



## Concept Note

### Review of Companies (Further Issue of Shares) Regulations, 2020

This Concept Note is placed on SECP's webpage to solicit comments on proposed changes in the below listed areas being governed under Companies (Further Issue of Shares) Regulations, 2020 specifically for the listed companies:

- A. Right Issuance by Listed Companies;
- B. Other than Right Issuance by Listed Companies; and
- C. Employee Stock Option Schemes.

Comments/input/queries can be emailed at the following address: [capitalissuefeedback@secp.gov.pk](mailto:capitalissuefeedback@secp.gov.pk).

#### **1. Reasons triggering regulatory amendments:**

##### A. In case of right issues:

- a) It has been observed that in Pakistan the right issue sizes are unusually high to the extent of ~1000% with minimal and incomplete risk disclosures that are insufficient to enable the investors to take informed decisions; and
- b) Right issue once announced cannot be cancelled, withdrawn, varied or postponed. In case the issue is not subscribed, underwriters fail to subscribe the unsubscribed portion and Board fails to allot the shares, then there is no remedy available in the regulatory framework and apparently, it remains open for an unlimited period of time.

##### B. In case of other than right issues

- a) Regarding issuance of further capital by way of other than right for non-cash consideration, the contents of valuation reports do not provide sufficient details/clarity about the value of non-cash asset under consideration.

##### C. In case of Employee Stock Option Scheme (ESOS)

- a) Subsequent to the insertion of section 83 A (specifically dealing with employee stock option schemes (ESOS), now the companies are at a liberty to announce ESOS in line with the Articles of Association & with consent of shareholders. However, there is no clarity in law pertaining to validity period of the special resolution for the ESOS as well as there are no limits on Entitlement Pool per year and through the life of ESOS.

#### **2. Global Study:**

- A. Study of different jurisdictions with respect to right issue requirements and prevailing mechanisms has been conducted by the department. Comparative analysis of different jurisdictions is tabulated below.

	India	Malaysia	Thailand	Singapore	Pakistan (Existing)
Approval required	BODs, Stock Exchange	BODs, shareholders, Bursa Malaysia	BODs, Securities & Exchange Commission Thailand, Shareholders	BODs, Singapore Exchange Securities Trading Limited, Shareholders	BODs.
Underwriting	Optional	Optional	Optional	Optional	Mandatory

	India	Malaysia	Thailand	Singapore	Pakistan (Existing)
Renounceable	Yes	Yes	Yes	Yes	No
Trading of LORs	Allowed	Allowed	Does not Exist	Allowed	Allowed
Minimum Level of Subscription – MLS	Yes, 90% of Issue Size	Yes, set by the BOD and disclosed	Does not Exist	Does not Exist	Does Not Exist
Late Refund Penalty	15% p.a; if refund is delayed by 15 days	Does not Exist	Does not Exist	Does not Exist	Does Not Exist
Thresholds w.r.t Size of RI requiring enhanced disclosure	Above Rs. 50 Crore	More than 10% of paid-up capital	Does not Exist	Does not Exist	Does Not Exist
Pricing of RI	Shall not be less than face value	Shall not be more than 10% discount to weighted avg. market price of shares for 5 market days before the price-fixing date	Does not Exist	Does not Exist	Can be issued at discount or premium to the face value or at par.
Appointment of Consultant/Lead Manager	Mandatory	Mandatory			Not Required
Timelines in days – details of timelines included at para 2.2 of the concept note	~500	~167	~124	~125	~84

B. Globally, disclosure-based regime is being adopted for right issuance that includes, preparation of offering document containing enhanced disclosures; seeking public comments; seeking comments of the Apex and Front-line regulator; publishing final offering document after incorporating the comments, leading to completion of right issuance process.

### 3. Proposed further issue of shares regime in line with global practices:

In order to bring further issue of capital regime in line with global practices and to overcome the problems mentioned at point 2 above, the following has been proposed:

#### A. Right issues by Listed Companies:

In case of right issues, the following new concepts are proposed to be introduced:

- a) Minimum threshold in terms of amount and percentage w.r.t size of right issue;
- b) Disclosure-based right issue regime in line with the international best practices; and
- c) Additional requirement – irrespective of issue size.
  1. Minimum level of subscription (MLS);
  2. 'Applications Supported by Blocked Accounts' (ASBA) concept; and
  3. Enhanced disclosures, exit opportunity mechanism and responsibility of underwriter.

**a) Minimum threshold**

Following minimum thresholds are being considered in line with global disclosure-based regime to enhance transparency and symmetric information dissemination.

