



PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

January 21, 2025

Ref No. : PECO/Fin/OOBC/2025-017

The General Manager Pakistan Stock Exchange Limited Stock Exchange Building Stock Exchange Road Karachi	Executive Director / HOD Offsite-II Department, Supervision Division Securities & Exchange Commission of Pakistan 63, NIC Building, Jinnah Avenue, Blue Area Islamabad
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DISCLOSURE FORM

IN TERMS OF SECTION 96 OF THE SECURITIES ACT, 2015

Name of Company : **Pakistan Engineering Company Limited**
Date of Report : **21st January 2025**
Name of Company as specified in the Memorandum : **Pakistan Engineering Company Limited**
Company's Registered Office : **6/7-Sir Ganga Ram Trust Building,
Shahrah-e-Quaid-e-Azam, Lahore.**
Contact Information : **Tel: (042) 35120755-56**

Disclosure of Material Information by Listed Company – Right Shares

In accordance with Section 96 of the Securities Act, 2015, clause 5.6.1(a) of the Rule Book of Pakistan Stock Exchange Limited and Regulation 3(1)(i) of the Companies (Further Issue of Shares) Regulations, 2020, we hereby convey the following information :

Board of Directors of Pakistan Engineering Company Limited (the "Company"), in their meeting held on 20th January 2025 have decided to increase the paid up share capital of the Company by issue of a further 2,845,123 (Two Million Eight Hundred Forty Five Thousand One Hundred Twenty Three) ordinary shares, having face value of PKR 10/- (Pak Rupees Ten) each, as Right Shares, to be offered to the members in proportion of 1 Right Share for every 2 ordinary shares held i.e. 50%, at a price of PKR 100/- (Pak Rupees One Hundred) per Right Share (inclusive of a premium of PKR 90/- (Pak Rupees Ninety) per Right Share).

The dates of closure of the share transfer Books of the Company, to determine the entitlement of the Right Shares will be communicated in due course after finalization of the offer letter / document in accordance with the provisions of the Companies (Further Issue of Shares) Regulations, 2020.

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, justification for issue of shares at premium and minimum subscription amount (**Annex A**) *Qr*





PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

2. Certified true copy of the Extracts of the Resolutions passed by the Board of Directors of the Company dated 20th January 2025 (Annex B).

The company has duly caused this form/statement to be signed/on its behalf by the undersigned hereunto duly authorized.

Thanking you

For and on behalf of
Pakistan Engineering Company Limited

Mian Anwar Aziz
Company Secretary (CS)/Chief Financial Officer (CFO)

cc: Executive Director / HOD
Offsite-II Department, Supervision Department
Securities & Exchange Commission of Pakistan
63, NIC Building, Jinnah Avenue, Blue Area,
Islamabad





PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

Annex A

Pakistan Engineering Company Limited (PECO)

Statement pertaining to Quantum of Issue, Issue Size, Issue Price, Purpose of the Issue, Utilization of Proceeds of the Issue, Benefits of the Issue to the Company and the shareholders, Risk Factors, Justification for Issue at Par and Minimum Subscription Amount, under Rule 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 50% of the existing paid-up capital of Pakistan Engineering Company Limited (PECO / Company), i.e. 1 ordinary right share for every 2 ordinary shares held by the shareholders of the Company immediately prior to the close of the share transfer books of the Company.

b) **Right Issue Size**

The Issue consists of 2,845,123 Right Shares (i.e. 50% of existing paid-up capital of PECO) having face value of PKR 10/- each at an offer price of PKR 100/- each (including a premium of PKR 90/- per share). The total amount to be raised through the right issue is PKR 284,512,300.


c) **Issue Price Per Share**

PKR 100/- (Pak Rupees One Hundred) per share.

d) **Purpose of the Right Issue**

From October 2018 to October 2022, the Government-appointed ex-MD of PECO, Mr. Mairaj Anees Ariff, unlawfully seized control of the company and illegally barred the Board of Directors, along with the Board-appointed CFO, Company Secretary, and Head of Internal Audit, from entering the premises and performing their duties. During this period, he managed PECO's affairs without authority, resulting in the suspension of essential corporate activities, including the preparation and auditing of financial statements and the convening of Annual General Meetings (AGMs). The Board consistently alerted relevant authorities, including the Ministry of Industries and Production (MoIP), Pakistan Stock Exchange (PSX), and SECP, about these challenges and their efforts to resolve them.

