

# MEHRAN SUGAR MILLS LIMITED

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 53<sup>rd</sup> Annual General Meeting of the members of the Company will be held at I.C.A.P. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Monday, January 28, 2019 at 1600 PST to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on January 26, 2018;
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended September 30, 2018;
3. To consider and approve Cash Dividend of 30% i.e. Rs. 3.00 per share final dividend and issuance of 15% bonus shares i.e 15 shares for every 100 shares held, as recommended by the Board of Directors of the Company.
4. To appoint auditors for the year ending September 30, 2019 and to fix their remuneration. The retiring auditors M/s. EY Ford Rhodes, Chartered Accountants being eligible, have offered themselves for re-appointment.

### SPECIAL BUSINESS

5. To consider and, if thought appropriate, pass, with or without modification, the following resolution, for investing an additional amount of Rs. 100 million (including cost overruns due to exchange rate fluctuations and other variables) as equity investment in M/s UNI-FOOD INDUSTRIES LIMITED- an associate joint venture unquoted public limited company, in compliance with the provisions of section 199 of the Companies Act, 2017.

#### **Resolved**

*"that the Company be and is hereby authorized to make an additional equity investment of Rs. 100 million (including cost overruns due to exchange rate fluctuations and other variables) in M/s UNI-FOOD INDUSTRIES LIMITED (UFIL) as mentioned in the annexed statement under section 134 sub clause (3) of the Companies Act 2017."*

6. To apprise and review the status of investments in Associated Companies, for which statement as required by S.R.O. 1240(I)/2017 dated December 06, 2017 is annexed.
7. To transact any other business with the permission of the Chair.

**By order of the of Board of Directors**  
**Muhammad Hanif Aziz**  
Company Secretary

Karachi: January 07, 2019

## NOTES

1. The share transfer books of the Company will remain closed from January 22, 2019 to January 28, 2019 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her behalf. Proxies in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the time fixed for holding the Annual General Meeting.
3. The shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring their original CNIC along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular 1 of 26th January, 2000 to be followed.
4. The shareholders are requested to notify the Company immediately the change in their address, if any.
5. The shareholders are also requested to provide us the-copy of their CNIC enabling us to update the record, without which any dividend/bonus shares announced by the company will not be issued / dispatched.
6. As per Section 242 of the companies Act 2017, any cash dividend shall only be paid through electronic mode directly into the bank accounts of the shareholders, therefore shareholders are requested to provide their Bank Account details (IBAN) to CDC or Share Registrar (in case of physical shares).

**Statement as required by S.R.O 1240(I)/2017 dated December 06, 2017**

<b>Associated Companies</b>	<b>Total Investment Approved</b>	<b>Amount of Investment made to date</b>	<b>Reasons for not having made complete investments so far</b>	<b>Material Change in financial Statements of associated company since resolution</b>
Mehran Energy Limited	750.00 Million	41.50 Million	Project future remains uncertain due to government policy. All 12 sugar based power projects are currently undergoing litigation at different levels. CPPA has filed an appeal in Islamabad High Court against decision of NEPRA, which is pending adjudication. NEPRA is also reviewing the mechanism of tariff. The verdict on this matter is vital for the future of these projects.	No material change.
UniFood Industries Limited	200.00 Million	168.00 Million	<p>The plant has started commercial production in March 2018 of its signature product Long cakes and Cupcakes both with different fillings.</p> <p>The company sales forecast are as per plan. A nationwide Distribution network is being established along with creation of a master brand by the name “Good Goodies”. Once the master brand is established and distribution outlined it will make it easier for the company to add different products in its Portfolio. We expect the company sales to continue to grow consistently.</p>	No material change.

<b>Associated Companies</b>	<b>Total Investment Approved</b>	<b>Amount of Investment made to date</b>	<b>Reasons for not having made complete investments so far</b>	<b>Material Change in financial Statements of associated company since resolution</b>
UniEnergy Limited	650 Million	20 Million	During the year under review, no progress was recorded on the wind power project. Management is keeping a close eye on NEPRA's policy in regards of the sector and whether it will award an upfront tariff or a competitive bidding mechanism.	No material change.

**Statement of Material Facts concerning Special Business pursuant to Section 134 sub clause (3) of the Companies Act 2017 read with S.R.O S.R.O. 1240(I)/2017 dated December 06, 2017**

This statement sets out the material facts concerning the Special Business given in Agenda Item No. 5 of the Notice to be transacted in the Annual General Meeting of the members of Mehran Sugar Mills Limited (MSML) to be held on January 28, 2019 at 4:00 pm at The Institute of Chartered Accountants of Pakistan, Chartered Accountant Avenue, Clifton, Karachi.

The Company has received an offer to subscribe an additional 10.00 million ordinary shares of **UNI-FOOD INDUSTRIES LIMITED (UFIL) - an associate joint venture unquoted public limited company**, at par value of Rs. 10/- each. The Board of Directors in its meeting held on December 28, 2018 has recommended to subscribe the said number of shares as stated in para (a) below subject to the approval of the members through a Special Resolution under Section 199 of the Companies Act, 2017.

