

ADVICE FOR GENERAL PUBLIC

THE INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS PROSPECTUS, **ESPECIALLY THE RISK FACTORS GIVEN AT PARA 5.4**, BEFORE MAKING ANY INVESTMENT DECISION.

SUBMISSION OF FICTITIOUS AND MULTIPLE APPLICATIONS (MORE THAN ONE APPLICATION BY SAME PERSON) IS PROHIBITED AND SUCH APPLICATIONS' MONEY IS LIABLE TO CONFISCATION UNDER SECTION 18A OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969.

ADVICE FOR INSTITUTIONAL INVESTORS AND HIGH NETWORTH INDIVIDUAL INVESTORS

A SINGLE INVESTOR CANNOT SUBMIT MORE THAN ONE BIDDING APPLICATION EXCEPT IN THE CASE OF REVISION OF BID. IF AN INVESTOR SUBMITS MORE THAN ONE BIDDING APPLICATION THEN ALL SUCH APPLICATIONS SHALL BE SUBJECT TO REJECTION.



ENGRO FERTILIZERS LIMITED
PRELIMINARY PROSPECTUS

For Issue of 75,000,000 Ordinary Shares (5.8% of the total Post-IPO Paid Up Capital) of Face Value of PKR 10/- each

Book Building Portion of the Issue comprises of 56,250,000 Ordinary Shares (75% of the Total Issue) at a Floor Price of PKR 20/- per share including premium of PKR 10/- per share

General Public Portion of the Issue comprises of 18,750,000 Ordinary Shares (25% of the Total Issue) at a Strike Price of PKR [--] per share including premium of PKR [--] per share

BIDDING PERIOD DATES: From 19th November 2013 to 21st November 2013
(BOTH DAYS INCLUSIVE) FROM 9:00 A.M. TO 5:00 P.M.

DATE OF PUBLIC SUBSCRIPTION: From DD/MM, 2013 to DD/MM, 2013
(BOTH DAYS INCLUSIVE) DURING BANKING HOURS

(Please note that **online applications** can be submitted 24 hours a day during the subscription period which will close at 12:00 midnight on [], 2013)

FINANCIAL ADVISORS, LEAD MANAGERS AND ARRANGERS



Habib Bank Limited



Allied Bank Limited

JOINT BOOK RUNNERS



AKD Securities Limited



Next Capital Limited

BANKERS TO ISSUE

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Bank of Punjab
Faysal Bank Limited
Habib Bank Limited

Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Samba Bank Limited
Silk Bank Limited
Standard Chartered Bank Pakistan
Summit Bank Limited
United Bank Limited

Book Building Portion Underwritten by:
AKD Securities Limited
&
Next Capital Limited

General Public Portion Underwritten by:
(To be filled in within 10 working days of closing of Bidding Period i.e. before submission of application to the Exchanges for allocation of dates for publication of the final Prospectus and subscription of shares by the general public as required under clause 6 of Appendix-4 of the listing regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited)

Date of Publication of this Prospectus: [--]

For further queries you may contact: Mr. Muhammad Shakir Razzak P: 111-211-211 Ext: 7100 E: msrazzak@engro.com, Mr. Salman Virani P: +92 21 32418000 Ext: 2284 E: salman.virani@hbl.com, Mr. Farhan A. Shaikh P: +92 21 32418000 Ext: 3174 E: farhan.shaikh@hbl.com or Mr. Manzoor Zaidi P: +92 21 35301040 E: manzoor.zaidi@abl.com.

STATEMENT ON ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for the disclosures made in this Prospectus and confirms that:

- this Prospectus contains all information with regards to the Issuer and the Issue, which is material in the context of the Issue and nothing has been concealed;
- the information contained in the Prospectus is true and correct to the best of our knowledge and belief;
- the opinions and intentions expressed herein are honestly held; and
- there are no other facts, the omission of which makes this document as a whole or any part thereof misleading.

For and on behalf of Issuer,

-sd-

Ruhail Mohammed
Chief Executive Officer
Engro Fertilizers Limited

GLOSSARY OF TECHNICAL TERMS

CAPEX	Capital Expenditure
CDA	Central Depositories Act, 1997
CDCPL	The Central Depository Company of Pakistan Limited
CDS	Central Depository System
CNIC	Computerized National Identity Card
Commission / SECP	Securities and Exchange Commission of Pakistan
Company	Engro Fertilizers Limited
Corp	Engro Corporation
DAP	Diammonium Phosphate
DIB	Dubai Islamic Bank Pakistan Limited.
DFI consortium	A consortium of three Development Financial Institutions which include DEG- Deutsche Investitions- und Entwicklungsgesellschaft mbH, FMO - Netherlands Development Finance Company and The OPEC (Organization of Petroleum Exporting Countries) Fund for International Development
EFL	Engro Fertilizers Limited
EXCHANGE(S)	Karachi Stock Exchange Limited and Lahore Stock Exchange Limited
FDI	Foreign Direct Investment
FX	Foreign Exchange
GOP	Government of Pakistan
GSA	Gas Sale and Purchase Agreement
HBL	Habib Bank Limited
HNWI	High Net Worth Individual
IFC	International Finance Corporation
IPO	Initial Public Offer
Issue	New Shares Issue
Issuer	Engro Fertilizers Limited
ITO	Income Tax Ordinance, 2001
KIBOR	Karachi Inter Bank Offer Rate
KSE	Karachi Stock Exchange Limited
KT	One thousand metric tonnes
LIBOR	London Inter Bank Offer Rate
LSE	Lahore Stock Exchange Limited
MAP	Monoammonium Phosphate
MMSCFD	Million Standard Cubic Feet per Day
MT	One million metric tonnes
NFDC	National Fertilizer Development Centre
NOC	No Objection Certificate
NPK	A blended fertilizer consisting of three major nutrients (Nitrogen (N), Phosphorus (P) and Potassium (K))
MPNR	Ministry of Petroleum and Natural Resources
Ordinance	The Companies Ordinance, 1984
PKR	Pakistan Rupee(s)
SCRA	Special Convertible Rupee Account
SNGPL	Sui Northern Gas Pipelines Limited
TREC	Trading Right Entitlement Certificate Holder
USD	US Dollars
WHT	Withholding Tax

DEFINITIONS

Application Money	In case of bidding for shares out of the Book Building portion, the total amount of money payable by a successful Bidder which is equivalent to the product of the Strike Price and the number of shares to be allotted.
	AND
	In case of application for subscription of shares out of the General Public portion, the amount of money paid along with application for subscription of shares which is equivalent to the product of the Issue Price and the number of shares applied for.
Bid	An indication to make an offer during the Bidding Period by a Bidder to subscribe to the Ordinary Shares of Engro Fertilizers Limited at or above the Floor Price, including all the revisions thereto.
Bidder	Any eligible prospective investor who makes a Bid pursuant to the terms of the Preliminary Prospectus and the Bidding Form.
Bid Amount	The total amount of the Bid which is equivalent to the product of the Bid price and the number of shares bid for.
Bid Collection Centre	Pre-determined places where applications for bidding of shares are collected by the Joint Book Runners on behalf of the Issuer and may include offices of Corporate Brokerage Houses, Schedule Banks, Development Financial Institutions and Investment Finance Companies, subject to appointment of these institutions as agent by the Joint Book Runners through an agreement in writing for the purpose, with the consent of the Issuer. For this issue, addresses of the Bid Collection Centers are provided at para 2.5(b)(xv).
Bidding Form	The form prepared by the Issuer on the format mentioned in the Listing Regulations of the Exchanges for the purpose of making Bids which will be considered as the application for subscription of Ordinary Shares out of the Book Building portion.
Bidding Period	The period during which Bids for shares of the Company shall be made by Institutional Investors and HNWI Investors. The Bidding Period commences on 19 th November 2013 and ends on 21 st November 2013 (daily from 9:00 a.m. to 5:00 p.m.) both days inclusive.
Bidding Process Ending Date	The date after which Joint Book Runners will not accept any Bid.
Bidding Process Starting Date	The date on which Joint Book Runners shall start accepting Bids.
Book Building	A mechanism of price determination through which indication of interest for subscription of shares issued by the Issuer is collected from Institutional Investors and HNWI Investors. Through this process a book is built which gives an idea of demand for the shares at different price levels. The Strike Price is determined based on the price at which demand for shares at the end of Book Building period is sufficient to raise the required amount.
Book Building Account	An account opened by the Issuer with the Collection Bank(s). The Bidder will pay the Margin Money / Bid Amount through demand draft, pay order or cheque in favor of this account and the balance of the Application Money, if any, shall be paid through this account after successful allocation of shares.
Dutch Auction Method	The method through which the Strike Price is determined. Under this method, all the bids are arranged in descending order along with the number of shares bid for at each price level and the cumulative

number of shares bid for. The strike price is determined by lowering the price to the extent that the total shares the Issuer intends to issue through the Book Building process are subscribed.

Employees	Employees of Engro Fertilizers Limited.
Final Prospectus	A document containing all the information and disclosures as required under the Companies Ordinance, 1984 together with disclosure of the Strike Price and results of the Book Building process.
Financial Advisors	Habib Bank Limited and Allied Bank Limited.
FFM Consortium	A consortium of four fertilizers manufacturers which include Engro Fertilizers Limited, Pakarab Fertilizers Limited, DH Fertilizers Limited and Agritech Fertilizers Limited.
Floor Price	The minimum price set by the Issuer for the Book Building which is PKR 20/- per share. A Bid placed below the Floor Price will not be entertained by the Joint Book Runners.
General Public	All Individual and Institutional Investors including both Pakistani (residents & non-residents) and foreign investors.
Issuer	Engro Fertilizers Limited or the Company.
Issue	<p>Initial Public Offer of 75,000,000 Ordinary Shares (5.8% of the total Post-IPO Paid Up Capital) of Face Value of PKR 10/- each.</p> <p>Book Building Portion of the Issue comprises of 56,250,000 Ordinary Shares (75% of the Total Issue) at a Floor Price of PKR 20/- per share including premium of PKR 10/- per share.</p> <p>General Public Portion of the Issue comprises of 18,750,000 Ordinary Shares (25% of the Total Issue) at a Strike Price of PKR [●] per share including premium of PKR [●] per share.</p>
Issue Price	The price at which Ordinary Shares of the Company are issued to the General Public. The Issue Price is the Strike Price i.e. PKR [●]/- per share.
Joint Book Runners	AKD Securities Limited & Next Capital Limited.
High Net worth Individual (HNWI)	Individual investor who applies or bids for shares of the value of PKR 1,000,000/- or above in the Book Building process.
Institutional Investors	Both local and foreign Institutional Investors.
Lead Managers	Habib Bank Limited and Allied Bank Limited.
Limit Price	The maximum price a prospective Institutional Investor or HNWI Investor is willing to pay for a share under the Book Building process.
Margin Money	The partial or total amount, as the case may be, paid by a Bidder at the time of making a Bid.
Ordinary Shares	Ordinary Shares of Engro Fertilizers Limited having face value of PKR10/- each, unless otherwise specified in the context thereof.
Option Exercise Price	The price at which IFC can convert its loan of US\$ 9 million into Ordinary Shares of the Company. The option expires on March 31, 2017.
Preliminary Prospectus	The preliminary prospectus containing all the information and disclosures as required under the Companies Ordinance, 1984, and Listing Regulations of the Exchanges approved by the Commission under section 57(1) of the Companies Ordinance, 1984 and circulated to the Institutional Investors and HNWIs for the Book Building

Process.

Step Bid

A series of limit bids at increasing prices.

Strike order

A Bid for a specified number of shares at the Strike Price to be determined through the Book Building process.

Strike Price

The price of share determined/discovered on the basis of Book Building process in the manner provided in the Listing Regulations of KSE and LSE at which the shares are issued to the successful Bidders. The Strike Price determined through the Book Building process is PKR [●]/-per share.

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PART 1

1 APPROVAL AND LISTING ON THE STOCK EXCHANGES

1.1 APPROVAL OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities & Exchange Commission of Pakistan (“SECP” or the “Commission”) as required under section 57(1) of the Companies Ordinance, 1984 (the “Ordinance”) has been obtained by the Issuer for the issue, circulation and publication of this Document (“Prospectus”).

DISCLAIMER:

IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS APPROVAL, SECP DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE COMPANY AND ANY OF ITS SCHEMES STATED HEREIN OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITH REGARDS TO THEM BY THE COMPANY IN THIS PROSPECTUS.

SECP HAS NOT EVALUATED QUALITY OF THE ISSUE AND ITS APPROVAL FOR ISSUE, CIRCULATION AND PUBLICATION OF PROSPECTUS SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC/INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE BIDDING / SUBSCRIBING.

1.2 CLEARANCE OF THE PROSPECTUS BY KARACHI STOCK EXCHANGE AND LAHORE STOCK EXCHANGE LIMITED

The Prospectus has been cleared by the Karachi Stock Exchange Limited (“KSE”) and Lahore Stock Exchange Limited (“LSE”) (going forward referred to as “KSE and LSE”) in accordance with the requirements of its respective Listing Regulations.

DISCLAIMER:

- **THE KSE AND LSE HAVE NOT EVALUATED THE QUALITY OF THE ISSUE, AND ITS CLEARANCE SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC / INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT INVESTIGATION AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.**
- **THE PUBLICATION OF THIS DOCUMENT DOES NOT REPRESENT SOLICITATIONS BY THE KSE AND LSE.**
- **THE CONTENTS OF THIS DOCUMENT DO NOT CONSTITUTE AN INVITATION TO INVEST IN SHARES OR SUBSCRIBE FOR ANY SECURITIES OR OTHER FINANCIAL INSTRUMENTS BY THE KSE AND LSE, NOR SHOULD IT OR ANY PART OF IT FORM THE BASIS OF, OR BE RELIED UPON IN ANY CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER OF THE EXCHANGES.**
- **IT IS CLARIFIED THAT INFORMATION IN THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS ADVICE ON ANY PARTICULAR MATTERS BY THE KSE AND LSE AND MUST NOT BE TREATED AS A SUBSTITUTE FOR SPECIFIC ADVICES.**
- **THE KSE AND LSE DISCLAIMS 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.**
- **THE KSE AND LSE NEITHER TAKES RESPONSIBILITY FOR THE CORRECTNESS OF CONTENTS OF THIS DOCUMENT NOR THE ABILITY OF THE COMPANY TO FULFILL ITS OBLIGATIONS THERE UNDER.**
- **ADVICE FROM A SUITABLY QUALIFIED PROFESSIONAL SHOULD ALWAYS BE SOUGHT BY INVESTORS IN RELATION TO ANY PARTICULAR INVESTMENT.**

1.3 FILING OF PROSPECTUS AND OTHER DOCUMENTS WITH THE REGISTRAR OF COMPANIES

The Company has filed with the Registrar of Companies, Companies Registration Office (“CRO”) Karachi, as required under Sections 57(3) and (4) of the Ordinance, a copy of this Prospectus signed by all the directors of Engro Fertilizers Limited, together with the following documents attached thereto:

- a) Letter Reference D 882 dated September 30, 2013 from the Auditors of the Company, M/s. A.F. Ferguson & Co. – Chartered Accountants consenting to the publication of their names in the Prospectus, which contains in Part 6 certain statements and reports issued by them as experts (which consent has not been withdrawn), as required under Section 57(5) of the Companies Ordinance, 1984.
- b) Copies of material contracts and agreements mentioned in Part 8 of this Prospectus as required under Section 57(4) of the Ordinance.
- c) Written confirmations of the Legal Advisor to this Issue and Bankers to this Issue, mentioned in this Prospectus consenting to act in their respective capacities, as required under Section 57(5) of the Companies Ordinance, 1984.
- d) Consents of the Directors, the Chief Executive and the Company Secretary of the Company who have consented to their respective appointments being made and their having been named or described as such Directors, Chief Executive and Company Secretary in this Prospectus, as required under Section 57(3) of the Ordinance, read with sub-clause (1) of clause (4) of Section 1 of Part 1 of the Second Schedule to the Ordinance.

1.4 LISTING ON THE STOCK EXCHANGE(S)

Application has been submitted by the Issuer to KSE and LSE for permission to deal in and for quotation of the shares of the Company.

If for any reason the application for formal listing is not accepted by the Stock Exchanges the Issuer undertakes that a notice to that effect will immediately be published in the press, and thereafter the Issuer undertakes to refund Application Money to the applicants without surcharge as required under the provisions of Section 72 of the Ordinance.

1.5 CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE ISSUER

We being the Chief Executive Officer and Chief Financial Officer of the Issuer certify that the Prospectus constitutes a full, true and plain disclosure of all material facts relating to the shares being issued through this Prospectus and that nothing has been concealed.

The information provided and disclosures made in this Prospectus contain no misleading material.

For and on behalf of the Issuer
Engro Fertilizers Limited

-sd-

Ruhail Muhammad
Chief Executive Officer

-sd-

Imran Husain
Chief Financial Officer

PART 2

2 BOOK BUILDING PROCEDURE

2.1 BRIEF ISSUE STRUCTURE

The Present Issue

The Issuer is issuing 75 million Ordinary Shares of PKR 10/- each for cash at a floor price of PKR 20/- per share (including a share premium of PKR 10/- per share). The Issue constitutes 5.8% of the total post IPO paid-up capital of the Company.

The Issue is being made through the Book Building process at a Floor Price of PKR 20/- per share, whereby 75% of the total Issue size i.e. 56.25 million Ordinary Shares of PKR 10/- each will be issued through the Book Building process to Institutional Investors and High Net Worth Individuals (HNWI) whereas 25% of the total Issue Size i.e. 18.75 million Ordinary Shares will be issued to the General Public at the Strike Price which will be determined through the Book Building Process.

2.2 BOOK BUILDING PROCEDURE

Book Building is a process whereby investors bid for a specific number of shares at various prices. The Lead Manager and Joint Book Runners, with the consent of Issuer, set a Floor Price which is the lowest price an investor can bid at. An order book of bids from investors is maintained by the Joint Book Runners, which is then used to determine the Strike Price through the “**Dutch Auction Method**”.

Under the Dutch Auction Method, the Strike Price is determined by lowering the price to the extent that the total number of shares that the Issuer intends to Issue through the Book Building process is subscribed. **However, while determining the Strike Price, the bids placed through Strike Orders shall not be taken into consideration.**

A bid by a potential investor can be a “Limit Price”, “Strike Order” or a “Step Bid”, each of which are explained below.

- **Limit Price:** A bid at limit price, which is the maximum price an investor is willing to pay for a specified number of shares.

In such a case, a Bidder explicitly states a price at which he/she/it is willing to subscribe to a specific number of shares. For instance, a Bidder may bid for 2.0 million shares at PKR 50/- per share. Since the Bidder has placed a limit price of PKR 50/- per share, this indicates that he/she/it is willing to subscribe at or below PKR 50/- per share.

- **Strike Order:** A bid for a specified number of shares at the Strike Price to be determined through the Book Building Process.

In Strike Order the Bidder explicitly states the number of shares he/she/it is willing to subscribe at the Strike Price. For instance, a Bidder may bid for 2.0 million shares at the Strike Price to be determined through the Book Building Process. However, it must be noted that placing bid via strike order does not guarantee entitlement of shares as it is subject to time preference.

- **Step Bid:** A series of limit bids at increasing prices. The aggregate amount of step bid shall not be less than PKR 1,000,000/- and the amount of any step shall not be less than PKR 250,000/-.

Under this bidding strategy, Bidders place a number of limit bids at different increasing price levels. The Bidders may, for instance, make a bid for 2.0 million shares at PKR 45/- per share, 1.5 million shares at PKR 47/- per share and 1.0 million shares at PKR 50/- per share.

A SINGLE INVESTOR SHALL NOT MAKE MORE THAN ONE BIDS, HOWEVER, A BID CAN BE REVISED.

THE INVESTORS SHALL NOT PLACE CONSOLIDATED BIDS. A BID APPLICATION WHICH IS FULLY OR PARTIALLY BENEFICIALLY OWNED BY PERSONS OTHER THAN THE ONE NAMED THEREIN IS TO BE CONSIDERED AS CONSOLIDATED BID.

Once the bid period is over and book has been built, Joint Book Runners shall determine the Strike Price.

Successful Bidders shall be intimated, within two (2) working days of the closing of the bidding period, the Strike Price and the number of shares provisionally allotted to each of them. The successful Institutional Bidders shall, within seven (7) working days of the closing of the bidding period, deposit the balance amount as consideration against allotment of shares. **Where a successful Bidder defaults in payment of shares allotted to him/her/it, the Margin Money deposited by such Bidder shall be forfeited to the Joint Book Runners under clause 8.11 of Appendix 4 of the Listing Regulations of KSE and under clause 8.10 of Appendix 4 of Listing Regulation of LSE.**

AS PER REGULATION 8.16 and 8.15 OF THE KSE and LSE LISTING REGULATIONS RESPECTIVELY, THE SUCCESSFUL BIDDERS SHALL BE ISSUED SHARES IN THE FORM OF BOOK-ENTRY SECURITIES TO BE CREDITED IN THEIR CDC ACCOUNTS. ALL THE INVESTORS SHALL, THEREFORE, PROVIDE THEIR CDC ACCOUNT NUMBERS IN THE BID APPLICATION.

2.3 LEAD MANAGERS AND ARRANGERS

Habib Bank Limited (“HBL”) and Allied Bank Limited (“ABL”) have been mandated by the Issuer to act as Lead Managers and Arrangers to this Issue, which is being made through the Book Building Process as laid out in Appendix 4 of the Listing Regulations of the KSE and LSE.

2.4 JOINT BOOK RUNNERS

AKD Securities Limited and Next Capital Limited have been appointed as the Joint Book Runners to this Issue.

