

FAUJI FOODS LIMITED

Registered Office: 42 CCA, Ex Park View, DHA, Phase-VIII, Lahore.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 53rd Annual General Meeting of the shareholders of Fauji Foods Limited will be held at 11:00 a.m. on Thursday, April 02, 2020 at Hotel Royal Swiss, Opposite Cargo Complex, Allama Iqbal International Airport, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of 52nd Annual General Meeting held on March 27, 2019.
2. To receive, consider and adopt the audited accounts for the year ended December 31, 2019 and the reports of the Directors and Auditors thereon.
3. To appoint auditors for ensuing period till next AGM and to fix their remuneration.

SPECIAL BUSINESS:

To consider and if deemed appropriate, to pass with or without modification, alteration or any amendment the following resolutions as Special Resolutions:

“RESOLVED THAT:

(i) the authorized share capital of the Company be increased from Rs.7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares of Rs.10/- (Rupees ten) each to Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion) Ordinary Shares of Rs.10/- (Rupees ten) each.

(ii) the figures and words “Rs.7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares of Rs.10/- each” appearing in Clause V of the Memorandum of Association of the Company be substituted by the figures and words “Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion) Ordinary Shares of Rs.10/- each.”;

FURTHER RESOLVED THAT subject to (i) amendments to the Sponsor Support Agreement dated 12 April 2019 between the Company and Fauji Fertilizer Bin Qasim Limited (“**FFBL**”) (the “**Existing Sponsor Support Agreement**”); (ii) increase in the authorized share capital of the Company; (iii) approval of the Securities and Exchange Commission of Pakistan under Section 83(1)(b) of the Companies Act, 2017 (the “**2017 Act**”) and compliance with all applicable legal requirements; and (iv) FFBL exercising its right to convert its loan to the Company into equity, the allotment and issuance of 274,886,371 Ordinary Shares of the Company, representing 52.02 percent of the existing paid-up capital of the Company, at the rate of PKR 10/- per share, i.e., at par value, to FFBL, without a rights issue, corresponding to the value of the subordinated shareholder loan of PKR 2,630,000,000 (two billion six hundred and thirty million) together with mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen) only, as at December 31, 2019 (the “**Subordinated Shareholder Loan**”), which was granted by FFBL to the Company, be

and is hereby approved (the “**Debt to Equity Conversion**”). The Subordinated Shareholder Loan was availed by the Company to meet its operational and cash flow requirements and has helped the Company to grow, for the benefit of all members. The Debt to Equity Conversion will ensure that FFBL’s investment remains in the Company which will help improve the financial position of the Company.

FURTHER RESOLVED THAT the price per share (i.e., PKR 10/- per share) at which shares will be issued to FFBL, which is equal to the par value of the shares of the Company, is hereby approved and is justified on the basis that given the limited cash resources of the Company a decision has been taken by FFBL to retain its investment in the Company by converting its debt of PKR 2,630,000,000 (two billion six hundred and thirty million) plus mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen), as at December 31, 2019, into Ordinary Shares of the corresponding value of FFL, to be issued at par value, i.e., PKR 10/- per share. The shares will be issued without a rights issue under Section 83(1)(b) of the Companies Act, 2017 because the purpose of the issue is to convert FFBL’s Subordinated Shareholder Loan into equity and, therefore, these shares will not be offered to the other shareholders of the Company.

FURTHER RESOLVED THAT subject to (i) amendment to the existing Sponsor Support Agreement; (ii) increase in the authorized share capital of the Company; and (iii) FFBL exercising its right to convert its loan to the Company into equity, the Company is authorized to submit an application, under Section 83(1)(b) of the 2017 Act, to the Securities and Exchange Commission of Pakistan for the allotment of issuance of shares at par value to FFBL, without a rights issue, pursuant to the Debt to Equity Conversion.

FURTHER RESOLVED THAT the Chief Executive & Managing Director, Chief Financial Officer and the Company Secretary be and are hereby jointly and severally authorized to take any and all necessary steps and actions for implementing the above resolutions, including, without limitation, to seek any and all consents and approvals, to execute and (where required) file all necessary applications (including the application under Section 83(1)(b) of the 2017 Act), documents, statutory returns, declarations and undertakings and to appear and make representations before any regulatory or other authority, as may be necessary or conducive for and in connection with any of the foregoing matters and to sign, issue and dispatch all such documents and notices and do all such acts as may be necessary for carrying out the aforesaid purposes and giving full effect to the above resolutions.

OTHER BUSINESS:

4. To transact any other business with the permission of the Chair.

CLOSURE OF SHARE TRANSFER BOOKS:-

Share transfer books of the Company will remain closed from March 27, 2020 to April 02, 2020 (both days inclusive) for the purpose of holding the Annual General Meeting.

