

ADVICE FOR INVESTORS

INVESTMENT IN EQUITY SECURITIES AND EQUITY RELATED SECURITIES INVOLVES A CERTAIN DEGREE OF RISK. 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 284,512,300 CONSISTING OF 2,845,123 NEW ORDINARY SHARES BY PAKISTAN ENGINEERING COMPANY LIMITED. A COPY OF THIS DOCUMENT HAS BEEN REGISTERED WITH THE SECURITIES EXCHANGE.

THIS OFFER DOCUMENT IS VALID TILL  2025 (60 days from the last day of payment of subscription amount)










PAKISTAN ENGINEERING COMPANY LIMITED
RIGHT SHARE – DRAFT OFFER DOCUMENT

The Company,;

History & present Legal Structure: Date and place of incorporation: 15th February 1950, Lahore, **Incorporation number:** 0000348, **Head Office:** 6/7-Sir Ganga Ram Trust Building, Shahrah-e-Quaid-e-Azam, Lahore, **Contact No:** +92-42-35120755-56, **Website:** <https://www.peco.com.pk/>, **Contact Person:** Mr. Mian Anwar Aziz, Phone: +92-42-35120755-56, **Email:** anwar.aziz@peco.com.pk. The company is a publicly traded entity listed on the Pakistan Stock Exchange Limited, with nearly 67% shares held by the general public and private shareholders while remaining shares are owned by State Engineering Corporation Limited (25%) and other Government owned / controlled entities. (8%). The company is governed under the Companies Act, 2017 in line with the legal opinions of Ministry of law and Justice, and Securities & Exchange Commission of Pakistan.

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

Date of Placing Offer Document on PSX for Public Comments:	N/A (Public comments are not being sought)
Date of Final Offer Letter:	 February 2025
Date of Book Closure:	From  2025 to  2025
Subscription Amount Payment Dates:	From  2025 to  2025
Trading Dates for Letter of Rights:	From  2025 to  2025

Website: This offer document is available for download at:

- <https://www.peco.com.pk/>
- <https://dps.psx.com.pk/company/PECO>

Details of the relevant contact persons:

Particulars	Name of the Person	Designation	Contact Number	Office Address	Email ID
Authorized Officer of the Issuer	Mr. Mian Anwar Aziz	Company Secretary	+92 42 3512 0755-56	Peco Road, Kot Lakhpat, Lahore, Pakistan	anwar.aziz@peco.com.pk
Underwriters to the Issue					
Ismail Iqbal Securities (Private) Limited	Mr. Ahfaz Mustafa	Nominee Director	+92 300 8297215	Bangalow # C-94 KDA SCHEME 1, Main Karsaz Road Karachi	mustafa.ahfaz@gmail.com
Bankers to the Issue					
United Bank Limited (UBL)	Mr. Kashif Amin	Branch Manager	+92 42 3735 7968	Regal Chowk, The Mall Branch (0049), Lahore	lhr.hbm0049@ubl.com.pk

This Offer Document can be downloaded from www.peco.com.pk and <https://www.psx.com.pk/>

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TO BE PRINTED AND SIGNED ON STAMP PAPER**Undertaking by the Chairman and Chief Financial Officer**

We, Mirza Mahmood Ahmad (Chairman) and Mian Anwar Aziz (Chief Financial Officer) of Pakistan Engineering Company 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 their 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 Pakistan Engineering Company Limited

Mirza Mahmood Ahmad
Chairman

Mian Anwar Aziz
Chief Financial Officer

TO BE PRINTED AND SIGNED ON STAMP PAPER**Undertaking by the Company Secretary - an officer of the Company authorized by the Board of directors of the company in this behalf**

I, the Company Secretary, as authorized by the Board of Directors of Pakistan Engineering Company 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 **March XX, 2025** (i.e. within 45 days of the date of announcement by the Board.
- (v) Comments from Securities Exchange and the SECP were received on **March XX, 2025**
- (vii) The Board has ensured that Draft Offer Document is updated in light of the Securities Exchange and SECP comments.
- (viii) The board has disclosed on PSX's and Company's website, all the comments received along with the explanations as to how they are addressed.
- (ix) The Final Offer Document was submitted to the Commission and placed on Securities Exchange website on **March XX, 2025** 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 and SECP).
- (x) the Statutory auditor M/s. **Malik Haroon Ahmad & Company Chartered Accountants** of the Issuer shall submit half yearly report to the issuer regarding utilization of proceeds in the manner referred to in the Final Offer Document. The issuer will include the Report of the Statutory Auditor, along with its comments thereon, if any, in its Half Yearly and Annual Financial Statements.

**For and on behalf of
Pakistan Engineering Company Limited**

Mian Anwar Aziz
Company Secretary

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 / Pakistan Stock Exchange Limited and the Securities and 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 any one, 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 with respect to 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.

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GLOSSARY OF TECHNICAL TERMS

ACT	Securities Act, 2015
CDC	Central Depository Company of Pakistan Limited
CDS	Central Depository System
Companies Act	Companies Act, 2017
Company	Pakistan Engineering Corporation Limited
IAS	Investor Account Services
LoR	Letter of Rights
Mn	Million
NICOP	National Identity Card for Overseas Pakistani
PECO	Pakistan Engineering Corporation Limited
PKR or Rs.	Pakistan Rupee(s)
PSX /Securities Exchange	Pakistan Stock Exchange Limited
USD	United States Dollar

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DEFINITIONS

Application Money	The total amount of money payable by existing shareholder which is equivalent to the value of shares to be allotted.
Banker to the Issue	Any bank with whom an account is opened and maintained by the Issuer for keeping the issue amount. United Bank Limited has been appointed as the Banker to the Issue, in this Right Issue.
Book Closure Dates	The Book Closure shall commence from [●] 2025 to [●] 2025 (both days inclusive).
Company	Pakistan Engineering Company Limited (the “ Company ” or “ PECO ” or the “ Issuer ”).
Commission	Securities and Exchange Commission of Pakistan (“ SECP ”).
Issue	Issue of 2,845,123 Right Shares representing 50% of total paid-up capital of the Company.
Issue Price	PKR 100/- per share The price at which Right Shares of the Company are being offered for subscription to the existing shareholders.
Ordinary Shares	Ordinary Shares of Pakistan Engineering Company Limited having face value of PKR 10/- each.
Regulations	The Companies (Further Issue of Shares) Regulations, 2020 https://www.secp.gov.pk/document/the-companies-further-issue-of-shares-regulations-2020-updated-march-4-2024/?wpdmdl=51188&refresh=663b4dc3873b51715162563
Right Issue	Shares offered by a company to its members strictly in proportion to the shares already held in respective kinds and classes.
Sponsor	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.

