



FLYING CEMENT COMPANY LIMITED

Date: 18-01-2022

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

Subject: Declaration of Right Shares

Dear Sir,

We have to inform you that the Board of Directors of **Flying Cement Company Limited** (the "**Company**"), in their meeting held on January 18, 2022 have decided to increase the paid-up share capital of the Company by issue of a further **300,000,000 (Three Hundred Million)** ordinary shares, having face value of PKR 10/- (Pak Rupees Ten) each, as Right Shares, to be offered to the members of the Company in the proportion of approximately **75.9878** Right Shares for every 100 ordinary shares held i.e. approximately **75.9878%**, at a price of PKR **10/- (Pak Rupees Ten)** per Right Share (i.e. at par).

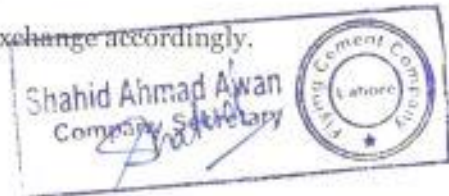
The Share Transfer Books of the Company will be closed from February 11, 2022 to February 18, 2022 (both days inclusive) to determine the entitlement of Right Shares.

Transfers received at our share registrar, **THK Associates (Pvt.) Limited, Plot no. 32-C, Commercial Street 2, D.H.A Phase VII, Karachi-7550 Pakistan, Tel: +92 21 111-000-322, Ext, 111 to 115, Email: sfc@thk.com.pk** at the close of the business on **February 10, 2022** will be treated in time for the purpose of entitlement of Right Shares to the transferees.

Following details are enclosed:

- a) Statement with respect to the details of the Right Issue, including the quantum of issue, issue size, issue price, purpose of issue, utilization of proceeds, benefits of the issue to the Company and its shareholders and risk factors (**Annexure A**).
- b) Certified true copy of the Extract of the Resolutions passed by the Board of Directors of the Company at their meeting held on January 18, 2022 (**Annexure B**).
- c) Draft copy of the notice of the Right Issue and book closure to the Shareholders prior to its publication in the newspapers (**Annexure C**).

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





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Yours Sincerely,

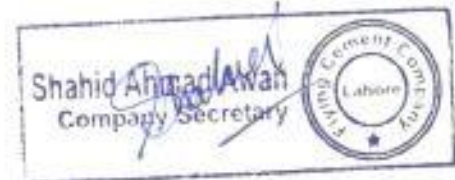
Company Secretary

Enclosed: As Above

Copy to:

The Commissioner
Corporate Supervision Department
Securities and Exchange Commission of
Pakistan
Islamabad

The Director
Surveillance Supervision Enforcement
(SMD)
Securities and Exchange Commission of
Pakistan
Islamabad





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Annexure A

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Statement pertaining to the Quantum of Issue, Issue Size, Issue Price, Purpose of Issue, Utilization of Proceeds, Benefits of the Issue to the Company and the shareholders and Risk Factors under Regulation 3 of the Companies (Further Issue of Shares) Regulations, 2020.

(a) Quantum of the Right Issue (i.e. as a percentage of existing paid-up capital)

The quantum of the Right Issue is approximately **75.9878%** of the existing paid-up capital of the Company i.e. approximately **75.9878** right shares for every 100 ordinary shares held by the shareholders of the Company.

(b) Right Issue Size

The Company shall issue **300,000,000 (Three Hundred Million)** ordinary shares, at a price of PKR **10/- (Pak Rupees Ten)** per share, aggregating to PKR **3,000,000,000/- (Pak Rupees Three Billion Only)**.

(c) Right Issue Price

PKR **10/- (Pak Rupees Ten)** per share (i.e. at par).

(d) Purpose of the Right Issue

The purpose of the Right Issue is to raise funds to enable the Company to reduce current debt levels and favorably improve its capital structure, by reducing leverage in an increasing interest rate environment, meet growing working capital requirements and achieve economies of scale, pay for capital expenditure towards completion of the Line-2 plant of 7,700 TPD of clinker and, consequentially, improve the Company's profitability and financial ratios which is expected to maximize shareholder return.