- i). Where right issue proceeds by a listed company are less than Rs. 500 million or 50% of the paid-up capital of a listed issuer whichever is lower, cumulatively during a financial or a calendar year, the prevailing disclosure-based regime will be followed with the additional requirement of placing Schedule I on PSX's and Company's website along with dispatching it to the shareholders with offer letter.
- ii). Where right issue proceeds by a listed company exceeds Rs. 500 million or 50% of the paid-up capital of a listed issuer whichever is lower, cumulatively during a financial or a calendar year, the disclosure-based regime as mentioned at para (b) below will be followed.

**b) Disclosure-based Regime process to be followed where right issue proceeds exceed Rs. 500 million or 50% of the paid-up capital of a listed issuer**

- i). The Company shall prepare and its Board shall approve the draft offer document in easily understandable English and Urdu language.
- ii). The Offer document shall contain all material disclosures, as referred to in Schedule I of the concept note, which are true and adequate and enable the applicants to take an informed investment decision.
- iii). The draft offer document shall be submitted to PSX & the Commission within 60 days of the date of announcement. It shall simultaneously be placed by the listed company on PSX's and Company's website. The public can submit its comments within 7 days of placement.
- iv). PSX and the Commission shall, within 15 working days of the filing of draft offer document, share their observations and changes with the company, if any.
- v). The board shall ensure that draft offer document is updated in light of the public comments, PSX's and the Commission's comments/observations, and shall submit final offer letter to PSX within 30 working days from the date of comments/observations, whichever is later. Simultaneously, the Board shall also disclose in tabular form on PSX's and Company's website as per the specified format, all the comments received along with the explanations as to how they are addressed.
- vi). The final offer document shall be placed on PSX website along with book closure dates, and relevant right issuance timelines in accordance with Section 83 of the Act.
- vii). No Company shall issue right exceeding the above referred threshold if the issuer, its sponsor, promoter, substantial shareholder and directors have overdues or defaults irrespective of the amount appearing in the report obtained from Credit Information Bureau, except for the case(s) where purpose of the right issue is repayment of the respective overdues/defaults.
- viii). The sponsors shall retain their entire shareholding for one year or till project completion whichever is later.
- ix). The Statutory Auditor shall monitor the proceed utilization till 95% of the proceeds are utilized in the manner referred to in the final offer letter, and shall submit quarterly report to the issuer. The issuer will include the report, along with its comments, if any, in its quarterly financial statements.

**c) Additional requirement – irrespective of issue size:**

**1. Concept of Minimum Level of Subscription (MLS) – irrespective of size of the issue:**

- i). 'Minimum level of subscription' (MLS) is the amount of proceeds that must be received and is disclosed to the market at the time of announcement of right issue by the Board.
- ii). Process to be followed is as follows:
  - The Board shall decide the MLS, but this shall not be less than 90% of the right issue size, and accordingly disclose it to the members, the Commission and PSX at the time of announcement;
  - The directors/substantial shareholders undertake in writing that they will subscribe the right shares to be offered to them as per their right entitlement to the extent of MLS;
  - The public portion of MLS shall be underwritten not being associated companies or associated undertakings;
  - Right entitlement letter will be traded on PSX, risk and rewards shall be sole liability of the investors.

**2. Introduction of optional concept of 'Applications supported by Blocked Accounts'**

- i). "Application Supported by Blocked amount" (ASBA) means an application for subscribing to a rights issue, where money is blocked in the subscriber's respective bank account.
- ii). The Board of the issuer shall disclose in its resolution provision or otherwise of ASBA facility for right issue.
- iii). The issuer or banker to the issue in case of ASBA, on receipt of instructions from the subscriber, immediately block the subscription money in respective account of the subscriber;
- iv). In case of subscribers other than ASBA, if the company fails to refund the subscription amount within 15 days, it shall be liable to pay penalty of 15% per annum to the applicant along with the subscription amount.

**3. Enhanced Disclosures, Exit Opportunity, responsibility of the Underwriter etc.:**

- i). The issuer will make enhanced disclosure (Schedule-I of the concept note).
- ii). A listed issuer shall not be eligible to make right issue if it is placed on PSX's defaulter counter.
- iii). A listed issuer shall not be eligible to make right issue if it is not cooperating in an investigation or inspection ordered by the Commission.
- iv). Subject to compliance with the requirement of Section 82 of the Act, a company may issue right shares at a discount to face value provided that
  - The issue is underwritten in the form and manner as stated above; and
  - Disclosure based regime is to be followed depending upon the size of the issue.
- v). If the whole or any part of the shares offered by the issuer is declined or is not subscribed, the directors may allot such shares in such manner as they may deem fit within a period of thirty days from the close of the offer or within such extended time not exceeding thirty day with the approval of the Commission.
- vi). Even during the extended time, if the board of directors fails to allot shares or the underwriters fail to take up the unsubscribed portion, in such cases, the underwriter will be barred for 3 years from underwriting any issue of any listed issuer.
- vii). The listed Issuer shall not, at any time change or deviate from the purpose of utilization of proceeds of the right issue earlier disclosed to the members through Schedule I;