By Order of the Board

Brig Zahid Nawaz Mann (Retd)
Company Secretary

Lahore.
January 27, 2020

NOTES:-

1. A member of the Company entitled to attend and vote at the General Meeting may appoint a person/representative as proxy to attend and vote in place of member at the meeting. Proxies in order to be effective must be received at Company's registered office duly stamped and signed not later than 48 hours before the time of holding meeting. A member cannot appoint more than one proxy. Attested copy of shareholder's CNIC must be attached with the proxy form.
2. The CDC/sub account holders are required to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan:-
 - (a) For attending the meeting
 - i. In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his / her original national identity card or original passport at the time of attending the meeting.
 - ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.
 - (b) For appointing proxies
 - i. In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted to the Company along with proxy form.
3. Members, having physical shares, are advised to intimate any change in their registered address to the Share Registrar of the Company, i.e., M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.
4. Shareholders who wish to receive annual reports and notice of the General Meeting through e-mail are requested to provide, through a letter duly signed by

them, their particulars, i.e. Name, Folio/ CDC A/C No., E-mail Address, Contact Number, CNIC Number (attach copy). Shareholders are also requested to notify immediately any change in their e-mail address to the Share Registrar of the Company i.e., M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.

Consent for Video Conference Facility

Members can also avail video conference facility in Karachi and Islamabad. In this regard please fill the following and submit to registered address of the Company 10 days before holding the general meeting.

If the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting alongwith complete information necessary to enable them to access such facility.

I/We, _____ of
_____, being a member of Fauji Foods Limited, holder of
_____ Ordinary Share(s) as per Register Folio / CDC Account No
_____ hereby opt for video conference facility at _____.

Signature of member

5. E-Voting

Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

Statement Pursuant to Section 134(3) of the Companies Act, 2017

Pursuant to Section 134(3) of the Companies Act, 2017, this statement sets forth the material facts concerning the special business listed hereinabove, to be transacted at the Annual General Meeting of Fauji Foods Limited to be held on April 02, 2020.

Increase in Authorised Share Capital

- i) The authorized share capital of the Company is being increased so that the Company can issue shares to its parent company, Fauji Fertilizer Bin Qasim Limited (“FFBL”), if FFBL exercises its right to convert its debt of PKR 2,630,000,000 (two billion six hundred and thirty million) plus mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen), as at December 31, 2019, into shares of the corresponding value.

- ii) Authorised Share Capital of the Company is PKR 7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares having face value of Rs.10/- per share; and
- iii) Authorised Share Capital of the Company is proposed to be increased PKR 10,000,000,000 (Rupees ten billion only) divided into 1,000,000,000 (one billion) Ordinary Shares of Rs.10/- per share each.

Amendment to Clause V of the Memorandum of Association of the Company

Clause V of the Memorandum of Association of the Company is being amended in light of the proposed increase in the authorized share capital of the Company. Accordingly, the following amendment is being proposed to the Memorandum of Association of the Company:

The figures and words “Rs.7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million) Ordinary Shares of Rs.10/- each” appearing in Clause V of the Memorandum of Association of the Company are to be substituted by the figures and words “Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion) Ordinary Shares of Rs.10/- each.”

<u>Original Clause</u>	<u>Amended Clause (amendments are in bold type and are underlined)</u>
The Authorised Capital of the Company is Rs.7,000,000,000 (Rupees seven billion) divided into 700,000,000 (seven hundred million)] Ordinary Shares of Rs.10/- each, with attached thereto such preferential, deferred, qualified or special rights, privileges or conditions as provided in the Articles of Association of the Company, or in accordance with the Companies Act, 2017, and to vary, modify or abrogate such rights, privileges or conditions, in such manner as may be permitted by the Companies Act, 2017 and to increase and / or reduce the capital and to divide shares in the capital into several kinds and classes and to consolidate or subdivide the shares and to issue shares for higher or lower denominations.	The Authorised Capital of the Company is <u>Rs.10,000,000,000 (Rupees ten billion) divided into 1,000,000,000 (one billion)</u> Ordinary Shares of Rs.10/- each, with attached thereto such preferential, deferred, qualified or special rights, privileges or conditions as provided in the Articles of Association of the Company, or in accordance with the Companies Act, 2017, and to vary, modify or abrogate such rights, privileges or conditions, in such manner as may be permitted by the Companies Act, 2017 and to increase and / or reduce the capital and to divide shares in the capital into several kinds and classes and to consolidate or subdivide the shares and to issue shares for higher or lower denominations.

The Board confirms that the proposed alterations to Clause V of the Memorandum of Association of the Company are in line with the applicable provisions of the law and regulatory framework.

