

ADVICE FOR INVESTORS

INVESTMENT IN EQUITY SECURITIES AND EQUITY RELATED SECURITIES INVOLVES A CERTAIN DEGREE OF RISKS. THE INVESTORS ARE REQUIRED TO READ THE RIGHTS SHARE OFFER DOCUMENT (HEREIN REFERRED TO AS 'OFFER DOCUMENT') AND RISK FACTORS CAREFULLY, ASSESS THEIR OWN FINANCIAL CONDITIONS AND RISK-TAKING ABILITY BEFORE MAKING THEIR INVESTMENT DECISIONS IN THIS OFFERING.

RIGHT ENTITLEMENT LETTER IS TRADABLE ON PSX, RISKS AND REWARDS ARISING OUT OF IT SHALL BE SOLE LIABILITY OF THE INVESTORS.

THIS DOCUMENT IS ISSUED FOR THE PURPOSE OF PROVIDING INFORMATION TO SHAREHOLDERS OF THE COMPANY AND TO THE PUBLIC IN GENERAL IN RELATION TO THE RIGHTS ISSUE OF PKR 5,600,000,000/-, CONSISTING OF 32,000,000 NEW ORDINARY SHARES BY GATRON (INDUSTRIES) LIMITED. A COPY OF THIS DOCUMENT HAS BEEN REGISTERED WITH THE SECURITIES EXCHANGE.

THIS OFFER DOCUMENT IS VALID TILL _____, 2024.

**Gatron (Industries) Limited
Right Share - Offer Document**

Date and place of incorporation: May 28, 1980, Pakistan, **Incorporation number:** 0007766.

Registered Office: Room No.32, First Floor, Ahmed Complex, Jinnah Road, Quetta – Balochistan.

Corporate Office: 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi-Sindh

Contact No: +92-21-35659500, **Website:** www.gatron.com, **Contact Person:** Mr. Shameer Haroon, Phone: +92 21 35659518, **Email:** shameer@gatronova.com (To contact during business hours i.e. from Monday to Friday from 9:00 am to 5.15 pm and Saturday, 9:00 am to 2:00 pm.)

Issue Size: The Right Issue consists of 32,000,000 Right Shares (i.e. 41.7052% of the existing paid-up capital of Gatron (Industries) Limited) having a face value of PKR 10/- each, at an offer price of PKR 175/- each (i.e. including a premium of PKR 165/- per share). The total amount to be raised through the Right Issue is PKR 5,600,000,000/-

Date of Placing Offer Document on PSX for Public Comments: N/A (Public comments were not sought)

Date of Final Offer Letter: [●], 2024

Date of Book Closure: From [●], 2024 to [●], 2024

Subscription Amount Payment Dates: From [●], 2024 to [●], 2024

Trading Dates for Letter of Rights: From [●], 2024 to [●], 2024

Details of the relevant contact persons:

	Name of the Person	Designation	Contact Number	Office Address	Email ID
Authorized Officer of the Issuer	Mr. Shameer Haroon	Divisional Head (Tax, Legal and Corporate Affairs)	+92 21-35659518	11 th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi	shameer@gatronova.com
Underwriters					
Arif Habib Limited	Mr. Taha Siddiqui	Chief Financial Officer	+92 21 111245111	Arif Habib Limited 2/F, Arif Habib Centre 23, M.T. Khan Road, Karachi	taha.siddiqui@arifhabibltd.com
Ismail Iqbal Securities (Private) Limited	Mr. Ahfaz Mustafa	Chief Executive Officer	+92 21 34302172	C 94, KDA Scheme #1 KDA Scheme 1, Karachi, Karachi City, Sindh	ahfaz.mustafa@ismailiqbal.com
Banker to the Issue					
Habib Metropolitan Bank Limited	Syed Mairaj Hassan	Team Leader Sales (South) Transaction Banking	+92 21 32644571	Transaction Banking, Mezzanine Floor, I.I. Chundrigar Road, Karachi	mairaj.hassan@habibmetro.com
Meezan Bank Limited	Mirza Ayub Baig	Senior Vice President Capital Markets / SBP Reporting Unit	+92 21-3640097	Meezan House, C-25, Estate Avenue, SITE, Karachi	ayub.baig@meezanbank.com

Website: This offer letter can be downloaded from <https://www.gatron.com> and <https://www.psx.com.pk>

UNDERTAKING ON RS.100/- STAMP PAPER

UNDERTAKING BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

WE, SHABBIR DIWAN, THE CHIEF EXECUTIVE OFFICER AND MUSTUFA BILWANI, THE CHIEF FINANCIAL OFFICER OF GATRON (INDUSTRIES) LIMITED CERTIFY THAT;

- (i) THE OFFER DOCUMENT CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
- (ii) THE INFORMATION CONTAINED IN THE OFFER DOCUMENT IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF;
- (iii) THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
- (iv) THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THE OFFER DOCUMENT AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
- (v) ALL REQUIREMENTS OF THE COMPANIES ACT, 2017, THE COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020, THE CENTRAL DEPOSITORY COMPANY AND THAT OF PSX PERTAINING TO THE RIGHT ISSUE HAVE BEEN FULFILLED.

FOR AND ON BEHALF OF GATRON (INDUSTRIES) LIMITED

SHABBIR DIWAN
Chief Executive Officer

MUSTUFA BILWANI
Chief Financial Officer

UNDERTAKING ON RS.100/- STAMP PAPER

UNDERTAKING BY THE BOARD OF DIRECTORS (BOARD)

WE, THE BOARD OF DIRECTORS OF GATRON (INDUSTRIES) LIMITED HEREBY CONFIRM THAT:

- (i) ALL MATERIAL INFORMATION AS REQUIRED UNDER THE COMPANIES ACT, 2017, THE SECURITIES ACT, 2015, COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020, THE LISTING OF COMPANIES AND SECURITIES REGULATIONS OF THE PAKISTAN STOCK EXCHANGE LIMITED HAS BEEN DISCLOSED IN THIS OFFER DOCUMENT AND THAT WHATEVER IS STATED IN OFFER DOCUMENT AND IN THE SUPPORTING DOCUMENTS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF AND THAT NOTHING HAS BEEN CONCEALED.
 - (ii) WE UNDERTAKE THAT ALL MATERIAL INFORMATION, INCLUDING RISKS THAT WOULD ENABLE THE INVESTOR TO MAKE AN INFORMED DECISION, HAS BEEN DISCLOSED IN THE OFFER DOCUMENT.
 - (iii) RIGHT ISSUE IS THE DISCRETION OF BOARD OF THE ISSUER AND IT NEITHER REQUIRE APPROVAL OF THE COMMISSION NOR THE SECURITIES EXCHANGE.
 - (iv) THE DRAFT OFFER DOCUMENT WAS PLACED ON THE WEBSITE OF THE SECURITIES EXCHANGE AND THE ISSUER ON _____ (I.E. WITHIN 45 DAYS OF THE DATE OF ANNOUNCEMENT BY THE BOARD).
 - (v) COMMENTS FROM SECURITIES EXCHANGE AND THE SECP WERE RECEIVED ON _____
 - (vi) THE BOARD HAS ENSURED THAT DRAFT OFFER DOCUMENT IS UPDATED IN LIGHT OF THE SECURITIES EXCHANGE AND SECP COMMENTS.
 - (vii) THE FINAL OFFER DOCUMENT WAS PLACED ON SECURITIES EXCHANGE WEBSITE ON _____ ALONG WITH THE BOOK CLOSURE DATES AND RELEVANT RIGHT ISSUANCE TIMELINES. (I.E. WITHIN 20 WORKING DAYS FROM THE DATE OF RECEIPT OF COMMENTS OF PSX & SECP).
 - (viii) THE STATUTORY AUDITOR M/s KRESTON HYDER BHIMJI & CO., CHARTERED ACCOUNTANTS, WILL MONITOR THE PROCEED UTILIZATION IF THE ISSUANCE PROCEEDS EXCEED RS.750 MILLION OR 50% OF THE PAID UP CAPITAL OF THE LISTED COMPANY ISSUING RIGHT SHARES, WHICHEVER IS HIGHER.
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ABDUL RAZAK DIWAN	SHABBIR DIWAN	ZAKARIA BILWANI
MUHAMMAD IQBAL BILWANI	SAQIB HAROON BILWANI	MUHAMMAD TAUFIQ BILWANI
MUHAMMAD ALTAF BILWANI	TALAT IQBAL	MUHAMMAD TUFAIL IQBAL
	HUMA RAFIQUE	

Draft Offer Document

DISCLAIMER:

- i. In line with Companies Act, 2017 and Companies (Further Issue of Shares) Regulations, 2020, this document does not require approval of the Securities Exchange and the Securities Exchange Commission of Pakistan (SECP).
- ii. The Securities Exchange and the SECP disclaims:
 - a. Any liability whatsoever for any loss however arising from or in reliance upon this document to anyone, arising from any reason, including, but not limited to, inaccuracies, incompleteness and/or mistakes, for decisions and/or actions taken, based on this document.
 - b. Any responsibility for the financial soundness of the Company and any of its schemes/projects stated herein or for the correctness of any of the statements made or opinions expressed with regards to them by the Company in this Offer document.
 - c. Any responsibility w.r.t quality of the issue.
- iii. It is clarified that information in this Offer document should not be construed as advice on any particular matter by the SECP and the Securities Exchange and must not be treated as a substitute for specific advice.

GLOSSARY OF TECHNICAL TERMS AND DEFINITIONS

Banker to the Issue	Any bank with whom an account is opened and maintained by the Issuer for keeping the issue amount. Habib Metropolitan Bank Limited and Meezan Bank Limited have been appointed, in this Right Issue, as the Bankers to the Issue.
CDC	Central Depository Company of Pakistan Limited
CDS	Central Depository System
Company / Gatron / Issuer	Gatron (Industries) Limited
Companies Act	Companies Act, 2017
Commission / SECP	Securities & Exchange Commission of Pakistan
Ordinary Shares	Ordinary Shares of the Company having a face value of PKR10/- each.
PSX	Pakistan Stock Exchange Limited
PKR / Pak Rupees	Pakistani Rupees
Regulations	The Companies (Further Issue of Capital) Regulations, 2020
Right Issue / Issue	32,000,000 Right Shares representing 41.7052% of total paid-up capital of the Company.
Right Shares	Shares offered by a company to its members strictly in proportion to the shares already held in respective kinds and classes.
SHC	The Honourable High Court of Sindh at Karachi
Sponsors	A person who has contributed initial capital in the issuing company or has the right to appoint majority of the directors on the board of the issuing company directly or indirectly; A person who replaces the person referred to above; and A person or group of persons who has control of the issuing company whether directly or indirectly.
USD	United States Dollar

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1 SALIENT FEATURES OF THE RIGHT ISSUE

1.1. BRIEF TERMS OF THE RIGHT ISSUE

a)	Description of Issue:	Issuance of Right Shares to existing shareholders
b)	Size of the proposed Issue:	The Company shall issue 32,000,000 (Thirty Two Million) ordinary shares at a price of PKR 175/- (Pak Rupees One Hundred Seventy Five) per share, aggregating to PKR 5,600,000,000/- (Pak Rupees Five Billion Six Hundred Million).
c)	Face Value of the share:	PKR 10/-
d)	Basis of determination of price of the right issue:	The Right Issue is being carried out at a premium. Considering the current market price of the Company's shares, the premium charged over the par value is justified and is in line with market practice, in fact the same constitutes an approximate 26.47% discount on the last 3 (three) months (from the date of the decision of the Board to carry out the Issue) average trading share price ¹ .
e)	Proportion of new issue to existing shares with any condition applicable thereto:	41.7052 right shares for every 100 ordinary shares held i.e. 41.7052% of the existing paid-up capital of the company.
f)	Date of meeting of Board of Directors (BoD) wherein the right issue was approved:	Thursday, December 14, 2023
g)	Name of directors attending the Board Meeting:	<ol style="list-style-type: none"> 1. Mr. Abdul Razak Diwan, Chairman 2. Mr. Shabbir Diwan, Chief Executive Officer 3. Mr. Zakaria Bilwani, Non-Executive Director 4. Mr. Usman Habib Bilwani, Non-Executive Director 5. Mr. Muhammad Iqbal Bilwani, Non-Executive Director 6. Mr. Saqib Haroon Bilwani, Non-Executive Director 7. Mr. Muhammad Taufiq Bilwani, Executive Director 8. Mr. Muhammad Waseem, Independent Director 9. Mr. Talat Iqbal, Independent Director

¹ Last three months' average share price is PKR 224.4122 per share (From September 1, 2023 to November 30, 2023)



h)	Brief purpose of utilization of right issue proceeds:	The proceeds from the Right Issue will be utilized to finance the Company’s working capital requirements to ensure smooth operations and optimum sales levels, leading to sustained business growth.
i)	Purpose of the Right Issue - Details of the main objects for raising funds through present right issue:	<p>The purpose of the Right Issue is to finance the Company’s working capital requirements, to ensure smooth operations and optimum sales levels, leading to sustained business growth. This aligns with the Company's broader strategy to fortify its financial position in order to enhance profitability and, consequently, provide greater shareholder return.</p> <p>In the country’s current economic environment, where interest rates have increased significantly, funding the Company’s working capital requirements largely through bank / financial institution debt is not a feasible or prudent option. Consequently, equity raised funds utilized for working capital purposes is a more prudent business and strategic approach, which will reduce finance costs. The same is expected to positively impact profitability, ultimately generating improved results for shareholders.</p>
j)	Minimum level of subscription (MLS):	None.
k)	“Application Supported by Blocked amount” (ASBA) facility, if any, will be provided for subscription of right shares	Not Applicable.