- viii). In exceptional circumstances, the issuer may change the purpose of proceeds' utilization subject to passing of special resolution and offering an exit opportunity to dissenting shareholders who have not agreed to the change in utilization of proceeds.
- ix). The mechanism for an exit offer opportunity shall be as under:
- EOGM notice in respect of any change in the purpose of proceeds utilization of the issue as disclosed in the offer document shall be given along with draft special resolution as required under the provisions of the Act.
  - Subject to approval of special resolution as defined in the Act, the shareholders who have dissented against the special resolution and conveyed their dissent to the company secretary under intimation to PSX, shall be provided an opportunity to exit;
  - During the exit opportunity, shares shall be purchased by sponsors of the issuer;
  - Purchase price per share shall be average of the market price from the last date of payment against right issuance and the market price of the shares of the company at the date of passing of special resolution; and
  - The exit offer shall be executed by the sponsors with in a period of thirty (30) days from the date of passing of special resolution.

B. Other than Right issues by Listed Companies for consideration other than cash

In addition to existing conditions as mentioned in the Regulations, the following are being proposed:

a) The valuation process:

The valuation process is further refined in order to enhance transparency through inclusion of following:

- i. The valuers must be registered as per requirements of regulation 8A & 8B of the Regulations;
- ii. The Company shall publish details of the non-cash asset(s), and underlying transaction through advertisement in widely circulated English and Urdu newspapers, clearly mentioning the fact that:
  - After issuance of shares, the title of the assets will be transferred in the name of the issuer
  - Claims/observations, if any, must be submitted to the statutory auditors of the issuer within seven (7) days of the date of advertisement
- iii. Unless the claims/observations are settled, the application of other than right issue cannot be processed.
- iv. The Company shall intimate the Commission listing details of claims/objection received, if any, once settled. It shall be verified through its statutory auditor along with an affidavit that the information is correct to the best of their knowledge;
- v. The non-cash assets shall be transferred in the name of the issuer within 90 days of the date of approval of the Commission or within such extended time as the Commission may allow;
- vi. The shares shall be issued only in the book entry form within 90 days from the date of approval of the Commission or within such extended time as the Commission may allow;
- vii. The issuer shall intimate the Commission and the securities exchange about issuance of the shares within seven days of the issuance;
- viii. The sponsors shall retain their entire shareholding for at least twelve months; and at least twenty five percent of their shareholding for next two years;
- ix. The persons other than sponsors shall retain their shareholding as follows;
  - For a period of one year, in case such shareholding is not more than 10% of the issuer's respective paid up share capital;

- For a period of two years, in case such shareholding is above 10% but not more than 25% of the issuer's respective paid up share capital; and
- For a period of three years, in case such shareholding is above 25% of the issuer's respective paid up share capital.

Provided that the conditions (vii) and (viii) shall not be applicable in case where offer price is at premium to the market price of the share of the Company and free float of the issuing company is less than 10% of its listed capital before issuance of shares under consideration.

- x. The person(s) to whom share are being issued shall not have overdues or defaults irrespective of the amount appearing in the report obtained from Credit Information Bureau.

**b) Contents of valuation report:**

- i. In case the shares of a listed company are being issued against tangible assets including properties, building, Plant, equipment, machinery etc. separate valuation of each asset is proposed, valuation should at-least include:

- Affidavit/undertaking from valuer about physical existence of asset;
- In case of land and building:
  - purchase date and historical transfer of property along with the value for which transferred during last 3 years;
  - comparison of at least 3 comparable properties, justification/reasons why they are considered comparable;
  - confirmation by requisite land authority;
  - they are free from encumbrances.
- In case of plant, equipment machinery:
  - purchase date and historical transfer of plant, equipment, machinery along with the value for which transferred during last 3 years;
  - repair/maintenance cost incurred till date by the owner;
  - in case plant is bought from a foreign supplier,
    - ✓ name of the purchaser along with payment evidence;
    - ✓ the date when the payment for purchase of plant etc. was made;
    - ✓ the date when it reached in the country; reasons of time lag, if any, in the purchase payment and arrival date;
    - ✓ requisite formal approvals from other regulatory bodies, if any.
  - initial useful life, remaining useful life, in case initial useful life estimate has been revised (detail and reason of such revision).
- In case the shares of a listed company are being issued against intangible assets or services, separate valuation of each asset is required, valuation should include:
  - The methodology used and justification for the same; and
  - Verification of the title in the name of the company.