Table of Contents

1. SALIENT FEATURES OF THE RIGHT ISSUE	9
1.1. BRIEF TERMS OF THE RIGHT ISSUE	9
1.2. PRINCIPAL PURPOSE OF THE ISSUE AND FUNDING ARRANGEMENTS.....	11
1.3. FINANCIAL EFFECTS ARISING FROM RIGHT ISSUE	14
1.5. DETAILS OF UNDERWRITERS	15
1.6. COMMITMENTS FROM SUBSTANTIAL SHAREHOLDERS/DIRECTORS	15
1.7. FRACTIONAL SHARES	16
1.8. IMPORTANT DATES	16
2. SUBSCRIPTION AMOUNT PAYMENT PROCEDURE.....	17
3. PROFILES OF THE BOARD OF DIRECTORS OF THE COMPANY AND SPONSORS	18
3.1. PROFILE OF THE BOARD OF DIRECTORS OF THE COMPANY	18
3.2. DIRECTORS DIRECTORSHIP IN OTHER COMPANIES.....	21
4 DETAILS OF THE ISSUER.....	22
4.1 FINANCIAL HIGHLIGHTS OF THE ISSUER FOR THE LAST THREE YEARS.....	22
4.2 FINANCIAL HIGHLIGHTS OF PRECEDING ONE YEAR OF CONSOLIDATED FINANCIAL STATEMENTS.....	22
4.3 DETAILS OF ISSUE OF CAPITAL IN PREVIOUS FIVE YEARS	22
4.4 AVERAGE MARKET PRICE OF THE SHARE OF THE ISSUER DURING THE LAST SIX MONTHS	23
4.5 SHARE CAPITAL AND RELATED MATTERS.....	23
5. RISK FACTORS.....	24
5.1 RISK ASSOCIATED WITH THE RIGHT ISSUE	24
5.2 RISK ASSOCIATED WITH ISSUER	24
6. LEGAL PROCEEDINGS:	27
6.1 OUTSTANDING LEGAL PROCEEDINGS OF THE COMPANY.....	27
6.2 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 issuer.	31
6.3 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 its regulations.....	31
7. SIGNATORIES TO THE OFFER DOCUMENT	32

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 2,845,123 (Two Million Eight Hundred Forty Five Thousand One Hundred Twenty Three) ordinary shares, at a price of PKR 100/- (Pak Rupees One Hundred) per share, aggregating to PKR 284,512,300/- (Pak Rupees Two Hundred Eighty Four Million Five Hundred Twelve Thousand Three Hundred).
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. The premium is justified as it reflects confidence in the Company's potential while maintaining affordability for shareholders, thereby striking a balance between the share's market perception and the objective of raising necessary funds.
e)	Proportion of new issue to existing shares with any condition applicable thereto	Approximately 1 right share for every 2 ordinary shares held i.e. 50% of the existing paid-up capital of the Company.
f)	Date of meeting of Board of Directors (BoD) wherein the right issue was approved	20 th January 2025
g)	Name of directors attending the Board Meeting	<ol style="list-style-type: none"> 1. Mr. Mirza Mahmood Ahmad, Chairman 2. Mr. Muhammad Arif Habib, Non-Executive Director 3. Mr. Ansar Javed, Non-Executive Director 4. Mr. Mr. Tahir Bashir Khan, Non-Executive Director 5. Mr. Rashid Ali Khan, Non-Executive Director 6. Ms. Saher Mangi, Non-Executive Director 7. Mr. Mohammad Abbas Mirza, Independent Director 8. Mr. Arslan Nayyar Sheikh, Independent Director
h)	Brief purpose of utilization of right issue proceeds	The proceeds from the Right Issue will primarily be utilized to address the Company's working capital needs, payment of utility bills, overdue liabilities of suppliers / banks, and restarting operational activities through necessary steps, thereby ensuring the continuity of operations and compliance with statutory obligations. Additionally, funds will be allocated for the settlement of overdue trade debts, sustaining day-to-day administrative functions, and investing the remaining amount in income-generating avenues to support ongoing operational expenses.
i)	Purpose of the Right Issue:	The primary purpose of the proposed right issue is to address the working capital requirements of the Company, including

	Details of the main objects for raising funds through present right issue.	the payment of utility bills, settlement of trade debts, continuity of day-to-day administrative operations, overdue salaries to employees, and investment of balance funds in income-generating avenues to support monthly operational expenses. This initiative also aims to stabilize the Company's financial position by taking steps for resumption of operations and consequently ensuring statutory compliance, including steps necessary for the removal of the Company from the Non-Compliant Segment of the stock exchange.
j)	Minimum level of subscription' (MLS)	None

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1.2. PRINCIPAL PURPOSE OF THE ISSUE AND FUNDING ARRANGEMENTS

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

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

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

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

The proposed Right Issue aims to address the Company's working capital requirements, including payment of utility bills, overdue salaries, and trade debts, while ensuring continuity of operations and statutory compliance. The proceeds will also support the resumption of operations, removal from the Non-Compliant Segment of the stock exchange, and investment in income-generating avenues to sustain operational expenses. This initiative seeks to stabilize the Company's financial position, settle liabilities, and enhance credibility, encouraging employee re-engagement and fostering a foundation for revival and shareholder returns.

The foremost priority for the Company's revival is to restore the confidence of its suppliers, creditors, and employees, which has been severely impacted due to the extraordinary challenges faced by the Company. The successful raising of funds through the right issue will be a crucial step towards this objective, as it will provide the necessary financial flexibility to engage with creditors and suppliers to negotiate realistic and workable payment plans and timelines.

