

SANA INDUSTRIES LIMITED

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of the Shareholders of Sana Industries Limited will be held on February 18, 2021 at 5:00 pm at the Registered Office of the Company at 33-D-2, Block 6, P.E.C.H.S., Karachi to transact the following business:

Ordinary Business:

To confirm the minutes of the last Annual General Meeting of the Shareholders of the Company held on October 26, 2020.

Special Business:

1. To consider and approve the;

- (a) To increase the authorized capital of the Company from Rs.100,000,000 to Rs.200,000,000 and to pass the following Special Resolution with or without amendments:

“RESOLVED THAT the approval of the members be and is hereby accorded to increase the authorized capital of the Company from Rs.100,000,000 to Rs.200,000,000 and clause V of Memorandum of Association and Article 4 of Articles of Association of the Company be and is hereby altered by deleting existing clause V and replacing the same with the following clause:”

Clause V of Memorandum of Association

“The share capital of the Company is Rs. 200,000,000 (Rupees Two Hundred Million Only) divided into 20,000,000 ordinary shares of Rs. 10/- each with power to the Company to increase or reduce the said capital and to sub-divided or consolidate the Shares in the capital for the time being into several classes and to issue any part of its capital original or increased with such preferred, deferred or other special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company.”

Article 4 of Articles of Association

“The authorized capital of the Company shall be Rs. 200,000,000 (Rupees Two Hundred Million Only) divided into 20,000,000 ordinary shares of Rs. 10/- each.”

- (b) To consider and approve;

To make investment amounting to Rupees Sixty Million in shares of associated company “Sana Distributors (Private) Limited”, in pursuance to section 199 of the Companies Act, 2017 and to pass the following Special Resolutions with or without amendments;

“RESOLVED THAT the consent and approval of the members of the Company be and is hereby accorded in terms of Section 199 of the Companies Act, 2017 and “Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017” for investment of Rs. 60 Million by way of subscription of 6 Million Ordinary Right Shares of Rs.10/- each, @ Rs.10/- per share in Sana Distributors (Private) Limited (SDPL), a private limited associated company and associated undertaking subject to the terms and conditions mentioned in the Statement under Section 134(3) of the Companies Act, 2017.”

“FURTHER RESOLVED THAT Mr. Mohammed Irfan Nawab, the Chief Executive/Director of the Company and/or Mr. Ibrahim Younus, Director of the Company be and are hereby authorized to take and do and/or cause to be taken or done any/all necessary actions, which are or may be necessary for giving effect to the aforesaid resolutions and/or consequential to the investment of the Company’s funds as above as and when required at the time of investment.”

- (c) As permitted in Regulation 6 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017 (“the Regulations”), it is specifically authorized by the members that the approval of above equity investments will not lapse after 12 months and will continue till the investment limits are fully utilized.

Any Other Business:

To transact any other business with the permission of the Chair.

Karachi.

Dated: January 25, 2021

By Order of the Board

(Abdul Hussain Antaria)
Company Secretary

NOTES:

1. Closure of Share Transfer Books

The share transfer books of the Company shall remain closed from February 11, 2021 to February 18, 2021 (both days inclusive). Transfers received in order at the office of Share Registrar CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block B, SMCHS, Karachi-74400 by the close of business on February 10, 2021 will be considered in time to attend and vote at the meeting.

2. Participation in General Meeting

An individual beneficial owner of shares must bring his/her original CNIC or Passport, Account and Participant’s I.D. numbers to prove his/her identity. A representative of corporate member, must bring the Board of Directors’ Resolution and/or Power of Attorney and the specimen signature of the nominee, CDC account holders will further have to follow the guidelines as laid down in Circular 1 dated 28th January, 2000, issued by the Securities and Exchange Commission of Pakistan.

3. **Proxy**

A member entitled to attend and vote at the meeting may appoint another member as his/her proxy in writing to attend the meeting and vote on the member's behalf. Proxies in order to be effective must be received at the Company's Registered Office, 33-D-2, Block-6, P.E.C.H.S., Karachi, not later than 48 hours before the time of holding the meeting. A member shall not be entitled to appoint more than one proxy.

4. **Video Conference Facility**

Members can avail video conference facility, in this regard, for this they have to submit their option to head office of the Company 10 days before holding of the Extraordinary General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"I/We, _____ of _____, being a member of Sana Industries Limited, holder of _____ ordinary shares(s) as per Registered Folio/CDC Account No. _____ hereby opt for video conference facility at _____".

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out below the material facts pertaining to the special business to be transacted at the Extra Ordinary General Meeting of the Company to be held on February 16, 2021.

