



FAZAL CLOTH MILLS LIMITED



NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an **Extra Ordinary General Meeting** ("EOGM") of the shareholders of Fazal Cloth Mills Limited (the "**Company**") will be held on Thursday, June 23, 2022 at 11 a.m. at FG Head Office, E/110, Khayaban-e-Jinnah, Defence Chowk, Lahore to transact the following business.

ORDINARY BUSINESS:

To confirm the Minutes of the Extra-Ordinary General Meeting of the Company held on March 10, 2022.

SPECIAL BUSINESS:

To consider and if deemed fit, to pass the following resolutions to be passed as special resolution(s), with or without any modification(s), addition(s) or deletion(s) in terms of Section 199 of the Companies Act, 2017:

RESOLVED THAT approval be and is hereby accorded and Fazal Cloth Mills Limited (the "**Company**") be and is hereby authorized to change the terms and conditions of the long-term investments of PKR 550 million in Fatima Transmission Company Limited (the "**FTCL**") approved by the shareholders under Section 199 by including conversion feature whereby the loans/advances provided / to be provided to the FTCL pursuant to the already passed special resolutions on October 31, 2015, March 25, 2017 may be convertible into non-cumulative, redeemable, non-voting, participatory Preference Shares of the FTCL, as may be decided by the Board of Directors of the Company from time to time in accordance with the terms and conditions provided in the statement of material facts annexed to the notice of the meeting.

RESOLVED FURTHER THAT the above investment in Preference Shares of FTCL categorized as equity investment up to the extent of PKR 550 million in conversion of loan/advances already provided/to be provided to FTCL on the terms and conditions disclosed in the statement of material facts annexed to the notice of meeting be and is hereby approved. The investment by way of convertible loan/advance as approved above shall be adjusted against the rights offer of Preference Shares from FTCL and/or by subscribing to any un-subscribed portion of rights offered of Preference Shares to the Company, in a manner as approved by the Board of Directors in the best interest of the Company.

RESOLVED FURTHER THAT the Chief Executive Officer, Chief Financial Officer and Company Secretary be and is hereby singly authorized to do all acts, deeds and things, take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolutions.

RESOLVED FURTHER THAT each of the aforesaid special resolutions shall remain valid till five years from date of passing.

A statement under Section 134(3) of the Companies Act, 2017 pertaining to the aforesaid special business is annexed to this notice circulated to the shareholders.

MULTAN

Dated: June 02, 2022

BY ORDER OF THE BOARD

Asad Mustafa
For Fazal Cloth Mills Ltd.
Asad Mustafa
Company Secretary

Head Office: 59/3, Abdaji Road, Multan.

Ph: +92 061 4579001-7, +92-61-4782796, +92-61-4573339-8, Fax: +92-061-4541832

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

Registered Office: 69/7, Abid Majeed Road, Survey # 248/7, Lahore Cantt, Ph: +92 042-36684909

NOTES:

1. The Share Transfer Books of the Company will remain closed from June 17, 2022 to June 23, 2022 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company's Shares Registrar, M/s. Vision Consulting Limited, 3-C, LDA Flats, Lawrence Road Lahore ph: +92 042 36375531, at the close of business on June 16, 2022 will be considered in time for the purpose of above entitlement and to determine voting rights of the shareholders for attending the meeting. Any change in address should be immediately notified to the Shares Registrar and or Company by the shareholders.
2. A member eligible to attend, speak and vote at this meeting may appoint another member as his/her proxy and CDC shareholders shall attach an attested copy of his/her Computerized National Identity Card (CNIC) / Passport, Account & participant's ID number to prove identity. Proxies, in order to be effective, must reach at the Company's Registered Office not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Representatives of corporate members must bring the board resolution and / or power of attorney and specimen signature of nominee. Form of proxy in English and Urdu languages is attached herewith.
3. The corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTNs) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Shares Registrar. For any query / information, the shareholders may contact with the Company Secretary and / or the Shares Registrar of the Company.
4. the Company has also made arrangements to ensure that all participants, including shareholders, can now participate in the EOGM proceedings via video link. For this, members are required to email their Name, Folio Number, Cell Number and Number of shares held in their name with subject "Registration for Fazal Cloth Mills Limited" along with valid copy of both sides of Computerized National Identity Card (CNIC) at corporate@fazalcloth.com Video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of EOGM. Shareholders can also provide their comments and questions for the agenda items of the EOGM at the above email address.