**C. In case of ESOS**

In case of ESOS, the company shall, in addition to existing compliances with the conditions already specified in the Regulations shall ensure compliance with the following:

- i). ESOS by the issuer has to be announced within six months of passing of special resolution, and in case of failure to do so, fresh resolution will be required; and

- ii). The total number of shares that can be issued under an ESOS (Entitlement Pool) shall not exceed 10% of the enhanced paid-up capital in a year and 25% at any point in time throughout the tenure of the ESOS.

#### **4. Impact of our proposals on the capital issue regime:**

##### **A. Positive Impact:**

- a) Enhanced disclosure: Globally, the regulatory regime has shifted towards a disclosure-based regulation, where companies are required to disclose all the material and relevant information related to the particular issue of securities. In Malaysia, enhanced disclosure regime is applicable on the right issue size exceeding 10% of the paid-up capital of the issuer whereas in India, it is fifty crore rupees or more.
- b) Informed decisions: A disclosure-based regime would allow the investors to make informed decision regarding their investment in listed companies. Currently, the information provided to the prospective investors is insufficient to help them make an informed decision.
- c) Effective utilization of proceeds: Statutory auditor's responsibility of acting as monitoring agent till 95% of the issue proceeds are utilized would ensure that issue proceeds are effectively utilized and accounted for in the books of the issuer.

##### **B. Adverse Impact:**

- a) Time lag between announcement by the board and the placement of final offer document on the PSX /company's website in case of the right issuance exceeding the specified threshold will increase completion time of right issue by 60-70 days, as compared to the time line of approximately 84 days being applicable in case of right issuance.

**Schedule I**  
**Right Share - Offer Document**

**General Instruction for filling the form:**

- All information should be relevant and updated. The source and basis of all statements and claims should be disclosed.
- All blank spaces in the draft offer document shall be filled up with appropriate data before filing the offer document.
- Wherever it is mentioned that details are given elsewhere in the document, the same shall be adequately cross referred by indicating the paragraph, heading and page number.
- There should be no forward-looking statement or estimation that cannot be substantiated.

**1. Cover Page:**

- (i) The following statement should appear on the upper most top in bold capital letters:

**"ADVICE FOR INVESTORS**

INVESTMENT IN EQUITY SECURITIES AND EQUITY RELATED SECURITIES INVOLVES A CERTAIN DEGREE OF RISKS. THE INVESTORS ARE REQUIRED TO READ THE RIGHTS SHARE OFFER DOCUMENT (*HEREIN REFERRED TO AS 'OFFER DOCUMENT'*) AND RISK FACTORS CAREFULLY, ASSESS THEIR OWN FINANCIAL CONDITIONS AND RISK-TAKING ABILITY BEFORE MAKING THEIR INVESTMENT DECISIONS IN THIS OFFERING.

RIGHT ENTITLEMENT LETTER IS TRADABLE ON PSX, RISKS AND REWARDS ARISING OUT OF IT SHALL BE SOLE LIABILITY OF THE INVESTORS

- (ii) Following additional information should also appear on the front page:

*This document is issued for the purpose of providing information to shareholders of the Company and to the public in general in relation to the rights issue (size of the issue in Rs.) consisting of new ordinary shares (Number of share) by (name of the issuer). A copy of this document has been registered with the Securities Exchange.*

*This offer document is valid till..... (60 days from the last day of payment of subscription amount).*

- (iii) Full name of the Issuer (including previous name, if any) along with logo/monogram, if any, date and place of its incorporation, incorporation number, address of its registered and corporate offices, telephone number, contact person, website address and e-mail address.
- (iv) Total issue size (number of shares), offer price, premium/discount if any, total amount to be raised through right issue, proportion of right offer.
- (v) Date of placing offer document on PSX for public comments.
- (vi) Date of Final Offer Letter, Date of Book Closure, Subscription amount payment dates, Trading dates for Letter of Rights
- (vii) Details of the relevant contact persons

	Name of the Person	Designation	Contact Number	Office Address	Email Id
Authorized Officer of the Issuer					
Underwriter					
Banker to the Issue					

- (viii) Website addresses from where the offer document can be downloaded.



## 2. Inside Cover Page:

The following undertaking by the Issuer:

“WE .....THE CHIEF EXECUTIVE OFFICER AND...CHIEF FINANCIAL OFFICER ...CERTIFY THAT;

- (i) THE OFFER DOCUMENT CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
- (ii) THE INFORMATION CONTAINED IN THE OFFER DOCUMENT IS TRUE AND CORRECT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF;
- (iii) THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
- (iv) THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THE OFFER DOCUMENT AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
- (v) ALL REQUIREMENTS OF THE COMPANIES ACT, 2017, THE COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020, THE CENTRAL DEPOSITORY COMPANY AND THAT OF PSX PERTAINING TO THE RIGHT ISSUE HAVE BEEN FULFILLED.”