The above mismanagement resulted in severe consequences, including filing of winding-up petition by suppliers, legal action by the National Bank of Pakistan for non-payment, unpaid employee salaries, placement in the Non-Compliant Segment by PSX, and multiple show-cause notices from SECP.

An SECP investigation under Section 257, requested by the significant shareholder / Board member, uncovered significant violations by Mr. Mairaj Anees Ariff, including fund mismanagement, statutory non-compliance, no record-keeping, and a lack of transparency. Following his removal in September 2022 by Prime Minister Mr. Shahbaz Sharif and the subsequent assumption of control by the Board and key management personnel, efforts began to restore compliance with corporate laws and regulations. 



Page 01 of 03





PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of Industries and Production, Government of Pakistan.

Annex A

The financial statements for FY 2019 to FY 2023 are now prepared with diligence based on the best available records and data, despite the challenges. These statements reveal cumulative losses exceeding PKR 1.2 billion during this period. Given the irregularities and incomplete records from Mr. Mairaj Anees Ariff's tenure, the auditors refrained from expressing an opinion on the financial statements, as detailed in the external auditors' reports, which shall be circulated with the financial statements in due course. The management continues to address the aftermath of these issues to stabilize PECO's operations and ensure compliance.

The primary purpose of the proposed right issue is to address the working capital requirements of the Company, including the payment of utility bills, settlement of trade debts, continuity of day-to-day administrative operations, overdue salaries to employees, and investment of balance funds in income-generating avenues to support monthly operational expenses. This initiative also aims to stabilize the Company's financial position by taking steps for resumption of operations and consequently ensuring statutory compliance, including steps necessary for the removal of the Company from the Non-Compliant Segment of the stock exchange.

e) Utilization of Proceeds of the Right Issue

The proceeds from the Right Issue will primarily be utilized to address the Company's working capital needs, payment of utility bills, overdue liabilities of suppliers / banks, and restarting operational activities through necessary steps, thereby ensuring the continuity of operations and compliance with statutory obligations. Additionally, funds will be allocated for the settlement of overdue trade debts, sustaining day-to-day administrative functions, and investing the remaining amount in income-generating avenues to support ongoing operational expenses.

f) Benefits to the Company and Shareholders

Due to past management challenges, the Company is currently non-operational and listed on the Non-Compliant Segment of the stock exchange. The proposed Right Issue is anticipated to bring significant benefits by facilitating the Company's transition back to the regular counter. This move will enhance the Company's credibility and provide a foundation for its revival. The proceeds will enable the payment of outstanding salaries and arrears, encouraging employees to rejoin and contribute to the development of a business plan aimed at restarting operations. Additionally, the funds will support the settlement of litigations and liabilities, ultimately improving the Company's financial position and enhancing potential returns for shareholders. e





PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

Annex A

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

The management is confident that the revival of the Company through the Right Issue is in the broader national interest and will benefit all stakeholders. The Right Issue is being offered at a price significantly lower than the current market share price, minimizing investment risk for shareholders. Furthermore, the elected Directors have affirmed their commitment to subscribe to, or arrange for the subscription of, their respective entitlements concerning their beneficial shareholding. Additionally, the remaining portion of the Right Issue will be fully underwritten in compliance with applicable regulations, ensuring its success. However, standard business risks associated with the Company's operations will persist.