(e) Utilization of Proceeds of the Right Issue

The proceeds from the Right Issue will be utilized towards reducing the Company's current borrowings and will augment the Company's liquidity in a more optimal capital structure with reduced leverage. This will improve the attractiveness of the Company for investors, owing to lower finance costs and improvement in margins, in an environment where interest rates have considerably increased and may increase further in the near future. The proceeds of the right shares will also be utilized for meeting growing working capital requirements and paying for capital expenditure towards completion of the Line-2 plant of 7,700 TPD of clinker, with the objective to



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E-mail: info@flyingcement.com, Website: www.flyingcement.com



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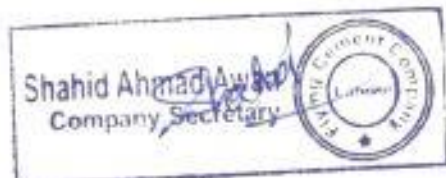
improve the Company's profitability and financial ratios. The expected increase in profit in the long run would enhance the expected returns to the valued members and can then be available for, *inter alia*, distribution to the members by way of dividend and / or to meet any future capital expenditures.

(f) Benefits to the Company and Shareholders

The subscription amount from the Right Issue will augment the Company's liquidity, resulting in a reduction of the Company's current debt; thus enabling the Company to smoothly and effectively implement its business plan by making available the required liquidity for meeting its working capital requirements. The Line-2 expansion of 7,700 tpd of clinker is expected to result in an increased market share and significant rise in revenues and profitability margins of the Company. The Right Issue will also support the Company to maintain an optimum level of debt and will also result in increase in profit available for, *inter alia*, distribution to the shareholders by way of dividend and / or to meet any future capital expenditures.

(g) Risk Factors associated with the Right Issue, if any

The substantial shareholders and directors of the Company have confirmed that they shall subscribe to (or arrange the subscription of) their respective right entitlements, while the balance portion of the Right Issue will be underwritten in accordance with the applicable laws. The Right Issue of the Company is being made at a par i.e. Rs.10/- per share, which is less than the current share price in the market and hence there is no major investment risk associated with the Right Issue. Normal risks associated with the business will remain. The Company is well placed in the market with proven track record, which will help to mitigate such risk factors.





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Annexure B

Extract of the Resolutions passed by the Board of Directors of Flying Cement Company Limited (the "Company") at its meeting held on Tuesday, January 18, 2022 at the registered office of the Company.

A meeting of the Board of Directors of the Company was held at 2:00 p.m. on January 18, 2022, at 4- Sarwar Colony, Lahore-Cantt, Lahore.

During the meeting, the Board of Directors of the Company discussed and approved the proposed issuance of further share capital by the Company by way of right issue. The Board of Directors of the Company stated that all requirements of the Companies Act, 2017 and the Companies (Further Issue of Shares) Regulations, 2020 have been considered by the Board of Directors of the Company and shall be duly complied with by the Company.

For the purposes of the right issue, the management has received confirmations from the substantial shareholders and all the directors of the Company that they will (i) subscribe to the right shares offered to them (or shall arrange for the subscription thereof) at least 3 (three) days before the commencement of trading; and (ii) ensure that the balance of the right issue i.e. other than the portion subscribed by the substantial shareholders and directors, will be adequately underwritten in accordance with applicable laws. The substantial shareholders and directors of the Company shall issue the requisite undertakings in such respect.

Accordingly, the following resolutions were passed by the Board of Directors:

RESOLVED THAT the ordinary paid up share capital of the Company be increased from **PKR 3,948,000,000/- (Pak Rupees Three Billion Nine Hundred Forty Eight Million Only)** to **PKR 6,948,000,000/- (Pak Rupees Six Billion Nine Hundred Forty Eight Million Only)** by issue of a further **300,000,000 (Three Hundred Million)** ordinary shares of the Company of **PKR 10/- (Pak Rupees Ten)** each, to be offered to the shareholders of the Company in proportion to the number of shares held by each shareholder (i.e. as right shares) in accordance with the provisions of Section 83 of the Companies Act, 2017 and all applicable laws, at a price of **PKR 10/- (Pak Rupees Ten)** per share (i.e. at par), in the ratio of approximately **75.9878** right shares for every 100 ordinary shares of **PKR 10/- (Pak Rupees Ten)** each held (i.e. **75.9878%**) against payment to the Company of the price for the shares subscribed, which shares shall rank *pari passu* in all respects with the existing ordinary shares of the Company (the "**Right Issue**").