For and on behalf of (... Name of the Issuer...)

.....Sd-.....

.....Sd-.....

Name of the Chief Executive Officer

Name of the Chief Financial Officer”

## 3. Undertaking by the Board of Directors (Board)

In case of right issue above threshold as specified in Regulations....

WE, THE BOARD \_\_\_\_\_ HEREBY CONFIRM THAT:

- (i) ALL MATERIAL INFORMATION AS REQUIRED UNDER THE COMPANIES ACT, 2017, THE SECURITIES ACT, 2015, COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020, THE LISTING OF COMPANIES AND SECURITIES REGULATIONS OF THE PAKISTAN STOCK EXCHANGE LIMITED HAS BEEN DISCLOSED IN THIS OFFER DOCUMENT AND THAT WHATEVER IS STATED IN OFFER DOCUMENT AND IN THE SUPPORTING DOCUMENTS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF AND THAT NOTHING HAS BEEN CONCEALED.
- (ii) WE UNDERTAKE THAT ALL MATERIAL INFORMATION, INCLUDING RISKS THAT WOULD ENABLE THE INVESTOR TO MAKE AN INFORMED DECISION, HAS BEEN DISCLOSED IN THE OFFER DOCUMENT.
- (iii) RIGHT ISSUE IS THE DISCRETION OF BOARD OF THE ISSUER AND IT NEITHER REQUIRE APPROVAL OF THE COMMISSION NOR THE SECURITIES EXCHANGE.
- (iv) THE DRAFT OFFER DOCUMENT WAS PLACED ON THE WEBSITE OF THE SECURITIES EXCHANGE AND THE ISSUER ON \_\_\_\_\_ (I.E. WITHIN 60 DAYS OF THE DATE OF ANNOUNCEMENT BY THE BOARD.
- (v) PUBLIC COMMENTS WERE SOUGHT FOR A PERIOD OF 7 (SEVEN) WORKING DAYS I.E \_\_\_\_\_ TO \_\_\_\_\_.
- (vi) COMMENTS FROM SECURITIES EXCHANGE AND THE SECP WERE RECEIVED ON .....
- (vii) THE BOARD HAS ENSURED THAT DRAFT OFFER DOCUMENT IS UPDATED IN LIGHT OF THE PUBLIC COMMENTS, SECURITIES EXCHANGE AND SECP COMMENTS.
- (viii) THE BOARD HAS DISCLOSED ON PSX'S AND COMPANY'S WEBSITE, ALL THE COMMENTS RECEIVED ALONG WITH THE EXPLANATIONS AS TO HOW THEY ARE ADDRESSED.

- (ix) THE FINAL OFFER DOCUMENT WAS PLACED ON SECURITIES EXCHANGE WEBSITE ON \_\_\_\_\_ ALONG WITH THE BOOK CLOSURE DATES AND RELEVANT RIGHT ISSUANCE TIMELINES. (I.E. WITHIN 30 WORKING DAYS FROM THE DATE OF RECEIPT OF COMMENTS OF PSX & SECP).
- (x) THE STATUTORY AUDITOR M/s \_\_\_\_\_ WILL MONITOR THE PROCEED UTILIZATION IF THE ISSUANCE PROCEEDS EXCEED RS. 500 MILLION OR 50% OF THE PAID-UP CAPITAL WHICHEVER IS LOWER.
- (xi) THE ISSUER HAS COMPLIED WITH THE REQUIREMENTS OF SECTION 82 OF THE COMPANIES ACT, 2017 IN CASE OF ISSUANCE OF RIGHT SHARES AT DISCOUNT TO FACE VALUE.

#### 4. DISCLAIMER:

(i) Following disclaimer be included:

- *In line with Companies Act, 2017 and Companies (Further Issue of Shares) Regulations, 2020, this document does not require approval of the Securities Exchange and the Securities Exchange Commission of Pakistan (SECP).*
- *The Securities Exchange and the SECP disclaims*
  - a. *any liability whatsoever for any loss however arising from or in reliance upon this document to any one, arising from any reason, including, but not limited to, inaccuracies, incompleteness and/or mistakes, for decisions and/or actions taken, based on this document.*
  - b. *any responsibility for the financial soundness of the Company and any of its schemes/projects stated herein or for the correctness of any of the statements made or opinions expressed with regards to them by the Company in this Offer document.*
  - c. *any responsibility w.r.t quality of the issue*
- *It is clarified that information in this Offer document should not be construed as advice on any particular matter by the SECP and the Securities Exchange and must not be treated as a substitute for specific advice.*

#### 5. Glossary of Technical Terms & Definitions:

All the technical terms and abbreviations used in offer document must be defined in the glossary.