At the same time, the Company will need to rebuild its workforce and operational capacity, ensuring that the right talent is in place to resume operations and gradually restore the Company's ability to generate liquidity and achieve sustainable self-sufficiency.

In light of the above, the Company intends to utilise the funds raised through the right issue across the following key areas, with the exact allocation to be determined by the Board of Directors based on

prevailing circumstances, the outcome of negotiations with creditors and suppliers, and consultations with other stakeholders, where necessary.

Purpose of the Issue	Proceeds Utilization (PKR)	% of Right Issue Proceeds
Working capital requirements	To be decided by the Board of Directors after negotiation with suppliers and creditors.	
Debt Repayment		
Utility Bills payments		
Trade Debts payments		
Arrears to Employees		
Investment of balance funds		
Total	284,512,300	100.00%

The envisaged purpose will be met through the proceeds of the Right Issue which is essential for a revival of PECO.

Activities that are classified as working capital

The major activities for the purposes of working capital shall include (but are not limited to) the following:

- Managing inventory levels, collecting accounts receivable (customer payments), paying accounts payable (supplier bills), managing cash on hand, and utilizing short-term financing to cover temporary gaps in funding, essentially focusing on the day-to-day operations of a business by efficiently managing current assets and liabilities.
- To manage our payables including trade debts, utilities and statutory payments
- To maintain optimum level of inventories (on resumption of operations)
- To pay for utilities
- To manage all Variable and fixed expenses relating to core business
- To pay to Legal Litigation

Basis of estimation of working capital requirement, along with relevant assumptions

Working capital requirement shall be based on following assumptions:

1. Incurrence of capital expenditures for overhauling of idle plant and machinery.
2. Hiring of technical manpower to revive tower manufacturing operations of the Company in 220kVA category.
3. Procurement of raw material including MS/HT Angles, Zinc Ingot and hardware accessories.
4. Current prevailing market rates vis-à-vis costs, taking into account inflation and market conditions.
5. Historical data of the Company's operations and requirements.

Reasons for raising additional working capital, substantiating the same with relevant facts and figures

1. To turnaround manufacturing operations of the Company which are on halt since April 2021.
2. To provide resources for revival of manufacturing of 220kVA Transmission Towers.
3. To provide resources for provision of Galvanizing Services to manufacturing industry.

Cash Conversion Cycle in Number of days for last three years

Inventories days: 343 days

Receivable days: 139 days

Payable days: 308 days

Operating cycle: 173 days

Note:

The above is based on the average of last three years Company's annual audited financial statements i.e from 2020-21 to 2022-23.

Loan/debt repayment:

Name of Lender/Supplier	Brief Terms and Conditions	Amount Outstanding
National Bank of Pakistan	<i>Commercial Loan</i>	146,221,000
Rotocast Engineering Company (Private) Limited	<i>For meeting operational expenses</i>	13,971,373
Ishtaiq Steel Industry	<i>Normal course of business</i>	77,782,049
Inam Steel Re-rolling Mills	<i>Normal course of business</i>	17,926,016
Al- Majeed Ibrahim Steel Industries (Private) Limited	<i>Normal course of business</i>	15,906,000
AKK Enterprises SMC (Private) Limited	<i>Normal course of business</i>	16,190,975
Anwar Traders	<i>Normal course of business</i>	23,733,845
Mr. Muhammad Arif Habib (Director)	<i>For meeting operational expenses</i>	8,967,112

- Dates of receipt of loan from Mr. Muhammad Arif Habib (Director) and subsequent utilization of the same

Date of receipt	Amount	Purpose / Utilisation
09.04.2019	3,000,000	Payment of salaries to staff
18.06.2021	1,500,000	Legal and professional expenses
18.06.2021	1,500,000	Legal and professional expenses
18.06.2021	173,370	Fee of Share Registrar
22.06.2021	519,643	PSX Annual Listing Fee
23.06.2021	12,360	Annual Fee - PSX PUCAR Fee
21.12.2021	4,266,000	Legal and professional expenses
21.12.2021	2,000,000	Legal and professional expenses

- Details whether the loan is pledged against any financing facility
 1. Loan from Director is not pledged against any financing facility
 2. Loan from National Bank of Pakistan is secured against first charge of Rs. 173.128 million over movable fixed assets excluding land and building of the company.

- Reasons of issuing right for payment of loan & Impact of loan repayment on financial position of the company.

Repayment of various liabilities is one of the purpose of right Issue. The Company intends to utilise the funds raised through the right issue across the key areas as mentioned above, including repayment of various liabilities, with the exact allocation to be determined by the Board of Directors based on prevailing circumstances, the outcome of negotiations with creditors and suppliers, and consultations with other stakeholders, where necessary.

- 1.3.** Loan repayment significantly impacts PECO's financial position by reducing liabilities, improving creditworthiness, and lowering interest expenses. Regular repayments will enhance financial stability and investor confidence, this will also affect cash flow, limiting funds available for expansion or operational needs. Efficient debt management will ensure a balance between repaying loans and maintaining liquidity, ultimately contributing to long-term financial health.