h) **Justification for issue of shares at premium**

The Right Issue is being conducted at a price of PKR 100 per share, which includes a premium of PKR 90 over the par value of PKR 10. This pricing is significantly lower than the market price, representing a substantial discount to the market value. The discount to the market price has been offered to make the Right Issue attractive and accessible to shareholders, ensuring their participation in supporting the Company's capital needs. The premium is justified as it reflects confidence in the Company's potential while maintaining affordability for shareholders, thereby striking a balance between the share's market perception and the objective of raising necessary funds. &

(i) **Minimum Subscription Amount**

Not Applicable





PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

Annex B

Extract of the Resolutions passed by the Board of Directors of Pakistan Engineering Company Limited (the Company) at its meeting held on 20th January 2025 at the registered office of the Company in 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.

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 56,902,450/- (Pak Rupees Fifty Six Million Nine Hundred Two Thousand Four Hundred and Fifty Only) to PKR 85,353,680 (Pak Rupees Eighty Five Million Three Hundred Fifty Three Thousand Six Hundred Eighty Only) by issue of further 2,845,123 (Two Million Eight Hundred Forty Five Thousand One Hundred Twenty Three) ordinary shares of the Company having face value 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 100/- (Pak Rupees One Hundred) per share (i.e. inclusive of a premium of PKR 90/- (Pak Rupees Ninety per share), in the ratio of 1 right share for every 2 ordinary shares of PKR 10/- (Pak Rupees Ten) each held immediately prior to the book closure date (i.e. 50%), 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, the risk factors associated with the Right Issue, minimum subscription amount 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:

Pakistan Engineering Company Limited (PECO)

Statement pertaining to Quantum of Issue, Issue Size, Issue Price, Purpose of the Issue, Utilization of Proceeds of the Issue, Benefits of the Issue to the Company and the shareholders, Risk Factors, Justification for Issue at Par and Minimum Subscription Amount, under Rule 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)

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PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

Annex B

b) **Right Issue Size**

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c) **Issue Price Per Share**

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d) **Purpose of the Right Issue**

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The above mismanagement resulted in severe consequences, including filing of winding-up petition by suppliers, legal action by the National Bank of Pakistan for non-payment, unpaid employee salaries, placement in the Non-Compliant Segment by PSX, and multiple show-cause notices from SECP.

An SECP investigation under Section 257, requested by the significant shareholder / Board member, uncovered significant violations by Mr. Mairaj Anees Ariff, including fund mismanagement, statutory non-compliance, no record-keeping, and a lack of transparency. Following his removal in September 2022 by Prime Minister Mr. Shahbaz Sharif and the subsequent assumption of control by the Board and key management personnel, efforts began to restore compliance with corporate laws and regulations.

The financial statements for FY 2019 to FY 2023 are now prepared with diligence based on the best available records and data, despite the challenges. These statements reveal cumulative losses exceeding PKR 1.2 billion during this period. Given the irregularities and incomplete records from Mr. Mairaj Anees Ariff's tenure, the auditors refrained from expressing an opinion on the financial statements, as detailed in the external auditors' reports, which shall be circulated with the financial statements in due course. The management continues to address the aftermath of these issues to stabilize PECO's operations and ensure compliance. *ls*

Page 02 of 05





PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

Annex B

The primary purpose of the proposed right issue is to address the working capital requirements of the Company, including the payment of utility bills, settlement of trade debts, continuity of day-to-day administrative operations, overdue salaries to employees, and investment of balance funds in income-generating avenues to support monthly operational expenses. This initiative also aims to stabilize the Company's financial position by taking steps for resumption of operations and consequently ensuring statutory compliance, including steps necessary for the removal of the Company from the Non-Compliant Segment of the stock exchange.


