Ghani Automobile Industries Limited

No. GAIL/SECP/2018/7

October 19, 2018

The Executive Director
(Corporate Supervision Department)
Company Law Division
Securities and Exchange Commission of Pakistan
7th Floor, NIC Building
63-Jinnah Avenue, Blue Area
Islamabad

Dear Sir,

40% Right Issue at discount of 10% i.e. at Rs.9 per share

We refer to the captioned subject and submit as under.

The board of directors, in their meeting held on April 30, 2018 has approved to issue 40% right issue. Subsequently, the shareholders, in the Extraordinary General Meeting held on June 6, 2018 and held again on June 13, 2018 after adjournment under proviso of Section 135(I) of the Companies Act, 2017 has accorded their approval by passing Special Resolution *(CTC of Special Resolution and Form -26 attached as Annex-A).*

On the day of announcement of Right Issue on April 30, 2018, the share of the Ghani Automobile Industries Ltd (GAIL) was closed at price of Rs.9.09 *(KSE-100 index closed on 45,543 points/volume of 225M shares)*. But right after the announcement, the stock market started declining due to political uncertainty. On May 28, 2018, the KSE-100 index was closed at 42,074 points (volume of 110M shares) and share price of GAIL also dropped to Rs.7.98. On July 9, 2018, the KSE-100 was closed at 40,284 points (volumes at 104M shares) and GAIL share price further plunged to Rs.6.5.

At the time of start of the subscription of captioned right shares on September 5, 2018, it was expected that the Stock Market would be improved and the shareholders of the company would intend to subscribe for the 40% right issue of GAIL but unfortunately, only 0.441% shares have been subscribed up to October 5, 2018, the last date of acceptance/payment. On October 5, 2018 the Stock market dived to 39,226.35 point (from 40,087.12 points) and is continuing its non-stop downward trajectory further deteriorating the share price of the company.

The directors have subscribed for their portion of subscription amount of right issue fifteen days in advance of the last date of payment/acceptance *(copy of auditors' certificate is attached as Annex-B).*

However, in current prevailing volatile market condition wherein shares of the company are trading/available in the stock market at much lower price, no one is ready to take up the 19,911,844 unsubscribed right shares *(worth Rs.179,206,596/-)* at Rs.9 per share. In this unavoidable situation, the company has no alternative except to abandon the 40% right issue.

In view of the above, we request the commission to allow the company to re-pay the subscription money of Rs.793,404/- to the shareholders.

Yours truly,

Hafiz Muhammad Imran Sabir
Company Secretary

Encl: As above

Cc: Deputy GM, Pakistan Stock Exchange

Annex-A

THE COMPANIES ACT, 2017

[SECTION 150(1)]

FORM 26

SPECIAL RESOLUTION

Only Pdf files are allowed for attachment

1. Incorporation Number	0016597					
2. Name of the Company	GHANI AUTOMOBILE INDUSTRIES LIMITED					
3. Fee Paid (Rs.)	600.00	Name & Branch of the Bank	LAHORE, MCB - Model Town [0967]			
4. Receipt No.	E-2018-789273					
5. Date of Dispatch of Notice (DD/MM/YYYY)	15/05/2018					
6. Specify the intention to propose the resolution as Special Resolution	To seek approval of shareholders for the issuance of 40% right shares of Rs.10 each at a discounted price of Re.9 per share i.e. at 10% discount in accordance with sections 82 and 83 of the Companies Act 2017					
7. Date of Passing of Special Resolution (DD/MM/YYYY)	13/06/2018					
8. Total Number of Members	4986	Representing	50000000	Shares of Rs	10.00	each
9. Members Present in Person and/or through proxy in the meeting	66	Representing	141376	Shares of Rs	10.00	each
10. Members voted for	66	Representing	141376	Shares of Rs	10.00	each
11. Members voted against	0	Representing	0	Shares of Rs.	10.00	each
12. At a general meeting of the members of the said company, duly convened and held at	Hotel Sunfort, 72-D/1, Commercial Zone, Liberty Market, Gulberg-III, Lahore Lahore Punjab 54000					
13. Place(City)	Lahore					
14. Text of special resolution (attach copy, if space is insufficient to reproduce it.)	attached					
15. Signature of Chief Executive/Secretary						
16. Name of Signatory	AFTAB AHMAD KHAN					
17. Designation	Chief Executive					
18. NIC Number	3520015026325					
19. Date (DD/MM/YYYY)	14/06/2018					

CERTIFIED TO BE TRUE COPY

22/6/18

ADDITIONAL REGISTRAR OF COMPANIES
COMPANY REGISTRATION OFFICE
LAHORE

Ghani Automobile Industries Limited

SPECIAL RESOLUTIONS PASSED BY THE SHAREHOLDERS OF GHANI AUTOMOBILE INDUSTRIES LIMITED IN EXTRAORDINARY GENERAL MEETING HELD ON WEDNESDAY JUNE 06, 2018 AT 11:30 A.M AND HELD AGAIN ON WEDNESDAY, JUNE 13, 2018 AFTER ADJOURNMENT UNDER PROVISO OF SECTION 135(1) OF THE COMPANIES ACT, 2017

"**RESOLVED** that approval be and is hereby given to increase the paid up capital of the company from Rs.500,000,000 to Rs.700,000,000 by issuance of 20,000,000 ordinary shares to be offered as 40% Right Shares *(40 ordinary shares for every 100 shares held)* of Rs.10 each in consideration of cash at discounted price of Rs.9 per share i.e. at discount of 10%".