1.2 PRINCIPAL PURPOSE OF THE ISSUE AND FUNDING ARRANGEMENTS:

A	Details of the principal purpose of the Right Issue						
	<p>The purpose of the Right Issue is to finance the Company's working capital requirements, which is essential for sustained business growth. This aligns with the Company's broader strategy to fortify its financial position in order to enhance profitability and, consequently, provide greater shareholder return. Below is the break-up of utilization of the Right Issue proceeds:</p> <table border="1" data-bbox="339 566 1522 647"> <thead> <tr> <th data-bbox="339 566 724 607">Purpose of the Issue</th> <th data-bbox="724 566 1129 607">Amount (PKR)</th> <th data-bbox="1129 566 1522 607">% of Right Issue Proceeds</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 607 724 647">Working Capital</td> <td data-bbox="724 607 1129 647">5,600,000,000/-</td> <td data-bbox="1129 607 1522 647">100%</td> </tr> </tbody> </table>	Purpose of the Issue	Amount (PKR)	% of Right Issue Proceeds	Working Capital	5,600,000,000/-	100%
Purpose of the Issue	Amount (PKR)	% of Right Issue Proceeds					
Working Capital	5,600,000,000/-	100%					

B	Additional disclosure relating to purpose of the Right Issue	
	Activities that are classified as working capital	<p>The following are the broad activities that are classified as working capital, based on the Company's business / operations and requirements from time to time:</p> <ul style="list-style-type: none"> - Procurement of raw and packing materials - Current Assets Inventory - Manufacturing overheads - Short Term Business credit
	Basis of estimate of working capital requirement along with relevant assumptions	<p>The basis of estimation of the Company's working capital requirements are as follows:</p> <ul style="list-style-type: none"> - Historical data of the Company's operations and requirements - Current prevailing market rates vis-à-vis costs, taking into account inflation and market conditions. - Inventories days: 97 * - Receivable days: 56* - Payable days: 61* <p>* The above are based on the average of last three year Company's annual audited financial statements i.e from 2020-21 to 2022-23.</p>
	Reasons for raising additional working capital, substantiating the same with relevant facts and figures	<p>Working capital is being raised to sustain and grow the Company's business and volumes, with the aim of achieving optimum operations and sales levels. The Company has already expanded its annual capacity of manufacturing of yarn from 33,000 metric tonnes (on mix deniers) to 75,000 metric tonnes (on mix deniers) in the last 6 (six) years and further capacity expansion is expected in the coming year, to make it 99,000 metric tonnes. The working capital requirements of the Company have accordingly increased in line with enhanced plant capacity.</p> <p>In the country's current economic environment, where interest rates have increased significantly, funding the Company's working capital requirements largely through bank / financial institution debt is not a feasible or prudent option. Consequently, equity raised funds utilized for working capital purposes is a more prudent business and strategic approach, which will reduce the short term borrowings and consequently the finance cost.</p>

Total envisaged working capital requirement in a tabular form, the margin money thereof and the portion to be financed by any bank(s) or otherwise.	Total envisaged working capital requirement			PKR 5,600,000,000/-		
	Margin Money			Not applicable		
	Portion to be financed by any bank(s) or otherwise.			Not applicable.		
Cash Conversion Cycle in number of days for last three years	2020-21		2021-22		2022-23	
	91		96		89	

1.3. FINANCIAL EFFECTS ARISING FROM RIGHT ISSUE

Description	Measurement Unit	Pre-Issue	Post-Issue	Increase / (Decrease) in (%)*
Authorized Capital	PKR	1,300,000,000	1,300,000,000	NIL
Paid-up Capital*	PKR	767,289,600	1,087,290,000	41.71%
Net Assets / Breakup value per share *	PKR	102.44	116.44	13.67%
Gearing Ratio**	Percentage	68%	57%	(11%)
Production Capacity				
Yarn (based on 150 Denier)	Metric Ton	86,280	86,280	Nil
Preforms (based on 27 grams)	Metric Ton	31,512	31,512	Nil
Knitting	Metric Ton	1,090	1,090	Nil
Market Share**	Percentage	27-30%	27-30%	Nil

Note:

*These numbers are taken from the audited financial statements of the Company for the year ended June 30, 2023.

**Expected / Estimated

1.4. TOTAL EXPENSES TO THE ISSUE

Underwriting Commission	[●]*
Underwriter Take-up Commission	2.00%
Bankers to the Issue – Out of Pocket	PKR 100,000
CDC – Fresh Issue Fee	PKR 8,064,000
CDC – Annual Fees for Eligible Security (Listing Fee)	PKR 1,000,000
PSX Fee (0.2% of increase in paid-up capital)	PKR 640,000
SECP Supervisory Fee (10% of fees paid to PSX)	PKR 64,000

Auditor Fee for Auditor Certificates	PKR 200,000
Stamp duty on issuance of additional shares	Up to PKR 3,200,000
Printing costs	Up to PKR 500,000
Lawyers and consultation fees	PKR 3,000,000

*Will be determined in due course

1.5. DETAILS OF UNDERWRITERS

Name of the Underwriter	Amount Underwritten	Associated Company/Associated Undertaking of the Issuer
Arif Habib Limited	PKR [●]*	No
Ismail Iqbal Securities (Private) Limited	PKR [●]*	No

*Will be determined in due course

1.6. COMMITMENTS FROM SUBSTANTIAL SHAREHOLDERS/DIRECTORS:

Name of the person	Status (Substantial Shareholder/ Director)	Number of Shares Committed to be subscribed ²	Amount Committed to be Subscribed	Shareholding % - pre issuance	Shareholding % - post issuance ³
Mr. Abdul Razak Diwan	Director	480,390	4,803,900	0.63	0.44
Mr. Shabbir Diwan	Director	5,476,774	54,767,740	7.14	5.04
Mr. Zakaria Bilwani	Director	480,390	4,803,900	0.63	0.44
Mr. Muhammad Iqbal Bilwani	Director	4,197,152	41,971,520	5.47	3.86
Mr. Saqib Haroon Bilwani	Director/ Substantial Shareholder	8,187,852	81,878,520	10.67	7.53
Mr. Muhammad Taufiq Bilwani	Director	3,016,600	30,166,000	3.93	2.77
Mr. Muhammad Altaf Bilwani	Director	1,119,194	11,191,940	1.46	1.03
Mr. Talat Iqbal	Director	75,682	756,820	0.10	0.07
Mr. Muhammad Tufail Iqbal	Director	500	5,000	0.00	0.00
Ms. Huma Rafique	Director	1,000	10,000	0.00	0.00
Mr. Rizwan Diwan	Substantial Shareholder	10,059,034	100,590,340	13.11	9.25

² These may be subscribed to through persons arranged by the said directors as permitted under the Regulations.