#### 6. Table of Content

#### 7. Salient features of the right issue:

(i) Brief Terms of the Rights Issue:

a)	Description of issue:	
b)	Size of the proposed issue	Rs. _____ divided into _____ of Rs. _____ each
c)	Face value of the share	
d)	Basis of determination of price of the right issue	
e)	Proportion of new issue to existing	

	issued shares with condition, if any	
f)	Date of meeting of board of directors (BoD) wherein the right issue was approved	
g)	Names of directors attending the BoD meeting	
h)	Brief purpose of utilization of right issue proceeds	
i)	Purpose of the Right Issue - Details of the main objects for raising funds through present right issue.	<ul style="list-style-type: none"> <li>• Total funds required for the project:</li> <li>• percentage of funds financed through the right issue:</li> <li>• percentage of funds financed from other sources, if any;</li> <li>• time of completion of project.</li> <li>• Impact on production capacity</li> </ul>
j)	'Minimum level of subscription' (MLS)	-----% The Board shall clearly pronounce the options in case MLS is not achieved.
k)	"Application Supported by Blocked amount" (ASBA) facility, if any, will be provided for subscription of right shares	

**8. Principal Purpose of the Issue and funding arrangements:**

(i) Details of the principal purpose of the issue.

Summary item-wise breakup of the proceeds to be utilized both in terms of amount & %age of total allocation made to the relevant item, along with percentage completion status of the relevant item. Additional information may also be included, as needed, to make the table give complete, concise and clear picture.

(ii) Additional disclosures relating to purpose of the issue shall be made in case of the following:

**a) If purpose of the issue is to finance a project:**

Details of:

- Total Cost required for the project;
- Sources of Funding;
- Status of Debt Financing if any;
- Project completion status
- location of the project;
- Working capital requirement of the project: - all details, along with following, as specified in 8(ii)(b) of this schedule be included here.
  - Basis of estimation of working capital requirement, along with relevant assumptions.
  - If no working capital is shown as a part of the project for which the issue is being made, the reasons for the same.
- plant and machinery, technology, process, etc. – all details as specified in 8(ii)(c) of this Schedule be included here;
- land, building – all details as specified in 8(ii)(d) of this Schedule be included here;
- Following information regarding persons or entities with whom any agreement is entered

into:

- Place of registration and year of incorporation.
- Nature of business
- paid up share capital.
- Net worth
- Revenue
- general information relevant to the issuer.
- Pre and post expansion production capacity of the Issuer, if applicable.

**b) If purpose of the issue is to finance working capital:**

- Specify activities that are classified as working capital.
- Basis of estimation of working capital requirement, along with relevant assumptions.
- Reasons for raising additional working capital, substantiating the same with relevant facts and figures.
- Total envisaged working capital requirement in a tabular form, the margin money thereof and the portion to be financed by any bank(s) or otherwise.
- Cash Conversion Cycle in Number of days for last three years (days inventory outstanding + days sales outstanding - days payables outstanding)

	years	years	years
Cash Conversion Cycle (in days)			

**c) If purposes of the issue is to purchase Plant/ Equipment/ Technology:**

- Details shall be given in a tabular form, which shall include the details of the machines required to be bought by the issuer, cost of the machines, name of the suppliers, date of placement of order and the date or expected date of supply, etc.
- The percentage and value terms of plant and machinery delivered
- The percentage and value terms of the plant and machinery for which orders are yet to be placed.
- If second-hand machinery is bought or proposed to be bought, if any, the issuer shall include valuation report (as envisaged in the Regulations) as part of the disclosure. Information contained herein should include useful life of machines, balance estimated life, performance guarantee etc., impact on production capacity, impact on market share.
  - purchase date, chronological transfer of the building, plant, equipment, machinery; initial useful life; remaining useful life; in case initial useful lime estimate has been revised (detail and reason of such revision), repair/maintenance cost incurred;
  - expected working capital expenditure during next 3 years.
- In case plant is bought from a foreign supplier, for both new and second-hand plant & machinery/equipment, the date when the payment for purchase of plant etc. was made, the date when it reached in the country, reasons of time lag in the purchase payment and arrival date; requisite formal approvals from other regulatory bodies; reference to the purchase payment in relevant books of accounts.

**d) If the purpose of the issue is to acquire Land:**

- location of the land
- area of the land
- estimated cost of the land

- details of whether the land has been acquired by the Issuer
- Title of the land
- Property agent hired for the execution of purchase
- Comparable value of the property in the vicinity.
- If the party from whom land is being acquired is a related party, status be disclosed.
- For related party transaction, rationale as to how the transaction is an arm's length transaction.

**e) If the purpose of the issue is to acquire intangible assets:**

- Nature of the asset
- Title of the asset
- Estimated cost of the asset
- If the party from whom intangible asset is being acquired is a related party, status be disclosed.

