



Sazgar Engineering Works Limited

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

Ref:Sgl/20-02/1063
February 07, 2020

Subject: DECLARATION OF RIGHT SHARES

Dear Sir,

We have to inform you that Board of Directors in their meeting held on February 07, 2020 at 11:00 A.M, at Lahore, have decided to issue 65.8418140217 right shares for every 100 shares held i.e. 65.8418140217 % at par value of Rs. 10/- per share and Rs.40/- as premium (i.e. Rs.50/= per share)

The share transfer books of the Company will be closed from 28-02-2020 to 06-03-2020 (both days inclusive) to determine the entitlement of Right Shares.


Transfers received at the Company's Share Registrar, M/s CorpTec, Associates (Private) Limited, 503-E Johar Town, Lahore at the close of the business on 27-02-2020 will be treated in time for the purpose of entitlement of Right Shares to the transferees.

We also enclose herewith the following information/documents:

- Financial plan including purpose, benefits and use of the funds from right issue along with risk factors associated with the issue. (**Annexure-A**)
- Financial Projections of five years duly approved by the Board of Directors. (**Annexure-B**)
- A certified true copy of the board resolutions. (**Annexure-C**)
- Draft copy of "Notice to Shareholders", prior to its being published in newspapers in compliance with rule 5.6.4(b) of the PSX Rule Book. (**Annexure-D**)
- Auditors certificate

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours Sincerely,
For Sazgar Engineering Works Limited


Arshad Mahmood
Company Secretary

CC: **The Commissioner (Company Law Division)**
Securities & Exchange Commission of Pakistan, Islamabad.

The Commissioner (Securities Market Division)
Securities & Exchange Commission of Pakistan, Islamabad.

Chief Executive Officer
Central Depository Company of Pakistan, Karachi.

Registered Office: 88-Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore. Pakistan

Ph: +92-42-35291573-74, 35297861-62 Fax: +92-42-35297863, E-mail: sazgar@brain.net.pk, info@sazgarautos.com, URL: www.sazgarautos.com

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Sazgar Engineering Works Limited

"ANNEXURE-A"

FINANCIAL PLAN INCLUDING PURPOSE, BENEFITS AND USE OF THE FUNDS FROM RIGHT ISSUE ALONG WITH RISK FACTORS ASSOCIATED WITH THE ISSUE.

QUANTUM AND SIZE OF ISSUE	The Right Issue size will be 14,200,000 ordinary shares i.e. 65.8418140217% of existing ordinary share capital of the Company and approximately 65.8418140217 right shares for every 100 ordinary shares held by the existing shareholders of the Company.
ISSUE PRICE	The Right Issue will be offered at Rs. 50/- per share (including premium of Rs. 40/- per share).
PURPOSE OF THE RIGHT ISSUE	The Company has already executed its financial plan with the help of internal cash generation and borrowing under Islamic mode of financing for the setting up of Four Wheeler project for the manufacturing/ assembly of passenger cars and off-road vehicles. However, due to constant devaluation of Pak Rupee the project cost has increased significantly. Issuance of Right Shares at premium will contribute towards the management of funds for the completion of new project.
BENEFITS TO THE COMPANY	The funds from the right issue will help <ul style="list-style-type: none">• To expedite the completion of the Four Wheeler project• To increase the company's revenue and profitability• To increase the financial strength of the company• To increase the return to the valued shareholders
USE OF FUNDS	Funds will be utilized for <ul style="list-style-type: none">• The purchase of plant and machinery• The repayment of loan partially• The working capital partially
FINANCIAL PLAN	Total estimated cost of new project excluding the value of land Rs. 2100.000 Million Means of finance: <ul style="list-style-type: none">• Through right shares issue Rs. 710.000 Million• Through borrowing and internal cash generation Rs. 1390.000 Million
JUSTIFICATION OF RIGHT ISSUE AT PREMIUM	The current share market price of the Company is Rs. 234.30. The Right shares are issued at a price of Rs. 50/- each which is far less than the market share price.
RISK FACTORS ASSOCIATED WITH RIGHT ISSUE	Right Issue of the Company is being made at a price which is far less than current share price in the market and hence there is no major investment risk associated with the Right Issue. The Company has already initiated the setting up of the new project and lot of work has been done in this regard. Funds from the Right Issue will help to expedite the completion of project as per planned time schedule. Normal risks associated with the business will remain, however, the Company is well placed in the market with proven track record which will help to mitigate the risk factors.

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"ANNEXURE - B"

FIVE YEARS FINANCIAL PROJECTIONS

Five years financial projections of the Company are as follows:

Particulars	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
	Rupees	Rupees	Rupees	Rupees	Rupees
Sales - Net	3,800,013,719	9,134,794,993	11,787,388,135	16,294,444,165	25,036,547,359
Profit after taxation	94,382,653	167,544,181	354,814,389	734,438,294	1,408,360,499
EPS-Post Right Issue (Rs.)	2.64	4.68	9.92	20.53	39.38
Paid-up Share Capital After right issue	357,668,420	357,668,420	357,668,420	357,668,420	357,668,420

***Note:** The financial projections have been prepared based on perceptions of the Directors regarding the performance of the business in the current business environment. However, no representation, either express or implied is being made that they will hold good for the projection period and actual results achieved may vary significantly from the forecasts. The Company undertakes no obligation to update or revise these financial projections to reflect the events or circumstances that arise after the date of preparation or to reflect the occurrence of unanticipated events. Further, The Company or its directors do not accept any liability for conclusion drawn or any investment decision made by any person on the basis of the above information.