³ Subject to actual subscription of right entitlements (as stated above, the same may be subscribed by persons arranged by individuals) and / or subscription of additional shares.

1.7. FRACTIONAL SHARES

The Board of Directors of the Company have resolved in their meeting held on December 14, 2023 that all fractional entitlements, if any, will be consolidated in the name of the Company Secretary (under trust), and unpaid letters of right in respect thereof shall be sold on the PSX, the net proceeds from which sale, once realized, shall be distributed / paid to the entitled shareholders in proportion to their respective entitlements as per the Regulations.

1.8. IMPORTANT DATES

GATRON (INDUSTRIES) LIMITED			
Tentative Schedule for Issuance of Letter of Rights			
Book Closure: From [●], 2024 to [●], 2024 (both days inclusive)			
S. No.	Procedure	Day	Date
a)	Date of credit of unpaid Rights into CDC in Book Entry Form		
b)	Dispatch of Letter of Right (LOR) to physical shareholders		
c)	Intimation to PSX for dispatch of physical Letter of Rights		
d)	Commencement of trading of unpaid Rights on PSX		
e)	Last date of trading of letter of Rights		
f)	Payment of subscription amount start date		
g)	Last date for acceptance of payment		
h)	Allotment of shares and credit of Shares into CDS		
i)	Date of dispatch of physical shares certificates		

2 SUBSCRIPTION AMOUNT PAYMENT PROCEDURE

- a) Payment as indicated above should be made by cash or crossed cheque or demand draft or pay order made out to the credit of "Gatron (Industries) Limited - Right Shares Subscription Account" through any of the authorized branches of above-mentioned bank(s) on or before _____, 2024 along with this Right Subscription Request duly filled in and signed by the subscriber(s).
- b) Right Subscription Request can be downloaded from the Company's website www.gatron.com
- c) In case of Non-Resident Pakistani / Foreign shareholder, the demand draft of equivalent amount in Pak Rupees should be sent to the Company Secretary, Gatron (Industries) Limited at the corporate office of the Issuer along with Right Subscription Request (both copies) duly filed and signed by the subscriber(s) with certified copy of NICOP / Passport well before the last date of payment.
- d) All cheques and drafts must be drawn on a bank situated in the same city where Right Subscription Request is deposited. Cheque is subject to realization.
- e) The Bankers to the Issue will not accept Right Subscription Request delivered by post which may reach after the closure of business on _____, 2024, unless evidence is available that these have been posted before the last date of payment.
- f) Payment of the amount indicated above to the Issuer's Banker(s) to the Issue on or before on _____, 2024, shall be treated as acceptance of the Right offer.
- g) After payment has been received by the Company's Banker(s) to the Issue, the Right Securities will be credited into respective CDS Accounts within 14 business days from the last payment date. Paid Right Subscription Request will not be traded or transferred.

3 PROFILES OF THE BOARD OF DIRECTORS OF THE COMPANY AND SPONSORS

BOARD OF DIRECTORS		
Name	Position	Date of Appointment
Mr. Abdul Razak Diwan	Chairman	24-12-2023
Mr. Shabbir Diwan	Chief Executive Officer	24-12-2023
Mr. Zakaria Bilwani	Non-Executive Director	24-12-2023
Mr. Muhammad Iqbal Bilwani	Non-Executive Director	24-12-2023
Mr. Saqib Haroon Bilwani	Non-Executive Director	24-12-2023
Mr. Muhammad Taufiq Bilwani	Executive Director	24-12-2023
Mr. Muhammad Altaf Bilwani	Non-Executive Director	24-12-2023
Mr. Talat Iqbal	Independent Director	24-12-2023
Mr. Muhammad Tufail Iqbal	Independent Director	24-12-2023
Ms. Huma Rafique	Independent Director	24-12-2023

3.1. PROFILE OF THE BOARD OF DIRECTORS OF THE COMPANY

Mr. Abdul Razak Diwan – Non- Executive Director, Since - 1980

Mr. Abdul Razak Diwan is a Bachelor of Commerce and is a founding member of Gatron (Industries) Limited. He has also been the Director of Finance of the Company since its incorporation. He is the Governor of the Gatron Foundation, a company incorporated for charitable purposes. Mr. Abdul Razak Diwan was the Honorary Chairman of Memon Medical Institute & Hospital, a donor-funded multidisciplinary hospital established to cater to the healthcare and education needs of the society at large.

Mr. Shabbir Diwan – Executive Director, Since - 1983

Mr. Shabbir Diwan, the Chief Executive Officer of the Company, has an MBA degree from the Institute of Business Administration, University of Karachi. He is also the Chairman of the Pakistan Business Council and a director of Lotte Chemical Pakistan Limited. He is a member of the Board of Governors of “Patients Aid Foundation” of Jinnah Postgraduate Medical Centre, the second largest government hospital in Karachi. In addition, he is a member of the Board of Governors of Memon Medical Institute & Hospital.

Mr. Zakaria Bilwani - Non-Executive Director, Since - 1984

Mr. Zakaria Bilwani, a Commerce Graduate, has been serving as a Director on the Board of Gatron since 1984. His enduring commitment to the Company and his non-executive role highlights his steady contribution to the strategic direction and governance of the Company over the years.

Mr. Iqbal Bilwani - Non-Executive Director, Since – 1982

Mr. Iqbal Bilwani is a Fellow Member of the Institute of Chartered Accountants of Pakistan since 1978 and brings a wealth of financial expertise to his role on the Board of Gatron. In addition to his directorial responsibilities, Mr. Iqbal Bilwani plays a vital role in the oversight and governance of Gatron as a member of the company's Audit Committee. His extensive experience and commitment to excellence contribute significantly to Gatron's standing as the largest producer of Polyester Filament Yarn in Pakistan.

Mr. Saqib Haroon Bilwani - Non-Executive Director, Since - 2022

Mr. Saqib Haroon Bilwani has an MBA degree from the Institute of Business Administration, University of Karachi. He is a family member of the Gani & Tayub Group. He is a Trustee and Member of the Executive Board of Memon Health and Education Foundation. Mr. Bilwani also served on the Managing Committee of the Pakistan Hosiery Manufacturers Association.