**f) If purpose of the issue is loan/debt repayment:**

- details of loan proposed to be repaid such as name of the lender, brief terms and conditions and amount outstanding;
- dates of receipt of loan from directors;
- details whether the loan is pledged against any financing facility
- in case the loan is given by the directors, table containing date of deposit of loan in bank account of the company and subsequent utilization of the same.
- Reasons of issuing right for payment of loan
- Impact of loan repayment on financial position of the company.

**g) If purposes of the issue is BMR/investment in greenfield project:**

- Details of source of funding.
- Status of debt financing, if any.
- Details regarding financial close of the project.
- Details of letter of credit, if applicable.
- Utilization of the proceeds:
- Breakup of the funds required and funds already deployed
- Working capital requirement of the project:
  - Basis of estimation of working capital requirement, along with relevant assumptions.
  - If no working capital is shown as a part of the project for which the issue is being made, the reasons for the same.
- Implementation schedule of the project like land acquisition, execution of civil works, installation of plant and machinery, date of trial production, date of commercial production.
- Details regarding implementation of the project.
- Pre and post expansion production capacity of the Issuer, if applicable.

**(iii) General Requirements:**

- a) Where the issuer proposes to undertake more than one activity or project, such as diversification, modernization, expansion, etc., the total project cost activity-wise or project wise, as the case may be.
- b) Where the issuer is implementing the project in a phased manner, the cost of each phase

including the phase, if any, which has already been implemented.

- c) Details of all material existing or anticipated transactions in relation to the utilization of the issue proceeds or project cost with promoters, directors, key managerial personnel, associate companies.

- (iv) Financial effects arising from right issue

	Measurement Unit	Pre – Issue	Post Issue	Increase in Percentage (%)
Authorized Capital				
Paid-up-Capital				
Net Asset/Breakup value per share				
Gearing Ratio				
Production Capacity				
Market Share				

- (v) **Total expenses to the issue:** (i) bankers' commission (ii) others, if any.

- (vi) **Details of underwriters:**

Name of the Underwriter	Amount Underwritten	Associated Company/Associated Undertaking of the Issuer (YES/NO)

- (vii) **Commitments from substantial shareholders/directors:**

Name of the person	Status (Substantial Shareholder/Director)	Number of Shares Committed to be Subscribed	Amount Committed to be Subscribed	Shareholding % - pre-issuance	Shareholding % - post issuance

- (viii) **Fractional shares:** Fractional shares, if any, shall not be offered and all fractions less than a share shall be consolidated and disposed of by the company and the proceeds from such disposition shall be paid to such of the entitled shareholders as may have accepted such offer;

- (ix) **Important Dates:**

<b>(Name of the Issuer)</b>			
<b>Tentative Schedule for Issuance of Letter of Rights</b>			
<b>Book Closure: From dd/mm/yy to dd/mm/yy (both days inclusive)</b>			
S.No	Procedure	Day	Date
1	Date of credit of unpaid Rights into CDC in Book Entry Form		
2	Dispatch of Letter of Right (LOR) to physical shareholders		
3	Intimation to Stock Exchange for dispatch of physical Letter of Rights		
4	Commencement of trading of unpaid Rights on the Securities Exchange		
5	Last date of trading of letter of Rights		

6	Payment of subscription amount start date		
7	Last date for acceptance of payment		
8	Allotment of shares and credit of Shares into CDS		
9	Date of dispatch of physical shares certificates		

**9. Subscription Amount Payment procedure:**

- (i) Payment as indicated above should be made by cash or crossed cheque or demand draft or pay order made out to the credit of "<Issuer Name> Right Shares Subscription Account" through any of the authorized branches of above mentioned bank(s) on or before dd/mm/yy along with this Right Subscription Request\* duly filled in and signed by the subscriber(s).
- (ii) Right Subscription Request can be downloaded from .....
- (iii) In case of Non-Resident Pakistani / Foreign shareholder, the demand draft of equivalent amount in Pak Rupees should be sent to the Company Secretary, (Issuer Name) at the registered office of the issuer along with Right Subscription Request (both copies) duly filed and signed by the subscriber(s) with certified copy of NICOP / Passport well before the last date of payment.
- (iv) All cheques and drafts must be drawn on a bank situated in the same city where Right Subscription Request is deposited. Cheque is subject to realization.
- (v) The Bank will not accept Right Subscription Request delivered by post which may reach after the closure of business on dd/mm/yyyy, unless evidence is available that these have been posted before the last date of payment.
- (vi) Payment of the amount indicated above to the issuer's Banker(s) to the issue on or before dd/mm/yyyy shall be treated as acceptance of the Right offer.
- (vii) After payment has been received by the Company's banker(s), the Right Securities will be credited into respective CDS Accounts within 14 business days from the last payment date. Paid Right Subscription Request will not be traded or transferred.