Statements under Section 134(3) of the Companies Act, 2017- Special Business

This statement sets out the material facts pertaining to the special business to be transacted at the extraordinary general meeting of Fazal Cloth Mills Limited (the "Company") to be held on June 23, 2022.

Change in the terms and conditions of already approved investments in Fatima Transmission Company Limited:

Fatima Transmission Company Limited ('FTCL'), an associated company, was incorporated in Pakistan on December 26, 2014 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of FTCL includes operation and maintenance of transmission lines, electrical transmission facilities, electrical circuits, transformers and sub-stations and the movement & delivery of electric power.

The shareholders of the Company have passed the following special resolutions under Section 199 of the Companies Act, 2017 (the "Act") for making investments in FTCL.

- (a) Special resolution dated 23 June, 2015 for equity investment of upto PKR 70 Million in FTCL;
- (b) Special resolution dated 31 October, 2015 for investment of upto PKR 300 million in FTCL as loan/advance. The terms of this resolution subsequently changed through shareholder's approval dated 26 October 2019 and 27 October 2021;
- (c) Special Resolution dated 31 October 2016 whereby the Company was authorized to enter into Sponsor Support Agreement (SSA) with FTCL and NIB Bank Limited for availing a term finance of PKR 500 million by the FTCL from NIB Bank Limited (now MCB Bank Limited) and special resolution dated 25 March 2017 whereby the Company was authorized to invest upto Rs 250 million in FTCL in form of advance subject to occurrence of default by FTCL in repayment of term finance it availed from NIB Bank Limited (now MCB Bank Limited).

The detail of the investments made by the Company in FTCL as of March 31, 2022 is as follows:

- (a) Equity investment of PKR 55.2 million for 5,520,000 ordinary shares of PKR 10 each;
- (b) Investment of PKR 127,956,533 as loan/advance under the authority of above special resolution as against approved limit dated 31 October 2015 of Rs 300 million;
- (c) NIL amount invested till March 31, 2022 as advance under approval of shareholders dated 25 March 2017.

The Board of Directors of FTCL has decided to issue preference shares of PKR 10 each in the ratio of 182.60867 preference shares for every 100 existing ordinary shares held by the members of the Company at Par. Accordingly, the Company has been offered 10,080,000 Preference Shares on the Company's shareholding of 5,520,000 shares in FTCL. The fair value of preference share of FTCL is approximates to par value i-e Rs 10.17 per share.

The shareholders of FTCL have approved the following terms and conditions of the issuance of preference shares.

Description of different kind of shares such as ordinary shares and preference shares;	Issuance of non-cumulative, redeemable, non-voting, participatory Preference shares which are convertible at the options of FTCL in a manner as provided hereunder in the description of differential rights
---	--

Description of different rights such as different class in each kind, rights and privileges attached to each class or kind of capital;

Preference shares of FTCL shall carry the following rights and privileges and be subject to the terms and conditions stated hereunder:

- ✓ Preference shares shall be unlisted, non-voting, non-cumulative, participatory, convertible and redeemable at the option of the FTCL;
- ✓ Preference shareholders shall be entitled up to 60% of the profit after tax as dividend subject to discretion of the Board of the Directors and approval of shareholders of FTCL and completion of necessary formalities. Preference shall be given to Preference Shareholders before declaring dividend to ordinary shareholders;
- ✓ If the FTCL has no surplus/distributable profits available at the end of any financial, no dividend shall be declared;
- ✓ Any dividend not declared/announced in any financial year shall not accumulate towards entitlement of dividend in future years;
- ✓ Preference shares shall not carry any entitlement of ordinary dividend, rights shares or bonus shares, save as specified in Article 5A of FTCL;
- ✓ Preference shareholders shall neither be entitled to receive notices and attend general meetings nor shall they be entitled to presumptive rights in respect of any further issue of ordinary share capital by FTCL;
- ✓ In the event of winding up of FTCL or repayment of the capital, the holders of the preference shares are entitled to a pro rata share of FTCL's available net assets;
- ✓ The Preference Shares shall, subject to Section 83 of the Companies Act, 2017 be redeemable at par value solely at the option of the FTCL after 5 years. Provided that, in case of partial redemption of outstanding Preference Shares, only whole shares shall be redeemed and such redemption shall be on pro rata basis for all preference shareholders;
- ✓ FTCL may convert the Preference Shares into ordinary shares at ratio of one ordinary shares for every one preference shares held (1:1) after five years;
- ✓ The face value of preference shares shall not be higher than the par value of existing ordinary shares i.e. PKR =10/= each;
- ✓ Preference shares shall be transferrable among the Preference shareholders; and
- ✓ The Preference Shares shall rank pari passu inter-se each other.