FINANCIAL EFFECTS ARISING FROM RIGHT ISSUE

	Measurement Unit	Pre-Issue	Post Issue	Increase/ (decrease) in %
As at June 30, 2023				
<u>Authorized Capital</u>				
Ordinary shares of Rs.10/- each	PKR Mn	90	90	Nil
7.5% Cumulative redeemable preference shares of Rs.100/-	PKR Mn	10	10	Nil
		100	100	Nil
<u>Paid-up-Capital</u>				
Ordinary shares of Rs.10/- each	PKR Mn	56.9	85.35	50%
Net Asset/ Breakup value per share	Rs per share	2,176.03	1,451.08	(33.32%)
Gearing Ratio	%	13.50	13.47	(0.22%)
Production Capacity	M. Tons	20,000	20,000	0.00
Market Share	%	0.00%	3.00%	3.00%

*Note: The numbers above are based on the Audited Financial Statements of the Company for the year ended June 30, 2023. Audit of financial statements for the year ended June 30, 2024 is under progress. ** Estimated based on market research and study.*

1.4. TOTAL EXPENSES TO THE ISSUE: (Provisional)

PSX Fee (0.2% of increase in paid-up capital)	PKR 56,902/-
Bankers Commission	-
Advisory Fees	-
Underwriting Commission	1%
Underwriter Take-up Commission	1%
Bankers to the Issue – Out of Pocket	-
CDC – Fresh Issue Fee	PKR 200,000/-
CDC – Annual Fees for Eligible Security (Listing Fee)	PKR 300,000/-
SECP Supervisory Fee (10% of fees paid to PSX)	PKR 5,690/-
Auditor Fee for Auditor Certificates	PKR 35,000/- per certificate
Other expenses (including printing costs, lawyers and consultation fees, etc.)	Upto PKR 2,000,000/-

1.5. DETAILS OF UNDERWRITERS

Name of the Underwriter	Amount Underwritten in PKR	Associated Company/ Undertaking of the Issuer
Ismail Iqbal Securities (Private) Limited	199,492,300	No

1.6. COMMITMENTS FROM SUBSTANTIAL SHAREHOLDERS/DIRECTORS

Name	Status	Number of Existing Shares	Number of Shares Committed to be subscribed	Amount Committed to be Subscribed in PKR	Shareholding % - pre issuance	Shareholding % - post issuance
Rotocast Engineering Co. (Pvt) Ltd	Substantial Shareholder	1,372,400	686,200	68,620,000	24.12%	24.12%
Mr. Tahir Bashir Khan	Director	324,000	162,000	16,200,000	5.69%	5.69%
Mr. Arif Habib	Director	1,000	500	50,000	0.02%	0.02%
Mirza Mahmood Ahmed	Director	1,000	500	50,000	0.02%	0.02%
Mr. Ansar Javed	Director	1,000	500	50,000	0.02%	0.02%
Mr. Rashid Ali Khan	Director	1,000	500	50,000	0.02%	0.02%

1.7. FRACTIONAL SHARES

All fractional entitlements, if any, will be consolidated in the name of Company Secretary, and unpaid letters of right in respect thereof shall be sold on the Pakistan Stock Exchange Limited, the net proceeds from which sale, once realized, shall be distributed / paid to the entitled shareholders in accordance with their respective entitlements, as per applicable regulations.

1.8. IMPORTANT DATES

Pakistan Engineering Company Limited Tentative Schedule for Issuance of Letter of Rights Book Closure: From [●] 2025 to [●] 2025 (both days inclusive)			
S.No	Procedure	Day	Date
a)	Date of credit of unpaid Rights into CDC in Book Entry Form	[●]	[●] 2025
b)	Dispatch of Letter of Right (LOR) to physical shareholders	[●]	[●] 2025
c)	Intimation to PSX Dispatch/Credit of Letter of Right (LOR) to physical shareholders	[●]	[●] 2025
d)	Commencement of trading of unpaid Rights on the Pakistan Stock Exchange Limited	[●]	[●] 2025
e)	Last date for splitting and deposit of Requests into CDS	[●]	[●] 2025
f)	Last date of trading of Rights Letter	[●]	[●] 2025
g)	Last date for acceptance and payment of shares in CDC and physical form - Last payment date	[●]	[●] 2025
h)	Allotment of shares and credit of book entry of Shares into CDC	[●]	[●] 2025
i)	Date of Dispatch of physical shares certificates	[●]	[●] 2025

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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 "[XXXXXXX]" through any of the authorized branches of above-mentioned bank on or before [●] 2025 along with the Right Subscription Request duly filled in and signed by the subscriber(s).
- b) Right Subscription Request can be downloaded from <https://www.peco.com.pk/>
- 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, (Pakistan Engineering Company Limited) at the Registered Office of the Issuer along with Right Subscription Request (both copies) duly filled 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 Banker to the Issue will not accept Right Subscription Request delivered by post which may reach after the closure of business on [●] 2025, 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 to the Issue on or before [●] 2025 shall be treated as acceptance of the Right offer.
- g) After payment has been received by the Company's Banker 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.
- h) **Online Payment option for Investor Account Services (IAS) Account Holders/Sub Account Holders:** CDC has introduced online payment facility through 1link for Rights Subscription. The investor account holders can now make online payment for their respective rights subscribed against 1Bill payment ID printed on the top right of the subscription request (generated by CDS) through all the available online banking channels of 1Links member banks (such as internet banking, Automated Teller Machine (ATM) and Mobile banking).

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

3.1. PROFILE OF THE BOARD OF DIRECTORS OF THE COMPANY

BOARD OF DIRECTORS	DESIGNATION	LAST DATE OF APPOINTMENT
Mr. Mirza Mahmood Ahmad	Chairman	18/04/2024
Mr. Muhammad Arif Habib	Non-Executive Director	18/04/2024
Mr. Ansar Javed	Non-Executive Director	18/04/2024
Mr. Tahir Bashir Khan	Non-Executive Director	18/04/2024
Mr. Rashid Ali Khan	Non-Executive Director	18/04/2024
Ms. Saher Mangi	Non-Executive Director / Female	18/04/2024
Mr. Mohammad Abbas Mirza	Independent Director	18/04/2024
Mr. Arslan Nayyar Sheikh	Independent Director	18/04/2024

Mr. Mirza Mahmood Ahmad **Chairman**

Mirza Mahmood Ahmad, Director, is an established advocate of the Supreme Court and a partner at the prestigious law firm Minto & Mirza, Advocates & Solicitors. His professional career as a lawyer spans over 26 years in which he has provided invaluable services to the fields of corporate, constitutional, regulatory and banking laws. He is also a member of the Supreme Court Bar Association as well as the Punjab Bar Council. Mr. Ahmad has an LLM from the University of Cambridge. Mr. Ahmad has served on the board of SNGPL as the Chairman of the Finance Committee.