"**FURTHER RESOLVED** that these right shares shall from the date of allotment, rank pari passu in all respect with the then existing fully paid shares of Ghani Automobile Industries Limited and the members receiving such shares shall have similar rights and entitlements in respect of the Right Shares as in respect of their previously held shares from the date of allotment."

"**FURTHER RESOLVED** that the share transfer books of the company shall remain closed for determination of entitlement of right shares from June 26, 2018 to July 3, 2018 *(both days inclusive)*."

"**FURTHER RESOLVED** that the purpose of right issue, benefits to the company, use of funds, risk factors, projections etc. for five years attached as Annex-B to the statement u/s 134(3) of the Companies Act 2017 of the notice of Extraordinary General Meeting be and are hereby approved."

"**FURTHER RESOLVED** that after finalization of banker to right issue Mr. Aftab Ahmad Khan, Chief Executive Officer and Mr. Obaid Ghani, Chairman of the company are singly authorized to do all ancillary acts necessary for the right issue and to operate the Right Issue Subscription Account of the Company."

"**FURTHER RESOLVED** that the Company Secretary in consultation with the Chief Executive officer be and is hereby authorized to prepare right issue plan, made any amendment thereon and obtain approval of the same from the stock exchange."

"**FURTHER RESOLVED** that the Chief Executive Officer and/or Company Secretary be and is hereby authorized to issue circular under SRO 223(1)/2015 [Section 86 (3) of the repealed companies ordinance, 1984] and offer letters to the shareholders, SECP and the stock exchange."

Certified True Copy

For Ghani Automobile Industries Ltd.

Annex-B

HASSAN FAROOQ & COMPANY
Chartered Accountants

Mr. Hafiz Muhammad Imran Sabir
The Company Secretary
Ghani Automobiles Industries Limited Lahore
39-L, Model Town Extension Lahore

Ref.No: GAIL/2018/04
02 October, 2018

Dear Sir,

AUDITORS' CERTIFICATE

We have been requested to provide you with a certificate on receipt of amount against proposed issue of right shares as required under clause 6 (Annexure II) of Pakistan Stock Exchange Limited's (PSX) Ref. No PSX /C-819-2220 dated 07 MAY 2018.

Scope of certificate.

This certificate is being issued by us as statutory auditors of the company for onward submission to central depository company (CDC) and Pakistan Stock Exchange (PSX).

Management responsibility.

It is the responsibility of the company's management to ensure that aggregate subscription amount received is properly recorded in the books and records of the company and to comply with all the legal requirements in this respect.

Auditor's Responsibility

Our responsibility is to certify that the full amount of subscription has been received in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the institute of Chartered Accountants of Pakistan. Our verification was limited to the procedures as mentioned below:

- Obtained and checked certified true copy of resolution of board of directors of the company approving issue of 20,000,000 right shares of Rs. 9/- each offered to shareholders of the company in proportion to the number of shares held by each director and sponsor i.e. right issue at price of Rs. 9/- having face value of Rs. 10/- in accordance with section 82 and 83 of the companies act 2017;
- Examined right register to ascertain shares held by directors and sponsor;
- Obtained and checked letter of offer issued under section 83 of the companies act 2017 for last date of payment/renunciation; and

**HF House: 7/3-G, Mushtaq Ahmed Gormani Road
Gulberg II, Lahore-Pakistan.
Tel: +92-42-3576 1661 - 62**

- Obtained copy of bank statement provided by the bank, certifying the receipt of subscription money into the following designated bank account:
  - Habib Metropolitan Bank Limited account: 6-99-6-20353-714-104616.

Certificate

Based on procedures mentioned above, we confirm in capacity of statutory auditors of the Company. We certify that an amount of Rs. 402,291/- against subscription of right shares of the Company have been received by the company in Account No.6-99-6-20353-714-104616" maintained with Habib Metropolitan Bank Ltd, bankers to the issue (as mentioned in letter of right) as of 19 September 2018.

Further, in respect of above, we have been informed that there have been no conditions imposed by concerned regulatory bodies including but not limited to the Securities and Exchange Commission of Pakistan applicable at this stage that were required to be complied with by the company.

Restriction on use and distribution

This certificate is being issued in relation to issuance of right shares on your specific request for onward submission to Pakistan Stock Exchange Limited and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

Yours faithfully,

Farooq Hamid

Hassan Farooq and Co

Chartered Accountant