2.5 ROLE AND FUNCTIONS OF LEAD MANAGERS AND JOINT BOOK RUNNERS

a) The Lead Managers to the Issue shall:

- i. conduct awareness campaigns through presentations, meetings, road shows etc. jointly with Joint Book Runners;
- ii. ensure that all disclosures as required under the Companies Ordinance, 1984 and the Appendix 4 of the Listing Regulations of the KSE and LSE have been made in the Prospectus;
- iii. ensure that necessary infrastructure and electronic system/software is available to collect bids and to carry out the Book Building process in a fair, efficient and transparent manner;
- iv. ensure that they have obtained on behalf of the Issuer, all approvals/consents/NOCs relating to the Issue;
- v. publish an advertisement, approved by the Commission, in at least one Urdu and one English daily Newspaper having wide circulation in the Federal and all the provincial capitals, to invite the Institutional investors and HNWI to participate in the bidding process; and
- vi. ensure that the preliminary prospectus will, after approval of the Commission, be uploaded on Joint Book Runners as well as on the Company’s website.

b) The Joint Book Runners to the Issue shall:

- i. conduct awareness campaigns through presentations, meetings, road shows etc. jointly with LM;

- ii. ensure that necessary infrastructure and electronic system/software is available to collect bids and to carry out the Book Building process in a fair, efficient and transparent manner;
- iii. collect bid applications and applications' money, security, margin as the case may be from the Institutional Investors and HNWI in the manner as mentioned in the Appendix 4 of the Listing Regulations of the KSE and LSE;
- iv. put serial number, date and time on each bidding application at the time of collection of the same from the bidders;
- v. vet the bidding applications;
- vi. build an order book showing demand for the shares at various prices;
- vii. discover the strike price at the close of the bidding period;
- viii. maintain record of the bids received for subscription of the shares;
- ix. use the software for Book Building process provided by the Exchange, which is based on Dutch Auction Methodology for display of the order book and determination of the strike price, on the terms and conditions as may be agreed in writing between the Exchange and the Joint Book Runners;
- x. ensure that in addition to live display of the order book on the website of the Exchange, also live display the same order book simultaneously on its own website till closing of the bidding period;
- xi. ensure that each bid application contains depository account number of the bidder maintained with CDCPL wherein shares shall be credited in case the bid is successful;
- xii. not accept multiple bids i.e. more than one bid applications by the same person;
- xiii. enter into underwriting agreement with the Issuer;
- xiv. circulate copies of the preliminary prospectus cleared by the Exchanges and approved by the Commission along with the bidding forms to the prospective Institutional Investor and HNWI;
- xv. BR has established bid collection centers at the following addresses:

Karachi

Contact Officer: **Mr. Syed Khurram Shahid**
 Direct No.: +92-21-3537-4301
 PABX No.: +92-21-111-253-111 Ext. 636
 Fax No.: +92-21-3586-7992, +92-21-3537-3211
 Email: khurram.shahid@akdsecurities.net
 Postal Address: 602, Continental Trade Centre, Block 8 Clifton, Karachi
 Website: www.akdsecurities.net

Contact Officer: **Ms. Sanam Khawaja**
 PABX No.: +92-21-111-639-825 Ext 114
 Fax No.: +92-21-3529-2621
 Email: sanam.khawaja@nextcapital.com.pk
 Postal Address: 8th Floor Horizon Tower, Plot # 2/6, Block III, Clifton Karachi.
 Website: www.nextcapital.com.pk

Lahore

Contact Officer: **Mr. Ehsan Ahmad Qureshi**
 Direct No.: +92-42-3628-0742,+92-42-3628-0743, +92-42-3628-0744
 PABX No.: +92-42-111-253-111

Fax No.: +92-42-3628-0745
Email: ehsan.ahmad@akdtrade.com
Postal Address: **AKD Trade**
Room No. 512/513, 5th Floor
Lahore Stock Exchange Building, Lahore
Website: www.akdsecurities.net

Islamabad

Contact Officer: **Mr. Khalid Hussain**
Direct No.: +92-51-2894325
PABX No.: +92-51-289-4321
Fax No.: +92-51-289-4323
Email: malik.khalid@akdtrade.com
AKD Trade
Postal Address: 303, 3rd Floor, ISE Tower
Jinnah Avenue, Blue Area, Islamabad
Website: www.akdsecurities.net

- xvi. Ensure that all the bids received by the bid collection centers are entered into the system developed by the KSE for the purpose of Book Building. **Joint Book Runners shall not accept and ENTER any bid after 5:00 p.m. during the days of the bidding period, except the last day when no fresh bid(s) shall be collected after 5:00 p.m. and the bid(s) collected thus far, shall be entered into the system by 7:00 p.m. on the same day and thereafter no bid shall be entered into the system or be revised in any way and for any reason even if the bid applications have been received from the investor. Online revision will, however, be allowed to the bidder till 7:00 pm on the last day.**

2.6 OPENING AND CLOSING OF THE BIDDING PERIOD

The bidding period shall remain open for 3 working days during business hours i.e. will commence at 09:00 a.m. on. 19th November 2013 and will close at 05:00 p.m. 21st November on, 2013.

BIDDING PROCESS STARTS ON	19th November 2013
BIDDING PROCESS ENDS ON	21st November 2013

**(Both Days Inclusive)*

2.7 ELIGIBILITY TO PARTICIPATE IN BIDDING

Eligible investors who can place their bids in the Book Building process are “Institutional Investors” and “HNWI”.

- Institutional Investors include both local and foreign institutional investors;
- HNWI investors are individual investors who bid for shares of value of PKR 1,000,000/- (Pak Rupees One Million) or above in the Book Building process.

2.8 INFORMATION FOR BIDDERS

- a) The Preliminary Prospectus for issue of shares has been duly cleared by the KSE and LSE and also approved by SECP. The Preliminary Prospectus and the Bidding Form can be obtained from the Registered Office of the Issuer, the Joint Book Runners and the Bid Collection Centers. Preliminary Prospectus and Bidding Forms can also be downloaded from the following websites of the Joint Book Runners and the Company i.e. www.engrofertilizers.com, www.akdsecurities.net and www.nextcapital.com.pk.
- b) Eligible investors who are interested in subscribing to the Ordinary Shares should approach Joint Book Runners at the addresses provided in paragraph 2.5 to register their Bids.
- c) **THE BIDS SHOULD BE SUBMITTED ON THE PRESCRIBED BIDDING FORM IN PERSON OR THROUGH FAX NUMBERS GIVEN IN PARAGRAPH 2.5.**

2.9 BIDDING FORM AND PROCEDURE FOR BIDDING

- a) Standardized Bidding Form has been prescribed by the Joint Book Runners. Bids shall be submitted at the bid collection centers in person or through fax numbers given in paragraph 2.5 on the standard Bidding Form duly filled in and signed in duplicate. The Bidding Form shall be serially numbered at the bid collection centers and date and time stamped, at the time of collection of the same from the Bidders.
- b) Upon completion and submission of the Bidding Form, the Bidders are deemed to have authorized the Issuer to make necessary changes in the Preliminary Prospectus for Issuance of shares as would be required for finalizing and filing the final Prospectus with KSE and LSE and SECP, without prior or subsequent notice of such changes to the Bidders.
- c) The bidding procedure under the Book Building Process is outlined below:
 - i. Copy of the approved Preliminary Prospectus shall be circulated by the Issuer through Joint Book Runners to a maximum number of the institutional investors and HNWI's but not less than ten in each of the two categories and a copy will also be placed on the websites of the Company and the Joint Book Runners.
 - ii. An advertisement, approved by the Commission, shall be published at least in one Urdu and one English daily newspaper having wide circulation in the Federal and all the provincial capitals, inviting the institutional investors and HNWI for participation in the bidding.
 - iii. A Book Building Account shall be opened by the Issuer for collection of bid amount.
 - iv. The Bidding Form shall be issued in duplicate signed by the Bidder and countersigned by the Joint Book Runners, with first copy for Joint Book Runners and the second copy for the Bidder.
 - v. Bids shall be submitted through the bid collection centers or through fax numbers given in paragraph 2.5 on the standard Bidding Form duly filled in and signed in duplicate. The addresses for the bid collection centers are given in paragraph 2.5.
 - vi. Bids can be placed as "Limit Price", "Strike Order" or "Step Bid".
 - vii. Bid money/Margin Money shall be deposited through demand draft, pay order or cheque in favor of **"IPO of Engro Fertilizers Limited – Book Building Account"**.
 - viii. Joint Book Runners shall collect an amount of 100% of the Application Money as bid money in respect of bids placed by HNWI's.
 - ix. Joint Book Runners shall collect an amount of not less than 25% of the Application Money as Margin Money in respect of bids placed by institutional investors
 - x. Joint Book Runners may reject a bid placed by an Institutional Investor/HNWI for reasons to be recorded in writing and the reasons should be disclosed to such Bidder forthwith. Decision of Joint Book Runners shall not be challengeable by the Bidder or its associates.
 - xi. **Joint Book Runners shall not accept the bids made at a bid price lower than the Floor Price.**
 - xii. **The Issuer and Joint Book Runners shall not accept bids from associated persons of the Issuer and the Company in excess of five percent (5%) of the size of the Book Building portion.**

- xiii. The Bidders will receive back the duplicate form upon submission of their bids which will be proof of their bid submission. The bidder shall not be provided with any receiving if a duly filled duplicate form is not submitted along with the bid.
- xiv. Bidders can revise or withdraw their bids during the bidding period (for details please refer to paragraphs 2.13 and 2.15).
- xv. The bidders shall provide a valid e-mail address in the bid form so that the relevant ID, password and form no. can be e-mailed to them upon placement of the bid.
- xvi. Joint Book Runners shall maintain record of the bids received / rejected / revised/ withdrawn along with identities of the Bidder and evidence of amount received.
- xvii. **Joint Book Runners shall ensure that all the bids received at the bid collection centers are entered into the system developed by the KSE for the purpose of the Book Building according to the procedure given in paragraph 2.5(b) (ix) and as per clause 8.6 of Appendix 4 of the Listing Regulations of KSE and LSE. The system shall be capable of displaying live, an order book, in descending order with respect to the bid price, showing the demand for shares at various prices and accumulative number of shares bid for along with percentage of the total shares issued. The order book should also show the revised bids and the bids withdrawn.**
- xviii. At the close of the bidding period, the Joint Book Runners shall determine the Strike Price with the consent of the Issuer.
- xix. Successful Bidders shall be intimated, within two (2) working days of the closing of the bidding period, the Strike Price and the number of shares provisionally allotted to each of them.
- xx. The successful institutional Bidders shall, within seven (7) working days of the closing of the bidding period, deposit the balance amount as consideration against allotment of shares.
- xxi. **Under clause 8.11 of Appendix 4 the Listing Regulations of KSE and 8.10 of Appendix 4 the Listing Regulations of LSE, where a successful institutional Bidder defaults in payment of shares allotted to it, the Margin Money deposited by such Institutional Bidder shall be forfeited to the Joint Book Runners.**
- xxii. Margin money of unsuccessful Bidders will be refunded within three (3) working days of the close of the bidding period.
- xxiii. Final allotment of shares out of the Book Building portion shall be made after receipt of full subscription money from the successful Bidders; however, shares to such Bidders shall be issued at the time of issuance of shares out of the General Public portion of the Issue to successful applicants.
- xxiv. An associated person or any other related person or party of the Issuer shall not make bid(s) for shares in excess of 5% of the Book Building portion of the issue.

2.10 BANK ACCOUNT FOR BOOK BUILDING AND PUBLIC PORTION

The Issuer has opened two separate bank accounts for collection of applications' money, one each for the Book Building portion and the General Public portion of the Issue.

The Bidders shall draw demand draft, pay order or cheque in favor of **“IPO of Engro Fertilizers Limited – Book Building Account”** which has been opened at Faysal Bank Limited. The collection bank shall keep and maintain the bid money in the said account. Once the Strike Price is determined and list of allottees is finalized, the Lead Managers, after obtaining NOC from KSE and LSE, may request in writing to the collection bank for transfer of the money of successful and accepted

applications to the Issuers' account(s) and advise for refund of the bid money to unsuccessful Bidders.

2.11 PAYMENT INTO THE BOOK BUILDING ACCOUNT

The Bidders shall draw a demand draft, pay order or cheque favoring **“IPO of Engro Fertilizers Limited – Book Building Account”** and submit it at the designated Bid Collection Center either in person or through facsimile along with a duly filled in Bidding Form.

CASH MUST NOT BE SUBMITTED WITH THE BIDDING FORM AT THE BID COLLECTION CENTER. PAY ORDER, BANK DRAFT, CHEQUE (EXCLUDING INTERCITY CHEQUES) OR ANY OTHER APPROPRIATE INSTRUMENT ACCEPTABLE TO THE JOINT BOOK RUNNERS AND DRAWN IN FAVOR OF “IPO OF ENGRO FERTILIZERS LIMITED – BOOK BUILDING ACCOUNT” ARE ACCEPTABLE, EXCEPT FOR THE LAST DAY, WHEN ONLY PAYORDER OR BANK DRAFT SHALL BE ACCEPTED.

Since the investors can bid for shares through “Limit Price”, “Strike Order” or “Step Bid” therefore payment procedure is explained below for all the three (3) methods.

a) PAYMENT FOR LIMIT PRICE

If investors are placing their bids through “Limit Price” then they shall deposit the Margin Money based on the number of shares they are bidding for at their stated Bid Price.

For instance, if an investor is applying for 5.0 million shares at a price of PKR 25/- per share, then the total Application Money would amount to PKR 125 million. In such a case, (i) HNWI shall deposit PKR 125 million in the Book Building account as the bid amount which is 100% of PKR 125 million; and (ii) Institutional Investors shall deposit PKR 31.25 million in the Book Building account as the margin amount which is at least 25% of PKR 125 million.

b) PAYMENT FOR STRIKE ORDERS

If investors are placing a “Strike Order”, then they shall deposit the Margin Money/Bid Amount equal to the product of the number of shares they are bidding for and the Floor Price which in this case is PKR 20/- per share assuming that Strike Price is discovered at the Floor Price.

For instance, if an investor is applying for 5.0 million shares then the total Application Money would be PKR 100 million. In such a case, (i) HNWI shall deposit PKR 100 million as bid amount which is 100% of PKR 100 million, and (ii) Institutional Investors shall deposit at least PKR 25 million as Margin Money which is 25% of PKR 100 million.

In the event where limit and step orders are insufficient to determine price through the Book Building mechanism, all strike orders will be considered for allocation of shares at Floor Price. For details please refer to paragraph 2.17 below.

c) PAYMENT FOR STEP BIDS

If investors are placing a “Step Bid”, which is a series of limit bids at increasing prices, then they shall deposit the Margin Money / Bid Amount based on the total number of shares they are bidding for at their stated bid prices.

For instance, if the investor bids for 0.3 million shares at PKR 25/- per share, 0.4 million shares at PKR 22/- per share and 0.5 million shares at PKR 20/- per share, then in essence the investor has placed one “step bid” comprising three limit bids at increasing prices. The Margin Money would amount to PKR 27.3 million, which is the sum of the products of the number of shares bid for and the bid price of each limit bid. In such a case, (i) HNWI shall deposit PKR 27.3 million in the Book Building Account as bid amount which is 100% of PKR 27.3 million, and (ii)

Institutional Investors shall deposit at least PKR 6.825 million in the Book Building Account as Margin Money which is 25% of PKR 27.3 million.

2.12 PAYMENT BY FOREIGN INVESTORS

Foreign investors may subscribe using their Special Convertible Rupee Accounts (SCRA), as set out under Chapter 20 of the State Bank of Pakistan's Foreign Exchange Manual.

Foreign investors do not require any regulatory approvals to invest in the shares being offered by the Company. Payment in respect of investment in the shares of the Company has to be made in foreign currency through an inward remittance or through surplus balances in SCRA. Local currency cash account(s) opened for the purpose of Foreign Portfolio Investment (FPI) is classified as SCRA. There are no restrictions on repatriation on sale (disinvestment) and dividend proceeds. Underlying client names/beneficial owners are required to be disclosed at depository level.

Key Documents required for individual(s) are:

1. Account opening request
2. Passport / ID

General documentation required for opening of SCRA account by corporate are:

1. Account opening request
2. Board Resolution & Signatories list
3. Passport / ID of Board of Directors
4. Passport / ID of all authorized signatories
5. Certificate of Incorporation (COI) Equivalent / supporting documents: Trade Registry Certificate, Business Registration Certificate, Certificate of Commencement of Business
6. Memorandum & Articles of Association
7. Withholding tax registration certificate / Certificate of country of domicile of client
8. Latest Annual Report
9. List of Board of Directors
10. List of Shareholders (>10% holdings) and key officers

It is however pertinent to note that the procedure and requirements of each institution differs, hence it is advised to request the procedure from each relative institution.

Payments made by foreign investors shall be supported by proof of receipt of foreign currency through normal banking channels. Such a proof shall be submitted along with the application by the foreign investors.

2.13 REVISION OF BIDS BY THE BIDDER

The Bidders shall have the right to revise their bids any time during the bidding period and on the last day till 07:00 pm. Online revision of the bids may be allowed to the Bidders through system software. This will however be subject to the condition that the Bidder shall comply with the requirements of bidding as disclosed under Appendix 4 of the Listing Regulations and any other condition or procedure disclosed in the Preliminary Prospectus.

2.14 REJECTION OF BIDS BY THE JOINT BOOK RUNNERS

In terms of clause 8.4 of Appendix 4 of Listing Regulations of KSE and LSE, Joint Book Runners may reject a bid placed by an institutional investor/HNWI for reasons to be recorded in writing and the reasons should be disclosed to such Bidder forthwith. Decision of the Joint Book Runners shall not be challengeable by the Bidder or its associates.

2.15 WITHDRAWAL OF BIDS BY THE BIDDER

A Bidder has the right to withdraw placed bid from the bidding system any time during the bidding period and on the last day thereof till 05:00 pm. Online withdrawal of the bids may be allowed to the Bidders through system software. This will however be subject to the condition that the Bidder shall

comply with the requirements of bidding as disclosed under Appendix 4 of the Listing Regulations and any other condition or procedure disclosed in the Prospectus.

2.16 WITHDRAWAL OF ISSUE BY THE ISSUER

- a) According to clause 3.10 of Appendix 4 of the listing regulations of KSE and LSE, in case the Issuer does not receive bids at or above the Floor Price for the minimum number of shares offered, it may withdraw the Issue. The decision of withdrawal shall be taken within a period not more than three (3) working days of the closing of bidding period.
- b) The Issuer shall withdraw the Issue if the total bids received are less than fifteen.**
- c) The withdrawal shall be immediately intimated to the Commission and the Exchange.
- d) In case the Issue is withdrawn the Margin Money / bid money will be refunded to Bidders within three (03) working days of the decision of withdrawal without any markup, interest etc.**

2.17 MECHANISM FOR DETERMINATION OF STRIKE PRICE

- a) At the close of the bidding period, the Issuer, in consultation with the Joint Book Runners shall determine the Strike Price on the basis of “**Dutch Auction Method**”. Under this Methodology, the Strike Price is determined by lowering the price to the extent that the total number of shares issued is subscribed. However, while determining the Strike Price, the bids placed through strike order(s) shall not be taken into consideration.
- b) The order book shall display the bid prices in a descending order along with the quantity for each price level as well as the cumulative quantity at each price level. The bids at strike orders shall, however, be displayed in the order book in the following manner:
 - i. after the lowest limit bid, in case the limit bids placed are not sufficient for full allotment of the shares issued, or,
 - ii. immediately, after the limit bid at which all the shares issued can be allotted, in case the limit bids placed are sufficient for full allotment of the shares Issued.
- c) For the purpose of allotment of shares, the limit bid(s) entered at the price determined / discovered as Strike Price through Book Building Process and the bids placed as strike order shall be ranked equally and preference will be given to the Bidder who has made the bid earlier.
- d) Once the Strike Price is determined all those Bidders whose bids have been found successful shall become entitled for allotment of shares. The Bidders, who have made bids at prices above the Strike Price, will be issued shares at the Strike Price and the differential will be refunded. The Bidders, who have made bids below the Strike Price, shall not qualify for allotment of shares and their Margin Money shall be refunded.

The mechanism for determination of Strike Price can be understood by the following illustration.

- a) Number of shares being Issued through the Book Building:** 56.25 Million Ordinary Shares
- b) Floor Price:** PKR 20/- per share
- c) Bidding Period:** 19th November 2013 to 21st November 2013

Bidder	Price (PKR per share)	Quantity (shares in Millions)	Cumulative No. of Shares (Millions)	Category of Order	Date
Institution - A	35.00	5.00	5.00	Limit Bid	Day 1
Institution - E	34.00	6.00	11.00	Limit Bid	Day 3
Institution - B	33.50	8.00	13.00	Limit Bid	Day 2
Foreign Institution - F	32.00	9.00	22.00	Limit Bid	Day 2
HNWI - A	31.50	5.00	27.00	Step Bid	Day 3
Institution - C	31.00	10.00	37.00	Step Bid	Day 1
Institution - Y	X	3.00	40.00	Strike Order	Day 1
Institution - S	X	4.00	44.00	Strike Order	Day 3
HNWI - E	30.00	20.00	64.00	Limit Bid	Day 2
Institution - C	29.50	3.00	67.00	Step Bid	Day 1
Institution - B	29.00	4.00	68.00	Limit Bid	Day 2
HNWI - A	26.00	2.75	69.75	Step Bid	Day 3
Institution - C	25.00	6.00	75.75	Step Bid	Day 1

Bid Withdrawn
 Strike Price determined through Dutch Auction Method
 Total Shares Subscribed
 Bid has been Revised and placed at PKR 33.50 per share

- a) **Setting Strike Price** – On the basis of the figures provided in the above illustration, according to the Dutch Auction Method, the Strike Price would be set at PKR 30.00 per share to sell the required quantity of 56.250 million ordinary shares.

At PKR 35.00 per share, investors are willing to buy only 5 million shares. Since 51.25 million shares are still available, therefore the price will set lower.