Mr. Muhammad Arif Habib **Director**

Mr. Arif Habib is the Chairman of Arif Habib Group and Chief Executive of Arif Habib Corporation Limited, the holding company of Arif Habib Group. He is also the Chairman of Fatima Fertilizer Company Limited, Power Cement Limited, Aisha Steel Mills Limited, Javedan Corporation Limited (the owner of Naya Nazimabad), Sachal Energy Development (Pvt) Limited and Arif Habib Dolmen REIT Management Limited.

Mr. Arif Habib remained the elected President / Chairman of Karachi Stock Exchange for six times in the past and was a Founding Member and Chairman of the Central Depository Company of Pakistan Limited. He has served as a Member of the Privatisation Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee.

He has been a member of the Prime Minister's Economic Advisory Council (EAC) and the Think-Tank constituted by the Prime Minister on COVID-19 related economic issues. He has also remained a member of the Prime Minister's Task Force on attracting Foreign Direct Investment (FDI) and a member of Advisory Committee of Planning Commission. Mr. Arif Habib has also served on the boards of various public sector companies as a nominee of the Government of Pakistan, including Pakistan International Airlines, Sui Northern Gas Pipelines Limited, and Pakistan National Shipping Corporation Limited.

Mr. Habib participates significantly in welfare activities. He remains one of the directors of Pakistan Centre for Philanthropy (PCP), Habib University Foundation, Karachi Education Initiative (KSBL), Arif Habib Foundation and Naya Nazimabad Foundation as well as trustee of Memon Health & Education Foundation (MMI).

Mr. Ansar Javed
Director

Mr. Ansar Javed, Director, is M.A in economics and joined Central Superior Services (CSS) in 1979 as Income Tax Officer. Associated with FBR, he has worked as Additional Commissioner, Commissioner, Chief Commissioner, Member FBR, Director and Director General Training, Director General Intelligence and Investigation Inland revenue FBR. Last assignment of the career was Chairman FBR and Federal Secretary Revenue Division Govt. of Pakistan and finally retired from Govt. service in Grade 22.

Mr. Tahir Bashir Khan
Director

Mr. Tahir is a seasoned business leader with extensive experience across multiple industries, bringing a wealth of strategic expertise and leadership to the Company. With a proven track record of driving business growth, operational efficiency, and transformative change, he has successfully led organizations through complex challenges and evolving market landscapes.

Throughout his career, Mr. Tahir has held key leadership positions in diverse sectors, demonstrating a deep understanding of business dynamics, regulatory frameworks, and investment strategies. A strong advocate for innovation and sustainable growth, he continues to guide a wide range of businesses toward long-term success and value creation.

Mr. Rashid Ali Khan
Director

Mr. Rashid has completed his graduation (BS) in Information Engineering & Operation Research and Masters in Business administration (MBA) both from Cornell University, Ithaca, New York, USA. He has twenty-eight years of experience in Global Finance Management and Business Development in both OECD countries and Emerging Markets.

He has a multi-tiered professional background in banking, finance, consumer marketing and corporate restructuring at senior executive level; including the implementation of large-scale computer systems and proprietary telecom networks for Citibank in Europe and Saudi Arabia. In addition, he successfully launched Islamic Banking in Pakistan. He founded a successful Telecom Fixed Line business and a Real Estate Development company, both of which have achieved a unique branding in their respective markets

Ms. Saher Mangi
Director

With over 16 years of extensive experience in the multi-sectoral conglomerate industry, Saher is a dynamic and results-driven professional. Demonstrating exceptional leadership skills and a collaborative approach, she has served as the Head of Marketing and Communications for the past 13 years.

As a strategic advisor to C-suite executives, Saher plays a pivotal role in guiding high-level decision-making processes, leveraging deep industry insights to offer strategic counsel on business development, market positioning, and organizational growth.

Her expertise extends to cultivating robust PR and Media Relations strategies, fostering positive relationships with stakeholders, and enhancing the conglomerate's visibility in the market. Saher excels in crisis communications and proactive efforts to maintain a positive public image.

Moreover, she is actively involved in leading marketing activities, developing comprehensive strategies, and overseeing creative executions. In addition to marketing and communication responsibilities, Saher leads partner affiliations.

Mr. Mohammad Abbas Mirza
Director

Mr. Mirza is a highly accomplished C-Level Executive with over 25 years of distinguished experience of diversified business sectors in areas of Operations, Governance, Compliance, Ethics, Media, Marketing & Advertising, Business & Process transformation, and Automation. His career demonstrates a deep commitment to strong principles and a proven ability to lead change and transformation initiatives within complex regulatory & business environments. He has led multi-disciplinary and multi-cultural team units and introduced investor protection reforms.

He has an extensive experience of working with Pakistan Stock Exchange (PSX), supervising Operations, Capital / Debt Formation, Listing / Delisting, Trading Anti-Fraud Inspections and whistle blower framework, Implementation of AML / CFT Regime, Entity Level Compliance, Risk Based Thematic Inspections and Adjudication framework. He has held senior leadership positions at the PSX, and oversaw Operations Compliance, Inspections, System Audits, Alternate Channel for dispute resolution, Adjudications & Enforcement. He has provided leadership in capacities of GM Operations (Listing, Trading & Brokers Affairs), and GM Compliance and Regulatory Affairs/Chief Compliance & Regulatory Officer.

Presently, Mr. Mirza is involved in Advisory in areas of Corporate Communications, GRC, Transactions Assurance, and he has interests in diesel and other commodity trading family businesses in UAE and USA for past three years.

Mr. Arslan Nayyar Sheikh
Director

Mr. Arslan is a dynamic and visionary young individual, bringing innovative leadership and strategic insight to the organization. With a strong background in [Money Market, Textile and Hospitality Industry, he has played a key role in driving business growth, operational excellence, and transformative initiatives. Committed to fostering a culture of innovation and collaboration, Mr. Arslan leads multi-functional teams to achieve corporate objectives while ensuring sustainable and impactful business practices. His forward-thinking approach and ability to navigate complex challenges have positioned many businesses for continued success in a competitive market.