SIGNED BY DIRECTORS WHO ATTENDED THE MEETING:

Mian Asad Hameed

Mian Zafar Hameed

Mrs. Saira Asad
Hameed

Mr. Saeed Iqbal Khan

Mian Muhammad Ali
Hameed

Mrs. Sana Suleyman

Mr. Humza Amjad Wazir

Mr. Ahsan Ejaz

Mr. Anwar Ali

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"ANNEXURE - C"

EXTRACTS OF THE RESOLUTIONS PASSED BY THE BOARD OF DIRECTORS IN THEIR MEETING HELD ON FEBRUARY 07, 2020 AT 11:00 AM, LAHORE.

A meeting of Board of Directors of the Company held on today, February 07, 2020 at 11:00 A.M at Lahore.

During the meeting, the Board of Directors of the Company discussed and approved the proposed issuance of further Ordinary shares by the Company by way of Right Issue. The Board of Directors of the Company considered the requirements of the Companies Act, 2017 and the Companies (Further Issue of Shares) Regulations, 2018, which shall be duly complied by the Company in this regard.

"Unanimously resolved that the paid up share capital of the Company be and is hereby increased by issue of further 14,200,000 ordinary shares of Rs 10/- each as Right Shares to be offered to the existing shareholders of the Company at Rs. 50/- per share, including premium of Rs. 40/- per share in the ratio of 65.8418140217 right shares for every 100 existing ordinary shares held (i.e. @ 65.8418140217 %)."

"Further Unanimously resolved that these right shares be and are hereby offered to the Company's existing ordinary shareholders as provided under section 83 of the Companies Act, 2017 against payment of value of shares to the Company up to the date as per right allotment letters to be issued. These shares shall rank pari passu in all respects with the existing ordinary shares of the Company."

"Further Unanimously resolved that quantum and size of Right Issue, issue price, purpose of the Right Issue, benefits to the Company, use of funds, Financial plan, justification of Right Issue at premium, risks factors associated with Right Issue and financial projections for five years be and are hereby approved."

"Further Unanimously resolved that the Company be and is hereby authorized to close its share transfer books for determination of entitlement of right shares from 28-02-2020 to 06-03-2020 (both days inclusive)."

"Further Unanimously resolved that the Chief Executive and / or Company Secretary be and are hereby singly / jointly authorized to announce book closure dates along with publication of the same in newspaper in accordance with relevant regulatory requirements."

"Further Unanimously resolved that the Company Secretary in consultation with the Chief Executive be and is hereby authorized to prepare right issue plan, make any amendment therein and to obtain approval of the same from Stock Exchange."

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“**Further Unanimously resolved** that the Chief Executive and / or the Company Secretary and / or the Chief Financial Officer be and are hereby authorized singly to take any and all necessary steps for the issuance of letters of offer under section 83 of the Companies Act, 2017 and related Schedule 1 along with terms and conditions stipulated therein, obtain signatures under the Act, and file the requisite returns/ notices in the Company Registration Office, the Securities and Exchange Commission of Pakistan and the Pakistan Stock Exchange as the case may be.”

“**Further Unanimously resolved** that the members are hereby allowed to renounce their right to subscribe any of the shares offered to them in favor of any other person.”

“**Further Unanimously resolved** that the Chief Executive, Company Secretary and / or Chief Financial Officer be and are hereby singly / jointly authorized to appoint the Bankers to the Right Issue in order to collect the amount of subscription money against the right shares and to open an account with the bankers so appointed in the name of the Company.”

“**Further Unanimously resolved** that the Chief Executive, Company Secretary and / or Executive Directors of the Company be and are hereby singly authorized to operate the right issue subscription bank account of the Company and to give instructions to the bank (s) for the transfer of proceeds from right issue subscription account (s) to the Company's other bank account (s).”

“**Further Unanimously resolved** that the Chief Executive and/ or any of the Director or Company Secretary be and are hereby authorized singly to appoint consultants and potential underwriters, finalize terms and conditions and sign underwriting agreements and settle / finalize fees, commission, take up commission and third party expenses and /or any other expenses relating to the Right issue.”

“**Further Unanimously resolved** that the Chief Executive and / or Company Secretary be and are hereby singly / jointly authorized to take all necessary actions as required by Central Depository Company of Pakistan Limited ("CDC") including but not limited to induction of the offers for right shares and the right shares in Central Depository System of the ("CDC") and in that connection to sign all requisite applications, undertakings and other documents on behalf of the Company.”