At PKR 33.50 per share, investors are willing to buy 8 million shares. Since 43.25 million shares are still available, therefore, the price will set lower.

At PKR 32.00 per share, investors are willing to buy 9 million shares. Since 34.25 million shares are still available, therefore, the price will set lower.

At PKR 31.50 per share, investors are willing to buy 5 million shares. Since 29.25 million shares are still available, therefore, the price will set lower.

At PKR 31.00 per share, investors are willing to buy 10 million shares. Since 19.25 million shares are still available, therefore, the price will set lower.

At PKR 30 per share, investors are willing to buy 20 million shares. Since after bidding for 20 million shares at PKR 30 per share no share will be available, therefore, the Strike Price will be set at PKR 30 per share for the entire lot of 56.25 million shares.

The Bidders, who have placed bids at prices above the Strike Price (which in this illustration is PKR 30 per share), will become entitled for allotment of shares at the Strike Price.

The Bidders, who have placed bids below PKR 30 per share, will not qualify for allotment of shares and their money will be refunded.

After allotment in the aforementioned manner, 19.25 million shares are still available for allotment. These shares will be allotted to the Bidders who have placed bid(s) at PKR 30 and who have placed bid(s) at the strike order, however, for the purpose of allotment of these 19.25 million shares **preference will be given to the Bidder who has placed the bid earlier.**

2.18 BASIS OF ALLOTMENT OF SHARES

After the closure of bidding period, the Joint Book Runners will analyze the demand generated at various price levels. Only successful Bidders shall be eligible for allotment and transfer of shares. Final allotment of shares out of the Book Building portion shall be made after receipt of full subscription money from the successful Bidders; **however, shares to such Bidders shall be**

dispatched or credited, as the case may be, at the time of issue of shares out of the public portion of the Issue to successful applicants.

2.19 REFUND OF MARGIN MONEY

Investors who have bid lower than the Strike Price are not eligible for allotment of shares. Margin Money of the unsuccessful Bidders shall be refunded within three (3) working days of the close of the bidding period as required under clause 8.12 of Appendix 4 of the KSE and 8.11 of Appendix 4 of LSE Listing Regulations.

2.20 UNDERWRITING

After determination of the Strike Price the Joint Book Runners shall within two (2) working days of the closing of the bidding period enter into an underwriting agreement with the Issuer indicating the number of shares that Joint Book Runners would underwrite at the Strike Price and the underwriting Commission/Fee to be charged.

2.21 PUBLICATION OF THE FINAL PROSPECTUS

The underwriting agreement for the public portion of the Issue shall be finalized within ten (10) working days from the closing of bidding period.

Upon finalization of the underwriting agreements, the Lead Managers shall, within ten (10) working days from the date of closing of the bidding period, submit an application to KSE and LSE for allocation of dates for publication of the final Prospectus and subscription of shares by the General Public.

The final Prospectus in full or in abridged form must be published within seventeen (17) working days of the closing of the bidding period in the manner as specified in Section 53 of the Companies Ordinance, 1984.

Public subscription for the shares shall be held at any date(s) within thirty days (30) of the publication of the final Prospectus but not earlier than seven (7) days of such publication.

2.22 ADDRESSES OF BID COLLECTION CENTRES

Bid Collection Centers have been established at Karachi, Lahore and Islamabad to collect the bids for the Book Building portion of the issue by the Company in order to provide convenient access to Bidders to participate in the bidding process. Addresses, detail of contact persons and fax numbers of the Bid Collection Centers are given in paragraph 2.5.

2.23 STATEMENT BY ISSUER

September 7, 2013

The Managing Director,
Karachi Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

The Managing Director,
Lahore Stock Exchange Limited,
Lahore Stock Exchange Building,
19, Khayaban-e-Aiwan-e-Iqbal,
Lahore.

On behalf of the Company, I confirm that all material information as required under the Companies Ordinance, 1984 and the Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited have been disclosed in the Prospectus and that whatever stated in the Prospectus and the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and on behalf of
Engro Fertilizers Limited

-sd-

Ruhail Muhammad
Chief Executive Officer

2.24 STATEMENT BY LEAD MANAGERS

August 1, 2013

The Managing Director,
Karachi Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

The Managing Director,
Lahore Stock Exchange Limited,
Lahore Stock Exchange Building,
19, Khayaban-e-Aiwan-e-Iqbal,
Lahore.

Being mandated as Lead Managers to this Initial Public Offer of Engro Fertilizers Limited through the Book Building process, we confirm that all material information as required under the Companies Ordinance, 1984 and Appendix 4 of the Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited have been disclosed in this Prospectus and that whatever stated herein and in the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

On behalf of:

-sd-

Khurram Iqbal Khan
Head, Advisory & Capital Markets
Habib Bank Limited

-sd-

Syed Manzoor Hussain Zaidi
Unit Head, Syndications & Advisory
Allied Bank Limited

2.25 STATEMENT BY JOINT BOOK RUNNERS

October 10, 2013

The Managing Director,
Karachi Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

The Managing Director,
Lahore Stock Exchange Limited,
Lahore Stock Exchange Building,
19, Khayaban-e-Aiwan-e-Iqbal,
Lahore.

Being mandated as Joint Book Runners to this Initial Public Offer of Engro Fertilizers Limited through the Book Building process, we confirm that all material information as required under the Companies Ordinance, 1984 and Appendix 4 of the Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited have been disclosed in this Prospectus and that whatever stated herein and in the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

On behalf of:

-sd-

-sd-

Umair Aijaz
Head - Investment Banking
AKD Securities Limited

Najam Ali
CEO
Next Capital Limited

PART 3

3 SHARE CAPITAL AND RELATED MATTERS

3.1 SHARE CAPITAL

No. of shares		Face value (PKR)	Premium (PKR)	Total (PKR)
AUTHORIZED				
1,400,000,000	Ordinary shares of PKR 10/- each	14,000,000,000	-	14,000,000,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL				
	Issued on transfer of Fertilizer's Undertaking ¹		-	
10,000,000	of PKR 10/= each	100,000,000	11,144,000 ¹	111,144,000
1,062,800,000	Issued as fully paid bonus shares	10,628,000,000	-	10,628,000,000
150,000,000	Right issue at PKR 10/- per share	1,500,000,000	-	1,500,000,000
1,222,800,000	Total	12,228,000,000	11,144,000	12,239,144,000
	The existing issued, subscribed & paid up capital of the Company is held as follows:			
SHAREHOLDERS / SPONSORS				
1,222,800,000	M/s. Engro Corporation Limited (Refer Note 3.1.2)	12,228,000,000	-	12,228,000,000
1,222,800,000	Total Paid up Capital	12,228,000,000	-	12,228,000,000
PRESENT ISSUE (Refer Note 3.1.1)				
56,250,000	Allocation to Institutions/HNWIs investors through book building process at a strike price of PKR [●] each	562,500,000	[●]	[●]
18,750,000	General Public	187,500,000	[●]	[●]
75,000,000	TOTAL	750,000,000	[●]	[●]
1,297,800,000	GRAND TOTAL	12,978,000,000	[●]	[●]

¹Engro Corporation through a Scheme of Arrangement (the Scheme) under section 284 through 288 of the Companies Ordinance 1984, separated its fertilizer undertaking for continuation thereof by the newly incorporated subsidiary i.e. Engro Fertilizers Limited. The shares were issued in exchange of assets acquired which did not include goodwill or intangible assets. Further, share premium of Rs. 10.639 bn was created in pursuance of the said the Scheme. The Company has issued fully paid bonus shares of Rs. 10.628 billion from the said premium account.

Agreement with IFC

On December 22, 2010, the Company and IFC entered into an amended agreement for further loan of US\$30 million (over the above US\$ 50 million disbursed in 2009), which is divided into (i) 30% convertible loan i.e. US\$ 9 million with an option to convert into the shares of the Company at PKR 41.67 per share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan i.e. US\$ 21 million.

The entire loan of US\$ 30 million is priced at LIBOR plus a spread of 6% or 10% depending on the listing status of the Company at December 31, 2012. **If the Company is not listed by December 31, 2012, IFC will have the right to retrospectively (from the loan disbursement date on June 30, 2011) increase the spread applicable on the total loan (US\$ 30 million) from 6% to 10%. During the year 2013, IFC in principle waived the interest step up given that there is a substantial reduction in Option Exercise Price and the Company to do an IPO by December 31, 2013.** The key terms mutually agreed with IFC are as follows:

- Upto 30% of loan i.e. US\$ 9 million is convertible into equity at the Strike Price or PKR 24 per share whichever is lower. The number of shares will depend on the prevailing exchange rate between USD and PKR. Based on exchange rate as at Sep 30, 2013 i.e. 106.1025¹ and a conversion price of PKR 20/- per share, IFC can convert the US\$ 9 million loan into 47,746,125 shares of the Company.
- The IFC option to convert the US\$ 9 million loan to ordinary shares of the Company has been extended and IFC may choose to exercise this option anytime until March 31, 2017. The Company will be required to pay interest at the rate of LIBOR plus 6% until the exercise of options by the IFC.
- 70% of non-convertible loan i.e. US\$ 21 million will be based on LIBOR plus spread of 6%.
- Minor listing requirement as defined in the IFC loan agreement is for the Company to be listed on or prior to June 30, 2014 such that minimum free float is 10% (inclusive of IFC converted shares). If not completed the applicable loan spread on the total loan (US\$ 30 million) will increase from 6% to 10% unless IFC exercises the conversion option.
- Major listing requirement as defined in the IFC loan agreement is for the Company to be listed on or prior to June 15, 2015 such that minimum free float is 15% (inclusive of IFC converted shares). If not completed the applicable loan spread on the total loan (US\$ 30 million) will increase from 6% to 10% unless not already increased in the case of minor listing (mentioned above) or IFC exercises the conversion option.
- The loan is payable in 3 semi-annual installments commencing from September 15, 2016.
- The convertible portion will not reduce in line with the repayment profile and instead will be repaid with the last installment due on September 15, 2017 if not converted by March 31, 2017.

Note: The shares to be issued by the Company against conversion of the said loan shall not be saleable for a period of six months from the IPO date ([●], 2013), IFC will be allowed to convert the loan into shares any time after IPO till March 31, 2017 . The terms are in-principally agreed between IFC and the Company however, the agreement is not signed till 6 November 2013.

3.1.1 PRESENT ISSUE

The Board of Directors of the Company during its meeting on July 24, 2013 passed a resolution to issue 75.00 million new ordinary shares of PKR 10/- each of the Company.

3.1.2 Engro Corporation Limited, the holding company, has entered into an agreement dated August 28, 2013 with the Financial Advisors to divest up to 30 million shares of Engro Fertilizers i.e. 2.31% of the post IPO paid up capital, out of its current holding of 1,222.80 million shares, at the Strike

¹ <http://www.sbp.org.pk/ecodata/rates/war/2013/Sep/30-Sep-13.pdf>

Price to be discovered via Book Building Process. Mechanism for such divestment is provided in para 3.1.3 below. The shares will be offered to eligible local / foreign institutional investors / HNWI's (informed buyers) only.

3.1.3 Mechanism for Divestment by Engro Corporation Limited:

The mechanism for Divestment is disclosed below:

- a) Engro Corporation Limited will divest up to 30 million shares at the Strike Price discovered through book building process.
- b) Allocation of shares will be made on a **“first come first serve basis”**.
- c) Investors will have the option to subscribe to the aforementioned shares within a period of five (5) working days post completion of the Bidding Period i.e. from 22nd November 2013 to 28th November 2013 or before full allocation of 30 million shares, whichever is earlier.
- d) A single investor cannot be allotted more than 3 million shares. In case the shares are not fully subscribed within a period as described in (b) above, the said restriction capping the maximum allocation to a single investor shall be reviewed by the Company in consultation with the Financial Advisors to the issue.
- e) Order for subscription of shares should be placed in writing with the following addresses:
 - i) Addressed To: Mr. Salman Virani (salman.virani@hbl.com)
Syed Tariq Ali (tariq.ali@abl.com)
 - ii) Copied To : Mr. Farhan A. Shaikh (farhan.shaikh@hbl.com) and Mr. Eqan A. Khan (eakhan@engro.com)
- f) Timings for placement of orders will be KSE trading hours i.e. (09:30 a.m. to 03:30 p.m.) for Monday to Thursday and (09:15 a.m. to 12:30 p.m. and 2:30 p.m. to 04:30 p.m.) for Friday.
- g) Order for subscription of shares will only be acknowledged if placed in writing at the above mentioned email addresses and should at minimum bear the following details:
 - i) Name of the Investor
 - ii) Number of shares subscribed for
 - iii) Amount (both in figures and in words) i.e. number of shares x Strike Price
 - iv) Payment mode
 - v) Instrument / Payment Instruction No.
 - vi) Name of the Bank used to transfer funds
 - vii) CDC Account No. of the subscriber
 - viii) Email address of the subscribers
 - ix) Telephone Number
 - x) Fax
- h) Order will be confirmed upon receipt of cleared funds in the designated Account.
- i) Please note that payment can only be made via **PAYORDER** and **ELECTRONIC FUNDS TRANSFER**.
- j) Once the order for subscription of shares is placed, No Withdrawal or Revision will be allowed.
- k) Funds shall be deposited in the following account maintained with Habib Bank Limited:

Account number 0786-79008201-03 Titled: “Engro Corp Ltd”.
- l) The Financial Advisor will within one working day of completion of the Divestment or 5 working day period which ever is earlier, inform to the SECP, Stock Exchanges, the Company and the investor in writing with respect to the allocation of shares.

- m) Allocation of shares will be based on a **first come first serve basis** and upon satisfaction of all the above mentioned conditions. For abundant clarity timing for the purpose of allocation of shares will be based on the order timing.
- n) Names of the successful investors and the shares allocated to them will be disclosed in the Final Prospectus.
- o) For the purpose of this Divestment, participation can only be made by those investors who are eligible to participate in the Book Building process.
- p) The Divestment will be considered withdrawn if the total number of subscription received are less than 5.

Subsequent to the Initial Public Offer and the above-mentioned Divestment by Engro Corp, Engro Fertilizers shareholding structure is expected to be as follows:

Number of Shares	SHAREHOLDERS	SHAREHOLDING %
Directors		
1	Mr. Muhammad Aliuddin Ansari	0%
1	Mr. Ruhail Mohammed	0%
1	Mr. Javed Akbar	0%
1	Mr. Abdul Samad Dawood	0%
1	Mr. Shabbir Hashmi	0%
1	Ms. Naz Khan	0%
1	Mr. Shahid Hamid Pracha	0%
1	Mr. Khalid S. Subhani	0%
8	Sub Total	0%
Others		
1,192,799,992	Engro Corporation	91.91%
30,000,000	Divestment by Engro Corporation to (local/ foreign institutional investors / HNWI's (informed buyers) only	2.31%
56,250,000	Book Building Participants	4.33%
18,750,000	General Public (pursuant to IPO)	1.44%
1,297,800,000	Total Paid up Capital	100%

* Maximum of up to 30million shares will be divested

Notes:

- a) The sponsor shall at all times retain at least twenty-five percent of the capital of the Company;
- b) The sponsors' shareholding in excess of 25% shall not be saleable for a period of six months from the date of public subscription;

3.2 OPENING AND CLOSING OF THE SUBSCRIPTION LIST

The subscription list will open for [●] days at the commencement of banking hours on [●], 2013 and will close on [●], 2013 at the close of banking hours. **Please note that online applications can be submitted 24 hours during the subscription period which will close at 12:00 midnight on [●], 2013.**

3.3 INVESTOR ELIGIBILITY FOR PUBLIC ISSUE

Eligible investors include

- a) Pakistani citizens residing in or outside Pakistan or persons holding two nationalities including Pakistani Nationality;
- b) Foreign nationals whether living in or outside Pakistan;

- c) Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their respective constitutive documents and existing regulations as the case may be);
- d) Mutual funds, provident/pension/gratuity funds/trusts (subject to the terms of their respective Trust Deeds and existing regulations); and
- e) Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

3.4 FACILITIES AVAILABLE TO NON-RESIDENT PAKISTAN AND FOREIGN INVESTORS

Non-resident Pakistani investors and foreign investors may subscribe for the shares being issued through this Prospectus by using their Special Convertible Rupee Account (“SCRA”). For detail please see Chapter 20 of the Foreign Exchange Manual of the State Banks of Pakistan.

Foreign investors do not require any regulatory approvals to invest in the shares being offered by the Company. Payment in respect of investment in the shares of the Company has to be made in foreign currency through an inward remittance or through surplus balances in SCRA. Local currency cash account(s) opened for the purpose of Foreign Portfolio Investment (FPI) is classified as SCRA. There are no restrictions on repatriation on sale (disinvestment) and dividend proceeds. Underlying client names/beneficial owners are required to be disclosed at depository level.

Key Documents required for individual are:

1. Account opening request
2. Passport / ID

General documentation required for opening of SCRA account by corporate are:

1. Account opening request
2. Board Resolution & Signatories list
3. Passport / ID of Board of Directors
4. Passport / ID of all authorized signatories
5. Certificate of Incorporation (COI) Equivalent / supporting documents: Trade Registry Certificate, Business Registration Certificate, Certificate of Commencement of Business
6. Memorandum & Articles of Association
7. Withholding tax registration certificate / Certificate of country of domicile of client
8. Latest Annual Report
9. List of Board of Directors
10. List of Shareholders (>10% holdings) and key officers

It is however pertinent to note that the procedure and requirements of each institution differs, hence it is advised to request the procedure from each relative institution.

3.5 MINIMUM AMOUNT OF APPLICATION AND BASIS FOR ALLOTMENT OF SHARES OUT OF THE PUBLIC PORTION OF THE ISSUE.

The basis and conditions of allotment to the General Public shall be as follows:

- (a) This Issue is being made at a price of PKR [●] per ordinary share including the share transfer fee for both shares in physical form and shares under the book-entry system in the Central Depository Company of Pakistan Limited (“CDCPL”).
- (b) Application for shares must be made for 500 shares or in multiple of 500 shares only. Applications which are neither for 500 shares nor for multiples of 500 shares shall be rejected.
- (c) The minimum amount of application for subscription of 500 shares is PKR [●]/-.
- (d) Application for shares below the total value of PKR [●]/- shall not be entertained.

- (e) SUBMISSION OF FICTITIOUS AND MULTIPLE APPLICATIONS (MORE THAN ONE APPLICATIONS BY SAME PERSON) IS PROHIBITED AND SUCH APPLICATIONS' MONEY IS LIABLE TO CONFISCATION UNDER SECTION 18-A OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969.**
- (f) If the shares issued to the general public are sufficient to accommodate all applications, all applications shall be accommodated.
- (g) If the shares applied for are in excess of the shares offered to them, the distribution shall be made by computer balloting, in the presence of the representative(s) of KSE and LSE in the following manner:
- (i) If all the applications for 500 shares can be accommodated, then all such applications shall be accommodated first. If all applications for 500 shares cannot be accommodated, then balloting will be conducted among applications for 500 shares only.
 - (ii) If all the applications for 500 shares have been accommodated and shares are still available for allotment, then all applications for 1000 shares shall be accommodated. If all applications for 1000 shares cannot be accommodated, then balloting will be conducted among applications for 1000 shares only.
 - (iii) If all applications for 500 shares and 1000 shares have been accommodated and shares are still available for allotment, then all applications for 1500 shares shall be accommodated. If all applications for 1500 shares cannot be accommodated, then balloting will be conducted among applications for 1500 shares only.
 - (iv) If all applications for 500 shares, 1000 shares and 1500 shares have been accommodated and shares are still available for allotment, then all applications for 2000 shares shall be accommodated. If all applications for 2000 shares cannot be accommodated, then balloting will be conducted among applications for 2000 shares only.
 - (v) After the allotment in the above mentioned manner, the balance shares, if any, shall be allotted in the following manner:
 - If the remaining shares are sufficient to accommodate each application for over 2000 shares, then 2000 shares shall be allotted to each applicant and remaining shares shall be allotted on pro-rata basis.
 - If the remaining shares are not sufficient to accommodate all the remaining applications for over 2000 shares, then balloting shall be conducted for allocation of 2000 shares each to the successful applicants.
- (h) If the Issue is oversubscribed in terms of *amount only*, then allotment of shares shall be made in the following manner:
- (i) First preference will be given to the applicants who applied for 500 shares;
 - (ii) Next preference will be given to the applicants who applied for 1000 shares;
 - (iii) Next preference will be given to the applicants who applied for 1500 shares; and then
 - (iv) Next preference will be given to the applicants who applied for 2000 shares;
- (i) After allotment of the above, the balance shares, if any, shall be allotted on pro rata basis to the applicants who applied for more than 2000 shares.
- (j) Allotment of shares will be subject to scrutiny of applications for subscription of shares.
- (k) Applications, which do not meet the above requirements, or applications which are incomplete, will be rejected.

3.6 REFUND OF SUBSCRIPTION MONEY TO UNSUCCESSFUL APPLICANTS

The Company shall take a decision within ten (10) days of the closure of subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful applications within ten (10) days of the date of such decision, as required under Section 71 of the Ordinance.

As per sub-section (2) of Section 71 of the Ordinance, if refund as required under sub-section (1) of Section 71 of the Ordinance is not made within the time specified therein, the directors of the Company shall be liable to repay the money with surcharge at the rate of 1.5%, for every month or part thereof from the expiration of the 15th day and, in addition, to a fine not exceeding PKR 5,000/- and in case of continuing offense to a further fine not exceeding PKR 100/- per day after the said 15th day of which the default continues. Provided that a director of the Company shall not be liable if he/she proves that the default in making the refund was not due to any misconduct or negligence on his/her part.

3.7 CREDIT AND DISPATCH OF SHARE CERTIFICATES

The Company, will dispatch share certificates to successful applicants through their Banker to the Issue or by crediting the respective Central Depository System (“CDS”) accounts of the successful applicants within thirty (30) days of the close of public subscription, as per Listing Regulations of the Stock Exchanges.

