distribution (dividend) declared for year ended June 30, 2020.
e)	Date of meeting of Board of Directors (BoD) announcing right issue:	01-10-2020
f)	Names of directors attending the Board Meeting:	Mr. Rafique Dawood Mr. Ayaz Dawood Mr. Waqas Anwer Qureshi Syed Ali Raza

g) Justification for the issue:

i. Purpose of the Issue

The purpose of the Right Issue is to use the proceeds of Issue for enhancing our Diminishing Musharakah business. The management of the Modaraba intends to invest in this Shariah compliant business and sees potential for investment and growth resulting better profitability and returns to the certificate holders.. To carry out the business, there is a need to raise capital of Rs.86,362,260 through right issue to grow this Modaraba.

ii. Utilization of Proceeds of the Issue

The proceeds of the issue will be utilized for issuing fresh Diminishing Musharakah business.

iii. Benefits of the Issue to the Modaraba and its Certificate holders

The management of Modaraba has always foreseen profitable opportunities to the benefit of its certificate holders. The reduction in policy interest rates by the central bank in the last few months with the objective of triggering economic growth in the country will in turn make it cheaper for the general public to borrow and invest. The overall triggering of the economic cycle will also increase the need for Islamic financing products. As a result, modaraba can benefit by capturing the particular segment of market and ultimately the certificate holders will reap the earnings of increase Diminishing Musharakah.

h) Average market price during the last six months (from May 2020 to October 2020): **PKR 9.47**

i) Financial effects arising from right issue:

ii. Increase in Paid up Certificate Capital:

Category	No. of certificates	Amount at par (PKR)
Before Rights Issue	86,362,263	863,622,630
Post Rights Issue	94,998,489	949,984,890

ii. Net Assets/Breakup Value per Certificate and Gearing Ratio:

<i>(Based on financials of June 30, 2020)</i>	Before Rights Issue	After Rights Issue
Net asset / breakup value per certificate	PKR 20.045	PKR 19.132
Gearing Ratio (Debt /Equity)	10.430 %	9.482 %

iii. Projected Profit or Loss Statement for Three Years after right issue: (Post right issue)

	PROJECTED		
	June 30, 2021	June 30, 2022	June 30, 2023
	-----Rupees-----		
INCOME			
Rental income	226,421,277	244,534,979	264,097,777
Income on musharaka finances	15,198,143	22,414,148	25,109,725
Ijarah rental income - net	3,000,000	600,000	-
Return on investments - net	36,921,347	39,690,448	42,667,232
Profit on bank balances	886,156	952,618	1,024,064
Other income	3,052,848	3,205,490	3,365,764
Unrealised gain on revaluation of FVTPL investment	1,290,461	3,269,059	4,086,324
	287,445,232	315,341,742	340,350,886
EXPENSES			
Administrative expenses	138,587,991	151,346,790	165,381,469
Depreciation on Investment Properties	34,000,000	34,000,000	34,000,000
Financial charges	5,700,000	4,940,000	4,180,000
	178,287,991	190,286,790	203,561,469
	109,157,241	125,054,952	136,789,417
Modaraba management company's fee	10,915,724	12,505,495	13,678,942
Sales tax on modaraba management company's fee	1,419,044	1,625,714	1,778,262
Provision for Sindh Workers' Welfare Fund	1,936,449	2,218,475	2,426,644
Profit before taxation	94,886,024	108,705,268	118,905,569
Taxation	-	-	-
Net profit for the year	94,886,024	108,705,268	118,905,569
Earnings per certificate - basic and diluted	1.00	1.14	1.25

Note: The information given above reflects bonafide current business perceptions as to costs and future performance of the Modaraba's business, trading policies and Government policies. Neither the Modaraba nor the Directors accept any responsibility for the conclusions drawn or investment decisions made by any member or any other person based on the above information.