3.2 DIRECTORS DIRECTORSHIP IN OTHER COMPANIES

S. No.	Name	Designation	Directorship in Other Companies	Name of other Companies with Current Directorship
1	Mr. Mirza Mahmood Ahmad	Chairman	2	1. Even (Private) Limited
2	Mr. Muhammad Arif Habib	Non-Executive Director	28	1. Aisha Steel Mills Ltd. 2. Arif Habib Corporation Ltd. 3. Arif Habib Dolmen REIT Management Ltd. 4. Fatima Fertilizer Company Ltd. 5. Javedan Corporation Ltd. 6. Pakistan National Shipping Corporation 7. Power Cement Ltd. 8. Black Gold Power Ltd. 9. Fatima Cement Ltd. 10. Fatimafert Ltd. 11. NCEL Building Management Ltd. 12. Pakarab Energy Ltd. 13. Pakistan Opportunities Ltd. 14. Sapphire Bay Development Company Ltd. 15. Pakarab Fertilizers Ltd. 16. Arif Habib Consultancy (Pvt.) Ltd. 17. Arif Habib Equity (Pvt.) Ltd. 18. Arif Habib Development and Engineering Consultants (Pvt.) Ltd. 19. Essa Textile And Commodities (Pvt.) Ltd. 20. International Builders and Developers (Pvt.) Ltd. 21. Sachal Energy Development (Pvt.) Ltd. 22. Arif Habib Foundation 23. Habib University Foundation 24. Karachi Education Initiative 25. Memon Health and Education Foundation 26. Naya Nazimabad Foundation 27. Pakistan Centre For Philanthropy 28. The Pakistan Business Council
3	Mr. Ansar Javed	Non-Executive Director	1	NIL
4	Mr. Tahir Bashir Khan	Non-Executive Director	1	NIL
5	Mr. Rashid Ali Khan	Non-Executive Director	3	1. Aisha Steel Mills Ltd. 2. Elementary Education Foundation 3. Hayatabad Medical Complex

6	Ms. Saher Mangi	Non-Executive Director	NIL	NIL
7	Mr. Mohammad Abbas Mirza	Independent Director	NIL	NIL
8	Mr. Arslan Nayyar Sheikh	Independent Director	1	1. Link International Exchange Company

3.3 PROFILE OF THE SPONSORS

NAME OF THE SPONSOR

State Engineering Corporation

State Engineering Corporation was established in 1973 as a public sector entity under the administrative control of the Ministry of Industries & Production, Government of Pakistan, and directly holds 24.88% shares in Pakistan Engineering Company Limited.

4 DETAILS OF THE ISSUER

4.1 FINANCIAL HIGHLIGHTS OF THE ISSUER FOR THE LAST THREE YEARS

	FY2023	FY2022	FY2021
	<i>Amounts in PKR Million</i>		
Name of the Statutory Auditor	M/s. Malik Haroon Ahmed & Company, Chartered Accountants		
Revenue / Sales	30.09	137.93	183.30
Gross Profit	(35.77)	(183.38)	(183.34)
Profit before interest and tax	(45.50)	(237.14)	(303.91)
Profit after tax	(47.47)	(242.03)	(310.52)
Net profit	(47.47)	(242.03)	(310.52)
Accumulated profit	(2,090.61)	(2,056.85)	(1,829.25)
Total Assets	15,029.19	15,103.09	15,374.38
Total Liabilities	2,643.65	2,670.09	2,780.35
Net equity	12,385.54	12,433.00	12,594.03
Break-up value per share (PKR)	2,176.63	2,184.97	2,213.27
Earnings per share (PKR)	(8.34)	(42.54)	(54.57)
Cash Dividend (%)	NIL	NIL	NIL
Bonus Issue (%)	NIL	NIL	NIL

4.2 FINANCIAL HIGHLIGHTS OF PRECEDING ONE YEAR OF CONSOLIDATED FINANCIAL STATEMENTS

Not Applicable

4.3 DETAILS OF ISSUE OF CAPITAL IN PREVIOUS FIVE YEARS

Not Applicable

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

Average market price of the share of Pakistan Engineering Company Limited during the last six months (from August 1, 2024 – January 31, 2025) is PKR 773.52 per share.

4.5 SHARE CAPITAL AND RELATED MATTERS**Pattern of Shareholding of the Issuer:**

Categories of shareholders	Shareholders	No. of Shares Held	% holding
<i>Directors, Chief Executive Officer and their spouse(s) and minor children</i>			
Mr. Tahir Bashir Khan	1	324,000	5.69
Mirza Mahmood Ahmad	1	1,000	0.02
Mr. Ansar Javed	1	1,000	0.02
Mr. Rashid Ali Khan	1	1,000	0.02
Mr. Muhammad Arif Habib	1	1,000	0.02
Mr. Saher Mangi	1	1	0.00
Mr. Arslan Nayyar Sheikh	1	1	0.00
<i>Associated Companies, undertakings and related parties</i>			
Rotocast Engineering Company (Private) Limited	1	1,372,400	24.12
State Engineering Corporation	1	1,415,723	24.88
Sub total			
NIT and ICP	2	131,330	2.31
Banks, DFIs, non-banking Financial Institutions	12	145,115	2.55
Insurance Companies	3	229,030	4.02
Modarabas and Mutual Funds	1	6,900	0.12
<i>General Public</i>			
A) Local	2,215	1,494,197	26.26
B) Foreign	-	-	-
Others	43	567,548	9.97
Total	2,285	5,690,245	100.00%

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

Shares held by	Designation	Existing Shareholding	% share holding	Post Right Shareholding (If subscribed)	% share holding
		<i>Shares held</i>	<i>%</i>	<i>Shares held</i>	<i>%</i>
State Engineering Corporation	Sponsor / Substantial Shareholder	1,415,723	24.88	2,123,584	24.88
Rotocast Engineering Company (Private) Limited	Substantial Shareholder	1,372,400	24.12	2,058,600	24.12
Mr. Tahir Bashir Khan	Director	324,000	5.69	486,000	5.69
Mirza Mahmood Ahmad	Director	1,000	0.02	1,500	0.02
Mr. Ansar Javed	Director	1,000	0.02	1,500	0.02

Mr. Rashid Ali Khan	Director	1,000	0.02	1,500	0.02
Mr. Muhammad Arif Habib	Director	1,000	0.02	1,500	0.02
Mr. Saher Mangi	Director	1	0.00	1	0.00
Mr. Arslan Nayyar Sheikh	Director	1	0.00	1	0.00

Details and shareholding of holding company:

N/A

5. RISK FACTORS**5.1 RISK ASSOCIATED WITH THE RIGHT ISSUE****Undersubscription Risk**

Risk: There is a risk that the right issue may get undersubscribed due to lack on interest from shareholders of the Company.