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

The proceeds from the Right Issue will primarily be utilized to address the Company's working capital needs, payment of utility bills, overdue liabilities of suppliers / banks, and restarting operational activities through necessary steps, thereby ensuring the continuity of operations and compliance with statutory obligations. Additionally, funds will be allocated for the settlement of overdue trade debts, sustaining day-to-day administrative functions, and investing the remaining amount in income-generating avenues to support ongoing operational expenses.

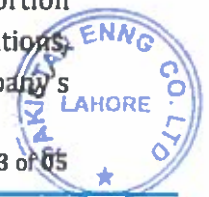
f) **Benefits to the Company and Shareholders**

Due to past management challenges, the Company is currently non-operational and listed on the Non-Compliant Segment of the stock exchange. The proposed Right Issue is anticipated to bring significant benefits by facilitating the Company's transition back to the regular counter. This move will enhance the Company's credibility and provide a foundation for its revival. The proceeds will enable the payment of outstanding salaries and arrears, encouraging employees to rejoin and contribute to the development of a business plan aimed at restarting operations. Additionally, the funds will support the settlement of litigations and liabilities, ultimately improving the Company's financial position and enhancing potential returns for shareholders.

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

The management is confident that the revival of the Company through the Right Issue is in the broader national interest and will benefit all stakeholders. The Right Issue is being offered at a price significantly lower than the current market share price, minimizing investment risk for shareholders. Furthermore, the elected Directors have affirmed their commitment to subscribe to, or arrange for the subscription of, their respective entitlements concerning their beneficial shareholding. Additionally, the remaining portion of the Right Issue will be fully underwritten in compliance with applicable regulations, ensuring its success. However, standard business risks associated with the Company's operations will persist. 

Page 03 of 05





PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

Annex B

h) Justification for issue of shares at premium

The Right Issue is being conducted at a price of PKR 100 per share, which includes a premium of PKR 90 over the par value of PKR 10. This pricing is significantly lower than the market price, representing a substantial discount to the market value. The discount to the market price has been offered to make the Right Issue attractive and accessible to shareholders, ensuring their participation in supporting the Company's capital needs. The premium is justified as it reflects confidence in the Company's potential while maintaining affordability for shareholders, thereby striking a balance between the share's market perception and the objective of raising necessary funds.

(i) Minimum Subscription Amount


Not Applicable

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 Mr. Mirza Mahmood Ahmad and/or Ms. Saher Mangi, be and hereby severally authorized by all the directors of the Company, to sign the circular accompanying the letter of offer, once finalized in accordance with the procedure stipulated under the Companies (Further Issue of Shares) Regulations, 2020.

FURTHER RESOLVED THAT all fractional entitlements, if any, will be consolidated in the name of Company Secretary, 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 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 any director and the Company Secretary/Chief Financial Officer be and hereby authorized to prepare, revise and finalize the draft offer document/letter and share it with the Securities and Exchange Commission of Pakistan ("SECP") and Pakistan Stock Exchange Limited ("PSX"), and revise the same based on the observations and changes of the SECP and PSX as may be deemed fit by them, in the manner prescribed under the Regulations, along with preparing and submitting other necessary documents in this respect. While the draft offer letter shall be placed on the PSX website, public comments on the same shall not be required to be solicited. 

Page 04 of 05





PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

Annex B

FURTHER RESOLVED THAT any director and the Company Secretary/Chief Financial Officer, be and each of them is hereby 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 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 SECP, PSX or 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 decide and close its share transfer books including dates thereof to determine entitlements of the shareholders of the Company with respect to the Right Issue.
- (iv) To open, maintain, operate and close bank accounts for the purpose of amounts received from subscription of rights shares;
- (v) Credit right shares once allotted by the Board and file returns / documents as required by SECP, PSX and CDC along with the auditors' certificates; and
- (vi) 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 above mentioned is a true and valid extract from the meeting of the Board of Pakistan Engineering Company Limited held at Lahore / through video conference on 20th January 2025.

M. Anwar Lodhi
Company Secretary

Pakistan Engineering Company Limited.