FURTHER RESOLVED THAT the following are the quantum, size, price and purpose of the Right Issue, along with the utilization of proceeds, benefits of the same to the Company and its shareholders and the risk factors associated with the Right Issue, in accordance with Regulation 3(1)(iii) of the Companies (Further Issue of Shares) Regulations, 2020:





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- (a) **Quantum of the Right Issue (i.e. as a percentage of existing paid-up capital)**

The quantum of the Right Issue is approximately **75.9878%** of the existing paid-up capital of the Company i.e. approximately **75.9878** right shares for every 100 ordinary shares held by the shareholders of the Company.

- (b) **Right Issue Size**

The Company shall issue **300,000,000 (Three Hundred Million)** ordinary shares, at a price of PKR **10/- (Pak Rupees Ten)** per share, aggregating to PKR **3,000,000,000/- (Pak Rupees Three Billion Only)**.

- (c) **Right Issue Price**

PKR **10/- (Pak Rupees Ten)** per share (i.e. at par).

- (d) **Purpose of the Right Issue**

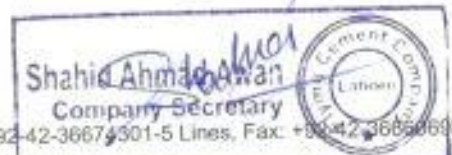
The purpose of the Right Issue is to raise funds to enable the Company to reduce current debt levels and favorably improve its capital structure, by reducing leverage in an increasing interest rate environment, meet growing working capital requirements and achieve economies of scale, pay for capital expenditure towards completion of the Line-2 plant of 7,700 TPD of clinker and, consequentially, improve the Company's profitability and financial ratios which is expected to maximize shareholder return.

- (e) **Utilization of Proceeds of the Right Issue**

The proceeds from the Right Issue will be utilized towards reducing the Company's current borrowings and will augment the Company's liquidity in a more optimal capital structure with reduced leverage. This will improve the attractiveness of the Company for investors, owing to lower finance costs and improvement in margins, in an environment where interest rates have considerably increased and may increase further in the near future. The proceeds of the right shares will also be utilized for meeting growing working capital requirements and paying for capital expenditure towards completion of the Line-2 plant of 7,700 TPD of clinker, with the objective to improve the Company's profitability and financial ratios. The expected increase in profit in the long run would enhance the expected returns to the valued members and can then be available for, *inter alia*, distribution to the members by way of dividend and / or to meet any future capital expenditures.

- (f) **Benefits to the Company and Shareholders**

The subscription amount from the Right Issue will augment the Company's liquidity, resulting in a reduction of the Company's current debt; thus enabling the Company to





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smoothly and effectively implement its business plan by making available the required liquidity for meeting its working capital requirements. The Line-2 expansion of 7,700 tpd of clinker is expected to result in an increased market share and significant rise in revenues and profitability margins of the Company. The Right Issue will also support the Company to maintain an optimum level of debt and will also result in increase in profit available for, *inter alia*, distribution to the shareholders by way of dividend and / or to meet any future capital expenditures.

(g) Risk Factors associated with the Right Issue, if any

The substantial shareholders and directors of the Company have confirmed that they shall subscribe to (or arrange the subscription of) their respective right entitlements, while the balance portion of the Right Issue will be underwritten in accordance with the applicable laws. The Right Issue of the Company is being made at a par i.e. Rs.10/- per share, which is less than the current share price in the market and hence there is no major investment risk associated with the Right Issue. Normal risks associated with the business will remain. The Company is well placed in the market with proven track record, which will help to mitigate such risk factors.

FURTHER RESOLVED THAT the letter of offer, as prescribed under Section 83(2) of the Companies Act, 2017, shall be issued / signed by any 2 directors of the Company in compliance with the applicable laws.

FURTHER RESOLVED THAT that Mr. Kamran Khan and Mr. Momin Qamar, the Directors of the Company, be and is hereby authorized by all the directors of the Company, to sign the circular accompanying the letter of offer.