Major Assumptions Used: Following major assumptions have been used in the above projections of profit or loss statement,
- New Diminishing Musharaka disbursement of 75 million out of Right Issue Amount at the start of March 2021 at expected profit rate of 12%
- New Diminishing Musharaka disbursement of 45 million and 50 million in Year 2 and Year 3 at expected profit rate of 14%
- Musharaka income of existing clients are as per their amortization schedules.
- Musharaka income of new disbursements as stated above, are as per their expected amortization schedules.
- Increase in rental income of 7% in Year 1 and 8% in Year 2 and Year 3.
- Return on Investments and Profit on bank balance - growth by 7.5% each year.
- Increase in Administrative expenses excluding depreciation on owned assets by 10% each year.

j) **Total expenses to the issue:**

			PKR
1	Bankers' Commission	Linked to subscription received (estimated)	400,000
2	Other Charges (estimated)	(i) Underwriting commission (i) Printing, dispatch and other charges: (ii) Out-of-pocket expenses (iii) PSX, SECP, CDC, Miscellaneous.	2,000,000
	Total (Estimated)		2,400,000/-

C. INFORMATION REGARDING RISK AND RISK MITIGATING FACTORS, AS APPLICABLE:

a) Description of major risks and the company's efforts to mitigate them:

i. Risks relating to the project for which proceeds of the right issue are to be utilized: Not applicable

ii. Risk relating to subscription/under subscription of right issue:

The investments by the Modaraba/certificate holders is always dependent and linked with the market conditions, demand and supply economics and the overall macroeconomic indicators of the country

iii. Material contingencies (as per financial statements for the period ended June, 30 2020)

- The Modaraba had received a legal notice from Innovative Investment Bank Limited (formerly: Crescent Standard Investment Bank Limited) which was addressed to previous Management Company (Financial Link Limited) of the Modaraba, wherein they had asked Modaraba to settle an outstanding balance of short-term borrowing amounting to Rs. 171.143 million (June 30, 2019: Rs. 171.143 million) along with the mark-up thereon on or before February 10, 2007. The management and the legal advisor of the Modaraba is confident that the matter will be decided in the favour of the Modaraba and, accordingly, no liability in respect of the above has been recognised in the financial statements. Further the management has fully provided net amount of Rs 44.9 million receivable from Innovative Investment bank.
- A commercial bank has lodged a claim of Rs. 1.090 million on account of excess mark-up paid to the Modaraba during previous years which is not accepted by the Modaraba. The Modaraba has also lodged a claim before the banking tribunal against the said commercial bank for short payment of mark-up to the Modaraba to the extent of Rs. 2.498 million (June 30, 2019: Rs. 2.498 million). The proceedings under both cases are pending to date. As a matter of abundant caution, full provision in respect of the said claim of commercial bank had been made by the Modaraba in 2015. During the prior year, bank balances have been written off against provision amounting to Rs. 1.090 million.

iv. Material commitments (as per financial statements for the period ended June 30, 2020)

Nil

v. Any adverse issue reported by the auditor in their audit reports in previous five years:

Nil

b) Names of underwriters (if required):

- Top Line Securities Limited
- AKD Securities Limited

D. ELIGIBILITY CRITERIA & ASSOCIATED MATTERS:

a)	Members' Eligible/Entitlement of getting the Letter of Rights	All those Certificate holders whose names appear on the register of certificate holders at the close of business on December __, 2020						
b)	Bankers to the Issue	Al Baraka Bank Pakistan Limited						
c)	Date upto which the offer, if not accepted, shall be deemed to have been declined	January -----31, 2021						
d)	Mode of acceptance (only through banking channel)	Title of Account: "BRR Guardian Modaraba – Right Certificates Subscription Account"						
	(i) Bank account number	<table border="1"> <thead> <tr> <th>Bank Name</th> <th>Account Number</th> <th>Branches</th> </tr> </thead> <tbody> <tr> <td>Al Baraka Bank Pakistan Limited</td> <td></td> <td>All branches in Pakistan</td> </tr> </tbody> </table>	Bank Name	Account Number	Branches	Al Baraka Bank Pakistan Limited		All branches in Pakistan
Bank Name	Account Number	Branches						
Al Baraka Bank Pakistan Limited		All branches in Pakistan						
	(ii) Date by which amount to be credited in bank account to constitute valid acceptance	_____, 2020						
	(iii) No. and date of pay order / bank draft and other banking instrument	Not Applicable						

