

# MEHRAN SUGAR MILLS LIMITED

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 54<sup>th</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 Tuesday, January 28, 2020 at 1630 PST to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on January 28, 2019;
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, 2019;
3. To consider and approve final cash dividend @ 10% i.e. Re. 1.00 per share and 15% bonus shares i.e. 15 shares for every 100 shares held by the members, in addition to interim dividend already issued @ 22.5% i.e. Rs. 2.25 per share and 10% bonus shares i.e. 10 shares for every 100 shares held for the year ended September 30, 2019 as recommended by the Board of Directors of the Company.
4. To appoint auditors for the year ending September 30, 2020 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 elect ten (10) Directors as fixed by the Board for the term of three years, in accordance with the provisions of Section 159 of the Companies Act, 2017. The retiring Directors are:
  1. Mohammed Kasim Hasham
  2. Mohammed Ebrahim Hasham
  3. Mohammed Hussain Hasham
  4. Khurram Kasim
  5. Ahmed Ebrahim Hasham
  6. Muhammad Iqbal
  7. Muhammad Basheer
  8. Dr. Amjad Waheed
6. To consider and, if thought appropriate, pass, with or without modification, the resolution, for investing an additional amount of Rs. 100 million (for induction of new products, expanding existing line of production, enhancing distribution network across Pakistan accompanied with widespread marketing campaigns on electronic and social media) 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.

A Statement under Section 134(3) of the Companies Act, 2017 containing material facts in respect of Investment in above company is attached herewith.

7. To apprise and review the status of investments in Associated Companies, for which statement as required by S.R.O 27(I)/2012 dated January 16, 2012 is being sent to the shareholders.
8. To transact any other business with the permission of the Chair.

**By order of the of Board of Directors**  
**Sumair Ali Khan**  
Company Secretary

Karachi: January 03, 2020

## NOTES

1. The share transfer books of the Company will remain closed from January 22, 2020 to January 28, 2020 (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 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 intimate us their CNIC # to implement the requirements of Annual Returns (Form A) which the Company is required to file with the SECP under section 130 of the Companies Act 2017.

**Statement as required by S.R.O 27(I)/2012 dated January 16, 2012**

Associated Companies	Total Investment Approved	Amount of Investment made to date	Reasons for not having made complete investments so far	Material Change in financial Statements of associated company since resolution
Mehran Energy Limited	750.00 Million	42.20 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.
Uni-food Industries Limited	300.00 Million	258.38 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 has been established along with creation of a master brand by the name <b>“Good Goodies”</b>. As communicated to the members of the company last year that once the master brand is established and distribution outlined it will make it easier for the company to add different products in its portfolio. Company is looking to add some new products in its portfolio as well as to expand its existing line of production.</p>	New product line is being established for better absorption of company’s overheads.

Associated Companies	Total Investment Approved	Amount of Investment made to date	Reasons for not having made complete investments so far	Material Change in financial Statements of associated company since resolution
UniEnergy Limited	650.00 Million	20.00 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. 6 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, 2020 at 4:30 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 30, 2019 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. 6 of the agenda**

- a) In addition to the approval of subscribing 30,000,000 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) Primary purpose of the additional investment is, for induction of new products, expanding existing line of production, enhancing distribution network across Pakistan accompanied with widespread marketing campaigns on electronic and social media.
- 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 in terms of notification **No. S.R.O. 1240(I) / 2017 dated December 06, 2017** are as follows:

<b>A. MATERIAL FACTS ABOUT ASSOCIATED COMPANY</b>		
(i)	Name of the Associated Company	Unifoods Industries Ltd.
(ii)	Basis of Relationship	Common Directorship / Significant Shareholding <b>Name of Common Directors</b> 1. Mr. Khurram Kasim 2. Ahmed Ebrahim Hasham
(iii)	Earnings / (loss) per share for last three (3) years	2019 : Rs. (4.38) per share 2018 : Rs. (3.26) per share 2017 : Rs. (1.33) per share
(iv)	Break-up value per share, based on latest audited financial statements	Rs. 5.15 (as per Audited Financial Statements for the year ended June 30, 2019)
(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	<b>Statement of Financial Position</b> As on June 30, 2019  Rs. in million Non-Current Asset : 944.511 Current Asset : 273.619 Total Assets : 1,218.130

		Shareholder Equity : 490.252 Non-Current Liabilities : 452.458 Current Liabilities : 275.420 Total : 1,218.130 <b>Statement of Profit and Loss</b> For the period ended June 30, 2019 Revenue : Rs. 375.663 Million Gross Loss : Rs. 15.849 Million Net loss : Rs. 417.063 Million
<b>B. GENERAL DISCLOSURE</b>		
(i)	Maximum amount of investment	MSML intends to make an equity investment of up to Rupees 400 million (including Rs. 300 million already approved by the shareholders)
(ii)	Purpose, benefits and period of investment	<b>Purpose:</b> inducting new product line/ expanding existing line of production, expanding the 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 to establish a brand image. <b>Benefits :</b> Dividend / capital gain. <b>Period :</b> Strategic investment
(iii)	sources of funds to be utilized for investment	The investment will be made by MSML from its own resources.
(iv)	Direct or indirect interest of directors, sponsor, majority shareholders and their relatives, if any, in the Associated Company or Associated Undertaking or the transaction under consideration;	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 in their capacity as director/shareholder of UFIL like any other shareholder to the extent of their shareholding in the proposed company.
(v)	Performance review of investment	UFIL commenced its commercial operation in March 2018 and is currently in consolidation phase. The brand ' <b>Good Goodies</b> ' has already reached major cities of Pakistan and achieved notable market share in such a short span of time i.e. 21 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.
(vi)	Any other important details necessary for the members to understand the transaction.	The funds raised will be used for induction of new products, expanding existing line of production, enhancing 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 to establish a brand image.  1. Some business and market risk associated with the proposed investment are as follows: 2. Acceptance by the targeted customers: Taste, pricing and packaging etc. 3. Achievement of sales target. 4. Gaining market share from existing big players in industry. 5. Development of an effective sale and marketing strategy/team. 6. Law and order situation of the Country. 7. Variation in price or raw materials and packing material.
<b>Additional disclosure as per Regulation No. 3(1)(b)</b>		
(i)	Maximum price at which securities will be acquired;	At the par value i.e. Rs. 10/- per ordinary 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;	UFIL has started commercial production in March 2018 and extensive investment is required to create distribution network and marketing for brand recognition.
(iii)	Maximum number of securities to be acquired;	Up to 40,000,000 ordinary shares of Rs.10/- will be acquired (including 30,000,000 ordinary shares already approved by the shareholders)
(iv)	Number of securities and percentage thereof held before and after the proposed investment;	No. of shares approved before investment: 30,000,000 i.e. 24% No. of shares after investment (max up to): 40,000,000 ordinary shares i.e. 24%
(v)	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
(vi)	fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;	Rs. 5.33 per share

**Regulation No. 3(3)**

	<b>Description</b>	<b>Undertaking</b>
	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.