Shares will be issued either in scrip-less form in the CDS of Central Depository Company of Pakistan (CDCPL) or in the shape of physical scripts on the basis of option exercised by the successful applicants. Shares in the physical scripts shall be dispatched to the Bankers to the Issue within thirty (30) days from the date of close of subscription list, whereas scripless shares shall be directly credited through book entries in the respective accounts maintained with the CDCPL.

The applicants who opt for receipt of shares in scrip-less form in CDS should fill in the relevant columns of the Application Form. In order to exercise the scrip-less option, the applicant(s) should have CDS account at the time of subscription. **Stamp duty on transfer of shares in the names of the successful applicants shall not be borne by the Company.**

If the Company makes a default in complying with the above requirements of the Listing Regulations of the Stock Exchanges, it shall pay to the Stock Exchange a penalty of PKR 5,000/- per day for every day during which the default continues. The Stock Exchange may also notify the fact of such default and the name of the Company by notice and also by publication in its Ready-Board Quotation of the Stock Exchange.

The name of the Company be notified to the members of the Stock Exchange and placed on the website of the Stock Exchange.

3.8 TRANSFER OF SHARES

a) Physical Scripts

Under the provisions of Section 77 of the Ordinance, the Directors of the Company shall not refuse to transfer any fully paid share unless the transfer deed is, for any reason, defective or invalid or is not accompanied by the relevant share certificate. Provided that the Company shall within thirty (30) days from the date on which the instrument of transfer was lodged with it, notify the defect or invalidity to the transferee who shall, after the removal of such defect or invalidity, be entitled to re-lodge the transfer deed with the Company.

b) Transfer under book entry system

The shares maintained with the CDS in the book entry form shall be transferred in accordance with the provisions of the Central Depositories Act, 1997 and the CDCPL Regulations.

3.9 SHARES ISSUED IN PRECEDING YEARS

Date of Allotment	Number of shares	Par Value/Share	Amount in PKR	Considerations
27-06-2009	7	10	70	Cash
01-01-2010 ¹	9,999,993	10	99,999,930	Issued pursuant to a Scheme of Arrangement
26-04-2010	288,000,000	10	2,880,000,000	Fully paid bonus shares in the ratio of 288 shares for every 10 shares held
20-12-2010	774,800,000	10	7,748,000,000	Fully paid bonus shares in the ratio of 26 shares for every 10 shares held
27-06-2013	150,000,000	10	1,500,000,000	Rights Issue
	1,222,800,000		12,228,000,000	

¹Engro Corporation limited through a Scheme of Arrangement (the Scheme) under section 284 through 288 of the Companies Ordinance 1984, separated its fertilizer undertaking for continuation thereof by the newly incorporated subsidiary i.e. Engro Fertilizers Limited. The shares were issued in exchange of assets acquired which did not include goodwill or intangible assets.

3.10 PRINCIPAL PURPOSE OF THE PUBLIC ISSUE

Funds raised through the IPO will be partially utilized to fund development CAPEX on securing additional gas supplies along with restructuring of the balance sheet to optimize the capital structure of the Company. Breakup of the same is given below:

Purpose of Listing	Amount in PKR Mn
Principal Repayment	1,000
Gas Development CAPEX ¹	500
Total	1,500

¹Gas related CAPEX commenced from July 2013 and will conclude by December 2014.

3.11 INTEREST OF SHAREHOLDERS

None of the holders of the issued shares of the Company have any special or other interest in the property or profits of the Company other than as holders of the ordinary shares in the capital of the Company.

3.12 DIVIDEND POLICY

The rights in respect of capital and dividends attached to each share are and will be the same. The Company in its general meeting may declare final dividends but no dividends shall exceed the amount recommended by the Directors. Dividend, if declared, in the general meeting, shall be paid according to the terms of the provisions of the Ordinance.

The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company. No dividends shall be paid otherwise than out of the profits of the Company for the year or any other undistributed profits.

No unpaid dividends shall bear interest or mark-up against the Company. The dividends shall be paid within the period laid down in the Ordinance.

One of the financial covenants agreed with the lenders as part of the debt re-profiling is a restriction on payment of dividends until the Company has repaid 33% of the loans which were outstanding as at June 30, 2012. Based on the revised repayment terms, the Company is expected to achieve this milestone in third quarter of 2015.

Those investors who intend that their cash dividend, if any, is directly credited in their Bank Account, must fill-in the relevant part of the shares subscription Form under the heading, “Dividend Mandate Option”.

3.13 ELIGIBILITY FOR DIVIDEND

The shares being issued shall rank pari-passu with the existing shares in all matters, including the right to such bonus or right issue and dividend as may be declared by the Company subsequent to the Issue of such shares.

3.14 DEDUCTION OF ZAKAT

Income distribution will be subject to deduction of Zakat at source, pursuant to the provisions of Zakat and Ushr Ordinance, 1980 (XVIII of 1980) as may be applicable from time to time (except where the Ordinance does not apply to any shareholder or where such shareholder is otherwise exempt or has claimed exemption from payment/deduction of Zakat in terms of and as provided in that Ordinance.

3.15 CAPITAL GAINS TAX

Capital gains derived from the sale of listed securities are taxable in the following manner under Section 37A of the Income Tax Ordinance, 2001.

		Tax Rate		
		Holding period of securities		
S. No.	Tax Year	less than six months	more than six months and less than one year	more than one year
1	2011	10.0%	7.5%	0%
2	2012	10.0%	8.0%	0%
3	2013	10.0%	8.0%	0%
4	2014	10.0%	8.0%	0%
5	2015	17.5%	9.5%	0%
6	2016	-	10.0%	0%

3.16 WITHHOLDING TAX ON DIVIDENDS

Dividend distribution to the shareholders will be subject to withholding tax under section 150 of the Income Tax Ordinance, 2001 at the rate of 10% as specified in part I, Division III of First Schedule to the said Ordinance as amended from time to time. In terms of the provision of Section 8 of the said Ordinance, said deduction at source, shall be deemed to be full and final liability in respect of such profits, in case of individuals only.

3.17 SALES TAX ON SALE/PURCHASE OF SHARES

Under the Constitution of Pakistan and Articles 49 of the 7th NFC Award the Government of Sindh and the Government of Punjab have promulgated the Sindh Sales Tax on Services Act, 2011 and the Punjab Sales Tax on Services Act, 2012 respectively. The Sindh Revenue Board and the Punjab Revenue Authority administer and regulate the levy and collection of the Sindh Sales Tax (SST) and Punjab Sales Tax (PST) respectively on the taxable services provided or rendered in Sindh or Punjab.

The value of taxable services for the purpose of levy of sales tax is the gross commission charged from clients in respect of purchase or sale of shares in a Stock Exchange. The Second Schedule of the above mentioned Acts levy a sales tax on Brokerage at the rate of 16%.

Under the Sindh Sales Tax Special Procedure (Withholding) Rules, 2011 and the Punjab Sales Tax on Services (Withholding) Rules, 2012, amount(s) charged under the aforementioned Acts is liable to be withheld at source if provided to persons mentioned under Rule 1 (2) of the aforementioned rules.

3.18 CAPITAL VALUE TAX (CVT) ON PURCHASE OF SHARES

Pursuant to amendments made in the (Finance Act 1989) through Finance (Amendments) Ordinance, 2012 promulgated on April 24, 2012, 0.01% Capital Value Tax will be applicable on the purchase value of shares.

3.19 TAX CREDIT FOR INVESTMENT IN IPO

Under section 62 of the Income Tax Ordinance, 2001, a resident person other than a company shall be entitled to a tax credit for a tax year in respect of the cost of acquiring in the year new shares issued to the public by a public company listed on a stock exchange in Pakistan, provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.

Time limit for holding of shares has been designated as 24 months to avail tax credit. The amount of investment, eligible for tax credit, is prescribed in section 62 of the said Ordinance.

3.20 TAX CREDIT FOR ENLISTMENT

Under section 65C of the Income Tax Ordinance, 2001, tax credit at 15% of the tax payable by the Company shall be allowed for the tax year in which a Company is listed on a Stock Exchange in Pakistan.

3.21 DEFERRED TAXATION

Deferred tax is accounted for using the liability method in respect of all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary difference will reverse in the future and the taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or subsequently enacted at the balance sheet date.

The Company has deferred tax liability balance of PKR 2,826 Million as at June 30, 2013.

3.22 JUSTIFICATION FOR FLOOR PRICE / PREMIUM

▪ Conversion of Enven Plant to Run on Mari Gas

The Company's new 1.3 Million Tons Urea plant is one of the most efficient plants in the Country. The Company has successfully converted it to run on Mari gas bringing in incremental production of 10-15%. The Company intends to continue operating Enven on Mari gas till the long-term summary is fully implemented as discussed below. In the interim, whenever SNGPL or any other gas is available, the Company may take maximum advantage by operating both plants as per original configuration.

▪ Long Term Gas Allocation - Alternate Gas Sources

The Economic Coordination Committee (ECC) has approved an allocation of 202 MMSCFD of gas to the FFM Consortium. The gas would be allocated from five dedicated gas fields namely Mari (SML), Makori East, Reti Maru, Kunar Pasaki Deep (KPD) and Bahu. The Company's share in the FFM Consortium is 79 MMSCFD. As of June 30, 2013, the Company has successfully entered into long term GSAs with the operators of KPD, Makori and Reti Maru fields. In addition, the Company has signed a binding term sheet for Mari SML valid upto April 01, 2014 and this would be extended to become part of the Long Term Gas Allocation. The Company is hopeful that the additional gas

inflow will start from 3Q 2014 enabling the Company to run both plants on a consistent basis at approximately 80% overall capacity.

- **Interim Solution**

In the interim period, the ECC has approved 22 and 10 MMSCFD gas allocation from Mari SML and Reti Maru fields respectively. Both the allocations are part of the long term gas summary and were approved for the interim period given their proximity to the Company's plants. The Company has already started receiving Mari SML while gas from Reti Maru is expected by the end of year 2013.

- **Concessionary Feed Gas Price**

The Company had setup the Enven plant based on the guarantee of 100 MMSCFD gas allocation by SNGPL for a period of 20 years and the concessionary feed stock rate of USD 0.7/mmbtu for the first ten years under Fertilizer Policy 2001. The Company still holds the right to concessionary gas supply and is following it up with the Government.

- **Loan Restructuring**

The lenders have agreed to the restructuring of its long term debt amounting to PKR 39.5 billion as at June 30, 2012, providing relaxed repayment terms uptill the gas from alternate sources is made available. This has further been discussed in section 5 of the prospectus.

- **Strategic Location and Vast Distribution Network:**

Engro Fertilizers base and expansion plants are located in Daharki, Sindh. This allows the company to cater to demand in Sindh and in the key agriculture belt of Southern Punjab. In planning for increased production and product sales, the company has expanded its dealer network and increased its coverage over almost all of Punjab and Sindh province.

- **Deficit Product with low risk of import substitution**

Demand for fertilizer in Pakistan is skewed towards Urea (~71%) as compared to other fertilizers. DAP is next in popularity, commanding a 17% share. Pakistan is a net importer of fertilizers, with imports amounting to 1.24²million tons of Urea in 2012. The gap between demand and supply is covered through urea imports.

Furthermore, persistence of the gap between the local and international price coupled with depreciation of the PKR versus the USD ensures that import substitution is not a viable option for the government.

- **Engro, a Leading Corporate Entity:**

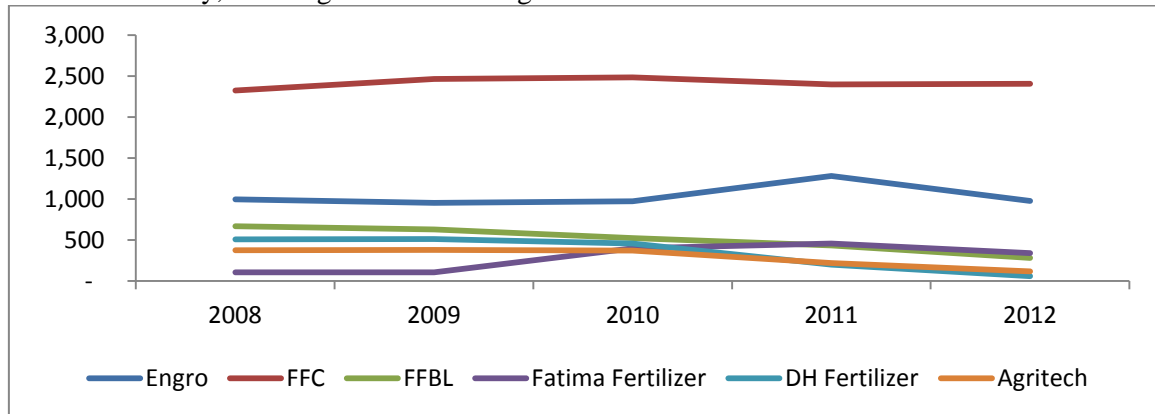
Engro is a leading brand name in Pakistan, and has an excellent reputation amongst its customers, suppliers, lenders and other stake holders due to its professional corporate structure, experienced management, quality products, innovation, diversification and continued growth strategy.

Over the last decade, Engro Corporation Ltd has grown from PKR 10 billion to PKR 125 billion in terms of revenue and is one of the largest industrial corporations in Pakistan operating in various sectors including Fertilizer, Foods, Energy and Chemicals. Engro Corporation has differentiated itself in Pakistan's business landscape by its proven ability to grow the business through its superior management expertise and its commitment to Pakistan, where it has invested over PKR 122 billion in projects over the past 4 years alone. With a market capitalization of over USD 630 million (as at June 30, 2013), Engro Corporation is also one of the largest private sector companies listed on the Karachi Stock Exchange.

²Source: NFDC reports

▪ **Professional Management Team with Proven Track Record:**

Engro has a strong emphasis on recruiting and retaining the best professionals who are central to its business model. The management team boasts strong professional backgrounds from top tier institutions across the world. Further, the Company itself has a record of more than 45 years in the Fertilizer industry, enabling it to better navigate the business to success.



PART 4

4 UNDERWRITING, COMMISSIONS, BROKERAGE AND OTHER EXPENSES

4.1 UNDERWRITING

Book Building Portion

AKD Securities Limited and Next Capital Limited have been mandated to act as the Joint Book Runners to the Issue. The Joint Book Runners shall underwrite the Book Building Portion of the Issue of 56.25 million ordinary shares within two (2) working days of the closing of the bidding period as required under clause 5 of Appendix 4 of the listing regulations of the KSE and LSE at the Strike Price determined through the Book Building process.

In the opinion of the Directors, the resources of the Underwriter are sufficient to discharge its underwriting obligations/commitments.

Public Portion

As required under clause 6 of Appendix 4 of the listing regulations of the KSE and LSE, the Public Portion of the Issue of 18.75 million ordinary shares has been underwritten as under:

(Names and number of shares underwritten by each of the underwriters shall be disclosed in the final Prospectus.)

Name of Underwriter	Number of Shares	Amount (PKR)
Total		

4.2 UNDERWRITING COMMISSION

No underwriting commission will be paid for the amount of Book Building portion underwritten by the Joint Book Runners. Amount of security deposited by the defaulting Bidder shall however, be forfeited to the Joint Book Runners.

For General Public Portion, the underwriters have been paid an underwriting commission at the rate of [●] of the amount of Issue underwritten by them. In addition, a take up commission at the rate of [●] shall be paid to the underwriters on the value of shares required to be subscribed by them by virtue of their respective underwriting commitments.

4.3 BUY BACK/REPURCHASE AGREEMENT

THE UNDERWRITERS HAVE NOT ENTERED INTO ANY BUY BACK/RE-PURCHASE AGREEMENT WITH THE ISSUER OR ANY OTHER PERSON IN RESPECT OF THIS PUBLIC ISSUE.

ALSO, NEITHER THE ISSUER NOR ANY OF ITS ASSOCIATES HAVE ENTERED INTO ANY BUY BACK/REPURCHASE AGREEMENT WITH THE UNDERWRITERS OR THEIR ASSOCIATES. THE ISSUER AND ITS ASSOCIATES SHALL NOT BUYBACK/REPURCHASE SHARES FROM THE UNDERWRITERS AND THEIR ASSOCIATES.

4.4 COMMISSION TO THE BANKERS TO THE ISSUE

A commission at the rate of 0.5% of the amount collected on allotment in respect of successful applicants will be paid by the Issuer to the Bankers to the Issue for services to be rendered by them in connection with this IPO.

4.5 BROKERAGE

For the public issue, the Issuer will pay brokerage to the Members of the stock exchanges at the rate of 1% of the value of shares (including premium) actually sold through them. No brokerage shall be paid to the TREC in respect of shares taken up by the underwriters by virtue of their underwriting commitments.

4.6 EXPENSES TO THE INITIAL PUBLIC OFFER

The expenses of this Issue are estimated not to exceed PKR 76,523,500/- as mentioned below. All such expenses are to be borne by the Issuer. Details of the expenses are mentioned below:

Expenses	Rate	Amount (PKR)
Financial Advisor & Lead Arrangers Fee	1.5%+Fixed	25,000,000
Joint Book Runners Fee (Percentage of book building portion)	0.7%	7,875,000
Underwriting Commission – General Public	1.5%	5,625,000
Take up Commission	1.25%	4,687,500
Brokerage to Members*	1%	15,000,000
Bankers to the Issue (Public – portion) Commission	0.5%	1,875,000
Printing, Publication and notice Costs		2,000,000
KSE Initial Listing, Annual and Service Fees		3,170,000
LSE Initial Listing, Annual and Service Fees		2,816,000
KSE Book Building Software Charges		500,000
CDC Annual Fees for Eligible Security		200,000
SECP Application Processing and Waiver Fee		250,000
Legal & Professional Fees		1,000,000
Balloting Agent		525,000
Marketing Cost		5,000,000
Miscellaneous Cost		1,000,000
Total		76,523,500

*Represents maximum possible expenses related to the issue based on the Floor Price

PART 5

5 HISTORY AND PROSPECTS

5.1 THE COMPANY

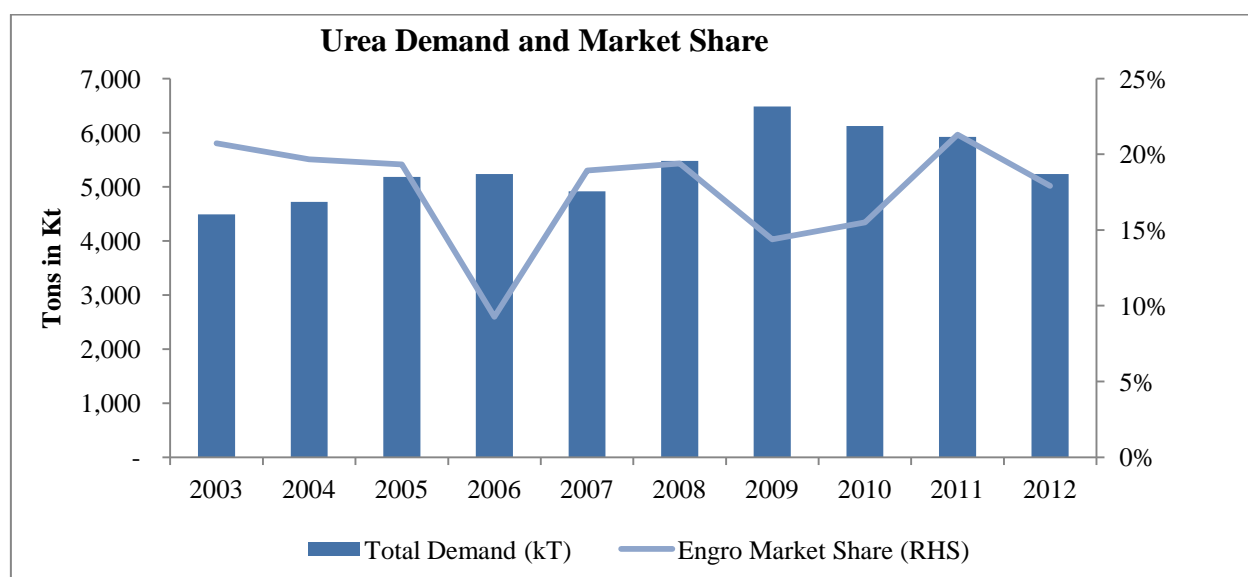
Engro Fertilizers Limited is a leading name in the country's urea producers. It is primarily in the business of manufacturing and marketing of urea and NPK (compound) fertilizers. With the establishment of 1.3 MT state of the art fertilizer complex in 2011, the Company's annual urea production capacity stands at 2.3 MT representing 33% of that of entire Pakistan's. Engro's product line comprises Urea sold under the brand name of Engro Urea, NPK – compound fertilizer – as Zarkhez. The Company, as an agent to Engro Eximp Private Limited (a sister concern), is also engaged in distribution and marketing of phosphate-based fertilizers mainly DAP and MAP.

The Company was incorporated as an independent entity as a result of the demerger of fertilizer operations from Engro Corporation Limited (previously called Engro Chemical Pakistan Limited) on January 1, 2010. This demerger resulted in the transfer of all fertilizer assets and liabilities to the Company with its current status as a wholly owned subsidiary of Engro Corporation Limited.

The Company has been in fertilizer business since 1965 when Esso Pakistan Fertilizer Company Limited was established following the discovery of the Mari gas field near Daharki. In 1978, as part of an international name change program, Esso became Exxon and the company was renamed Exxon Chemical Pakistan Limited (ECPL). Later in 1991, Exxon decided to divest its fertilizer business on a global basis. The employees of the time, in partnership with local financial institutions, led a management buyout of Exxon's equity stake and subsequently renamed the company as "Engro Chemical Pakistan Limited". With time the Company diversified by establishing several other business lines in the form of subsidiaries. In 2009, a demerger of the fertilizer business was proposed with the ECPL adopting a holding company structure to manage the affairs of its various businesses which include Engro Fertilizers, Engro Foods, Engro Powergen, Engro Eximp, Engro Polymers and Chemicals, Engro Vopak, Engro Foods Netherlands and Elengy Terminal Pakistan. With its head office in Karachi and manufacturing facilities based in Daharki and Karachi, Engro Fertilizers Limited employs over 1,200 individuals.

