

PAK ELEKTRON LIMITED

Head Office: : 14-Km, Ferozepur Road, Lahore-54760 Pakistan
G.P.O. Box No. 1614, Lahore - Pakistan.
Tel: : (+92 42) 35920151-9
Facsimile: : (+92 42) 35920150
Website: : www.pel.com.pk

February 07, 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 Pak Elektron Limited (the "Company"), in their meeting held on February 07, 2022 at Factory Premises, 14 - KM, Ferozepur Road, Lahore, have decided to increase the paid-up share capital of the Company by issue of a further 358,330,670 (Three Fifty Eight Million Three Hundred Thirty Thousand Six Hundred and Seventy) ordinary shares, having face value of PKR 10/- (Pak Rupees Ten) each, as Right Shares, to be offered to the members in proportion of 72 Right Shares for every 100 ordinary shares held i.e. 72%, at a price of PKR 14/- (Pak Rupees Fourteen) per Right Share (inclusive of a premium of PKR 4/- (Pak Rupees Four) per Right Share).

The Share Transfer Books of the Company will be closed from March 04, 2022 to March 11, 2022 (both days inclusive) to determine the entitlement of Right Shares.


Transfers received at our share registrar **Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore, Tel: +92 42 35916714, Email: corplink786@gmail.com**, at the close of the business on March 03, 2022 will be treated in time for the purpose of entitlement of Right Shares to the transferees.

Following details are enclosed:

1. 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, risk factors and justification for issue of shares at premium (**Annexure A**).
2. Certified true copy of the Extracts of the Resolutions passed by the Board of Directors of the Company dated February 07, 2022 (**Annexure B**).
3. 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.

Yours Sincerely,
For Pak Elektron Limited


Muhammad Omer Farooq
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"

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 Share} Regulations, 2020.

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

The quantum of the Right Issue is 72% of the existing paid up capital (Ordinary Shares) of the Company i.e. approximately 72 right shares for every 100 ordinary shares held by the shareholders of the Company.

Right Issue Size

The Company shall issue 358,330,670 (Three Fifty Eight Million Three Hundred Thirty Thousand Six Hundred and Seventy) ordinary shares, at a price of PKR 14/- (Pak Rupees Fourteen) per share, aggregating to PKR 5,016,629,380/- (Pak Rupees Five Billion Sixteen Million Six Hundred Twenty Nine Thousand Three Hundred and Eighty only)

Right Issue Price

PKR 14/- (Pak Rupees Fourteen) per share (i.e. inclusive of a premium of PKR 4/- (Pak Rupees Four) per share).

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 and, consequentially, improve the Company's profitability and financial ratios which is expected to maximize shareholder return.

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. The proceeds of the right shares will also be utilized for meeting growing working capital requirements and paying for capital expenditure. 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.





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Benefits to the Company and its 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 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.

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 PKR 14/- 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.

Justification for issue of shares at premium

Considering the current market price of the Company, the premium charged over the par value is justified and is also in line with the prevailing market practice.





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“Annexure B”

Extract of the Resolutions passed by the Board of Directors of Pak Elektron Limited (the “Company”) at its meeting held on February 07, 2022 at Factory Premises 14-Kilometers, Ferozepur Road, Lahore.

A meeting of the Board of Directors of the Company was held at 11:30 A.M, on February 07, 2022 at Factory Premises 14-Kilometers, Ferozepur Road, 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 by the Company.

For the purposes of the right issue, the management has received the requisite undertakings from the substantial shareholder 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) and that they shall deposit the amount of their subscription at least 3 (three) days before the commencement of trading; and (ii) ensure that the balance of the right issue, not being subscribed by the substantial shareholder and directors will be adequately underwritten in accordance with the 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 5,426,390,770/- (Pak Rupees Five Billion Four Hundred Twenty Six Million Three Hundred Ninety Thousand Seven Hundred Seventy) to PKR 9,009,697,470/- (Pak Rupees Nine Billion Nine Million Six Hundred Seven Thousand Four Hundred Seventy Only) by issue of further 358,330,670 (Three Hundred Fifty Eight Million Three Hundred Thirty Thousand Six Hundred Seventy) 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 14 /- (Pak Rupees Fourteen) per share (i.e. inclusive of a premium of PKR 4 /- (Pak Rupees Four) per share), in the ratio of approximately 72 right shares for every 100 existing ordinary shares of PKR 10/- (Pak Rupees Ten) each held (i.e. 72%), against payment to the Company of the price of 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, the risk factors associated with the Right Issue, and the justification for the issue of shares at a premium in accordance with Regulation 3(1)(iii) of the Companies (Further Issue of Shares) Regulations, 2020:





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

The quantum of the Right Issue is 72 % of the existing paid up capital (Ordinary Shares) of the Company i.e. approximately 72 right shares for every 100(one hundred) ordinary shares held by the shareholders of the Company.