The Board of Directors of the Company has decided to approve the subscription of preference shares amounting to PKR 550 Million as under:

- (a) Subscription of 10,080,000 preference shares offered as right shares. Consideration against these shares will be adjusted against a part of outstanding loans/advance as at March 31, 2022;
- (b) Subscription upto against conversion of outstanding loans/advance, to be provided, as may be offered to the Company by FTCL in future;

Inspection of Documents

All the relevant documents including previously passed special resolutions for investments in FTCL, due diligence report, annual audited accounts of FTCL, shareholding details of directors and associated companies, terms and conditions of the Preference Shares, fair valuation report of shares of FTCL have been placed at the Registered Office of the Company which can be inspected from the date of this notice till the date of the meeting. The same will also be available during the course of the meeting for inspection of members.

Directors' Interest

The Directors are not interested, directly or indirectly, in the aforesaid special businesses except to the extend of their shareholding.

Information under Regulation 3 (1) of The Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

(a) Disclosure for all types of investments	
(A) Regarding associated company or associated undertaking: -	
	Investment in Preference Shares
(i) Name of associated company or associated undertaking	Fatima Transmission Company Limited (FTCL)
(ii) Basis of relationship	The FTCL was an associated undertaking at the time of previous approval was sought; however, relationship of associated company or undertaking under Section 2(4) of the Act, 2017 had been disassociated with effect from October 26, 2021 but still the shareholders' approval is being sought to avoid any regulatory complications.
(iii) Earnings per share for the last three years (PKR)	June 30, 2021 PKR (2.53) / share June 30, 2020 PKR (4.04) / share June 30, 2019 PKR (2.96) / share
(iv) Break-up value per share, based on the latest audited financial statements	PKR (1.88) per share based on the audited financial statements for the period ended June 30, 2021.

<p>(v) Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and</p>	<table border="1"> <thead> <tr> <th data-bbox="824 207 1068 331">Particulars</th> <th data-bbox="1068 207 1317 331">FTCL (PKR in million) As of June 30, 2021</th> </tr> </thead> <tbody> <tr> <td data-bbox="824 365 1068 401">Paid up capital</td> <td data-bbox="1068 365 1317 401">230</td> </tr> <tr> <td data-bbox="824 401 1068 436">Accumulated loss</td> <td data-bbox="1068 401 1317 436">(273)</td> </tr> <tr> <td data-bbox="824 436 1068 472">Total liabilities</td> <td data-bbox="1068 436 1317 472">776</td> </tr> <tr> <td data-bbox="824 472 1068 508">Total assets</td> <td data-bbox="1068 472 1317 508">733</td> </tr> <tr> <td data-bbox="824 508 1068 543">Net assets</td> <td data-bbox="1068 508 1317 543">(43)</td> </tr> <tr> <td data-bbox="824 543 1068 579">Sales</td> <td data-bbox="1068 543 1317 579">-</td> </tr> <tr> <td data-bbox="824 579 1068 615">Net Profit/loss</td> <td data-bbox="1068 579 1317 615">(58)</td> </tr> </tbody> </table>	Particulars	FTCL (PKR in million) As of June 30, 2021	Paid up capital	230	Accumulated loss	(273)	Total liabilities	776	Total assets	733	Net assets	(43)	Sales	-	Net Profit/loss	(58)
Particulars	FTCL (PKR in million) As of June 30, 2021																
Paid up capital	230																
Accumulated loss	(273)																
Total liabilities	776																
Total assets	733																
Net assets	(43)																
Sales	-																
Net Profit/loss	(58)																
<p>(vi) In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) description of the project and its history since conceptualization;</p> <p>(II) starting date and expected date of completion of work;</p> <p>(III) time by which such project shall become commercially operational;</p> <p>(IV) expected time by which the project shall start paying return on investment; and</p> <p>(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;</p>	<p>(vi) Commercial Operations of FTCL has been started.</p>																
<p>(B) General Disclosure: -</p>																	
<p>(I) maximum amount of investment to be made;</p>	<p>This is change in terms and conditions of investment of up to PKR 550 million in the form of loans/advances approved by the shareholders. Conversion of loan into preference shares of FTCL will be to extent of PKR 550 million.</p> <p>Out of approved limit of PKR 550 million; the Company has actually provided loan/advance of PKR 127.956 million to the FTCL as of March 31, 2022. A part of this disbursed amount will be adjusted against subscription of 10,080,000 preference shares offered as</p>																