Market Share of the Company

The local industry has historically been able to sell its entire urea production due to the demand / supply gap. The share of Engro in the urea market touched 21% in 2011 from 15% in 2010 owing to additional production from Enven (despite at curtailed levels). However, the market share subsequently dropped to 17% due to further curtailment in 2012. Engro currently represents a substantial 33% of the total installed capacity in the country.



Source: NFDC Reports

Production Facilities

The Company has the following production facilities:

	Location	Product	Annual Capacity (Metric Ton)
Plant 1 (Base plant)	Daharki	Urea	975,000
Plant 2 (Enven)	Daharki	Urea	1,300,000
Total Urea Capacity			2,275,000
Zarkhez	Port Qasim, Karachi	NPK	150,000

Source: Engro Fertilizers Limited

Base Plant

The Base plant started operations in 1968 upon discovery of gas from Mari gas field. It is located in Daharki, Sindh. Through a series of BMR and expansion projects, the base plant production capacity and energy efficiency has shown significant improvement over last twenty years. With one of the best efficiency indices in the local fertilizer industry, the plant has proven itself many times over and has been the major source of Engro's profitable operations over the years. The following table highlights the trail of major events for the base urea plant.

Chronology			
Year	Project	Capacity (KT/Annum)	Cost (USD Million)
1968	Base Case	173	43
1970 - 1990	De-bottlenecking (small steps)	268	
1993	Relocation of fertilizer plants from the US and UK to Daharki plant site	600	130
1995	750 kT Revamp	750	23
1998	850 kT Revamp	850	72
2002	Energy Conservation Project / EIP	900	8.5
2006	Marginal Capacity Enhancement project/ BMR	950	10
2007 -till date	Demonstrated Capacity	975	

Source: Engro Fertilizers Limited

The Base Plant has been utilizing gas from the Mari gas field prior to the diversion of gas to Enven plant (explained below). Company is contractually entitled to receive 103 MMSCFD under the Gas Supply Agreement with Mari. Owing to gas shortfall in the country, the Company has been facing a curtailment of around 9% over Mari network. In 2010, about 10% (60 MMSCFD) of the gas from Mari field was diverted from fertilizer to power sector. Since then, all the fertilizer plants drawing gas from Mari field are operating at curtailed volumes.

Expansion Plant (Enven)

The Government invited bids for allocation of 100 MMSCFD gas in order to reduce reliance on imports under the Fertilizer Policy, 2001. The Policy also entitled the recipient of the gas to a reduced rate of USD 70 cent per mmbtu for the first 10 years. The Company was successfully allocated gas through a competitive bidding process from Qadirpur gas field (and after its depletion from the system) and signed a Gas Supply Agreement with SNGPL for supply of gas for 20 years which will expire in April 2027.

Consequently, the Company embarked on a state of the art and most energy efficient urea plant with a total production capacity of 1,300,000 tons. The expansion project was undertaken at a total project cost of ~USD 1.1 billion with financing from consortiums comprising of both foreign and local lenders. The project was successfully completed in 2010. However, the declaration of commercial production (for accounting purposes) was delayed uptill June 2011 due to non availability of gas. The new plant has been built near its existing installation at Daharki, and has an already developed

structure for ancillary services. Hence, the expansion has not resulted in a significant increase in fixed costs.

The expansion project has added a 2,194 tonnes per day ammonia plant licensed by Haldor Topsoe of Denmark. The urea plant having a daily capacity of 3,835 tonnes of urea is licensed by Snamprogetti of Netherlands and procurement was done through Saipem of Portugal. Key Highlights of the Project at the time of investment are as under:

- i. Largest single train urea plant in the world;
- ii. Biggest private sector investment of USD 1.1 billion, ever in Pakistan by a Pakistani company;
- iii. Amongst the most energy efficient plant of its size & capacity, with the lowest gas consumption per tonnes of Urea in Pakistan;
- iv. 100% NEQS (National Environmental Quality Standards) Compliant Plant.

The key vendors of the new plant were:

Contractor / Partner	Role	Profile
Snamprogetti/ Saipem	<p>Engineering agreement with Snamprogetti.</p> <p>Purchase and supply contract with Saipem.</p> <p>3,835 tpd Urea Plant licensed by Snamprogetti S.p.A; <i>Accounting for turnaround days and gas outage as stipulated in gas supply agreement, annual capacity is around 1267kT.</i></p> <p>Supervision contract was awarded to Snamprogetti.</p>	<p>Snamprogetti engages in the engineering and construction business and operates as a contractor for the design and implementation of large-sized projects.</p>
HaldorTopsoe	<p>2,194 tpd Ammonia Plant licensed by HaldorTopsoe.</p>	<p>Topsoe has contributed significantly to the development of efficient ammonia production technology, by introduction of new catalysts, new equipment design and extensive process optimization studies. Today, approximately 50% of new ammonia plants use Topsoe technology.</p> <p>Topsoe also develops and manufactures the full range of catalysts required for the production of ammonia. Topsoe's ammonia catalysts are installed in more than half of the world's ammonia converters, ensuring high energy efficiency in the ammonia synthesis.</p>
Descon Engineering	<p>Civil and electro mechanical construction works for expansion site</p>	<p>Multi-faceted engineering and manufacturing concern.</p>

Enven – Gas supply

As explained in the industry overview, the plants on SNGPL network have been facing severe gas curtailment. Enven too received gas from SNGPL for 189 and 45 days in 2011 and 2012 respectively and that too at 76% of the allocation. After accounting for the gas outage days and curtailment during on-stream days, total gas available for urea production was only 34% and 9% of the contracted

volumes in 2011 and 2012 respectively. This is despite contractual liability to supply 100 MMSCFD gas for a period of 20 years. The GSA provides for the first right on 100 MMSCFD gas supply from Qadirpur. Additionally, the contract binds SNGPL to make-up gas from other sources if it could not supply from Qadirpur gas field.

The Company, therefore, filed a constitutional petition in the Sindh High Court (SHC) against the Ministry of Petroleum and Natural Resources, Ministry of Industries and Production and SNGPL for continuous supply of 100 MMSCFD gas per day to the Enven Plant and to prohibit further suspension, discontinuation or curtailment of the aforementioned supply. The SHC has ordered in October 2011 that the Company should be supplied with 100 MMSCFD gas. However, since the decision was not complied with, the Company filed an application for contempt of Court which is pending for hearing. Meanwhile, five petitions were filed in Supreme Court against the above-said order of SHC by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and textile companies. These petitions are also pending for hearing. In light of the SHC decision to supply gas to the Company, it has recently also filed a suit against SNGPL and the Government of Pakistan to recover losses from gas curtailment.

Furthermore, the gas curtailment put a severe burden on the Company's cashflows. Resultantly, in mid 2012, it approached majority of the lenders to allow for deferment of principal payments and the restructuring has now been practically completed.

5.2 INDUSTRY OVERVIEW

Demand

Agricultural sector is the backbone of Pakistan's economy contributing a significant 21% to its Gross Domestic Product. Application of fertilizers plays an important role in supporting the stability of this sector. Of all the fertilizers, nitrogenous based are the most widely used followed by phosphates and potassium. Urea is a critical source of nitrogen in the country and comprises 71% of the overall fertilizer demand in Pakistan.

Urea demand peaked at 6.5 MT in 2009 gradually decreasing to 5.3 MT in 2012. The fall in demand resulted from higher Urea prices owing to un-precedented gas curtailment and increase in gas prices. Going forward, the industry demand is expected to increase in view of better farm economics and resolution of gas supply issue.

The Urea demand in the country is currently estimated to be around 5.7 MT which can be easily met without imports, if all the local urea plants are operating at 80% capacity utilization.

Supply-Capacity

Fertilizer sector in Pakistan witnessed a growth in urea capacity from 5.1 MT in 2009 to a current 6.9 MT with a 1.3 MT contribution coming alone from Engro Fertilizers Limited's new urea plant. Natural gas is the principal raw material (feed stock) used in urea manufacturing in addition to being used for utilities (fuel gas). Historically, under the fertilizer policies, the Government allocated gas to this sector promoting the local manufacturing of urea with the intent to secure agricultural growth.

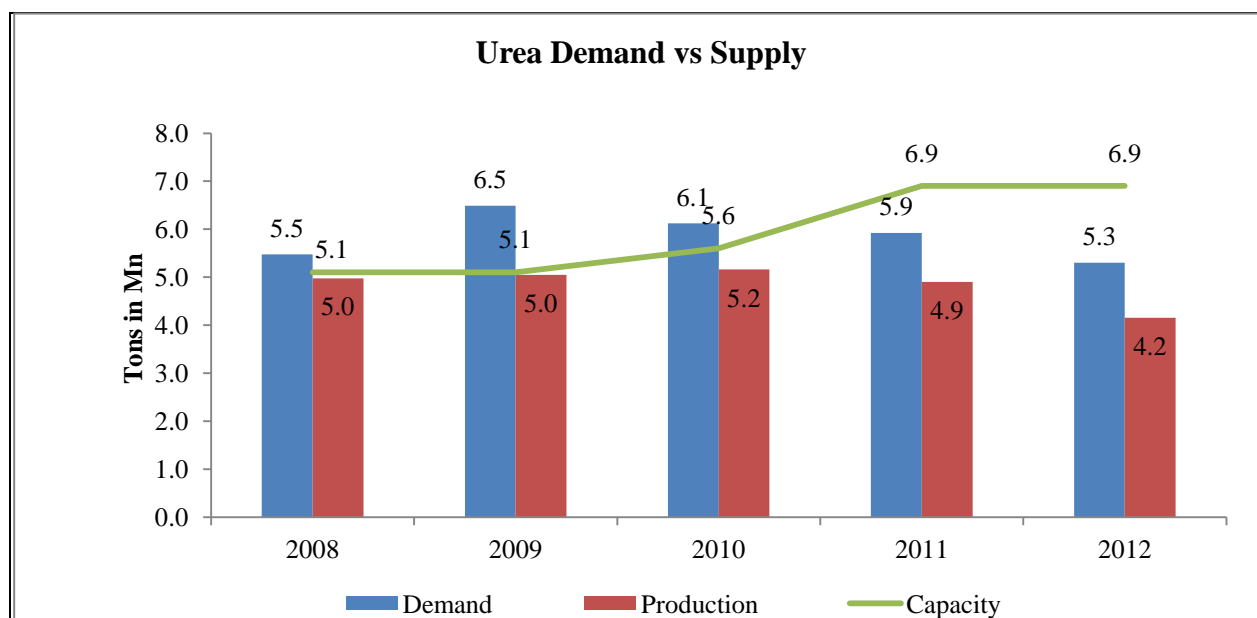
Supply-Production

The urea plants across the country draw gas either from fields connected on the network of gas distribution companies (SNGPL / SSGC) or those directly linked to the plants (Mari gas field). Lately, supply of gas has lagged behind the demand as extraction of gas from new fields has been fairly stagnant coupled with the continuous increase in demand. Additionally, the massive import oil bill has encouraged the power sector to partially shift to gas resulting in its shortage. This combined has led to a significant curtailment of gas to fertilizer sector, in particular, on the plants setup on the SNGPL network.

Consequently, the local industry was able to produce only 4.2 MT of urea in 2012 despite a demand of 5.3 MT. This follows the historical trend whereby the demand has been higher than the local supply with the resulting gap bridged through expensive imports.

Pricing

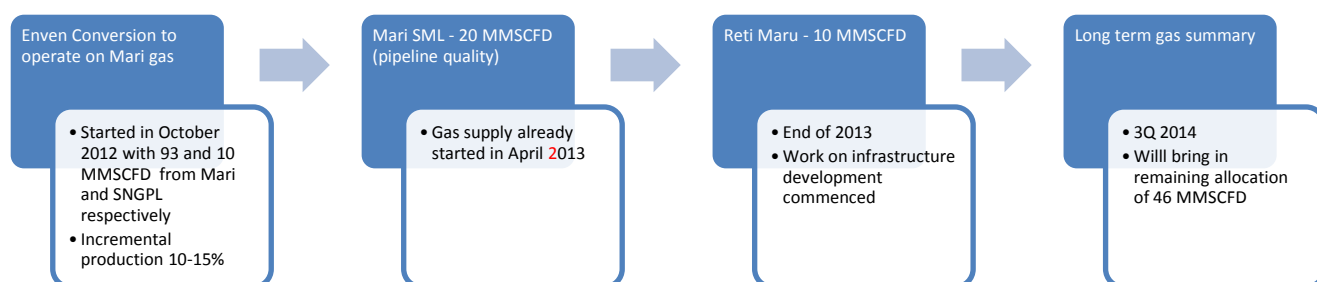
While the fuel gas is at commercial rates, the Government gives concessionary prices on feed gas to keep urea prices low for farmers protecting them from the higher international prices. In addition, the Government, under Fertilizer Policy 2001, guaranteed a discounted feed gas price for initial ten years incentivizing investment in this capital intensive sector. Given the Government's policy to reduce the gap between feed and fuel stock, the urea prices have been on the rise in the past years. However, these are still low compared to the international price.



Source: NFDC Reports

5.3 Way Forward – POSITIVE OUTLOOK

The Company took a number of steps in the wake of worsening gas supply situation including aggressive exploration of alternate gas supply options. The following timeline summarizes the strategy followed by an explanation.



5.3.1 Conversion of Enven on Mari gas

The Company carried out an intense technical study on the conversion of Enven plant to run on comparatively low BTU Mari gas. The management successfully achieved the much complex conversion in October 2012. This shift from Base plant to an efficient Enven plant has brought in incremental production of 10-15% contributing to the Company's bottomline. The Company intends to continue operating Enven plant on Mari gas till the long-term summary is fully implemented as discussed below. In the interim, whenever SNGPL gas is available, the Company is well positioned to take maximum advantage by operating both plants as per original

configuration. The Company has demonstrated this ability by operating Enven plant on SNGPL gas for 23 days in 1H 2013.

5.3.2 Long Term Gas Allocation - Alternate Gas Sources

The Company aggressively pursued alternate gas supply options with the Government. In December 2012, the Economic Coordination Committee (ECC) approved an allocation of 202 MMSCFD of gas to a consortium of Four Fertilizer Manufacturers (FFM) from five dedicated gas fields being Mari (SML), Reti Maru, Kunar Pasaki Deep (KPD) in Sindh, Makori East in Khyber Pakhtunkhwa and Bahu in Punjab. The Company's share in the FFM Consortium is 79 MMSCFD.

Under the above long term allocation, the fertilizer plants were to sign Gas Supply Agreements directly with the field operators instead of the Gas Distribution Companies (GDCs) being SNGPL and SSGC. This is to protect the fertilizer manufacturers from the ongoing curtailment on the network gas. The manufacturers would enter into separate tolling arrangements with the GDCs for gas transportation.

As of June 30, 2013, the Company has successfully entered into long term GSAs with the operators of KPD, Makori and Reti Maru fields. In addition, the Company has signed a term sheet for Mari SML valid upto 2Q 2014. The GSA for the Bahu field, part of the long term allocation is still to be executed. The FFM consortium estimates the overall Capex for the development of infrastructure and the pipeline connecting the dedicated fields to the fertilizer network to be around USD 115 MN out of which the Company's share is USD 48 MN. This cost will result in a lower tolling fee to the GDCs.

The Company is hopeful that the additional gas inflow will start from 3Q 2014 enabling the Company to run both plants on a consistent basis at approximately 80% overall capacity.

5.3.3 Interim Solution

In the interim period up till 3Q 2014, the ECC has approved 22 and 10 MMSCFD gas allocation from Mari SML and Reti Maru fields respectively. Both the allocations are part of the long term gas summary and were approved for the interim period given their proximity to the Company's plants.

Mari SML

22 MMSCFD gas (20 MMSCFD pipeline quality equivalent) from Mari SML has already started flowing in since April 2013 enabling the Company to top up its production.

Reti Maru

Development work has commenced and the gas is likely to flow from end 2013 ahead of the full implementation of the long-term solution in 3Q 2014.

The Company is well placed to achieve production close to full capacity utilization of its new Enven plant before the implementation of long term gas solution. This can be achieved through the operations of Enven plant on existing allocation of Mari, Mari SML, small volume from SNGPL and Reti Maru combined with marginal debottlenecking.

60 mmscfd From Guddu

The Company started receiving an allocation of 60 mmscfd from July 20th, 2013 providing enough molecules to run both plants. The management foresees the allocation to continue in the shorter term.

5.3.4 Feed Gas Pricing

As briefed earlier, the Company had setup the Enven plant based on the guarantee of 100 MMSCFD gas allocation for a period of 20 years and the concessionary feed stock rate of USD 0.7/mmbtu for the first ten years. The gas was allocated after competitive and transparent bidding mechanism. Therefore, the Company still holds the right to concessionary gas supply of 70 cents

per mmbtu for 10 years under the Fertilizer Policy, 2001. The Company is following up on this right with the Government.

Moreover, in the long term gas solution, the weighted average gas price charged by the field operators is currently estimated at USD 4.0 per MMBTU in addition to tolling charges and capex. If the gas prices are increased in comparison to gas of other fertilizer plants the Company will press for their downward adjustment to account for tolling charges and capital expenditure incurred on relevant infrastructure.

5.3.5 Loan Restructuring

Since the ECC approval is in place for gas allocation from dedicated fields, the lenders have in-principle agreed with the Company on the re-profiling of its long-term loans. Agreement on restructuring terms and conditions of all loans amounting to Rs 39.5 billion has been reached with the Lenders and the majority of these (around 84%) have been signed, except the documentation for a couple which are expected to be finalized in due course. Principal terms of the re-profiling are as follows:

- Extension of tenor by 2.5 years on loans as at June 30, 2012 (Rs 39.5 billion);
- Receiving of gas allocated in the long term gas solution to start by July 2014;
- Amendment in financial covenants including a condition whereby dividend may be paid after repayment of 33% of the senior loans representing Rs. 13.0 billion (as of Sep 30, 2013) out of the amount outstanding as at June 30, 2012. Based on the revised repayment schedule, the Company is expected to achieve this milestone in 3Q 2015.

Furthermore, the USD 30 m International Finance Corporation (IFC) loan required listing of 10% of the Company's shares by December 31, 2012. Additional interest at 4% was to be charged from June 2011 in case of non-compliance of this condition. As part of the restructuring negotiations, IFC has in principle waived the interest rate step-up till December 31, 2013 subject to agreement on revised pricing of its conversion option and listing criteria (see Section 3.1 of the Prospectus).

5.4 RISK FACTORS

5.4.1 Raw Material (Gas) Availability Risk– Long Term Gas Solution

Pakistan is facing acute shortage of gas, furthermore, demand is likely to remain above supply until new discoveries or gas import projects come online, thus putting more pressure on gas availability to the fertilizer sector.

Historically, agreements signed with the government for supply of gas have been honored except in some instances where contracts have been breached due to non-availability of gas.

The delay in the execution of the Long Term Gas Solution as approved by the ECC may increase the risk of excessive curtailment in the supply of gas.

Mitigants

The Company has and is working on multiple fronts simultaneously to tackle this issue and its resultant impact on cash flows & profitability.

During the current year, the Company explored other gas alternatives and consequently ECC approved allocation of gas from four dedicated gas fields namely Mari (SML), Makori East, Reti Maru and Kunar Pasaki Deep (KPD) to the FFM Consortium. The Company has signed long term GSAs with operators of three gas fields (Makori East, KPD and Reti Maru) in addition to a term sheet for short term supply of 22 MMSCFD from Mari (SML).

The Company has asked the new Government to reconfirm the allocation under the Long Term Gas Solution as explained above.

- a. The allocation from off-network fields is likely to provide reliance over continued supply given the limited use of this gas.
- b. The Company has directly entered into GSAs with Makori East (March 15, 2013), KPD (February 21, 2013) and Reti Maru (March 6, 2013) instead of gas distribution companies. The gas distribution companies will only act as the carriers of gas through tolling arrangement for which separate agreements have been entered into with SSGC and SNGPL however, the SNGPL agreements awaits formal ratification from its Board. This will establish increased transparency over ownership of the gas. In addition, the gas fields are dedicated to the use by the fertilizer consortium only.
- c. The Company is the only recipient of gas from Mari SML (22MMSCFD) and Reti Maru (10 MMSCFD) due to the relative proximity of these fields to Engro's plant. Both the fields do not require SNGPL/SSGC infrastructure improving the gas supply reliability. The Company has already started to consume gas from Mari SML through an interim term sheet while the development work on connecting Reti Maru to Engro plant has been initiated.
- d. The Company has the option of raising prices to offset the impact of further gas curtailment as the differential between imported and local urea prices still exists. Based on spot prices in June 2013, landed cost of imported urea is estimated at Rs 2,032/bag (ex-GST) against prevailing local price of Rs.1,466/bag ex GST.
- e. In case if Long Term Solution is delayed, the existing cashflows from running Enven plant at close to full capacity will be enough to service the debt and eventually pay dividends when debt levels go down.

5.4.2 Risk of Gas Price Increase and Drop in International Urea Price

Gas price increase and drop in international urea prices will make the domestically produced urea uncompetitive compared to imports.