E. ANY OTHER MATERIAL INFORMATION THAT MAY HAVE DIRECT OR INDIRECT BEARING ON THE INVESTMENT DECISION.

None

ANNEXURES

Annexure A: Profiles of Directors

Authorized by the Board:

Name: Ayaz Dawood
Designation: CEO & Director

Signature

Name: Tahir Mehmood
Designation: Company Secretary

Signature

Date: _____ 2020

**Annexure "A"
PROFILE OF DIRECTORS**

Mr. Rafique Dawood – Chairman / Director

Mr. Rafique Dawood has degree of MBA-Finance, Harvard Business School and M. Sc Manchester University UK. He is Chairman & Director of BRR Investment (Pvt) Ltd Manager of BRR Guardian Modaraba He is also CEO & Director in First Dawood Investment Bank Ltd and Vice Chairman and Director in HYDROCHINA Dawood Power (Pvt) Ltd and Director in Pioneer Cement Limited, and Dawood Family Takaful Limited and He has also been Chairman of Pakistani Canadian Community Centre (Toronto) Inc, Chairman of United Way Cricket Organization Committee and Member Province Wide Association for the Alliance for Ontario Universities. He has wealth experience in the Financial Sector in Pakistan and Canada.

Mr. Ayaz Dawood – CEO / Director

Mr. Ayaz Dawood has degree of MBA in Money & Financial Markets from Columbia Business School, New York (Beta Gamma Sigma & Dean's List) and He has also been Tutor – Business Finance, Accounting & Operations Research. He is also Chief Executive Officer of the Modaraba Management Company Managing 2nd largest Modarabas in Pakistan i.e. BRR Guardian Modaraba. He is also Director in Systems Limited, Dawood Family Takaful Ltd, Sindh Lakhra Coal Mining Company (Pvt) Ltd, Sui Southern Gas Company Limited, Sindh Energy Holding Company (Pvt) Limited and SSGC LPG (Pvt) Limited and He has wealth experience in the Financial Sector in Pakistan and Canada.

Syed Ali Raza – Independent Director

Mr. Raza holds a degree of Master of Science in Administrative Sciences from Cass Business School. He is the Ex-President of the National Bank of Pakistan, being the longest serving President of the bank up to that point. Mr. Raza has also been given a Sitara-e-Imtiaz, the highest award a citizen can receive.

Mr. Waqas Anwer Qureshi – Independent Director

Mr. Waqas is an Investor Banker, MBA from Pakistan Institute of Management & Sciences. He has worked with International banks including HSBC, Deutsche Bank, SCB and ABN-AMRO Bank before he launched Trans Atlantic Energy.

Annexure "B"

DETAILS OF DIRECTORSHIPS IN OTHER COMPANIES

Name of Director	Category	Date of Joining	Tenure	Other Directorships
Mr. Rafique Dawood	Chairman Non-Executive			First Dawood Investment Bank Ltd HYDROCHINA Dawood Power (Pvt) Ltd Pioneer Cement Limited,
Mr. Ayaz Dawood	CEO-Executive			Dawood Family Takaful Ltd Sindh Lakhra Coal Mining Company (Pvt) Ltd Sui Southern Gas Company Limited Systems Limited Sindh Energy Holding Company (Pvt) Limited SSGC LPG (Pvt) Limited
Syed Ali Raza	Director – Independent			NA
Mr. Waqas Anwer Qureshi	Director –Independent			Trans Atlantic Energy (Pvt) Ltd Trans Atlantic Resources (Pvt) Limited Hyderabad Electric Supply Company