Right Issue Size

The Company shall issue 358,330,670 (Three Hundred Fifty Eight Million Three Hundred Thirty Thousand Six Hundred Seventy) ordinary shares, at a price of PKR 14/- (Pak Rupees Fourteen) per share, aggregating to PKR 5,016,629,380 /- (Pak Rupees Five Billion Sixteen Million Six Hundred Twenty Nine Thousand Three Hundred Eighty only)

Right Issue Price

PKR 14/- (Pak Rupees Fourteen) per share (i.e. inclusive of a premium of PKR 4 /- (Pak Rupees Four) per share).

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 and, consequentially, improve the Company's profitability and financial ratios which is expected to maximize shareholder return.

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. The proceeds of the right shares will also be utilized for meeting growing working capital requirements and paying for capital expenditure. The expected increase in profit in the long run would enhance the expected returns to the valued members.

Benefits to the Company and its 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 Right Issue will also support the Company to maintain an optimum level of debt and



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will also result in increase in profit available. The expected increase in profit in the long run would enhance the expected returns to the valued members.

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 which will mitigate the risk of undersubscription. The Right Issue of the Company has been announced at a price 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.

Justification for Issue of Shares at a Premium

Considering the current market price of the Company, the premium charged over the par value is justified and is also in line with the prevailing market practice.

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 (two) directors of the Company in compliance with the applicable laws.

FURTHER RESOLVED THAT Mr. M. Murad Saigol, the Chief Executive of the Company, be and is hereby singly authorized to sign the circular, accompanying the letter of offer, on behalf of all directors in accordance with Section 83(3) of the Companies Act, 2017.

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

FURTHER RESOLVED THAT the Chief Executive be and is hereby authorized to negotiate with underwriters for allotment of unsubscribed portion of Right Shares to any / or all of the underwriter(s) / all or any director / Substantial Shareholder 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 March 04, 2022 to March 11, 2022 (both days inclusive) to determine entitlements of the shareholders of the Company with respect to the Right Issue.



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FURTHER RESOLVED THAT the [Chief Executive Officer] and / or the [Company Secretary] be and are hereby singly/jointly authorized to do the following on behalf 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 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") / Pakistan Stock Exchange Limited ("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 shares;
- (iv) To allot / credit right shares and file returns / documents as required by SECP / PSX [/ CDC along with the auditors' certificates; and
- (v) To take all other necessary steps, and do all other acts, deeds and things, to prepare 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 Pak Elektron Limited held at 2022 at Factory Premises 14-Kilometers, Ferozepur Road, Lahore on February 07, 2022.



Company Secretary

Dated: February 07, 2022



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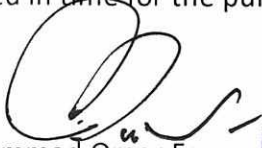
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"Annexure C"

NOTICE OF RIGHT ISSUE AND BOOK CLOSURE

Members are hereby notified that the Board of Directors of Pak Elektron Limited in their meeting held on February 07, 2022 has decided to increase share capital through the issue of further shares by offering 358,330,670 Ordinary Right Shares of PKR 10/- each at a price of PKR 14/- per share (i.e. at a premium of PKR 4/-per share), in the ratio of 72 right shares for every 100 existing ordinary shares of PKR 10/- each held (i.e. 72%) against payment to the Company of the price of the shares subscribed by the shareholders, which share shall rank pari passu in all respect with the existing shares of the Company.

The share transfer books of the company will be closed from March 04, 2022 to March 11, 2022 (Both days inclusive) to determine the entitlement of Right Shares. Physical Share transfers received at the office of Share Registrar of the Company, M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore at the close of business on 03-03-2022 will be treated in time for the purpose of entitlement of Right Shares to the transferee.


Muhammad Omer Farooq
Company Secretary
Lahore: February 07, 2022