Mr. Muhammad Taufiq Bilwani - Executive Director, Since - 2013

Mr. Muhammad Taufiq Bilwani is a Graduate of Mechanical Discipline from N.E.D University of Engineering & Technology. He is an Executive Director on the Board of Gatron since July 2013 and has been the Chief Officer of Plant Operations since 1983. He obtained Certification under the Director’s Training Program offered by the Institute of Chartered Accountants of Pakistan in 2013. He was also a Member of the Executive Committee of Pakistan Engineering Council, the Vice President of the Lasbela Chamber of Commerce and Industry and a Member of the Institute of Engineers Pakistan.

Mr. Muhammad Altaf Bilwani – Non-Executive Director, Since - 2023

Mr. Muhammad Altaf Bilwani has recently been elected as Director of the Company. He has completed his bachelor’s degree in mechanical engineering from USA in 1995. Subsequently, Mr. Altaf Bilwani furthered his education by completing a Master’s in Business Administration from the Institute of Business Administration in 1999.

With a solid educational foundation encompassing both technical and business disciplines, Mr. Muhammad Altaf Bilwani brings a unique blend of engineering insight and business acumen to the leadership team of Gatron. His diverse skill set contributes well to the strategic direction and decision-making processes of the Company.

Mr. Talat Iqbal - Independent Director, Since - 2020

Mr. Talat Iqbal holds a degree in Business Administration & Commerce from the University of Karachi. He also holds a Legum Baccalaureate degree in Law from the University of Karachi. He has vast experience in information technology, commerce and trade. He has obtained Certification under the Directors' Training Program offered by the Pakistan Institute of Corporate Governance in 2021.

Mr. Muhammad Tufail Iqbal – Independent Director, Since - 2023

Mr. Muhammad Tufail Iqbal is an associate member of Institute of Chartered Accountants of Pakistan and is also a chartered certified accountant from Association of Chartered Certified Accountants. He is an experienced finance and tax professional with more than thirteen years of expertise in the field of financial trade, corporate finance and taxation.

Ms. Huma Rafique - Independent Director, Since - 2020

Ms. Huma holds an MBA degree from the Institute of Business Management, Karachi and is also a Director at Netline (Pvt.) Ltd. She has experience of over 12 years in the corporate sector ranging from FMCGs, consultancies and the education sector. She is currently also serving as Manager Admin & Human Resources at the Baitussalam Masjid School, Islamabad and is a member of its advisory committee. She has been an editor of the Baitussalam Bulletin, Baitussalam Publications since 2014 and is also a strategic policy advisor on administrative and human resource related matters at Raudhtaussalam School. She has attended, organized, and conducted various personal and professional capacity-building workshops and has obtained Certification under the Directors' Training Program offered by the Pakistan Institute of Corporate Governance in 2021.

3.2. DIRECTORS' DIRECTORSHIP IN OTHER COMPANIES

S. No.	Name	Designation	Directorship in Other Companies
01	Mr. Abdul Razak Diwan	Chairman/Director	Global Synthetics Limited Gatron Foundation (NPO) Novatex Limited Gani & Tayub (Private) Limited G-pac Corporation
02	Mr. Shabbir Diwan	Chief Executive Officer/Director	Global Synthetics Limited Gatro Power (Private) Limited G-Pac Energy (Private) Limited Gatron Foundation (NPO) Novatex Limited Nova Frontiers Limited Nova Care (Private) Limited Lotte Chemicals Pakistan Limited
03	Mr. Zakaria Bilwani	Non-Executive Director	Global Synthetics Limited
04	Mr. Muhammad Iqbal Bilwani	Non-Executive Director	Global Synthetics Limited Gatro Power (Private) Limited Gatron Foundation (NPO) Gani & Tayub (Private) Limited Novatex Limited Novatex Power (Private) Limited

			NRG Energy (Private) Limited Nova Powergen Limited
05	Mr. Saqib Haroon Bilwani	Non-Executive Director	Gatron Foundation (NPO) Global Synthetics Limited Novatex Limited Krystopac Energy (Private) Limited Nova Powergen Limited G&T Tyres (Private) Limited Nova Mobility (Private) Limited Nova Care (Private) Limited Mustaqim Dyeing Printing Industries (Private) Limited PWR Power (Private) Limited Gatlene Industries (Private) Limited G&T Global (Private) Limited ThalNova Power Thar (Private) Limited
06	Mr. Muhammad Taufiq Bilwani	Executive Director	Global Synthetics Limited G-Pac Energy (Private) Limited
07	Mr. Muhammad Altaf Bilwani	Non-Executive Director	Novatex Limited NRG Energy Limited Krystosoft (Private) Limited G&T Motors (Private) Limited G&T Mobility (Private) Limited Ennovate Mobility (Private) Limited Nova Frontiers Limited Bounti Garments Industries (Pvt.) Ltd.
08	Mr. Talat Iqbal	Independent Director	None
09	Mr. Muhammad Tufail Iqbal	Independent Director	None
10	Ms. Huma Rafique	Independent Director	Netline (Private) Limited

3.3. PROFILE OF SPONSOR OF THE COMPANY

Mr. Shabbir Diwan

Mr. Shabbir Diwan, along with his family members has a 10.51% shareholding in the Company. Please see Section 3.1 (*Director's Profile*) above, for further details on Mr. Shabbir Diwan.

Mr. Muhammad Iqbal Bilwani

Mr. Iqbal Bilwani, along with his family members has a 9.97% shareholding in the Company. Please see Section 3.1 (*Director's Profile*) above, for further details on Mr. Iqbal Bilwani.

Mr. Saqib Haroon Bilwani

Mr. Saqib Haroon Bilwani has a 10.67% shareholding in the Company. Please see Section 3.1 (*Director's Profile*) above, for further details on Mr. Saqib Bilwani.

Mr. Rizwan Diwan

Mr. Rizwan Diwan along with his family members has a 13.74% shareholding in the Company. Mr. Rizwan Diwan is a family member of the Gani & Tayub Group, a 75-year-old business group, involved in polyester textile, PET packaging, cotton textile, retail, electric mobility and energy with operations in the Middle East and North America as well.

He is the Chief Executive Officer of Novatex Limited, which is in the business of virgin and recycled PET Resin, preforms, bottles and BOPET film and the largest non-textile exporter of Pakistan. Over the last 30 years he has led many innovations in the field of rigid & flexible packaging in Pakistan as well as in the region.

Mr. Diwan has been on the Board of Directors of Engro Corporation since 2018 and serves on their investment and Audit Committees. He also joined the Board of The Citizens Foundation in 2022 and serves on their Audit and Human Resource Committees. He is a member of the Board of Trustees of Memon Health & Education Foundation, a non-profit organization providing educational and healthcare services to the people of Karachi.