Mitigation: 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. A 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**Internal Risk Factors****Impact of Prior Mismanagement and Financial Irregularities**

Risk: From October 2018 to October 2022, PECO was unlawfully controlled by an ex-MD, Mr. Mairaj Anees Ariff, without Board authorization. This resulted in financial mismanagement, statutory non-compliance, record-keeping deficiencies, and operational disruptions. The company was placed in the Non-Compliant Segment of PSX, faced legal actions, and suffered cumulative losses exceeding PKR 1.2 billion.

Mitigation: Since the Board regained control in September 2022, extensive efforts have been undertaken to restore compliance, strengthen governance, and stabilize operations. The Right Issue will provide necessary funds for resuming operations and regulatory compliance.

Audit Qualification and Financial Statement Irregularities

Risk: Due to incomplete book keeping records from the ex-MD's tenure, external auditors have refrained from expressing an opinion on financial statements from FY 2019 to FY 2023, which may impact investor confidence.

Mitigation: Management has reconstructed financial records using the best available data and 3rd party confirmations as per availability. Financial statements for future periods are expected to reflect stabilized operations under the professional Board's supervision including nominated directors from Ministry of Industries - Government of Pakistan.

Liquidity and Working Capital Constraints

Risk: PECO faces severe liquidity shortages, leading to unpaid salaries, overdue liabilities, and legal actions by creditors, including National Bank of Pakistan.

Mitigation: The Right Issue aims to address working capital requirements, including overdue salaries, trade debt settlements, and essential operational expenses.

Legal and Regulatory Compliance Risks:

Risk: PECO has received multiple show-cause notices from SECP and faced winding-up petitions from suppliers due to past mismanagement. Non-compliance with corporate governance regulations could further impact the Company.

Mitigation: The Board is actively addressing regulatory concerns, and necessary legal steps are being taken to ensure compliance, including engagement with SECP and PSX for removal from the Non-Compliant Segment.

Operational Disruptions and Recovery Challenges

Risk: The prolonged period of mismanagement has disrupted business operations, supplier relationships, and employee morale, which may take time to fully recover.

Mitigation: Management is considering various options to implement a structured recovery plan, including restoring supplier confidence, stabilizing operations, and resuming normal corporate functions.

External Risk Factors

Economic and Market Conditions

Risk: Macroeconomic volatility, inflation, exchange rate fluctuations, and high interest rates could impact PECO's financial recovery and operational costs.

Mitigation: The company aims to optimize costs, prioritize income-generating investments, and explore diversification and financial restructuring opportunities.

Industry and Competitive Risks

Risk: PECO operated in a highly competitive market, and the delays in operational restoration may result in continuation of lost market share.

Mitigation: The company shall strengthen its market position by resuming production and enhancing operational efficiency.

Policies and Regulatory Changes

Risk: Any un-favourable changes in policies or regulatory requirements could impact PECO's recovery and future growth.

Mitigation: The company shall maintain close engagement with relevant authorities to ensure compliance and proactive adaptation to policy changes.

Litigation and Credit Risks

Risk: PECO is facing legal claims from suppliers and creditors, including National Bank of Pakistan, for non-payment of dues. Adverse rulings could further strain financial stability.

Mitigation: Management is negotiating settlements and restructuring liabilities to minimize legal and financial risks.

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.

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6. LEGAL PROCEEDINGS:**6.1 OUTSTANDING LEGAL PROCEEDINGS OF THE COMPANY**

S. No.	<u>Legal Order Dated</u>	<u>Issuing Authority</u>	<u>Tax Period, if any</u>	<u>Order Amount/ Financial Impact</u>	<u>Current status</u>	<u>Management's Stance</u>
1	CPLA No. 3392 Muhammad Ishaq Butt Vs Government of Pakistan, PECO etc.	Supreme Court of Pakistan	--		Mr. Muhammad Ishaq Butt was employee of KLP Works. He was relieved from service under compulsory separation scheme CSS on 09-03-2002. He claimed that emoluments paid to him were less than he deserved. He filed cases from Lower Court to the Lahore High Court Lahore where his writ petition was turned down. Then he has appealed before the Supreme Court of Pakistan because the applicant is not pursuing it adequately.	All dues were paid and nothing is outstanding.
2.	Execution Application NBP vs PECO	Lahore High Court Lahore		Suit was decreed in the sum of Rs. 102,107,896.58	Execution against judgment and decree dated 27.11.2023 passed in COS No. 23828 of 2020 titled NBP vs PECO	
3.	PECO vs MEPCO etc.	Civil Court Multan			This case was filed in order to restrain MEPCO from en-cashing the performance bond furnished by PECO against the execution of Project.	