	<p>right shares. Any amount disbursed further from approval of Rs 550 million may also be convertible into preference shares.</p>
<p>(II) purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment</p>	<p>To facilitate the investee company to continue its operations and meet its obligations towards its lenders.</p> <p>The Company has already provided PKR 127.956 million out of the above-referred already approved limit of PKR 550 million. All the gains accrued to the investee company shall become part of the gains to the Company as a shareholder and also as a Preference Shareholder.</p> <p>Preference Shares are equity investment; however, they will be entitled to 60% of the profits of the company as per terms of the issue of preference shares by way of distribution of dividend which will enhance the profitability of the Company on receipt of such dividends. Tenure of the preference shares shall be 5 years.</p> <p>Preference Shares shall have priority over any other distributions made by the Company, apart from having right over the remaining surplus assets of the Company. Whereas, any remaining and/or future amount of investment will continue earning mark up at KIBOR + 1.5% or rates not less than the borrowing cost of the Company which ever is higher.</p>
<p>(III) sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds</p> <p>a) justification for investment through borrowings;</p> <p>b) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and</p> <p>c) cost benefit analysis;</p>	<p>The loan/advances already approved by the shareholders were made/will be made from internal cash generations of the Company. However, the Company has already provided PKR 127.956 million out of the above-referred already approved limit by the shareholders of the Company.</p> <p>a) Not Applicable</p> <p>b) Not Applicable</p> <p>c) Not Applicable</p>
<p>(IV) salient features of the agreement(s), if any, with associated company or associated undertaking:</p>	<p>The shareholders of the Company have already approved the investment of up to PKR 550 million out of which PKR 127.956 million has already been disbursed. The approval is being sought for change in the terms and conditions by including conversion feature in order to convert the above loans into</p>

	<p>preference shares through preference shares offered / to be offered in future.</p> <p>The terms and conditions of issue of preference Shares have been mentioned herein.</p>
<p>(V) direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;</p>	<p>The Directors are not interested directly or indirectly, in the aforesaid special businesses except to the extent of shares held by them in FTCL.</p> <p>Fazal Holdings Pvt Ltd holds 6.75% in FTCL. Three directors of Fazal Cloth Mills Limited namely Mr. Rehman Naseem, Mr. Amir Naseem and Mr. Naseem Ahmad holds 47.25%, 01% and 2.5% respectively in Fazal Holdings Pvt Ltd.</p> <p>Reliance Weaving Mills Ltd holds 31.25% in FTCL. Two directors of Fazal Cloth Mills Ltd namely Mr. Faisal Ahmed and Mr. Fahd Mukhtar holds 25.60% and 0.08% respectively in Reliance Weaving Mills Ltd.</p> <p>Fatima Holding Limited holds 38% in FTCL. Three directors of Fazal Cloth Mills Ltd namely Mr. Faisal Ahmad, Mr. Fahd Mukhtar and Mr. Muhammad Mukhtar Sheikh hold 30.02%, 4.77% and 1.65% respectively in Fatima Holding Limited.</p> <p>The list of shareholdings of Directors in the Company and its associated companies is available for inspection by the shareholders.</p> <p>The FTCL does not hold any share in the Company. However M/s Fazal Holdings Pvt Ltd, Mr. Muhammad Azam, M/s Fatima Holding Limited being member of FTCL holds 24.49% shares, One and five no. of shares respectively in Fazal Cloth Mills Ltd.</p>
<p>(VI) in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information / justification for any impairment or write offs; and</p>	<p>The Company has already made an equity investment in the share capital of the Company of PKR 55.2 million. Investment by way of long-term loan/advance have also been made of PKR 127.956 million in the investee company out of the total approval limit of PKR 550 million under the authority of the special resolutions of the shareholders.</p> <p>There is no impairment / write off occurred on said loans/equity investments.</p>
<p>(VII) any other important details necessary for the members to understand the transaction;</p>	<p>The requisite information has been provided in this notice of EOGM, however, any shareholder can request</p>

	further information from the Company Secretary of the Company by sending an email and/or can inspect the documents of the Company placed for inspection of the shareholders from the date of notice till the date of meeting.
--	---