A. INCREASE IN AUTHORIZE CAPITAL:

STATEMENT PURSUANT TO SECTION 134 (3) OF THE COMPANIES ACT, 2017, RELATING TO THE SPECIAL BUSINESS TO BE TRANSACTED AT THE EXTRAORDINARY GENERAL MEETING IS AS UNDER:

1. Sana Industries Limited (SIL) is a public listed company incorporated in Pakistan on June 05, 1985 under the Companies Ordinance, 1984 (now repealed with the enactment of the Companies Act, 2017 on May 30, 2017). The shares of the Company are listed on Pakistan Stock Exchange Limited. The Company is primarily engaged in the manufacturing and sale of man-made blended yarn.
2. At present the authorized capital of the Company is only Rs. 100.00 million, which is required to be increased upto minimum of Rs. 200.00 million to cater to the future requirement of the Capital. The Board of Directors has therefore, recommended increasing the authorized capital to Rs. 200.00 million divided into 20.00 million ordinary shares of Rs. 10/- each, and following resolution is proposed to be passed with or without amendments as Special Resolution:

“RESOLVED THAT the approval of the members be and is hereby accorded to increase the authorized capital of the Company from Rs.100,000,000 to Rs.200,000,000 and clause V of Memorandum of Association and Article 4 of Articles of Association of the Company be and is hereby altered by deleting existing clause V and replacing the same with the following clause:”

Clause V of Memorandum of Association

“The share capital of the Company is Rs. 200,000,000 (Rupees Two Hundred Million Only) divided into 20,000,000 ordinary shares of Rs. 10/- each with power to the Company to increase or reduce the said capital and to sub-divided or consolidate the Shares in the capital for the time being into several classes and to issue any part of its capital original or increased with such preferred, deferred or other special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company.”

Article 4 of Articles of Association

“The authorized capital of the Company shall be Rs. 200,000,000 (Rupees Two Hundred Million Only) divided into 20,000,000 ordinary shares of Rs. 10/- each.”

MATERIAL FACTS TO BE DISCLOSED AS REQUIRED BY CLAUSE A(9) OF SRO 423(I)/2018 DATED APRIL 03, 2018 REGARDING ALTERING AUTHORIZED SHARE CAPITAL

| S.No. | Facts to be disclosed | Facts |
|-------|---|---|
| I | Reasons for alteration in authorized share capital | To meet the future requirement of paid up capital by issuance of further shares. |
| Ii | Existing authorized share capital | The Existing authorized share capital of the Company is Rs.100,000,000 divided into 10,000,000 Ordinary shares of Rs.10/- each. |
| Iii | Amount with which authorized share capital is proposed to be increased. | The authorized share capital of the Company is being increased by Rs.100,000,000 divided into 10,000,000 Ordinary shares of Rs.10/- each. |

The Directors are interested in the special businesses only to the extent of their shareholding in the Company.

B. INVESTMENT IN SANA DISTRIBUTORS (PRIVATE) LIMITED (SDPL)

Sana Industries Limited (SIL) is desirous of equity investment of Rs. 60 Million in Sana Distributors (Private) Limited (SDPL), a newly incorporated private limited associated company.

Sana Distributors (Private) Limited (SDPL) is a private limited company incorporated in Pakistan on November 02, 2020 under the Companies Act, 2017. The principal activity of the SDPL is distribution and selling of Shell Lubricants and to deal in other products. The company has entered into a Distribution Agreement with Shell Pakistan Limited. As per Agreement dated 15th December, 2020 the SDPL will distribute and sell branded products of Shell Pakistan Limited i.e. “Shell”, “Helix”, “Advance”, “Rimula”, “Spirax” & “Hydraulic Oil” in the assigned territory throughout Karachi.

The Board of Directors believes that this investment shall be beneficial for shareholders of the SIL and is expected to yield dividend income and prospective capital gains for the Company in the years to come.

The information required under Clause 3(1) (a) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 are as under:

| S# | Description | Information Required |
|--|--|--|
| A. Associated Company and Associated Undertaking | | |
| i. | Name of the associated company or associated undertaking | Sana Distributors (Private) Limited (SDPL) |
| ii. | Basis of relationship | Sana Distributors (Private) Limited (SDPL) is incorporated as a Private Limited Company on November 02, 2020 having paid up capital of Rs.800,000 divided into 80,000 ordinary shares of Rs.10/- each, which are subscribed by the four subscribers of the Company. SDPL will become a wholly owned subsidiary of Sana Industries Limited holding 100% / 99.9% shares. |
| iii. | Earnings per share for the last three years | Not applicable, as the SDPL is incorporated on November 02, 2020 and has not yet commenced any business. |
| iv. | Break-up value per share based on the latest audited financial statements | Not applicable, as the SDPL is incorporated on November 02, 2020 and has not yet commenced any business. |
| v. | Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; | Not applicable, as the SDPL is incorporated on November 02, 2020 and has not yet commenced any business. |
| 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; (II) starting date and expected date of completion of work; | The company has entered into a Distribution Agreement with Shell Pakistan Limited. As per Agreement the Company will distribute and sell branded products of Shell Pakistan Limited i.e. "Shell", "Helix", "Advance", "Rimula", "Spirax" & "Hydraulic Oil" throughout Karachi. The distribution business will be started w.e.f. February 08, 2021. |