This can potentially result in the following:

- Difficulty in passing through the effect of increase in production cost and margin erosion
- Loss of market share to cheaper imports

Mitigant

- a. Local urea has traded at a discount to international urea in the past, and international prices are expected to remain higher than local prices in the future. With current differential of 28% between local and imported urea prices, the domestic manufacturers are capable to absorb the increase in local gas price as well as a reduction in price of imported Urea. Hence, the risk of substitution of local urea with cheaper international urea is unlikely to surface.
- b. Rupee devaluation would also increase the landed cost of imported urea which will maintain a gap between local and imported urea prices.
- c. Pakistan is an agri-based economy where demand for fertilizer consumption is relatively inelastic. In addition, Engro's new Urea plant is entitled for concessionary feedstock gas price at USD 0.7/mmbtu for a period of 10 years under the Fertilizer Policy, 2001. Even after implementation of the long term gas summary, the right of concessionary price is intact and the Company is following up with the Government to ensure this pricing.

5.4.3 Foreign Exchange Risk

Pakistan has historically struggled with maintaining exchange rate stability. This could have an adverse impact on the Company considering that it has obtained USD denominated loans.

Mitigants

- a. The Company has partially hedged its exposure against FX denominated borrowings through forward contracts and FX options. As of March 31, 2013, the Company had foreign currency forwards amounting to USD 187 million on loans aggregating USD 232 million. The forwards have a maturity of upto one year.
- b. Rupee devaluation would also increase the landed cost of imported urea. This would provide fertilizer manufacturers with more room for increasing prices.

5.4.4 Interest Rate Risk & Ability to Service Debt Repayments

The Company is highly leveraged and is exposed to variability in interest rates. Moreover, the adverse changes in the gas supply may impact the debt servicing capability of the Company.

Mitigants

- The approval of the long term gas solution along-with the interim measures discussed above mitigates the debt service payment risk emanating from the continued curtailment on SNGPL network.
- The Company analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging arrangements. The Company has outstanding Interest Rate Swaps on foreign denominated loans amounting to USD 107 million as at March 31, 2013.

5.4.5 Operation Risk

The Company may be unable to run the facility as expected and is unable to meet production targets.

Mitigants

The Company's management has a proven track record of successfully running urea plants since the last forty years. Historically, the Company has in fact managed to bring in old plants and have

run them successfully. Therefore, addition of a state of the art new plant for a company with requisite knowledge base mitigates operations risk to a large extent.

5.4.6 Declining International Urea Price Risk

If international urea prices fall significantly or local urea prices increase substantially, a substitution effect is possible with imports replacing locally manufactured urea.

Mitigants

- a. Local urea has traded at a discount to international urea in the past, and international prices are expected to remain higher than local prices in the future. Hence, the risk of substitution of local urea with cheaper international urea is unlikely to surface.
- b. Rupee devaluation would also increase the landed cost of imported urea which will maintain a gap between local and imported urea prices. In June 2013 the price of domestically produced urea is close to 28% discount to global benchmark urea prices.

5.4.7 Competition Risk

Due to attractive margins in the fertilizer industry, more players could strive to enter the market and would have an impact on industry dynamics.

Mitigant

Any new investment is subject to allocation of feed gas for the plant and the key deterrent is the constrained supply of natural gas in the country. Pending any major discovery, the Government of Pakistan is unlikely to sanction the use of existing gas resources for a new fertilizer plant. Moreover, the cost of setting up a plant is a barrier to entry.

5.4.8 Technology Risk

There is a risk that the process or technology used at Engro's urea production facilities may become obsolete and no longer be competitive in the fertilizer industry.

Mitigant

Since one of the two facilities has been recently setup and is based on newest technology available, it significantly mitigates the risk of a paradigm shift in urea production technology.

5.4.9 Liquidity Risk

The risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

Mitigant

Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and availability of funding through an adequate amount of committed credit facilities. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

5.4.10 GOP regulates Fertilizer Pricing

The fertilizer sector is currently de-regulated in Pakistan. Consequently the pricing is determined through market forces. There is a remote chance that the Government imposes a price freeze hampering the Company's ability to pass on costs.

Mitigants

In view of the investments made based upon the deregulation of the urea industry and as reiterated in the Fertilizer Policy 2001, it is likely that any price freeze would be held to be illegal.

There is low availability of gas which results in lower production than local demand. GOP imports urea and due to the difference between the local and international prices it had to offer a significant amount of subsidy per bag. If GOP does set a price ceiling its subsidy bill will rise.

5.4.11 Litigation Risk

The litigations mentioned in Section 8.12 may have an adverse impact on the Company.

Mitigant

The Company is confident, based on the advice from its legal counsel, that chances of judgement against the Company are remote, hence no provisions have been taken into the financial statements of the Company.

5.4.12 Capital Markets Risk

The risk relates to the price performance of the share after the Company is listed.

Mitigant

The rise or fall in market prices is mainly governed by market forces. However, investor sentiment is based on the fundamental value of the Company which is primarily dependent on financial performance. Although gas curtailment plays a major role in the market performance of the fertilizer sector but urea shortage in the domestic market ensures product off take of the domestically manufactured urea. Past performance is no guarantee of future returns but the Company is likely to perform in future due to its state of the art facility, experienced management and strong group profile.

5.4.13 Dividend Risk

One of the financial covenants agreed with the lenders as part of debt re-profiling is a restriction on payment of dividends to shareholders until 33% of the outstanding loans as at June 30, 2012 have been paid off.

Mitigant

In October 2012, the Company converted its Enven plant to run on Mari gas which has resulted in 10-15% incremental production from using the same gas molecules. In the intermediate term, the Company is looking into other gas alternatives like Mari and Reti Maru to top up production from Enven. In 2014, the Long Term Gas Allocation is expected to flow from 3Q 2014 allowing the Company to run both plants, which will enable the Company to build up sufficient cash reserves to comfortably service its debt and expects to pay off 33% of its loans as at June 30, 2012 by 3Q 2015.

5.4.14 Risk of flooding

Flooding can either result from heavy rains or overflow of water from the rivers. Flood waters may adversely affect crops and erode urea demand. It can potentially result in business interruption and damage plant and machinery.

Mitigant

Flooding of crops can severely impact farmer economic which in turn will result in demand erosion of urea but as urea is imported domestic urea demand remains unchanged. In the last three floods of 2010, 2011 and 2013, the worst was 2010 when approximately 300 KT of demand erosion took

place. Normally flooding can yield positive effects next year as farmers benefit from the replenished water tables. The warehouses where urea is stored is exposed to flooding but the Company makes it a priority to pick locations that are not in close proximity to barrages and hence not in the flood zones. The manufacturing facility at Daharki is not in the flood zone but the Company has secured insurance cover which will reimburse losses arising due to business interruption at the manufacturing site along with damage to plant and equipment.

Note: It is stated that all material risk factors have been disclosed and that nothing has been intentionally concealed in this respect.

PART 6

6 FINANCIAL INFORMATION

6.1 AUDITORS' REPORT UNDER SECTION 53(I) READ WITH CLAUSE 28 OF SECTION 2 OF PART I OF THE SECOND SCHEDULE TO THE COMPANIES ORDINANCE, 1984, FOR THE PURPOSE OF INCLUSION IN THE PROSPECTUS OF THE ENGRO FERTILIZERS LIMITED

The Board of Directors
Engro Fertilizers Limited
7th & 8th Floors, The Harbour Front Building
Plot No. HC-3, Block 4
Scheme No.5, Clifton
Karachi.

August 30, 2013
D 816

AUDITORS' REPORT UNDER SECTION 53(1) READ WITH CLAUSE 28 OF SECTION 2 OF PART I OF THE SECOND SCHEDULE TO THE COMPANIES ORDINANCE, 1984, FOR THE PURPOSE OF INCLUSION IN THE PROSPECTUS

Dear Sirs

In accordance with section 53(1) read with clause 28 of section 2 of part 1 of the second schedule to the Companies Ordinance, 1984, we report that:

- The assets and liabilities of Engro Fertilizers Limited (incorporated on January 01, 2010) as per the audited financial statements as at June 30, 2013, December 31, 2012, 2011 and 2010 are as follows:**

	June 30, 2013	December 31, 2012	December 31, 2011	December 31, 2010
	-----Rupees in thousand-----			
ASSETS				
Non-current assets				
Property, plant and equipment	80,675,511	82,877,701	86,332,162	84,370,221
Intangible assets	156,029	161,555	134,769	149,238
Long term loans and advances	108,993	83,763	72,651	111,515
	80,940,533	83,123,019	86,539,582	84,630,974
Current assets				
Stores, spares and loose tools	4,249,655	4,107,291	4,209,593	3,392,080
Stock-in-trade	1,678,678	1,687,072	1,834,393	895,457
Trade debts	882,808	1,046,091	143,379	352,944
Deferred employee compensation expense	-	-	-	3,702
Derivative financial instruments	26,084	545	183,713	2,638
Loans, advances, deposits and prepayments	231,377	395,150	1,410,513	2,609,327
Other receivables	46,444	61,038	192,171	107,647
Taxes recoverable	968,092	2,000,249	1,869,058	1,770,476
Short term investments	4,824,661	2,635,339	3,901,719	2,452,285
Cash and bank balances	2,609,454	2,449,168	592,873	1,835,951
	15,517,253	14,381,943	14,337,412	13,422,507
TOTAL ASSETS	96,457,786	97,504,962	100,876,994	98,053,481

	June 30, 2013	December 31, 2012	December 31, 2011	December 31, 2010
-----Rupees in thousand-----				
EQUITY & LIABILITIES				
Equity				
Share capital	12,228,000	10,728,000	10,728,000	10,728,000
Share premium	11,144	11,144	11,144	11,144
Employee share option compensation reserve	-	-	58,397	58,673
Hedging reserve	(222,600)	(323,880)	(497,821)	(887,277)
Remeasurement of post employment benefits	2,050	-	-	-
Unappropriated profit	6,808,120	5,382,763	8,317,338	3,729,052
	6,598,714	5,070,027	7,889,058	2,911,592
Total Equity	18,826,714	15,798,027	18,617,058	13,639,592
Liabilities				
Non-current liabilities				
Borrowings	54,764,180	48,481,626	56,398,432	62,660,140
Subordinated loan from Holding Company	3,000,000	3,000,000	3,000,000	1,500,000
Derivative financial instruments	543,141	497,869	544,951	1,061,732
Deferred liabilities	2,817,541	3,380,705	4,521,281	2,580,644
Employee housing subsidy	-	-	19,144	347,886
Retirement and other service benefits obligations	73,637	99,029	87,448	54,823
	61,198,499	55,459,229	64,571,256	68,205,225
Current liabilities				
Trade and other payables	6,458,007	7,957,173	5,153,078	3,911,349
Accrued interest / mark-up	1,613,653	1,788,282	2,087,719	1,981,620
Current portion of:				
- borrowings	7,444,858	14,896,412	9,986,885	8,651,546
- other service benefits obligations	55,120	39,624	32,559	20,636
Short term borrowings	500,000	999,791	3,780	970,126
Derivative financial instruments	360,935	566,424	424,659	673,387
	16,432,573	26,247,706	17,688,680	16,208,664
Total liabilities	77,631,072	81,706,935	82,259,936	84,413,889
Contingencies and Commitments				
TOTAL EQUITY & LIABILITIES	96,457,786	97,504,962	100,876,994	98,053,481

2. The profit or loss of Engro Fertilizes Limited (incorporated on January 01, 2010) for the half year ended June 30, 2013 and the preceding three years ended December 31, 2012, 2011 and 2010 as per the audited financial statements are as follows:

	Half year ended	Year ended December 31		
	June 30, 2013	2012	2011	2010
-----Rupees in thousand-----				
Net sales	20,519,305	30,626,520	31,352,880	19,017,508
Cost of sales	(12,036,266)	(20,765,773)	(14,620,022)	(10,107,820)
Gross profit	8,483,039	9,860,747	16,732,858	8,909,688
Selling and distribution expenses	(1,483,827)	(2,499,982)	(2,245,094)	(1,727,476)
Administrative expenses	(301,508)	(582,779)	(549,449)	(566,978)
	6,697,704	6,777,986	13,938,315	6,615,234
Other income	291,105	379,443	1,164,479	457,989
Other operating expenses	(411,702)	(405,977)	(581,947)	(575,071)
Finance cost	(4,524,905)	(10,703,246)	(7,643,994)	(1,292,161)
	(4,936,607)	(11,109,223)	(8,225,941)	(1,867,232)
Profit / (loss) before taxation	2,052,202	(3,951,794)	6,876,853	5,205,991
Taxation	(626,845)	1,017,219	(2,288,567)	(1,476,395)
Profit / (loss) for the period / year	1,425,357	(2,934,575)	4,588,286	3,729,596
Earnings / (loss) per share - basic	1.25	(2.74)	4.28	3.48
Earnings / (loss) per share - diluted	1.25	(2.74)	4.25	3.48

3. DIVIDENDS

To date no dividends on its ordinary shares have been declared / paid by the Company since the date of its incorporation.

4. CONTINGENCIES AND COMMITMENTS AS AT JUNE 30, 2013

4.1 Contingencies

a) Litigations

- i) Engro Fertilizers Limited (the Company), along with other fertilizer Companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act 2010 in relation to unreasonable increase in the price of fertilizer. The Company responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess, sales tax, inflation and gas curtailment. However, the CCP has issued an order in March 2013, whereby it has held that the Company enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs 3,140,000 thousand and Rs 5,500,000 thousand on the Company and that other fertilizer company respectively. The Company has challenged the decision in the High Court of Sindh which has stayed enforcement of the penalty. The Company has also filed an appeal before the Competition Appellate Tribunal, which is presently pending. The Company's management believes that the chances of ultimate success are very good, which has been confirmed by legal advisor. Hence, no provision has been made in the financial statements for the half year ended June 30, 2013.
- ii) The Company had filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resource (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 MMSCFD gas per day to the Enven Plant and to prohibit them from suspending, discontinuing or curtailing the aforesaid supply. The High Court of Sindh, in its order dated October 18, 2011, has ordered that SNGPL should supply 100 MMSCFD of gas per day to the Company's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of High Court of Sindh by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. The Company's management as confirmed by the legal advisor considers the chances of petitions being allowed to be remote.

Further, the Company upon continual curtailment of gas after the aforementioned decision of the High Court has filed an application in respect of Contempt of Court under Article 199 & 204 of the Constitution of Pakistan. The Company, in the aforementioned application has submitted that SNGPL and MPNR have failed to restore full supply of gas to the Company's plant despite the judgment of High Court in the Company's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the High Court. The application is pending for hearing and no orders have yet been passed in this regard.

- iii) All Pakistan Textile Processing Mills Association (APTPMA), Shan Dying & Printing Industries (Private) Limited, Agritech Limited (Agritech) and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to the Company's expansion plant is premised on the output of Qadirpur gas field exceeding 500 MMSCFD by 100 MMSCFD and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 with Sui Northern Gas Pipe Line Limited (SNGPL) be declared void ab initio because the output of Qadirpur has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. The Company has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 MMSCFD gas has been allocated to the Company through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA which guarantees uninterrupted supply of gas to the expansion plant, with right to first 100 MMSCFD gas production from the Qadirpur field; and (iii) both the Company and gas field (Qadirpur), that is to initially supply gas to the Company, are in Sindh. Also, neither the gas allocation by Government nor the GSA predicates the gas supply upon Qadirpur field

producing 100 MMSCFD over and above 500 MMSCFD. No orders have been passed in this regard and the petitions have been adjourned sine die. However, the Company's management, as confirmed by the legal advisor, considers the chances of the petitions being allowed to be remote.

- iv) The Company (along-with other fertilizer companies) has filed a writ in the Lahore High Court challenging the revised order of priority for supply of natural gas by the Ministry of Petroleum and Natural Resources under the Gas Management Policy 2013. Under the revised priority, the fertilizer sector has been put below the power sector and at par with general industry. The Petition seeks to ensure, inter alia, priority supply of Gas to the fertilizer industry over the CNG sector, and equal treatment with general industry, without prejudice to its challenge to the revised priority.
- v) During the half year ended June 30, 2013, the Company has filed:
 - a writ in the Lahore High Court seeking fair distribution of the agreed upon rota of gas supply between the 4 fertilizer plants on the SNGPL network. The Company has also prayed for making up the short falls in its 2012 rota share; and
 - a suit against the Government of Pakistan and SNGPL in the Lahore High Court for the recovery of damages incurred as a result of SNGPL suspending/ curtailing gas supply to the Company amounting to Rs. 61,410,000 thousand. This would be recognized as income upon realisation thereof.
- vi) Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 58,530 thousand.
- vii) The Company is contesting a penalty of Rs. 99,936 thousand paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial refund of Rs. 62,618 thousand was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.
- viii) Engro Corporation Limited (the Holding Company) had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86 respectively. The sole arbitrator in the second case has awarded the Holding Company Rs. 47,800 thousand whereas the award for the earlier years is awaited. The award for the second arbitration has not been recognised due to inherent uncertainties arising from its challenge in the High Court of Sindh.

b) Taxation

- i) As a result of demerger, effective January 1, 2010, all pending tax issues of the Holding Company have been transferred to the Company. Major issues still pending before the tax authorities are described below:

In 2012, the income tax department raised a demand of Rs. 1,481,709 thousand, subsequently rectified to Rs. 1,074,938 thousand, for the financial year 2010. The disallowances were mainly on account of initial allowance on capitalization which were later confirmed by the Commissioner Inland Revenue - Appeals (CIRA). The demand was subsequently reduced to Rs. 616,536 thousand after application of rectifications from prior years amounting to Rs. 308,402 thousand and payment of Rs. 150,000 thousand.

In the current period, the Appellate Tribunal Inland Revenue (ATIR) has remanded back the issues of Group Relief (Rs. 450,000 thousand) and Inter-Corporate Dividend (Rs. 220,000 thousand) related to the financial year 2008 in favour of the Company. The Company intends to use the resulting refunds in offsetting the balance demand of the financial year 2010.

In previous years, the department had filed reference applications in High Court against the below-mentioned ATIR's decisions in Company's favor. No hearing has been conducted to-date. The reference application includes the following matters:

- Group Relief (Financial year 2006 and 2007): Rs. 1,050,847 thousand
- Inter-Corporate Dividend (Financial year 2007): Rs. 116,500 thousand
- G.P. Apportionment (Financial years 1995 to 2002): Rs. 653,000 thousand

The Company is confident that all pending issues will eventually be decided in its favor.

- ii) During the half year ended June 30, 2013, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year. The Company's management is however of the view, duly supported by legal advisor, that the above order is not correct and would not be maintained by Supreme Court which the Company intends to approach, if required. Therefore, the Company has continued to carry forward minimum tax amounting to Rs. 360,413 thousand as at June 30, 2013.

c) Others

- i) Bank guarantees of Rs. 1,059,119 thousand have been issued in favour of third parties.

4.2 Commitments

	(Amounts in thousand)
Plant and machinery, including infrastructure costs as explained below (4.2.1)	<u>963,960</u>

- 4.2.1** On January 01, 2013, ECC has approved the allocation of gas reserves from Makori East, Reti-Mar, Mari SML, Kunnar Pasaki Deep and Bahu fields to the Consortium of four fertilizer plants (the Consortium). The total allocation in this respect to the Consortium is 202 MMSCFD including the Company's share of 79 MMSCFD. The Consortium has accordingly entered into Gas Sales Agreements (GSAs) for the supply of gas from Makori East, Reti-Mar and Kunnar Pasaki Deep fields.

Consequent to the allocation of gas from dedicated fields, the Consortium entered into gas transportation agreement with SSGCL and SNGPL for the transportation of gas from the dedicated fields. Further, as per the decision of ECC and the terms of gas transportation agreement, the Consortium was required to build the additional gas infrastructure at an estimated cost of USD 115,000 thousand. The Company's share in the total cost of the additional infrastructure estimated to USD 48,000 thousand out of which USD 4 thousand (Rs. 431 thousand) has been incurred as at June 30, 2013.

5. OTHER MATTERS

5.1 Restructuring / Re-profiling of borrowings

The Company approached majority of the lenders for re-profiling of various finance facilities given the constrained operation due to gas curtailment. Initially, the Company proposed for a grace period of 2 to 2.5 years in the existing repayment schedule. Subsequently the Company offered step-up payments in the interim period of 2.5 years due to improved cash flow expectations after Enven conversion on Mari gas.

As at June 30, 2013, the Company has agreed with all the lenders for the re-profiling of its long term loans. Accordingly, current portion in the financial statements for the half year ended June 30, 2013 is based on the revised repayment schedule. Necessary documentation of DIB, Citi Bank and DFI consortium is in process. Furthermore, the consortium representing Islamic Finance Facility has agreed to convert 50% of the outstanding Islamic facility from USD into PKR. Principal terms of the re-profiling are as follows:

- Extension of loan tenor by 2.5 years with step up payments in the interim period;
- Amendment in financial covenants including a condition whereby dividend may be paid after repayment of 33% of the senior loans outstanding as at June 30, 2012;
- Implementation of cash sweep due to which all surplus cash over and above debt servicing, recurring CAPEX, alternate gas CAPEX and some pre-agreed cushion will be paid to lenders as prepayment of outstanding loan amount following the restoration of gas supply applicable from December 31, 2014 and until 25 % of the senior loans outstanding as at June 30, 2012 is repaid; and
- Gas supply from the long term allocation would start by July 2014.

5.2 International Finance Corporation

The Holding Company entered into a C Loan Agreement (Original Agreement) dated September 29, 2009 with International Finance Corporation (IFC) for USD 50,000 thousand, divided into Tranche A (USD 15,000 thousand) and Tranche B (USD 35,000 thousand). Both Tranche A and B were fully disbursed as at December 31, 2009 and transferred to the Company under the scheme of demerger effective January 1, 2010. However, the option given to convert the Tranche A loan amount of USD 15,000 thousand shall remain upon the Holding Company's ordinary shares at Rs. 205 per ordinary share (reduced to Rs. 119.46 and Rs. 155.30 as at December 31, 2012 and December 31, 2011 respectively consequent to bonus issues) calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option. Such option is to be exercised within a period of no more than five years from the date of disbursement of the loan (December 28, 2009). Tranche B, however, is not convertible. The Holding Company, upon shareholders' approval in the Annual General Meeting of February 27, 2010, has entered into an agreement with the Company that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against the Company would stand reduced by the conversion option amount and the Company would pay the rupee equivalent of the corresponding conversion amount to the Holding Company which would simultaneously be given to the Company as a subordinated loan, carrying mark-up payable by the Holding Company for rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion in substance would result in a loan from the Holding Company having the same repayment terms / dates as that of Tranche A.