Mr. Diwan has taught entrepreneurship at the Institute of Business Administration, Karachi which is his alma mater from where he holds a Masters degree in Business Administration.

Ghani & Tayub (Private) Limited

Gani & Tayub (Private) Limited is a leading commercial importer and trading house in Pakistan which has a 4.22% shareholding in the Company. Since its incorporation on April 16, 1955, it has been exploring different ways to develop new products to enrich its diverse supply chain, trading in plastic molding compounds such as HDPE, P.P, LDPE, LLDPE, industrial chemicals, food grains and pulses.

Names of Directors and percentage of Shareholding:

Name	Designation	% Shareholding
Mr. Pir Muhammad Diwan	Director	13.22
Mr. Abdul Razak Diwan	Director	17.64
Mr. Muhammad Iqbal Bilwani	Director / Chief Executive Officer	7.91
Mr. Muhammad Arif Bilwani	Director	0.29

4 FINANCIAL DETAILS OF THE ISSUER

4.1 FINANCIAL HIGHLIGHTS OF ISSUER FOR LAST THREE YEARS

Description	FY 2022-2023	FY 2021-2022	FY 2020-2021
Name of statutory Auditor	M/s. Kreston Hyder Bhimji & Co	M/s. Kreston Hyder Bhimji & Co	M/s. Kreston Hyder Bhimji & Co
Gross Revenue/Sale	27,383,780,000	23,959,654,000	16,557,561,000
Gross Profit	1,453,630,000	3,176,384,000	1,866,775,000
Profit before interest & Tax	553,468,000	2,646,192,000	1,316,094,000
Profit before Tax	551,276,000	2,559,215,000	1,301,765,000
Net Profit	205,300,000	1,827,244,000	1,065,724,000
Total Assets	37,576,814,000	23,671,263,000	14,860,320,000
Total Liabilities	29,716,747,000	15,899,822,000	8,905,168,000
Net Equity	7,860,067,000	7,771,441,000	5,955,152,000
Break-up value Per Share	102.44	202.57	155.23
Earnings per share	2.68	23.81 (restated)	27.78
Dividend Announced	115,093,000	NIL	NIL
Bonus Issue	383,645,000	NIL	NIL

4.2 FINANCIAL HIGHLIGHTS FOR PRECEDING ONE YEAR OF CONSOLIDATED FINANCIAL STATEMENTS

Name of statutory Auditor	M/s. Kreston Hyder Bhimji & Co
Gross Revenue/Sale	27,383,780,000
Gross Profit	2,000,266,000
Profit before interest & Tax	1,306,163,000
Profit before Tax	96,508,000
Net Loss	(249,468,000)
Accumulated Profit	2,179,798,000
Total Assets	40,702,111,000
Total Liabilities	31,086,378,000
Net Equity	9,615,733,000
Break-up value Per Share	125.32
(Loss) per share	(3.25)
Dividend Announced	115,093,000
Bonus Issue	383,645,000

4.3. DETAILS OF ISSUE OF CAPITAL IN PREVIOUS FIVE YEARS

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
Right issue	None	None	None	None	None
Bonus Issue	100% 38,364,480 Shares issued	None	None	None	None

4.4. AVERAGE MARKET PRICE OF THE SHARE OF THE ISSUER DURING THE LAST SIX MONTHS

Average market price of the share of the Company during the last six months (from June, 2023 to December 13, 2023) is PKR 230.61/- per share.

4.5. SHARE CAPITAL AND RELATED MATTERS

Pattern of Shareholding of the Issuer

Shareholders	Shares Held	(%)
Directors, Chief Executive Officer, their Spouse(s) and Minor Children		
Mr. Abdul Razak Diwan	480,390	0.63
Mr. Shabbir Diwan	5,476,774	7.14
Mr. Zakaria Bilwani	480,390	0.63
Mr. Muhammad Iqbal Bilwani	4,197,152	5.47
Mr. Saqib Haroon Bilwani	8,187,852	10.67
Mr. Muhammad Taufiq Bilwani	3,016,600	3.93
Mr. Muhammad Altaf Bilwani	1,119,194	1.46
Mr. Talat Iqbal	75,682	0.10
Mr. Muhammad Tufail Iqbal	500	0.00
Ms. Huma Rafique	1,000	0.00
Associated Companies, undertakings and related parties		
Gani & Tayub (Private) Limited	3,240,774	4.22
NIT and ICP	1,200	0.00
Banks, Development Financial Institutions, Non-Banking Financial Institutions	6,660	0.01
Insurance Companies	400	0.00
Share holders holding 10%	10,059,034	13.11
General Public (local and foreign)	27,838,106	36.28
Foreign Companies	12,542,880	16.35
Others (Trust & Funds and Joint Stock Companies)	4,372	0.01
Total	76,728,960	100%

Shares held by Directors, Sponsors and Substantial Shareholders of the Issuer (both Existing and Post Right Issue)

Shares held by	Existing Shareholding	%	Post Right Shareholding ⁴	%
Directors				
Mr. Abdul Razak Diwan	480,390	0.63	480,390	0.44
Mr. Shabbir Diwan	5,476,774	7.14	5,476,774	5.04
Mr. Zakaria Bilwani	480,390	0.63	480,390	0.44
Mr. Muhammad Iqbal Bilwani	4,197,152	5.47	4,197,152	3.86
Mr. Saqib Haroon Bilwani	8,187,852	10.67	8,187,852	7.53
Mr. Muhammad Taufiq Bilwani	3,016,600	3.93	3,016,600	2.77
Mr. Muhammad Altaf Bilwani	1,119,194	1.46	1,119,194	1.03
Mr. Talat Iqbal	75,682	0.10	75,682	0.07
Mr. Muhammad Tufail Iqbal	500	0.00	500	0.00
Ms. Huma Rafique	1,000	0.00	1,000	0.00
Sponsors/Substantial Shareholders				
Mr. Rizwan Diwan	10,059,034	13.11	10,059,034	9.25

⁴ Subject to the actual number of shares subscribed during the Right Issue (note that directors and subscribers may arrange for others to subscribe to their entitlements; furthermore, such persons may subscribe to additional shares offered by the Board).

5 RISK FACTORS

5.1. RISK ASSOCIATED WITH THE RIGHT ISSUE

Undersubscription Risk

There is a risk that the Right Issue may get undersubscribed due to lack of interest from shareholders of the Company. The Right Issue is being carried out at a price which is less than the current share price in the market and hence there is no major investment risk associated with the Right Issue. The substantial shareholder and directors of the Company have confirmed that they shall subscribe to (or arrange the subscription of) their respective right entitlements, while the balance portion of the Right Issue will be underwritten in accordance with the applicable laws.