FURTHER RESOLVED THAT all fractional entitlements, if any, will be consolidated in the name of Mr. Kamran Khan, the Chairman/Director (under trust) and unpaid letters of right in respect thereof shall be sold on the Pakistan Stock Exchange Limited ("PSX"), the net proceeds from which sale, once realized, shall be distributed / paid to the entitled shareholders in proportion to their respective entitlements as per the applicable regulations.

FURTHER RESOLVED THAT any unsubscribed shares may be offered and allotted to such persons as the directors may deem fit in accordance with Section 83(1)(a)(iv) of the Companies Act, 2017, including the sponsors / substantial shareholders, directors or associated undertakings of the Company or any third party, before calling upon the underwriters to subscribe to any unsubscribed shares.

FURTHER RESOLVED THAT the Company be and is hereby authorized to close its share transfer books from February 11, 2022 to February 18, 2022 (both days inclusive) to determine entitlements of the shareholders of the Company with respect to the Right Issue, or such other dates as may be directed by the PSX.

Shahid Ahmed Akbar
Company Secretary



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FURTHER RESOLVED THAT the Chief Executive Officer and / or Mr. Momini Qamar and / or the Company Secretary, be and are hereby severally authorized, such that any one of them may do all or any of the following for and on behalf, and in the name, of the Company:

- i. Appoint / negotiate with consultants / advisors / auditors and underwriter(s) to the Right Issue, to finalize terms and conditions and sign underwriting agreements(s), other documents and settle / finalize fees, underwriting commission, take up commission and third party expenses and / or any other expenses relating to the Right Issue;
- ii. To prepare the schedule for issue of right shares including date of payment, and to make any amendment in the said schedule, appointment of banker(s) to the issue, announce (and amend) book closure dates, and to take all necessary actions, in respect of the Right Issue and ancillary matters thereto, as required by the Securities and Exchange Commission of Pakistan ("SECP") / PSX / Central Depository Company of Pakistan Limited ("CDC") (including, but not limited to, induction of the offer for right shares in the Central Depository System of the CDC) or any other authority;
- iii. To open, maintain, operate and close bank accounts for the purpose of amounts received from subscription of rights shares;
- iv. To credit right shares, once allotted by the Board, and file returns / documents as required by SECP / PSX / CDC along with the auditor's certificates; and
- v. To take all other necessary steps, and do all other acts, deeds and things, to prepare / finalize the offer letter, circular and schedule for issue of right shares and any other documents and to make any amendment in the said documents and schedule and to take all necessary action as may be required in this regard including execution of any documents and agreements or any ancillary or incidental actions to give effect to the above resolutions.

Certified that the above mentioned is a true and valid extract from the meeting of the Board of Directors of held at 1 Sarwar Colony, Lahore-Cantt, Lahore on January 18, 2022.


Company Secretary
January 18, 2022





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Annexure C

NOTICE OF RIGHT ISSUE AND BOOK CLOSURE

Members are hereby notified that the Board of Directors of **Flying Cement Company Limited** (the "Company") in their meeting held on **January 18, 2022** has decided to increase share capital through the issue of further shares by offering **300,000,000** (Three Hundred Million) ordinary right shares of PKR 10/- (Pak Rupees Ten) each, at a price of PKR 10/- (Pak Rupees Ten) per share (i.e. at par value), in the ratio of approximately **75.9878** right shares for every 100 existing ordinary shares of PKR 10/- (Pak Rupees Ten) each held (i.e. approximately **75.9878%**), against payment to the Company of the price of the shares subscribed by the shareholders, which shares shall rank *pari passu* in all respects with the existing ordinary shares of the Company.

The Share Transfer Books of the Company will remain closed from **February 11, 2022 to February 18, 2022** (both days inclusive) to determine the entitlements of the shareholders of the Company. Physical transfers / CDS Transaction IDs received at the Company's share registrar **THK Associates (Pvt.) Limited, Plot no. 32-C, Commercial Street 2, D.H.A Phase VII, Karachi-7550 Pakistan, Tel: +92 21 111-000-322, Ext, 111 to 115, Email: sfc@thk.com**, by the close of business (5:00 pm) on **February 10, 2022** will be considered in time for entitlement of right shares.

S/d

Company Secretary

January 18, 2022