On December 22, 2010, the Company and IFC entered into an amended agreement for further disbursement of USD 30,000 thousand over and above the aforementioned disbursed amount of USD 50,000 thousand. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same. The additional loan of USD 30,000 thousand is divided into (i) 30% convertible loan on the shares of the Company at Rs. 41.67 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) 70%

non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at six months LIBOR plus a spread of 6% or 10% depending on the listing status of the Company at December 31, 2012.

During the half year ended June 30, 2013, IFC has clarified its position that, if an agreement in the proposed amendments to the loan conversion terms is not concluded by September 1, 2013 or if earlier, by the Company's Initial Public Offer date the relevant loan spread increase will occur automatically effective, at a mutually agreed date. The exact terms and conditions of loan conversion are still under discussion with IFC, expected to be finalized shortly. The management is confident that it will be able to successfully negotiate the terms and hence no related provision for the differential amount of Rs. 244,879 thousand as at June 30, 2013 has been made in the financial statements for the half year ended June 30, 2013. The terms are in-principally agreed between IFC and Engro however the agreement is not yet signed.

Yours truly

-sd-

A.F. Ferguson & Co.

Chartered Accountants

Management Note:

As at September 30, 2013, the following events have taken place

- loan restructuring agreements with commercial banks have been signed
- restructuring terms with IFC have been agreed in principle and is pending for signing, and
- legal proceedings mentioned above in Section 6.1 - 4.1 (a) (iv) and (v) (i) have been withdrawn

6.2 SHARE BREAK-UP VALUE CERTIFICATE

The Board of Directors
Engro Fertilizers Limited
7th & 8th Floors, The Harbour Front Building
Plot No. HC-3, Block 4
Scheme No.5, Clifton
Karachi

August 30, 2013
D 814

Dear Sirs

AUDITORS' CERTIFICATE ON THE BREAK-UP VALUE OF SHARES

Based on audited financial statements of Engro Fertilizers Limited for the half year ended June 30, 2013, the break-up value of an ordinary share of Rs. 10 each of the Company is Rs. 15.40 per share, as calculated below:

	Rupees in thousand
Equity	
Issued, subscribed and paid-up capital	12,228,000
Share premium	11,144
Hedging reserve	(222,600)
Remeasurement of post employment benefits	2,050
Unappropriated profit	6,808,120
Total Equity	18,826,714
Number of ordinary shares in issue (in thousands)	1,222,800
	Rupees
Break-up value per share	15.40

Yours truly

-sd-

A.F. Ferguson & Co.
Chartered Accountants

MANAGEMENT NOTE:

The revised break-up value of the Company on the basis of post IPO paid up capital as at 30 June 2013, is given below:

	Rupees in thousand
Equity	
Issued, subscribed and paid-up capital	12,978,000
Share premium	761,144
Hedging reserve	(222,600)
Remeasurement of post employment benefits	2,050
Unappropriated profit	6,808,120
Total Equity	20,326,714
	1,297,800
Number of ordinary shares in issue (in thousands)	1,297,800
	Rupees
Break-up value per share	15.66

6.3 AUDITORS CERTIFICATE ON ISSUED, SUBSCRIBED, AND PAID – UP – CAPITAL OF THE COMPANY



A. F. FERGUSON & CO.

The Board of Directors
 Engro Fertilizers Limited
 7th & 8th Floors, The Harbour Front Building
 Plot No. HC-3, Block 4
 Scheme No.5, Clifton
 Karachi

September 30, 2013
 D 881

Dear Sirs

AUDITORS' CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP CAPITAL OF THE COMPANY AS AT SEPTEMBER 2, 2013

As requested, we have verified from the books of account and other records of Engro Fertilizers Limited that the issued, subscribed and paid up capital of the Company as at September 2, 2013 was Rs.12,228,000,000 divided into 1,222,800,000 ordinary shares of Rs. 10 each. The break-up of shareholding as at September 2, 2013 is as following:

	Number of Shares	Amount in Rupees
Directors		
- Mr. Ruhail Mohammad	1	10
- Mr. Khalid S. Subhani	1	10
- Mr. Javed Akbar	1	10
- Mr. Abdul Samad Dawood	1	10
- Mr. Shabbir Hashmi	1	10
- Mr. Muhammad Aluddin Ansari	1	10
- Mr. Shahid Hamid Pracha	1	10
- Ms. Naz Khan	1	10
	8	80
Holding Company		
- Engro Corporation Limited	1,222,799,992	12,227,999,992
Total issued, subscribed & paid-up capital as at September 2, 2013	<u>1,222,800,000</u>	<u>12,228,000,000</u>

Yours truly

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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 Islamabad: 7th, 8th Floor, 43/Block 6, F-7/2, H-8, Road, F-7, Es 3000, Islamabad-46000, Pakistan; Tel: +92 (51) 32506600; Fax: +92 (51) 32506600
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6.4 SUMMARY FINANCIAL HIGHLIGHTS

INCOME STATEMENT

----- PKR Million -----

	Jun '13- Half Year	Dec '12	Dec '11	Dec '10
Sales	20,519	30,627	31,353	19,018
Gross Profit	8,483	9,861	16,733	8,910
Operating Expenses	1,785	3,083	2,795	2,294
Financial Charges	4,525	10,703	7,644	1,351
EBITDA	9,172	11,540	17,355	7,238
Profit after Tax	1,425	(2,935)	4,588	3,730

BALANCE SHEET

----- PKR Million -----

	Jun '13 Half Year	Dec '12	Dec '11	Dec '10
Equity	18,827	15,798	18,617	13,639
Non-Current Assets	80,941	83,123	86,540	84,631
Current Assets	15,517	14,382	14,337	13,422
Total Assets	96,458	97,505	100,877	98,053
Current Liabilities	16,433	26,248	17,689	16,209
Non-Current Liabilities	61,198	55,459	64,571	68,205
Total Liabilities	77,631	81,707	82,260	84,414

FINANCIAL RATIOS

	Jun '13 Half Year	Dec '12	Dec '11	Dec '10
Gross Margin	41%	32%	53%	47%
EBITDA Margin	45%	38%	55%	38%
Net Margin	7%	-10%	15%	20%
EPS / (LPS)	1.25	(2.74)	4.28	3.48
Current Ratio*	1.74	1.27	1.87	1.78
Debt to Equity ratio	0.76	0.78	0.78	0.83
Return on Assets	1.47%	N/A**	4.61%	3.80 %
Return on Equity	7.57%	N/A**	24.64%	27.35%
Breakup Value per share	15.40	14.73	17.35	12.71

*Current Liabilities exclude current maturity of long term loans

** Negative EPS, thus return on Asset/Equity is not meaningful.

PART 7

7 MANAGEMENT OF THE COMPANY

7.1 POLICY MATTERS

All policy-related matters are managed by the Board of Directors, headed by the Chairman of the Board. At present, the Board comprises of 8 Directors including the CEO. The Board of Directors comprises of one (1) executive and seven (7) non-executive directors, who collectively share responsibility of ensuring competent management of affairs of the organization.

BOARD OF DIRECTORS OF THE COMPANY

Name	Address	Designation	Directorship in other Companies
Muhammad Aliuddin Ansari	8th Floor, The Harbour Front Building HC # 3, Marine Drive Block 4, Clifton, Karachi	Chairman	Engro Corporation Limited Engro Eximp (Private) Limited Engro Eximp AgriProducts (Private) Ltd. Sindh Engro Coal Mining Company Dawood Hercules Corporation Limited Dewan Drilling Limited Dewan Petroleum (Private) Limited Pakistan Chemical & Energy Sector Skill Development Company Elengy Terminal Pakistan Limited Engro Vopak Terminal Limited Engro Polymer & Chemicals Limited Engro Foods Limited Engro Powergen Limited Engro Powergen Qadirpur Limited Thar Power Company Limited
Mr. Ruhail Mohammed	7th Floor, The Harbour Front Building HC # 3, Marine Drive Block 4, Clifton, Karachi-75600	President & Chief Executive Officer	Engro Corporation Limited Sindh Engro Coal Mining Company Limited The Hub Power Company Limited Engro Vopak Terminal Limited Engro Eximp (Private) Limited Engro Foods Limited Engro Powergen Qadirpur Limited Cyan Limited Thar Power Company Limited
Mr. Javed Akbar	75/1/1 Street 15, Kh-e-Sehar, DHA Karachi.	Director	Engro Vopak Terminal Limited Engro Powergen Qadirpur Limited Engro PowerGen Limited Pakistan Petroleum Limited Dawood Hercules Corporation Limited Javed Akbar Associates (Private) Limited DH Fertilizers Limited

BOARD OF DIRECTORS OF THE COMPANY (CONTINUED)

Name	Address	Designation	Directorship in other Companies
Mr. Abdul Samad Dawood	The Dawood Group 10th Floor, Dawood Centre M.T. Khan Road Karachi	Director	Engro Corporation Limited Dawood Hercules Corporation Limited Dawood Lawrencepur Limited Cyan Limited DH Fertilizers Limited Engro Foods Limited The Hub Power Company Limited Tenaga Generasi Limited
Mr. Shabbir Hashmi	House No. 90/1 Street No. 11 Kahayaban-e- Sahar DHA Phase 6 Karachi	Director	Engro Corporation Limited Engro Polymer & Chemicals Limited Engro PowerGen Limited Engro Powergen Qadirpur Limited LMKR Holdings (Private) Limited Sindh Engro Coal Mining Company Limited UBL Fund Managers Limited Hub Power Company Limited Thar Power Company Limited Cyan Limited
Ms. Naz Khan	8th Floor, The Harbour Front Building HC # 3, Marine Drive Block 4, Clifton, Karachi	Director	Engro Polymer & Chemicals Limited Elengy Terminal Pakistan Limited Sindh Engro Coal Mining Company Thar Power Company Limited
Mr. Shahid Hamid Pracha	16-B, 3rd Central Lane, Phase II, DHA, Karachi	Director	Engro Corporation Limited Dawood Hercules Corporation Limited Dawood Lawrencepur Limited Engro Powergen Qadirpur Limited Engro PowerGen Limited DH Fertilizers Limited Tenaga Generasi Limited Cyan Limited The Hub Power Company Limited e2e Business Enterprises (Private) Limited
Mr. Khalid S. Subhani	16th Floor, The Harbour Front Bldg HC # 3, Marine Drive Block 4, Clifton, Karachi	Director	Engro Corporation Limited Engro Eximp (Private) Limited Engro Polymer & Chemicals Limited Engro Polymer Trading (Private) Limited The Hub Power Company Limited Laraib Energy Limited

7.2 OVER DUE LOANS

There are overdue loans of PKR 19.5 MN as at June 30, 2013. Subsequently, as of September 30, 2013, the Company has secured approvals for rescheduling of these loans.

There are no overdue loans (local or foreign currency) on the Directors.

7.3 DIVIDEND PAYOUT

Dividend payout of the Company during the last five (5) years, from 2008 – 2012, is as below:

	Dec '12	Dec '11	Dec '10	Dec '09	Dec '08
Cash	Nil	Nil	Nil	n/a	n/a
Bonus	Nil	Nil	106 times	n/a	n/a
Payout Ratio	Nil	Nil	NIL	n/a	n/a

7.4 PROFILE OF DIRECTORS

Mr. Muhammad Aliuddin Ansari - Chairman

Muhammad Aliuddin Ansari is the President & Chief Executive Officer of Engro Corporation since May 2012. He is a graduate of Business Administration with a specialization in Finance & Investments. Ali started his career as an Investment Manager at Bank of America in London which later became Worldinvest after a management buyout. He has also worked as CEO Pakistan and later as COO Emerging Europe for Credit Lyonnais Securities Asia. He has also worked as CEO AKD Securities and was instrumental in launching Online Trading, Venture Capital and Private Equity investments in Pakistan. In 2006 he partnered with an Oil & Gas company to form Dewan Drilling, Pakistan's first independent drilling company which he led as its CEO before joining Engro.

Ali is a member of the Board of Directors of Engro Corporation Limited, Engro Fertilizers Limited, Engro Eximp (Private) Limited, Engro Eximp AgriProducts (Private) Limited, Sindh Engro Coal Mining Company, Dawood Hercules Corporation Limited, Dewan Drilling Limited, Dewan Petroleum (Private) Limited, Pakistan Chemical & Energy Sector Skill Development Company and Pakistan Business Council. He has chaired a number of SECP committees and also served on the Boards of the Karachi Stock Exchange, NCCPL, Lucky Cement and Al Meezan Investment Management amongst others. He joined the Corp Board in 2009.

Mr. Ruhail Muhammad – President & Chief Executive Officer

Ruhail Mohammed is currently the Chief Executive Officer of Engro Fertilizers Limited. Prior to his current position, he was the Chief Financial Officer of Engro Corporation Limited and also the Chief Executive Officer of Engro Powergen Limited. He holds an MBA degree in Finance from the Institute of Business Administration, Karachi, and is also a Chartered Financial Analyst.

Ruhail has 25 years of Financial & Commercial experience and prior to becoming CEO has worked in areas such as treasury, commodity & currency trading, derivatives, merger & acquisitions, risk management, strategy & financial planning. He has worked in these areas in Pakistan, UAE and Europe.

He is on the Board of Engro Corporation Limited and its various subsidiaries. In addition, he is also on the Boards of Cyan Limited, Hub Power Company Limited & Pakistan Institute of Corporate Governance.

Mr. Shabbir Hashmi - Director

Shabbir Hashmi has more than 30 years of project finance and private equity experience. He had led the Pakistan operations at Actis Capital, one of the largest private equity investors in the emerging market.

Prior to Actis, he was responsible for a large regional portfolio of CDC Group Plc for Pakistan and Bangladesh. He also had a long stint with USAID and later briefly with the World Bank in Pakistan, specializing in planning and development of energy sector of the country. Apart from holding more than 24 board directorships as a nominee of CDC/Actis in the past, he is currently serving as Chairman on the board of Cyan Limited and as an independent director on several companies from manufacturing to financial services. He is also on the board of governors of The Help Care Society which is operating K-12 schools in Lahore for underprivileged children.

He is an engineer from Dawood College of Engineering & Technology, Pakistan and holds an MBA from J.F. Kennedy University, USA. He has been serving as an independent director on the board since 2006.

Mr. Abdul Samad Dawood - Director

Abdul Samad Dawood is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He is the Founder and CEO of Cyan Limited, a private equity firm dedicated to providing growth capital to high performance companies in Pakistan.

He also serves as Director on the Boards of Dawood Lawrencepur Limited, Dawood Hercules Corporation Limited, DH Fertilizers Limited, The Hub Power Company Limited, Engro Foods Limited, Engro Corporation Limited, Engro Fertilizers Limited and Tenaga Generasi Limited. He has also served as director on boards of Pakistan Refinery Limited, Sui Northern Gas Pipeline Limited, International Industries Limited, ABL Asset Management Limited, Inbox Business Technologies (Pvt.) Limited, Engro Eximp (Pvt.) Limited and WWF Pakistan. Mr. Dawood is a member of Young Presidents' Organization, Pakistan Chapter.

Mr. Khalid Siraj Subhani - Director

Khalid S. Subhani is the President and Chief Executive Officer for Engro Polymer & Chemicals Limited and Senior Vice President for Engro Corporation Limited.

He is a Director on the Boards of Engro Corporation Limited, Engro Fertilizers Limited, Engro EXIMP Private Limited, Engro Polymer & Chemicals Limited, The Hub Power Company Limited, Laraib Energy Limited, and Pakistan Japan Business Forum. He is Chairman of the Board of Engro Polymer Trading (Pvt) Limited. He has also served as Chairman of the Board of Avanceon in the past.

Mr. Subhani began his career in the Manufacturing Division at Exxon Chemical Pakistan Limited in 1983 and has held a variety of leadership roles within the Company, including long term assignment with Esso Chemical Canada. He has served as Manager for New Projects, General Manager for Operations, Vice President for Manufacturing, Senior Vice President for Manufacturing and New Ventures and as President & Chief Executive Officer for Engro Fertilizers Limited.

He is a member of the Pakistan Engineering Council, Business Advisory Council of the Society for Human Resource Management (SHRM) Forum Pakistan, Academic Council of Institute of Business Administration – Sukkur, Faculty Selection Board of Institute of Business Administration - Sukkur, and Standing Committee on Environment of Federation of Pakistan Chambers of Commerce & Industry. He has also been a member of Federal Government's Committee on Dawood Engineering College rejuvenation and American Institute of Chemical Engineers.

He graduated from NED University of Engineering and Technology, Pakistan with a degree in Chemical Engineering and has completed programs on advance management from MIT and Hass School of Business Management, University of Berkeley, USA.

Mr. Javed Akbar - Director

He has a Master's degree in Chemical Engineering from United Kingdom and has over 35 years' experience in fertilizer and chemical business with Exxon, Engro and Vopak. He has managed Exxon and Engro fertilizer plants and their expansions in Pakistan, worked in Exxon's Chemical Technology divisions in USA and Canada, and served as HR Manager in Exxon Pakistan. He was part of the buyout team when Exxon divested its stake in Engro.

Prior to his retirement in 2006, Javed Akbar was Chief Executive of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. After his retirement, he established a consulting company specializing in analyzing and forecasting petroleum, petrochemical and energy industry trends and providing strategic insight.

He also serves on the Board of Directors of Dawood Hercules Corporation Limited, DH Fertilizers Limited, Engro Fertilizers Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, Javed Akbar Associates (Private) Limited, Pakistan Petroleum

Limited and is also on the panel of environmental experts of Sindh Environmental Protection Agency.

Ms. Naz Khan - Director

Naz Khan is the Chief Financial Officer at Engro Corporation Limited. She has also held the position of CFO of Engro Fertilizers. Prior to her joining Engro, she has led KASB Funds Limited as its Chief Executive Officer. Her association with Pakistan's capital markets spans over 19 years during which she has been actively involved in primary as well as secondary markets for both debt and equity securities.

She has also held key positions of Executive Director, Head of Money Market and Fixed Income, Head of Investment Advisory Division and Co-Head of Investment Banking Division at KASB Securities Limited, where she led major capital market transactions on the debt and equity side. Ms. Khan has also worked as a consultant for the Asian Development Bank on Mortgage Backed Securities. She is a graduate from Mount Holyoke College, MA, USA.

Mr. Shahid Hamid Pracha - Director

Mr. Pracha is Chief Executive of Dawood Hercules Corporation Limited and Chairman of DH Fertilizers Limited, Dawood Lawrencepur Limited, and Tenaga Generasi Limited. He is also a Director on the Boards of HUBCO, Engro Corporation Limited, Engro Fertilizers Limited, e2e Business Enterprises (Private) Limited, Cyan Limited, Engro Powergen Limited and Engro Powergen Qadirpur Limited. He previously served as Chief Executive of the Dawood Foundation, the philanthropic arm of the Dawood Hercules Group.

Mr. Pracha is a graduate electrical engineer from the University of Salford, UK and prior to joining the Dawood Group, spent a major part of his career with ICI Plc's Pakistan operations in a variety of senior roles including a period of international secondment with the parent company in the UK. He is also a founding member of the Pakistan Society for Human Resource Managers and previously served as the first CEO of the Karachi Education Initiative, the sponsoring entity of the Karachi School for Business & Leadership. He joined the Engro Fertilizers Board in 2012.

7.5 PROFILE OF MANAGEMENT

Mr. Ruhail Muhammad – President & Chief Executive Officer

Ruhail Mohammed is currently the Chief Executive Officer of Engro Fertilizers Limited. Prior to his current position, He was the Chief Financial Officer of Engro Corporation Limited and also the Chief Executive Officer of Engro Powergen Limited. He holds an MBA degree in Finance from the Institute of Business Administration Karachi, and is also a Chartered Financial Analyst.

Ruhail has 25 years of Financial & Commercial experience and prior to becoming CEO has worked in areas such as treasury, commodity & currency trading, derivatives, merger & acquisitions, risk management, strategy & financial planning. He has worked in these areas in Pakistan, UAE and Europe.

He is on the Board of Engro Corporation Limited and its various subsidiaries. In addition, he is also on the Boards of Cyan Limited, Hub Power Company Limited & Pakistan Institute of Corporate Governance.

Mr. Imran Husain – Chief Financial Officer

Mr. Husain took over the role of Chief Finance Officer of Engro Fertilizers Limited in October 2013. Prior to joining Engro he was working as Vice President Finance for Unilever Pakistan Limited.

During a career spanning over 25 years, his longest stint was with Unilever where he spent 21 years and held various positions in Finance, Customer Development, Category Strategy and Supply Chain. As part of his role in finance he has developed close working relationships with external stakeholders like Pakistan Business Council, Central Bank of Pakistan, Securities and Exchange Commission of

Pakistan and Federal Board of Revenue. As part of a global organization he handled foreign assignments for Unilever in UK and Singapore.

Mr. Husain holds a Masters in Business Administration from Institute of Business Administration.

Mr. Faiz Chapra – Company Secretary

Faiz completed his Bachelors degree in the USA and subsequently qualified as a solicitor in the UK. He has worked with various firms in the city of London including DLA Piper, Norton Rose and Freshfields before moving in house to take up a role as Principal Legal Counsel for Barclays Bank Plc in Dubai. He then moved as Head of Legal and Company Secretary for the lending arm of a regional Investment bank in Dubai.

Faiz has over thirteen years of experience in the legal profession and has handled a variety of transactions spanning the corporate and banking/finance space. He is currently a Legal Manager at Engro and heads up the legal function for Engro Foods, Engro Eximp and also acts as Company Secretary for Engro Foods and Engro Fertilizers.