**Item No. 5 of the agenda**

- a) In addition to the approval of subscribing 20,000,000 ordinary shares of Rs. 10/- each at par for 24% of the equity and to provide corporate guarantee, MSML intends to make further equity investment in the said Company in terms of Section 199 of the Companies Act, 2017 in one tranche or from time to time, as required by the Company, in fully paid-up ordinary shares of Rs.10/- each at par, not exceeding Rs. 100 million (Rupees one hundred million only) to obtain 10,000,000 ordinary shares the equity stake after the fresh investment will remain at 24.00%.
- b) UFIL’s main business activity is to carry on business of manufacture, produce, branding, sell and distribution of confectionery and other baked / food products.
- c) The planned capacity of the plant is 25 tons per day. As per the current feasibility study, the project cost is escalated from 1.40 billion to 1.95 billion due to PKR devaluation and publicity campaign. Now, the project is intended to be financed with a 35:65 debt equity ratio.
- d) In anticipation of the earnings and capital appreciation it is expected that the Company will generate reasonable profits in future and hence, the Board of Directors of the Company has recommended to make equity investment in UFIL, subject to the approval of the Members of the Company under Section 199 of the Companies Act, 2017. Accordingly, the consent and approval of the Members is sought for making the investment in UFIL as proposed in agenda item (a) above.
- e) The Directors of the Company have an interest in UFIL as directors / shareholders of the UFIL.
- f) Further information (revised) in terms of notification **No. S.R.O. 1240(I) / 2017 dated December 06, 2017** are as follows:

(i)	Name of the Associated Company or Associated Undertaking along with criteria based on which the associated relationship is established;	UFIL– Common Directorship / Significant Shareholding  1. Mr. Khurram Kasim 2. Ahmed Ebrahim Hasham
(ii)	Purpose, benefits and period of investment;	<b>Purpose:</b> To make efficient use of the retain earnings in a diversified business venture. The investment has potential for growth. <b>Benefits:</b> Dividend/capital gain. <b>Period:</b> Strategic investment

(iii)	Maximum amount of investment;	MSML intends to make an equity investment of up to Rupees 100 million (including cost overruns due to exchange rate fluctuations and other variables).
(iv)	Maximum price at which securities will be acquired;	At the par value i.e. Rs. 10/- per ordinary share.
(v)	Maximum number of securities to be acquired;	Up to 10,000,000 ordinary shares of Rs.10/- will be acquired
(vi)	Number of securities and percentage thereof held before and after the proposed investment;	No. of shares before investment: 20,000,000  No. of shares after investment (max up to): 30,000,000 ordinary shares i.e. MSML will subscribe 24.00% of total equity of the Company.
(vii)	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	UniFood commenced its commercial operation in March 2018 and is currently in consolidation phase. The brand Good Goodies has already reached major cities of Pakistan and achieved notable market share in such a short span of time i.e 9 Months. 2 new flavors are being introduced in addition to 9 existing flavors.  The Company's future prospects are good and once brand recognition is established, profitability will be positive and improved.
(viii)	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intend to be acquired;	Not applicable as UFIL is public unlisted company
(ix)	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements;	As per Audited Financial Statements for the year ended June 30 2018 the BV per share was Re. 6.35/-.
(x)	Earnings / (loss) per share of the Associated Company or Associated Undertaking for the last three years;	2018 : Rs. (3.26) per share 2017 : Rs. (1.33) per share 2016 : N/A
(xi)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and	<b>Statement of Financial Position</b> As on June 30, 2018  <b>Rs. In Million</b> Non-Current Asset : 727.50 Current Asset : 378.06 Total Assets : 1,105.55  Shareholder Equity : 444.26 Non-Current Liabilities : 565.57 Current Liabilities : 95.72 Total : 1,105.55 <b>Statement of Profit and Loss</b> For the period ended June 30, 2018 Revenue : Rs. 44 Million Gross Loss : Rs. (69) Million Net loss : Rs. (228) Million
(xii)	Sources of fund from which securities will be acquired;	The investment will be made by MSML from its own resources.
(xiii)	Where the securities are intended to be acquired using borrowed funds,- (I) Justification for investment through borrowings; and (II) Detail of guarantees and assets pledge for obtaining such funds	Not Applicable  Not Applicable
(xiv)	Salient features of the agreement(s), if any, entered into with its Associated Company or Associated Undertaking with regards to the proposed investment;	Not applicable
(xv)	Direct or indirect interest of directors, sponsor, majority shareholders and their relatives, if any, in the Associated Company or Associated	Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham (Directors of MSML) are also directors in UFIL. However, they have no direct or indirect interest except

	Undertaking or the transaction under consideration;	in their capacity as director/shareholder of UFIL like any other shareholder to the extent of their shareholding in the proposed company.
(xiv)	Any other important details necessary for the members to understand the transaction.	The funds raised will be used for expanding distribution network across Pakistan to enhance market penetration and for extensive marketing campaigns in shape of TV advertisements, print media, digital media and other trade and customer related activities.
(xv)	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely;  (I) Description of project and its history since conceptualizations. (II) Starting and expected date of completion of work. (III) Time by which such project shall become commercially operational; and (IV) Expected time by which the project shall start paying return on investment.	The plant has started commercial production in March 2018. Therefore, this clause is not applicable on UFIL.

<b>Regulation No. 3(1)(b)</b>	
<b>In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-</b>	
Maximum price at which securities will be acquired;	Rs. 10 per share
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;	UFIL has started commercial production in March 2018 and extensive investment is required to create distribution network and marketing for brand recognition.
Maximum number of securities to be acquired;	10,000,000 shares
Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	N/A
Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;	7.35 per share

### Regulation No. 3

Sr.No.	Description	Undertaking
	The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for proposed investment.	We, the directors of the Mehran Sugar Mills Limited, submit that we have carried out necessary due diligence based on our experience and professional judgment for the proposed transaction particularly the equity investment in the UFIL to the extent as mentioned above.