5.2. RISK ASSOCIATED WITH ISSUER

1. Internal Risk Factors

Operational Risk

Operational risk summarizes the uncertainties and hazards a business faces when it attempts to conduct its day-to-day business activities specifically in relation to plant operation. It can result from breakdowns in internal procedures, people and systems.

A high turnover ratio of skilled staff, disruption in the Company's supply chain or inappropriate planning could be a major determinant to operational risk for the Company.

Procurement Risk

As a prominent player in the yarn production industry, it is crucial to be cognizant of the inherent procurement risks associated with the business. The yarn production sector is particularly susceptible to raw material price fluctuations. Additionally, the volatility in currency exchange rates can impact the cost of raw materials. Our commitment to transparency involves acknowledging and mitigating these risks through proactive procurement strategies, supplier diversification and diligent monitoring of market dynamics.

Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause to the other party by failing to discharge a financial obligation. The Company manages credit risk *inter alia* by setting credit limits in relation to individual customers and by obtaining advance against sales and also obtaining collaterals, where considered necessary. The Company has established an allowance for the doubtful trade debts that represents its estimate of incurred losses in respect of trade debts. Consequently, the Company believes that it is not exposed to any major concentration of credit risk.

Liquidity Risk

Liquidity risk is where an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. As at June 30, 2023 the Company has unutilized borrowing facilities of Rs.2,106 million in addition to balances at banks of Rs.335 million. Based on the above, the management believes the liquidity risk to be insignificant.

Risk of Non-compliance with Regulations of SECP and PSX

In the event of non-compliance with any regulatory requirements of SECP or PSX, the Company may be placed on the defaulter segment of PSX which may potentially hamper trading in the Company's shares, leading to potential suspension in trading of its shares as well as delisting.

2. External Risk Factors

Business Risk

Business risk is the possibility of the Company reporting lower than anticipated profits or loss due to factors such as:

- Increase in input costs such as raw materials
- Increase in conversion / utility costs
- Dumping of yarn into Pakistani market from foreign suppliers
- Removal of Regulatory Duty on Yarn
- Decrease in customer demand
- Reduction in operations rate

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Company has short term borrowings on variable interest rate exposing the Company to interest rate risk. When interest rates are high, borrowing costs increase, making it more expensive for the Company to finance its operations. This can lead to reduced business spending, lower economic growth, and decreased profitability. It also discourages business investment as financing new projects becomes more expensive.

Foreign Exchange Risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risks arise mainly from future economic transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to foreign exchange risk arising from currency value fluctuations, primarily with respect to the USD, Euro, CHF and JPY.

Economic Slowdown

Slow down and/or deterioration of macroeconomic conditions could trigger a reduction in disposable incomes, compelling consumers to postponing their purchase. The growth of any sector is affected by the economic conditions prevailing in the country. An economic slowdown may adversely affect the growth and performance of the Synthetic and Rayon sector, as a whole. The prevalent economic scenario is on a downward spiral due to rising costs and inflation.

Global Economic and Financial Market Risk

Due to ongoing geopolitical disruption causing high commodity prices, all major economies of the world including USA, UK and European countries are facing inflationary pressure. Some of the major global financial institutions are foreseeing signs of recession in major countries which may cause volatility in international financial markets. The ripple down effect may affect the Pakistani economy and financial markets adversely which could impact the overall macro condition of the Country with limited ability of the government to secure new debt from international markets, which in turn could affect the PKR/USD parity.

Regulatory Risk

Regulatory risk pertains to the possibility of future changes in government policies and regulations which could potentially impact the various business segments the Company operates in. Modifications in the regulatory landscape, such as change in import tariffs which have the potential to notably impact the industry's overall performance. Additionally, any change in regulatory duties or taxes related to the import of raw materials or finished products could directly affect the Company's profitability and operational efficiency.

Risk of Substitutes

The yarn manufacturing industry is confronted with potential substitute risks that may affect the demand for traditional yarn products. Issues such as the influx of Chinese Polyester Filament Yarn (PFY) and alternative textile materials pose challenges. Price sensitivity, global competition, and advancements in the textile industry also contribute to the complexity of substitute risks. Our Company stays adaptable, invests in research and development including investment in plant & machinery for recycling of used PET bottles into yarn, and considers sustainable practices to effectively navigate these challenges, ensuring the maintenance of a competitive position in the market.

3. Additional Risk Factors

Capital Risk Management

The Company's objectives in managing capital is to ensure the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders while maintaining an optimal capital structure to reduce the cost of capital. The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate balance between the various sources of finance to minimize risk and cost. The Company is not exposed to any externally imposed capital requirement.

Profitability

The Company's after-tax profit for FY 2023 amounted to Rs. 250 million, compared to Rs. 1.827 billion in FY 2022. This decrease was primarily attributed to a severe political-economic crisis, constant dumped imports of PFY amid dwindling foreign exchange reserves and LC opening challenges. Moreover, the surge in the discount rate to a historic high of 22% led to elevated financial charges, impacting the bottom line after operating profit.

Negative Operating Cash Flow

The company had negative operating cashflow in the last three preceding financial years as follows mainly due to increase in stock and debtors position in correspondence to increase in value of products and sales:

Financial Year	Operating cashflow PKR '000'
2020-21	(777,456)
2021-22	(404,935)
2022-23	(134,434)

NOTE: IT IS STATED THAT TO THE BEST OF OUR KNOWLEDGE AND BELIEF, ALL MATERIAL RISK FACTORS HAVE BEEN DISCLOSED AND THAT NOTHING HAS BEEN CONCEALED IN THIS RESPECT.



6 LEGAL PROCEEDINGS:

6.1. OUTSTANDING LEGAL PROCEEDINGS OF THE COMPANY

There is no material litigation, other than in the ordinary course of business, that would have an adverse effect on the Company. Moreover, these litigation matters have already been disclosed in the audited financial statements.