**10. Profile of management and sponsors**

- (i) Profile of directors (names, executive/ nonexecutive/independent/nominee director and tenure of directorship held)
- (ii) other directorships held (provide names of the company(ies))
- (iii) Profile of sponsors
- (iv) If sponsor is company registered in Pakistan, date of incorporation, names of directors % age of shareholding.
- (v) If sponsor is foreign registered company, % age of shareholding, Form 43, form 45 be provided.

**11. Financial Details of the Issuer**

- (i) financial highlights of issuer for last three years

	Audited Account Year	Audited Accounts Year	Audited Accounts Year...
Name of the Statutory Auditor			
Gross Revenue/Sale			
Gross Profit			
Profit before interest & Tax			
Profit after tax			
Net Profit/Loss			
Accumulated Profit/Loss			
Total Assets			

Total Liabilities			
Net Equity			
Break-up value Per Share			
Earnings/Loss per share			
Dividend Announced			
Bonus Issue			

- (ii) financial highlights for preceding one year of consolidated financial statements same as (B) above,  
 (iii) Detail of issue of capital in previous five years

Right Issue	FY____	FY____	FY____	FY____	FY____
Percentage					
Number of Shares					
Amount Raised					
Unsubscribed portion					
Unsubscribed portion allotted by BoD					
Unsubscribed portion taken up by the Underwriter					
Proceed utilization break up....					

- (iv) Average market price of the share of the issuer during the last six months  
 (v) Share Capital and Related Matters  
 a) Pattern of shareholding of the issuer in both relative and absolute terms.  
 b) Number of shares held by the directors, sponsors & substantial shareholders of the Issuer (both existing and post right issue).  
 c) Details and shareholding of holding company, if any.

## 12. Risk Factors:

- (i) Each risk factor shall appear in the following manner  
 a) Risk as envisaged by the issue;  
 b) Proposals, if any, to address the risk.
- (ii) Risk factors shall be classified as internal and external risk factor.
- (iii) Risk factors shall be disclosed in the descending order of materiality.
- (iv) All possible risk factors relating to business of the company, the project, technology, competition, suppliers, consumers, industry, liquidity, regulatory, changes in Govt. policies, law and order situation, capital market, pending litigations, defaults etc. shall be disclosed.
- (v) Additional risk factors relating to the following areas shall necessarily be disclosed in the offer document, wherever applicable:  
 a) Approvals that are yet to be received by the issuer;  
 b) Seasonality of the business;  
 c) Risk associated with orders not having been placed for plant and machinery in relation to the principal purpose of the issue;  
 d) Lack of experience of the Management to run the business;  
 e) If the issuer has incurred losses in the last three financial years;  
 f) Dependence of the issuer or any of its business segments upon a single customer or a few customers  
 g) Loans, if any, taken by the issuer and its subsidiaries that can be recalled at any time.  
 h) In case of outstanding debt instruments, any default in compliance with the material covenants;



- i) Default in repayment of loan by the issuer and associated group companies, if any.
  - j) Potential conflict of interest of the Sponsors, substantial shareholders or directors of the issuer if involved with one or more ventures which are in the same line of activity or business as that of the issuer.
  - k) Excessive dependence on any key managerial personnel for the project for which the issue is being made.
  - l) Any material investment in debt instruments by the issuer which are unsecured.
  - m) Pending legal Proceeding against the issuer and associated group companies, which could have material adverse comments.
  - n) Negative cashflow from operating activities in the last three preceding financial years.
  - o) Any restrictive covenant that could hamper the interest of the equity shareholders
  - p) Low credit rating of the Issuer.
  - q) Dependence of the issuer or any of its business upon a single customer or few customers, loss of any one or more may have material adverse effect on the issuer.
  - r) Any portion of the issue proceed that is proposed to be paid by the issuer to the sponsors, directors or key management personnel of the issuer.
- (vi) A statement that 'to the best of our knowledge and belief all risk factors have been disclosed' shall be given immediately after the risk factor by the authorized officer/Management.

**13. Legal proceedings**

- (i) Any outstanding legal proceeding other than the normal course of business involving the issuer, its sponsors, substantial shareholders, directors and associated companies, over which the Issuer has control, that could have material impact on the issuer.
- (ii) Action taken by the securities exchange against the issuer or associated listed companies of the issuer during the last three years due to noncompliance of the its regulations.
- (iii) Legal proceedings be summarized in the following format

Legal Order dated	Issuing Authority	Tax Period, if any	Order Amount/ Financial Impact (PKR Mn)	Current status	Management's Stance

**14. Signatories to the Offer document:**

- (i) List of the signatories to the offer document and their signatures in original duly dated and witnessed