Conversion of Debt into Equity

- (i) The Board has proposed that upon Fauji Fertilizer Bin Qasim Limited (“**FFBL**”) exercising its right to convert its subordinated shareholder loan to the Company into equity, 274,886,371 Ordinary Shares shall be issued to FFBL, without a rights issue, as per the details provided in the notice of the general meeting.
- (ii) Fauji Fertilizer Bin Qasim Limited (FFBL) is mainly involved in manufacturing and distribution of chemical fertilizers for the farmers and agriculture sector of Pakistan. FFBL is the only manufacturer of DAP and Granular Urea in Pakistan. Its fertilizer manufacturing complex is located at Bin Qasim Eastern Industrial Zone, Karachi, whereas its registered office (Head Office) is in DHA Phase-2 Islamabad. Company is listed on Pakistan Stock Exchange (PSX) since May 14, 1996 and the trade symbol of the company is “FFBL”.

Major shareholders of the Company are Fauji Foundation (18.29%) a charitable trust incorporated under The Charitable Endowment Act 1890, and Fauji Fertilizer Company (FFC) holds (49.88%) shares of the company. This makes the company part of The Fauji Group which is one of the largest conglomerates of Pakistan and has stakes in fertilizer, cement, power, oil & gas sectors of Pakistan Fauji Group is also involved in foods , oil and grain terminal operations and financial services by owning Askari Bank Limited.

- (iii) Under the Sponsor Support Agreement dated 12 April 2019 between FFBL and the Company (the “**Existing Sponsor Support Agreement**”), FFBL agreed to provide sponsor support of up to PKR 3,000,000,000 (three billion) to the Company through either, or a combination of, a subordinated shareholder loan or collateral support.

Subsequently, out of the total approved investment of PKR 3,000,000,000 (three billion), FFBL granted a subordinated loan of PKR 2,630,000,000 (two billion six hundred and thirty million) to the Company. Keeping in view the limited financial resources of Company, the management of FFBL has taken the decision to retain its investment in the Company by converting the subordinated shareholder loan of PKR 2,630,000,000 (two billion six hundred and thirty million) together with mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen), as at December 31, 2019 (the “**Subordinated Shareholder Loan**”) into Ordinary Shares of the corresponding value of the Company (the “**Debt to Equity Conversion**”). The shares will, subject to the approval of the SECP, be issued without a rights issue under Section 83(1)(b) of the Companies Act, 2017 because the purpose of the issue is to convert FFBL’s Subordinated Shareholder Loan into equity (so as to allow FFBL to retain its investment in the Company) and, therefore, these shares will not be offered to the other shareholders of the Company.

It is expected that the proposed conversion of debt of PKR 2,630,000,000 (two billion six hundred and thirty million) together with mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen) and will help improve the financial condition of the Company.

- (iv) As stated in paragraph (iii) above, the shares are being issued without a rights issue because FFBL intends to convert its outstanding debt to equity and, therefore, the shares issued by the Company cannot be offered to the other shareholders.
- (v) The shares will be issued to FFBL at par value of PKR 10/- per share. The justification for issuing shares at par value is that given the limited cash resources of the Company a decision has been taken by FFBL to retain its investment in the Company by converting its debt of PKR 2,630,000,000 (two billion six hundred and thirty million) plus mark-up of PKR 118,863,714 (one hundred eighteen million eight hundred sixty three thousand seven hundred and fourteen), as at December 31, 2019, into Ordinary Shares of the corresponding value of the Company, to be issued at par value, i.e., PKR 10/- per share. The shares will be issued without a rights issue under Section 83(1)(b) of the Companies Act, 2017 because the purpose of the issue is to convert FFBL's Subordinated Shareholder Loan into equity and, therefore, these shares will not be offered to the other shareholders of the Company. The break-up value of shares of the Company is PKR -6.96/ Share. The Company shall also provide details of the average market price during last three months and six months preceding the board announcement as well as the latest available market price.

Breakup Value of Shares	Rs. -6.96/ Share
Market Value of Shares	Three Month average M.V Rs.12.95/ Share Six Month average M.V Rs.11.92/-share

- (vi) The Subordinated Shareholder Loan was utilized by the Company to meet its operational and cash flow requirements.
- (vii) Existing number of shares held by FFBL in FFL and also percentage of FFBL's shareholding in FFL.

No. of Shares Held by FFBL	267,314,886
% of FFBL Shareholding	50.59%

- (viii) Total number of Shares and shareholding percentage of FFBL after the Debt to Equity Conversion.

No. of Shares Held by FFBL	542,201,257
% of FFBL Shareholding	67.49%

- (ix) The Debt to Equity Conversion shall take place after FFBL expressly instructs the Company in writing.
- (x) The Company confirms that shares issued to FFBL as a result of the Debt to Equity Conversion shall rank *pari passu* in all respects with the existing shares of the Company.
- (xi) The Debt to Equity Conversion is subject to approval of the SECP.