6.2. ACTION TAKEN BY THE SECURITIES EXCHANGE AGAINST THE ISSUER OR ASSOCIATED LISTED COMPANIES OF THE ISSUER DURING THE LAST THREE YEARS DUE TO NONCOMPLIANCE OF THE ITS REGULATIONS

None

6.3. ANY OUTSTANDING LEGAL PROCEEDING OTHER THAN THE NORMAL COURSE OF BUSINESS INVOLVING THE ISSUER, ITS SPONSORS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND ASSOCIATED COMPANIES, OVER WHICH THE ISSUER HAS CONTROL, THAT COULD HAVE MATERIAL IMPACT ON THE ISSUE

None

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7 SIGNATORIES TO THE OFFER DOCUMENT

ABDUL RAZAK DIWAN Chairman	SHABBIR DIWAN Chief Executive Officer	ZAKARIA BUILWANI Non-Executive Director
MUHAMMAD IQBAL BILWANI Non-Executive Director	SAQIB HAROON BILWANI Non-Executive Director	MUHAMMAD TAUFIQ BILWANI Non-Executive Director
MUHAMMAD ALTAF BILWANI Executive Director	TALAT IQBAL Independent Director	MUHAMMAD TUFAIL IQBAL Independent Director
	HUMA RAFIQUE Independent Director	

ANNEXURE A**Extract of the Resolutions passed by the Board of Directors of
Gatron (Industries) Limited (the "Company") at its meeting held on Thursday, December 14, 2023 at 14th
Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi**

A meeting of the Board of Directors of the Company was held at 1:00 p.m. on Thursday, December 14, 2023 at 14th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

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 (the "**Companies Act**") and the Companies (Further Issue of Shares) Regulations, 2020 (the "**Regulations**") 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 Rs. 767,289,600/- (Rupees Seven Hundred Sixty Seven Million Two Hundred Eighty Nine Thousand Six Hundred) to Rs. 1,087,289,600/- (Rupees One Billion Eighty Seven Million Two Hundred Eighty Nine Thousand Six Hundred) by issue of a further 32,000,000 (Thirty Two Million) ordinary shares of the Company, having face value of Rs. 10/- (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 and all applicable laws, at a price of Rs. 175/- (Rupees One Hundred Seventy Five) per share (i.e. inclusive of a premium of Rs. 165/- (Rupees One Hundred Sixty Five) per share), in the ratio of approximately 41.7052 right shares for every 100 ordinary shares of Rs. 10/- (Rupees Ten) each held immediately prior to the book closure date (i.e. 41.7052%), 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, the justification for the issue of shares at a premium, and the minimum subscription amount, in accordance with Regulation 3(1)(iii) of the Regulations:

(a) Quantum of the Right Issue (i.e. as a percentage of existing paid-up capital):

The quantum of the Right Issue is approximately 41.7052% of the existing paid-up capital of the Company i.e. approximately 41.7052 right shares for every 100 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 Company shall issue 32,000,000 (Thirty Two Million) ordinary shares, at a price of Rs. 175/- (Rupees One Hundred Seventy Five) per share, aggregating to Rs. 5,600,000,000/- (Rupees Five Billion Six Hundred Million).

- (c) **Right Issue Price:**
Rs. 175/- (Rupees One Hundred Seventy Five) per share (i.e. inclusive of a premium of Rs. 165/- (Rupees One Hundred Sixty Five) per share.
- (d) **Purpose of the Right Issue:**
The purpose of the Right Issue is to finance the Company's working capital requirements, which is essential for sustained business growth. This aligns with the Company's broader strategy to fortify its financial position in order to enhance profitability and, consequently, provide greater shareholders return.
- (e) **Utilization of Proceeds of the Right Issue:**
The proceeds from the Right Issue will be utilized to finance the Company's working capital requirements to ensure smooth operations and optimum sales levels, leading to sustained business growth.
- (f) **Benefits to the Company and Shareholders:**
In the country's current economic environment, where interest rates have increased significantly, funding the Company's working capital requirements largely through bank / financial institution debt is not a feasible or prudent option. Consequently, equity raised funds utilized for working capital purposes is a more prudent business and strategic approach, which will reduce finance costs. The same is expected to positively impact profitability, ultimately generating improved results for shareholders.
- (g) **Risk Factors associated with the Right Issue, if any:**
The Right Issue of the Company is being carried out at a price which is less than the current share price in the market and hence there is no major investment risk associated with the Right Issue. The substantial shareholders and directors of the Company have confirmed that they shall subscribe to (or arrange the subscription of) their respective right entitlements, while the balance portion of the Right Issue will be underwritten in accordance with the applicable laws. Normal risks associated with the business will remain; however, the Company believes that it is well placed in the market with a proven track record, which will help to mitigate such risk factors.
- (h) **Justification for Issue of Shares at Premium:**
The Right Issue is being carried out at a premium. Considering the current market price of the Company share, the premium charged over the par value is justified and is in line with market practice, in fact the same constitutes approximately 26.47% discount on the last 3 (three) months average trading share price.
- (i) **Minimum Subscription Amount**
None.

FURTHER RESOLVED that the letter of offer, as prescribed under Section 83(2) of the Companies Act, shall be issued / signed by any 2 (two) directors of the Company, in compliance with the applicable laws.

FURTHER RESOLVED that Mr. Shabbir Diwan – Chief Executive Officer and / or Mr. Muhammad Iqbal Bilwani - Director, be and are 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 Regulations.

FURTHER RESOLVED that all fractional entitlements, if any, will be consolidated in the name of the Company Secretary (under trust), and unpaid letters of right in respect thereof shall be sold on the Pakistan Stock Exchange Limited (“PSX”), the net proceeds from which sale, once realized, shall be distributed / paid to the entitled shareholders in proportion to their respective entitlements as per the Regulations.

FURTHER RESOLVED that any unsubscribed shares may be offered and allotted (upon subscription) to such persons as the directors may deem fit in accordance with Section 83(1)(a)(iv) of the Companies Act, 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 Chief Executive and / or Company Secretary and / or the Chief Financial Officer, be and are hereby severally authorized to prepare, revise and finalize the draft offer document / letter and share it with the Securities and Exchange Commission of Pakistan (“SECP”) and 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.

FURTHER RESOLVED that the Chief Executive and / or Company Secretary and / or the Chief Financial Officer, be and are hereby severally 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 and / 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 (and amend) book closure dates, and to take all necessary actions, in respect of the Right Issue and ancillary matters thereto, as required by the SECP, PSX, 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 / body;
- (iii) to decide and announce the closure of the share transfer books of the Company, including the 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) to credit right shares, once allotted by the Board of Directors, and file returns / documents as required by SECP / PSX / CDC along with the auditor's certificates; and
- (vi) to take all other necessary steps, and do all other acts, deeds and things, to prepare / finalize the offer letter / document, 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 the above mentioned is a true and valid extract from the meeting of the Board of Directors of Gatron (Industries) Limited held at 14th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi on Thursday, December 14, 2023.

Muhammad Yasin Bilwani
Company Secretary

December 14, 2023

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**Statement in Fulfilment of Requirements Contained Under Regulation 3(3)(vi) Of
The Companies (Further Issue of Shares) Regulations, 2020**

In relation to Comments Received from
Securities & Exchange Commission of Pakistan
Vide its Letter Dated [●], 2024
On the Draft Circular under Section 83(1) of the Companies Act, 2017
And the Changes made to the Circular Based on the Given Comments

Sr. No	Name of the Person	Comment Received	Whether the Company agree / disagree to the comment	Proposed change, if agreed	Rationale
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