4.	Mst. Hajran Iqbal and others vs. Atta Muhammad PECO and others.	Civil Court Lahore			Suit for declaration cancellation possession consequential relief with Mandatory and Permanent Injunction. A degree for a possession in favor of plaintiff Land measuring 5 Kanal 8 Marlas.	
5.	Muhammad Yousaf etc. vs Public at Large, and PECO etc.	Civil Court Lahore			Suit for declaration injunction with consequential relief (demand payment of property). The Case is Muhammad Yousaf along with legal heirs have filed suit for declaration of PECO land KLP Works for demand of payment (Measuring 39 Kanal 30 Marlas 142 Sqft)	
6.	Nusrat Bibi vs. PECO	Civil Court Model Town			She filed suit for possession of the property land 18 Kanal 16 marlas.	
7.	M/s Synectics Corporation vs PECO	Civil Court Lahore			M/s Synectics Corporation filed suit against PECO due to Financial Loss and is breaching the terms & conditions of the joint Venture Agreement (JVA) entered into the parties.	
8.	PECO vs Ishtiaq Steel Industry	Civil Court Lahore			Suit for Recovery of Damages Amounting Rs. 1.017 Billion and Compensation Amounting Rs. 500 Million	

9.	PECO vs Al-Majeed Ibrahim Steel Industries Pvt. Ltd. and Another	Civil Court Lahore			Suit for Recovery of Damages Amounting Rs. 100 Million and Compensation Amounting Rs. 50 Million	
10.	PECO vs Inam Steel Re-rolling Mills	Civil Court Lahore			Suit for Recovery of Damages Amounting Rs. 50 Million	
11.	PECO vs Anwar Traders	Civil Court Lahore			Suit for Recovery of Damages Amounting Rs. 30 Million and Compensation Amounting Rs. 20 Million	
12.	SECP Order dated 03.02.2023	Passed by the Director/HOD, Adju-I, Adjudication Division, SECP		Penalty of Rs. 300,000/- was imposed on account of failure to hold AGMs for years 2019 and 2020.		
13.	SECP Order dated 21.12.2023	Passed by the Additional Director/ Head of Listed Companies Wing (Adju-I) Adjudication Division, SECP		Penalty of Rs. 100,000/- was imposed on account of failure to transmit QFS for period ended September 30, 2022		
14.	SECP Order dated 29.04.2024	Passed by the Additional Director/ Head of Listed Companies (Adju-I) Adjudication Division, SECP		Penalty of Rs. 250,000/- was imposed on account of failure to hold AGMs for years 2023		
15.	SECP Order dated 14.05.2024	Passed by the Director/ HOD (Adju-I) Adjudication Division, SECP,		Penalty of Rs. 500,000/- was imposed on account of failure to prepare and electronically transmit Quarterly Financial		

				Statements for the period ended December, 2022, and March 2023		
16.	SECP Order dated 14.05.2024	Passed by the Director/ HOD (Adju-I) Adjudication Division, SECP		Penalty of Rs. 500,000/- was imposed on account of failure to prepare and electronically transit Quarterly Financial Statements for the period ended September, 2023		
17.	SECP Order dated 11.10.2024	Passed by the Director/ Head of Listed Companies (Adju-I) Adjudication Division, SECP		Penalty of Rs. 400,000/- was imposed on account of failure to prepare and electronically transit Quarterly Financial Statements for the period ended December 31, 2023		
18.	SECP Order dated 19.02.2025	Passed by the Additional Director/ Head of Wing Adjudication Department-I, SECP		Penalty of Rs. 500,000/- was imposed on account of failure to prepare and electronically transit Quarterly Financial Statements for the period ended March 31, 2024		

19.	SECP Order dated 19.02.2025	Passed by the Additional Director/ Head of Wing Adjudication Department-I, SECP		Penalty of Rs. 500,000/- was imposed on account of failure to prepare and electronically transit Quarterly Financial Statements for the period ended September 30, 2024		
20.	SECP Order dated 20.02.2025	Passed by the Director/Head of Adjudication Department-I, SECP		Penalty of Rs. 500,000/- was imposed on account of failure to hold AGMs for years June 30, 2024		

6.2 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 issuer.

None/Not Applicable

6.3 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 its regulations.

Show Cause Notice dated 20.11.2024 under Section 132 of the Companies Act, 2017, read with Section 479 of the Companies Act, 2017

We are providing the relevant background information pertaining to the non-compliance with Section 132 of the Companies Act, 2017, for your reference, as outlined below:

1. From October 2018, for a period of up to four years, Mr. Mairaj Anees Ariff, the former MD of PECO, appointed by the government, prevented the Board of Directors and board-appointed employees from accessing the company premises. During this time, he unlawfully seized control of PECO, continuing to manage the company's operations. As a result, the preparation and audit of company accounts were impossible, and no Annual General Meeting (AGM) of shareholders could be convened. It is worth noting that no Board meetings were held between December 2018 and February 2021 due to the negligent actions of Mr. Mairaj Anees Ariff.
2. The Board members sent numerous letters to authorities, including the Ministry of Industries (MoIP) and SECP, highlighting the challenges they faced in fulfilling their responsibilities and the efforts made to resolve the issues. They repeatedly sought the Commission's guidance on actions the Board should take in the complex situation. Despite these challenges and without having any access to Company premises and the records, the Board complied with all practical directions of

regulator, such as holding quarterly meetings since March 2021 and conducting director elections in April 2021 and April 2024 through EOGM to ensure compliance with the Companies Act, 2017.

3. Despite repeated requests for intervention, the Ministry of Industries and Production (MoIP) took considerable time to remove Mr. Mairaj Ariff as MD, during which he caused substantial damage to PECO. The company is still analyzing and implementing corrective measures to address the aftermath of his actions. The SECP's report on an investigation u/s 256 requested by the Board, noted that Mr. Mairaj, as MD, failed to maintain the company's books of accounts and other required records, which was necessary to ensure compliance with section 132 of the Companies Act, 2017.

4. Being at the helm of the affairs of PECO, the responsibility of non-preparation of accounts and non-holding of Annual General Meetings (AGM) thereafter, lies with Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff, and his team. The Board of Directors and the Chief Financial Officer/Company Secretary, who are actively trying to resolve these matters, cannot be held responsible for contravening the provisions of Section 132 of the Companies Act, 2017. It is pertinent to mention here that not a single financial transaction has been properly recorded since October 2018 due to inefficiency of Mr. Mairaj Anees Arif, ex-MD PECO. On the advice of the Board of Directors, the management of PECO has gathered the financial records of the past five years. The management is doing everything possible within its capacity to expedite the formalities to ensure compliance with section 132 of Companies Act, 2017.

7. SIGNATORIES TO THE OFFER DOCUMENT

Mr. Mirza Mehmood Ahmed
Chairman

Ms. Saher Mangi
Director

Dated: DD/MM/YYYY