“**Further Unanimously resolved** that the Chief Executive and / or Company Secretary be and are hereby singly / jointly authorized to take all necessary actions as required under the law or otherwise seem necessary or ancillary to the right issue, including but not limited to allotment/ credit of Right shares and filing of return of allotment as required by SECP / Stock Exchange / CDC / or any other authority.”

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“Further Unanimously resolved that fractional entitlements, if any, will be consolidated in the name of the Company Secretary (under trust) and be sold in the Stock Exchange and proceeds thereof will be distributed to the members in accordance with their entitlements.”

SIGNED BY DIRECTORS WHO ATTENDED THE MEETING:

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Mian Zafar Hameed

Mrs. Saira Asad
Hameed

Mr. Saeed Iqbal Khan

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“ANNEXURE - D”

DRAFT COPY OF “NOTICE TO SHAREHOLDERS”, PRIOR TO BE PUBLISHED IN NEWSPAPERS IN COMPLIANCE WITH RULE 5.6.4(b) OF THE PSX RULE BOOK.

The following notice will be published in daily English and Urdu newspapers on February 10, 2020 both in English and Urdu:

ANNOUNCEMENT FOR 65.8418140217% RIGHT SHARES

Members are notified that the Board of Directors of Sazgar Engineering Works Limited in their meeting held on February 07, 2020 has approved to issue 65.8418140217 % Right Shares i.e. 65.8418140217 ordinary shares for every 100 existing ordinary shares at par value of Rs.10/- per share and premium of Rs.40/- per share (Total price Rs.50/- per share). The Share transfer books of the Company shall remain closed from 28-02-2020 to 06-03-2020 (both days inclusive). Transfers received at the Company's Share Registrar at the close of the business on 27-02-2020 will be treated in time for the purpose of entitlements of Right Shares. Shareholders are requested in their own interest to notify any change in their addresses immediately to our Share Registrar M/s CorpTec Associates (Private) Limited, 503-E, Johar Town, Lahore Tel: # 042-35170336-37, for dispatch of Right Issue letters.

Lahore.
February 10, 2020

Arshad Mahmood
Company Secretary

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Ref. HYK/F1524
Board of Directors
Sazgar Engineering Works Limited
88 Ali Town, Thokar Niaz Baig
Lahore

February 07, 2020

Dear Sir

CERTIFICATE ON STATEMENT OF FREE RESERVES AS AT JUNE 30, 2019 AS REQUIRED UNDER REGULATION 3(2) OF THE COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS 2018.

We have been requested to provide you with a certificate on the 'Free Reserves' (in terms of meaning given in the Companies (Further Issue of Shares) Regulations 2018) of the Company as at June 30, 2019 as required under Regulation 3(2) of the Companies (Further Issue of Shares) Regulations 2018.

Scope of Certificate

This certificate is being issued in accordance with the requirements of Regulation 3(2) of the Companies (Further Issue of Shares) Regulations 2018.

Management Responsibility

It is the management's responsibility to ensure compliance with Regulation 3(2) of the Companies (Further Issue of Shares) Regulations 2018. The responsibility for preparation and fair presentation of Statement of free reserves is primarily of the management of the Company as annexed with this certificate

Practicing Member/ Auditor's Responsibility

Our responsibility is to certify, the amount of free reserves per share in accordance with the 'Guidelines for issue of Certificate for Special purposes by Practicing Chartered Accountant Firms' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to tracing the amounts reported in the Statement of free reserve to the audited financial statements of the Company for the year ended 30 June 2019 and reporting whether free reserves are computed in accordance with the requirement of the Regulation 3(2) of the Companies (Further Issue of Shares) Regulations 2018.

Certificate

Based on the procedures mentioned above, we are pleased to certify the Company's free reserves per share as mentioned in the Statement of free reserves is in terms of meaning given in the Companies (Further Issue of Shares) Regulations 2018.

Restriction on use and distribution

This certificate is being issued in accordance with requirements of Regulation 3(2) of the Companies (Further Issue of Shares) Regulations 2018 and on the specific request of the management of the Company for the purpose of issuance of right shares to all existing members of the Company and is not to be used for any other purpose. This certificate may be submitted to Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX) only. Accordingly, this should not be distributed to any other party without prior written consent from us. This certificate is restricted to the facts stated herein.

Yours truly



H.Y.K & Co.
Chartered Accountants
Lahore



Sazgar Engineering Works Limited

STATEMENT OF FREE RESERVES AS AT JUNE 30, 2019

	Audited June 30, 2019 RUPEES
Un-appropriated profit as at June 30, 2019	829,038,827
LESS:	
Contingencies	240,978,368
Commitments	260,842,370
Intangible assets	449,811
	502,270,549
Free Reserves	326,768,278
No. of Ordinary shares of the Company as at June 30, 2019	21,566,842
Free reserves per ordinary share	15.15

H.Y.K & Co.

MIAN ASAD HAMEED

CHIEF EXECUTIVE

Registered Office: 88-Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore. Pakistan

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