| | | | | | | | | |
|------------------------------|--|--|---------|--|---------|--|--------|--|
| | (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and | The distribution business will become commercially operational w.e.f. February 08, 2021. The distribution business will start paying return on investment w.e.f. June 30, 2022. | | | | | | |
| | (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts; | SDPL will be a wholly owned subsidiary of SIL, therefore all the investments will be made by SIL and all investments will be in cash in the shape of share capital of SDPL. | | | | | | |
| B. General Disclosure | | | | | | | | |
| i. | Maximum amount of investment to be made | Rs. 60 Million as Equity subscription. | | | | | | |
| ii. | Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment. | <table border="1"> <tr> <td>Purpose</td> <td>The purpose of investment is to allow SIL to expand and diversify the business opportunities in the field of distribution. The new investment would result in increased sales revenue for SDPL and the resultant enhanced business value of SDPL and better return to the shareholders of SIL.</td> </tr> <tr> <td>Benefit</td> <td>Share of benefit from the profits to be made by SDPL and the prospective capital gain.</td> </tr> <tr> <td>Period</td> <td>The equity investment by SIL in SDPL is a long term investment unless otherwise decided to disinvest earlier at some best offer price in the best interest of the SIL.</td> </tr> </table> | Purpose | The purpose of investment is to allow SIL to expand and diversify the business opportunities in the field of distribution. The new investment would result in increased sales revenue for SDPL and the resultant enhanced business value of SDPL and better return to the shareholders of SIL. | Benefit | Share of benefit from the profits to be made by SDPL and the prospective capital gain. | Period | The equity investment by SIL in SDPL is a long term investment unless otherwise decided to disinvest earlier at some best offer price in the best interest of the SIL. |
| Purpose | The purpose of investment is to allow SIL to expand and diversify the business opportunities in the field of distribution. The new investment would result in increased sales revenue for SDPL and the resultant enhanced business value of SDPL and better return to the shareholders of SIL. | | | | | | | |
| Benefit | Share of benefit from the profits to be made by SDPL and the prospective capital gain. | | | | | | | |
| Period | The equity investment by SIL in SDPL is a long term investment unless otherwise decided to disinvest earlier at some best offer price in the best interest of the SIL. | | | | | | | |
| iii. | Sources of funds to be utilized for investment and where the investment is be intended to be made using borrowed funds; (i) Justification for investment through borrowings; (ii) detail of collateral, guarantees provided and assets pledged for obtaining of such funds; and (iii) cost benefits analysis. | The investment will be made from the internal resources of SIL. - - - | | | | | | |

| iv. | Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment; | No Agreement | | | | | | | | | |
|--|--|--|--------------------------------------|-------------|------------------|--------|---|----|-------|-----------|------|
| 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. | The directors of SIL have no direct or indirect interest in SDPL other than their shareholding in the SIL due to which they are interested in the earning of SIL from its investment in SDPL. | | | | | | | | | |
| 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 | Not applicable. | | | | | | | | | |
| vii. | Any other important details necessary for the members to understand the transaction; | None | | | | | | | | | |
| C. Additional disclosures in respect of equity investment. | | | | | | | | | | | |
| i. | Maximum price at which securities will be acquired | Rs. 10/- per share i.e. at par. | | | | | | | | | |
| 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; | The purchase price is less than the fair value determined by the valuer in the Regulation 5 of the "Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017. | | | | | | | | | |
| iii. | Maximum number of securities to be acquired | 6,000,000 shares of Rs.10/- each. | | | | | | | | | |
| iv. | Number of securities and percentage thereof held before and after the proposed investment. | <table border="1"> <thead> <tr> <th>Before and after proposed investment</th> <th>Shares held</th> <th>% of shares held</th> </tr> </thead> <tbody> <tr> <td>Before</td> <td>0</td> <td>0%</td> </tr> <tr> <td>After</td> <td>6,000,000</td> <td>100%</td> </tr> </tbody> </table> | Before and after proposed investment | Shares held | % of shares held | Before | 0 | 0% | After | 6,000,000 | 100% |
| Before and after proposed investment | Shares held | % of shares held | | | | | | | | | |
| Before | 0 | 0% | | | | | | | | | |
| After | 6,000,000 | 100% | | | | | | | | | |
| v. | Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and | Not applicable | | | | | | | | | |

| | | |
|--|--|---|
| vi | Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities; | The fair value of SDPL on the basis of future projections as determined by a Chartered Accountants Firm M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants is Rs. 13.58/- per share. |
| <p>D. Disclosure if investment is in the of loans, advances and guarantees. NOT APPLICABLE AS THE INVESTMENT IS BEING MADE IN THE FORM OF EQUITY.</p> | | |

Due diligence of the investment

The directors of the Company as required by Regulation 3(3), of the Regulations have carried out the due diligence, for the proposed investment in the ordinary shares of SDPL for which the shareholders consent by Special Resolution as set out above is required under section 199 of the Companies Act 2017. The recommendations of the said Due Diligence Report duly signed under the authority of directors will be made available for inspection at the EOGM.

Interest of the investee company, its sponsors and directors in the Investing Company

The directors of SIL have no direct or indirect interest in SDPL other than their shareholding in the SIL due to which they are interested in the earning of SIL from its investment in SDPL.