(b) In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation 3 shall be made;

(i) Maximum price at which securities will be acquired	PKR 10/- per preference share
(ii) In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;	Purchase price is not higher than fair value of security
(iii) Maximum number of securities to be acquired;	The conversion of loan invested as per approved limit into Preference Shares is based on the outstanding amount of loan divided by PKR 10 each to come to the amount of Preference Shares to be issued. a) Subscription of 10,080,000 preference shares offered as right shares. Consideration against these shares will be adjusted against a part of outstanding loans/advance as at March 31, 2022; b) Any amount disbursed further from approval of Rs 550 million may also be convertible into preference shares.
(iv) Number of securities and percentage thereof held before and after the proposed investment;	Currently NIL After issuance of Preference Shares 30.7%
(v) Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	Not Applicable as conversion of loan is / will be in unlisted Preference Shares of the FTCL.
(vi) Fair value determined in terms of sub-regulation (1) of regulation 5 for investment in unlisted securities;	Fair market value is Rs 10.17 per share.

The directors of the Company certify that while presenting these special resolutions for making investment including conversion option in FTCL they have carried out necessary due diligence for the proposed investment before recommending it for members' approval. Duly signed recommendation of the due diligence report shall be made available to the members in the meeting for inspection along with latest audited financial statements of the associated company.

Statement Under Regulation 4 (2) of the Investment in Associated Companies' Regulations, 2017

Name of Investee Company	Fatima Transmission Company Limited (FTCL)		Fatima Energy Limited (FEL)	
Total investment approved	Rs. 300,000,000 loan was approved in AGM on October 31, 2015 and will be repayable within ten year from date of disbursal. Period of Investment till Oct 15, 2024.	The approval from shareholders to enter into SSA obtained in Annual General meeting of the Company held on October 31, 2016. As per SSA the Company as sponsor commits the NIB, in case of default by FTCL, to pay amount outstanding. Further, terms and conditions with FTCL in case of fulfillment of such guarantee were approved by the shareholders on March 25, 2017.	The approval from shareholders to enter into SSA obtained in EOGM of the Company held on May 30, 2017. As per SSA the Company as sponsor commits to lenders of FEL, in case of default by FEL, to pay amount outstanding up to Rs 9028 million. In AGM dated November 26, 2020 shareholders approved reduction in investment from Rs 9028 million to Rs 6000 million.	Rs. 500,000,000 loan investment was approved in AGM on Nov 26, 2020 with period of investment till Oct 15, 2023.
Amount of investment made to date	Rs 127,956,533	NIL	Rs 400 M	Rs 442,077,112
Reasons for not having made complete investment so far where resolution required it to be implemented in specific time	Further funds request has not been made by the investee Company. However in date of general meeting dated June 23, 2022 after shareholder approval this loan may be convertible into preference shares of FTCL.	As per terms and conditions of approval; the payment will be made as and when required. However in date of general meeting dated June 23, 2022 after shareholder approval this loan may be convertible into preference shares of FTCL.	On date of general meeting held on March 10, 2022 shareholders have approved addition of conversion feature in aforesaid resolution and advance of RS. 400 million disbursed under this resolution has been converted into preference shares.	On date of general meeting held on March 10, 2022 shareholders have approved addition of conversion feature in aforesaid resolution and advance of RS. 442.077 million disbursed under this resolution has been

			converted into preference shares.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	<u>As at June 30, 2015</u>	<u>As at June 30, 2016</u>	<u>As at June 30, 2016</u>
	Earning per share (EPS) was Rs (8.78) / share	Earning per share (EPS) was Rs (0.22) / share	Earning per share (EPS) was Rs (0.082) / share
	Breakup value per share (B/E) was Rs 1.22 /share	Breakup value per share (B/E) was Rs 5.38 /share	Breakup value per share (B/E) was Rs 9.8 /share
	<u>As at June 30, 2021</u>	<u>As at June 30, 2021</u>	<u>As at June 30, 2021</u>
EPS: Rs (2.53)/share	EPS: Rs (2.53)/share	EPS: Rs (0.34)/share	
B/E: Rs (1.87) /share	B/E: Rs (1.87) /share	B/E: Rs 7.38 /share	