Mr. Muhammad Khalid Mir – VP, HR & Admin Services

Mohammad Khalid Mir is the Vice President – HR & Admin Services, being at the helm of all Engro Fertilizer people management activities across Pakistan. He also manages all imports/ purchasing for the Company.

A business graduate from Quaid-e-Azam University, he joined Exxon Chemical Pakistan Ltd in 1982 in the Marketing Division. During his career spanning over 30 years, he has held varied positions mainly in marketing including Sales Manager and Vice President, Marketing. As part of the Company's rotation program he has also handled assignments as the Senior Control Advisor as well as Administration Manager, Daharki.

He is a Certified Coach, and is on the Executive Committee of Karachi vocational training center and INSEAD Alumni Association of Pakistan. He has also been a Member of the Board of Governors of Pakistan Agriculture Research Council (PARC).

Mr. Inamullah Naveed Khan – VP, Manufacturing

Inamullah Naveed Khan is a Vice President at Engro Fertilizers Limited, and has been with the Company since 1987. Mr. Khan has been involved in the PakVen-600 fertilizer expansion project as well as all subsequent expansion and relocation projects at Engro Fertilizers. Mr. Khan also headed the largest single train billion dollar urea expansion project at Daharki from 2007-2010.

During his association with Engro, Mr. Khan has served in the Maintenance, Technical and Administration departments within the Manufacturing division. Mr. Khan holds a Bachelors degree in Civil Engineering.

Mr. Muddassar Rathore - General Manager Operations

Mr. Rathore graduated with a degree in chemical engineering from the University of Punjab, Lahore in 1985, and has since been involved in the petroleum and chemicals sector in Pakistan. He started of his career as an engineer at National Refinery which allowed him to develop his skills in crude oil distillation, catalytic reformers and merox sweetening processes, amongst others.

In 1992, he joined Engro Fertilizers and was exposed to various aspects of plant operations. He held a central role as commissioning and start-up manager during Engro Fertilizer's capacity expansion project, which began in 2007. He has also worked with DUPONT to equip the site with DuPont safety standards. His pivotal contributions to Engro paved the way for his climb to the current position of General Manager Operations.

Mr Aasim Butt – General Manager Marketing

Aasim Butt is the General Manager Marketing at Engro Fertilizers Limited since May 2012. Before joining Engro Fertilizers, he was heading Dairy Sales at Engro Foods Limited for a period of 5 years. He has 21 years of FMCG and Fertilizer industry experience out of which 8 years were in sales and marketing in Saudi Arabia and UAE.

Mr Aasim holds a Masters in Business Administration from Institute of Business Administration, Lahore. He has also received extensive training from London Business School and reputable training institutions on leadership and performance management.

Mr Ahmed Shakoor – General Manager New Venture Development

Mr Ahmad Shakoor is the General Manager for New Ventures Division which explores new horizons for Engro Fertilizers Limited. He has been associated with Engro Fertilizers for the last 17 years, and holds Bachelors in Chemical Engineering from University of Punjab.

Ahmad served the organizations process design section for most of his carrier and has remained involved in all the major ventures of Engro Fertilizers. Other than that, he worked in operations department, Business and Economics section, Market planning section in various capacities. Ahmad was the Engineering Manager for Engro's flagship Enven project where he lead an in-house team to integrate licensors provided engineering package with existing site utilities.

Mr Saleem Lallany – Manager - Corporate Audit

Mr Saleem is the Head of Internal Audit at Engro Fertilizers Limited, and has been associated with the Company for a period of more than 5 years. He is a highly experienced executive with demonstrated ability to lead diverse teams to achieve organizational objectives.

He holds strong professional accounting and internal audit related qualifications from Pak, UK, Canada and USA, and a track record of over 20 years of hands-on experience in financial management, internal audit, corporate affairs, and business process reviews to improve governance, risk management and internal controls.

7.6 NUMBER OF DIRECTORS

Pursuant to Section 174 of the Ordinance, the number of directors of the Company shall not be less than Seven (7). The Board consists of 8 Directors as detailed in paragraph 7.1 above.

7.7 QUALIFICATION OF DIRECTORS

A Director must be a member unless he is a person representing the Government or an institution or the Securities & Exchange Commission that is a member, or is a whole time working director who is an employee of the Company, or a Chief Executive or a person representing a creditor.

7.8 APPOINTMENT/ ELECTION OF DIRECTORS

The Directors shall comply with the provisions of Sections 174 to 178, 180, and 184 of the Ordinance, relating to the election of Directors and matters ancillary thereto. The present Directors of the Company were duly elected on 28th March 2013 for a term of three years.

7.9 BENEFITS OF PROMOTERS AND OFFICERS DURING THE LAST TWO YEARS

No amount or benefit has been paid or given within the last two years or is intended to be given to any promoter/ or officer of the Company otherwise than as remuneration for services rendered as fulltime executives of the Company.

7.10 REMUNERATION OF THE DIRECTORS

The remuneration to be paid to the Directors for attending the meetings of the Directors or a committee of Directors shall be determined by the Board from time to time.

Any Director appointed to any executive office including for the purpose of Article 61 of the Articles of Association of the Company the office of Chief Executive or Chairman, or to serve in any Committee or to devote special attention to the business of the Company or who otherwise performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Directors, may be paid such extra remuneration by way of salary, fees, percentage of profits or otherwise as shall from time to time be determined by the Board of Directors.

7.11 INTEREST OF DIRECTORS IN THE COMPANY

The directors may be deemed to be interested to the extent of fees payable to them for attending Board meetings. The directors performing whole time service to the Company may also be deemed interested in the remuneration payable to them from the Company. The directors may also be deemed to be interested, to the extent of any shares held by each of them in the Company and the dividends to be declared on their shareholding in the Company.

7.12 INTEREST OF DIRECTORS IN PROPERTY ACQUIRED BY THE COMPANY

None of the Directors of the Company had or have any interest in any property acquired by the Company within the last two years or now proposed to be acquired by the Company.

7.13 VOTING RIGHTS

The rights and privileges, including voting rights, attached to the ordinary shares of the Company are equal.

7.14 AUDIT COMMITTEE/CONSTRUCTION OF AUDIT COMMITTEE

An Audit Committee of the Board has been formed to comply with the Code of Corporate Governance, which comprises of non - executive directors i.e.

Mr. Javed Akbar
Mr. Abdul Samad Dawood
Mr. Shabbir Hashmi

The audit committee meetings are held on a quarterly basis, as per provisions of the Code of Corporate Governance. The Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

7.15 INTERNAL AUDIT

The Board has setup an effective internal audit function managed by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis. Internal Audit Department is headed by Mr. Saleem Lallany who is the Head of Corporate Audit. He has an experience of over 20 years in Finance and Audit, Enterprise Risk Management, Governance, Risk and Control.

7.16 POWERS OF DIRECTORS

The business of the Company shall be managed by the Directors who may pay all expenses incurred in setting up and registering the Company and may exercise all such powers of the Company as are not by the Ordinance or by any other law or the Articles of Association of the Company, required to be exercised by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

7.17 BORROWING POWERS OF DIRECTORS

Subject to the provisions contained in the Articles of Association of the Company, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking and property, or any part thereof, and to issue securities and debentures whether outright or as security for any debt, liability or obligation of the Company or of any third party.

7.18 INDEMNITY

Every Director or officer of the Company and every person employed by the Company as auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, officer or auditor in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted, or in connection with any application under the relevant provisions of the Ordinance in which relief is granted to him by the court.

7.19 INVESTMENT IN ASSOCIATED COMPANIES

The Company has not made any investment in any of associated companies nor has any resolution been passed for investment in associated companies under Section 208 of the Ordinance.

7.20 INVESTMENT IN SUBSIDIARIES

The Company has not sponsored nor acquired any subsidiaries nor has any resolution been passed for sponsoring or acquiring any subsidiaries under Section 208 of Companies Ordinance 1984.

PART 8

8 MISCELLANEOUS INFORMATION

8.1 REGISTERED OFFICE

Engro Fertilizers Limited
7th & 8th Floors, The Harbour
Front Building, HC-3, Marine Drive,
Block 4, Clifton, Karachi, Pakistan

8.2 BANKER TO ISSUE (BOOK BUILDING PORTION)

Faysal Bank Limited

8.3 BANKERS TO ISSUE (GENERAL PUBLIC PORTION)

- 1) Allied Bank Limited
- 2) Askari Bank Limited
- 3) Bank Al-Falah Limited
- 4) Bank Al-Habib Limited
- 5) Bank Islami Pakistan Limited
- 6) Bank of Punjab
- 7) Faysal Bank Limited
- 8) Habib Bank Limited
- 9) Habib Metropolitan Bank Limited
- 10) JS Bank Limited
- 11) MCB Bank Limited
- 12) Samba Bank Limited
- 13) Silk Bank Limited
- 14) Standard Chartered Bank Pakistan
- 15) Summit Bank Limited
- 16) United Bank Limited

8.4 BANKERS TO THE COMPANY

- 1) Allied Bank Limited
 - 2) Askari Bank Limited
 - 3) Bank Al-Falah Limited
 - 4) Bank Al-Habib Limited
 - 5) Bank Islami Pakistan Limited
 - 6) Barclays Bank Plc Pakistan
 - 7) Burj Bank Limited
 - 8) Bank of Punjab
 - 9) Citi Bank N.A Pakistan
 - 10) Dubai Islamic Bank
 - 11) Faysal Bank Limited
 - 12) Habib Bank Limited
 - 13) Habib Metropolitan Bank Limited
 - 14) HSBC Bank Middle East
 - 15) JS Bank Limited
 - 16) MCB Bank Limited
 - 17) Meezan Bank Limited
 - 18) National Bank of Pakistan
 - 19) Samba Bank Limited
 - 20) Silk Bank Limited
 - 21) Soneri Bank Limited
 - 22) Standard Chartered Bank Pakistan
 - 23) Summit Bank Limited
 - 24) United Bank Limited
-

8.5 AUDITORS

A.F. Ferguson & Co.

8.6 LEGAL ADVISOR TO THE COMPANY & THE ISSUE

Haidermota & Co.

8.7 COMPUTER BALLOTTER AND SHARES REGISTRAR

FAMCO Associates (Private) Limited

8.8 FINANCIAL ADVISOR & LEAD MANAGER

Habib Bank Limited
01-HBL Plaza,
I.I. Chundrigar Road
Karachi

Allied Bank Limited
Central Office Karachi
Bath Island, Clifton
Karachi

8.9 JOINT BOOK RUNNERS

AKD Securities Limited
602, Continental Trade Centre, Block 8
Clifton, Karachi
PABX No: +92-21-111-253-111 *Ext.*
636
Fax No: +92-21-3586-7992, +92-21-
3537-3211
www.akdsecurities.net

Next Capital Limited
8th Floor Horizon Tower, Plot # 2/6,
Block III, Clifton, Karachi.
PABX No: +92-21-111-639-825
Ext 114
Fax No: +92-21-3529-221
sanam.khawaja@nextcapital.com.pk
www.nextcapital.com.pk

8.10 MATERIAL CONTRACTS / DOCUMENTS

8.10.1 Underwriting Agreements

Underwriter	No. of shares	Amount (PKR)	Date

8.10.2 Due Diligence Reports of the Underwriters

Underwriter	Date

8.10.3 Private Placement Agreements

Name	No. of shares	Amount (PKR)	Date

8.10.4 Material Agreements

Agreement	Date	Description
GSAs with Mari Gas	May 9, 1982 and Nov 21, 1991	Provision of 61 and 42 MMSCFD from Mari gas field and its supplementals
Mari SML	29-3-2013	Provision of 22 mmcf gas uptil 2 nd quarter 2014
GSA with SNGPL	11-4-2007	Provision of 100 MMSCFD of pipeline quality gas for Enven
RetiMaru	6-3-2013	Provision of 78 MMSCFD of gas from 3Q 2014
Makori East	15-3-2013	
KPD	21-2-2013	
E-Corp Royalty Agreement	22-1-2011	Royalty paid to Engro Corporation for using the "Engro" brand
Commission Income	1-6-2011	Commission received and paid to Engro Eximp
Amendments to conversion terms for loan from IFC ⁽¹⁾		Amendments to the conversion terms relating to a loan of USD 9 Mn from IFC

8.10.5 Hedging Agreements

Agreement	Date	Description
Standard Chartered Bank Limited	24-12-2002	LIBOR Fixed at 3.73 against DEG Original Payment Schedule
Citi Bank N.A	11-3-2012	LIOR Fixed at 3.47 against Islamic Original Payment Schedule

⁽¹⁾ The terms are in-principally agreed between IFC and the Company however, the agreement is not yet signed.

8.10.6 Long Term Financing Agreements

(Amounts in PKR 000's)

Bank	Facility Amount	Balance as of 30 Jun' 13
Habib Bank Limited	1,000,000	651,903
Allied Bank Limited	2,000,000	1,303,027
Askari Bank Limited	250,000	163,750
Citibank N.A.	100,000	70,000
HSBC Middle East Limited	250,000	100,000
Standard Chartered Bank (Pakistan) Limited	500,000	326,088
National bank of Pakistan	1,500,000	1,235,439
Syndicate 1 – refer 8.10.6.1	18,300,000	16,001,901
Islamic Offshore finance – refer 8.10.6.2	150,000 USD**	8,413,184
DFI Consortium Finance – refer 8.10.6.3	85,000 USD**	6,108,021
International Finance Corporation – refer 8.10.6.4	50,000 USD**	4,719,802
International Finance Corporation – refer 8.10.6.4	30,000 USD**	2,917,585
Bank Islami Pakistan Limited	500,000	317,991
Pak Kuwait Investment Co. (Pvt.) Ltd	500,000	348,029
Faysal Bank Limited	1,500,000	1,441,657
Dubai Islamic Bank Limited	500,000	494,159
Silk Bank Limited	300,000	270,000
Standard Chartered Bank	1,000,000	959,754
Samba Bank Limited	500,000	480,509
Habib Metropolitan Bank Limited	200,000	179,965
National Bank of Pakistan	1,000,000	991,946
TFC – 2 nd Issue – refer 8.10.6.5 – Rated “A”	4,000,000	3,977,026
TFC – 3 rd Issue – refer 8.10.6.6– Rated “A”	2,000,000	1,743,858
Sukuk Certificates	3,000,000	2,993,444
PP TFCs – refer 8.10.6.7– Rated “A”	6,000,000	6,000,000
Subordinated Loan from Holding Company	3,000,000	3,000,000
TOTAL		65,209,038

*Rating as per PACRA report 28 June 2013

** The conversion rate used for outstanding USD loans as at June 30, 2013 is Rs.99.8per USD

As at Sep 30, 2013, the Long Term Loans of the Company stood at PKR 62.6 BN

- 8.10.6.1** This represents a syndicated finance agreement with Allied Bank Limited, Bank Alfalah Limited, Habib Bank Limited, MCB Bank Limited, National Bank of Pakistan, Standard Chartered and United Bank Limited which was fully disbursed. Some of the banks have sold down their share to other banks.
- 8.10.6.2** This represents the balance amount of an offshore Islamic Finance Facility Agreement of USD 150,000 with Citi Bank, Dubai Islamic Bank, Habib Bank Limited, National Bank of Pakistan, SAMBA Financial Group and Standard Chartered Bank.
- 8.10.6.3** This represents the balance amount of a facility agreement amounting to USD 85,000 with a consortium of Development Finance Institutions comprising of DEG, FMO and OFID.

8.10.6.4 The Holding Company entered into a C Loan Agreement (Original Agreement) dated September 29, 2009 with International Finance Corporation (IFC) for USD 50,000, divided into Tranche A (USD 15,000) and Tranche B (USD 35,000). Both Tranche A and B were fully disbursed as at December 31, 2009 and transferred to the Company under the scheme of demerger effective January 1, 2010. However, the option given to convert the Tranche A loan amount of USD 15,000 shall remain upon the Holding Company's ordinary shares at Rs. 205 per ordinary share (reduced to Rs. 119.46 and Rs. 155.30 as at December 31, 2012 and December 31, 2011 respectively consequent to bonus issues) calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option. Such option is to be exercised within a period of no more than five years from the date of disbursement of the loan (December 28, 2009). Tranche B, however, is not convertible. The Holding Company, upon shareholders' approval in the Annual General Meeting of February 27, 2010, has entered into an agreement with the Company that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against the Company would stand reduced by the conversion option amount and the Company would pay the rupee equivalent of the corresponding conversion amount to the Holding Company which would simultaneously be given to the Company as a subordinated loan, carrying mark-up at the rate payable by the Holding Company for rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion in substance would result in a loan from the Holding Company having the same repayment terms / dates as that of Tranche A.

On December 22, 2010, the Company and IFC entered into an amended agreement for further disbursement of USD 30,000 over and above the aforementioned disbursed amount of USD 50,000. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same. The additional loan of USD 30,000 is divided into (i) 30% convertible loan on the shares of the Company at Rs. 41.67 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at six months LIBOR plus a spread of 6% or 10% depending on the listing status of the Company at December 31, 2012. The management is confident that it will be able to successfully negotiate the terms and hence no related provision for the differential amount of Rs. 244,879 as at June 30, 2013 has been made in these financial statements. An update on the negotiation with IFC is provided in section 3.1 of the prospectus.

The fair value of the aforementioned conversion options, included in note 18, on the date of disbursement amounted to Rs. 338,647 and Rs. 63,000 for the original and additional loan respectively and is being amortized using effective interest method. The residual amount, representing the loan liability component is shown as long term borrowings. The fair value of these options as at June 30, 2013 amounted to Rs. 400,085 (December 31, 2012: Rs. 243,964).

8.10.6.5 These represent secured and listed Term Finance Certificates (TFCs) of Rs. 4,000,000. The TFCs are structured to redeem 0.28% of principal in the first 84 months and remaining 99.72% principal in two equal semi-annual installments. First Dawood Islamic Bank is the trustee for these TFCs.

8.10.6.6 These represent secured and listed Term Finance Certificates (TFCs) of Rs. 2,000,000. The TFCs are structured to redeem as follows:

Year	Redemption (%age)
1	0.04%
2	0.04%
3	7.96%
4	7.96%
5	12%
6	12%
7	60%

IGI Investment Bank Limited is the trustee for these TFCs.

8.10.6.7 This represents Subordinated Privately Placed listed TFCs amounting to Rs. 4,000,000 (PPTFC Issue I) and Rs. 2,000,000 (PPTFC Issue II) respectively. The PPTFCs are perpetual in nature with a five year call and a ten year put option. The PPTFC I issue has mark-up of six months

KIBOR plus 1.7% whereas the PPTFC II issue has mark-up of six months KIBOR plus 1.25%. IGI Investment Bank Limited is the trustee for these TFCs. In 2011, the aforementioned TFCs have been listed on the Over-The-Counter (OTC) market of the Karachi Stock Exchange.

8.10.6.8 Subordinated loan from Engro Corporation for a period of five years. The entire loan is payable on or before the end of the term, that is, September 14, 2015. The loan carries mark-up at the rate 17.1%.

8.10.6.9 Short Term Financing Agreements (amounts in PKR 000's)

Bank	Amount (PKR)	Balance as of 30 Jun 13
Allied Bank Ltd	100,000,000	-
Askari Bank Ltd	100,000,000	-
Bank Alfalah	100,000,000	-
Bank Al Habib	200,000,000	-
Barclays	400,000,000	-
Burj Bank Ltd	300,000,000	-
Citibank NA	150,000,000	-
Faysal Bank Ltd	500,000,000	-
Habib Bank Limited	500,000,000	-
HSBC Middle East Ltd	100,000,000	-
Habib Metropolitan Bank	200,000,000	-
Meezan Bank Ltd	500,000,000	500,000,000
MCB Bank Ltd	500,000,000	-
National Bank of Pakistan	200,000,000	-
Standard Chartered Bank	400,000,000	-
United Bank Ltd	1,000,000,000	-
TOTAL		500,000,000

8.11 INSPECTION OF DOCUMENTS AND CONTRACTS

Copies of the Memorandum and Articles of Association, the audited financial statements, the Auditor's Certificates, Information Memorandum and copies of agreements referred to in this Prospectus may be inspected during usual business hours on any working day at the registered office of the Company from the date of publication of this Prospectus until the closing of the subscription list.

8.12 LEGAL PROCEEDINGS

Details of legal proceedings pending against the Company or initiated by the Company, involving material financial implications is as provided below:

8.12.1 Proceeding – 1

The Company has filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmcf/d gas per day to the Enven Plant and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The High Court of Sindh in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmcf/d of gas per day to the Company's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of the High Court of Sindh by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. The Company's management, as confirmed by the legal advisor considers the chances of petitions being allowed to be remote.

8.12.2 Proceeding – 2

All Pakistan Textile Processing Mills Association (APTMA), Agritech Limited (Agritech), Shan Dyeing & Printing Industries (Private) Limited and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to the Company's expansion plant is premised on the output from Qadirpur gas field exceeding 500 mmcf by 100 mmcf and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 with Sui Northern Gas Pipeline Company Limited (SNGPL) be declared *void ab initio* because the output of Qadirpur has in fact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. The Company has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (1) 100 mmcf gas has been allocated to the Company through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee, (2) GSA guarantees uninterrupted supply of gas to the expansion plant, with right to first 100 mmcf gas production from the Qadirpur gas field, and (3) both the Company and the Qadirpur gas field, that is to initially supply gas to the Company are located in Sindh. Also neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply from Qadirpur field producing 100 mmcf over 500 mmcf. No orders have been passed in this regards and the petition has also been adjourned *sine die*. However, the Company's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

8.12.3 Proceeding – 3

The Company along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act, 2010 in relation to unreasonable increase in fertilizer prices. The Company has responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that the Company enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs. 3.14 billion and Rs. 5.5 billion on the Company and that other fertilizer company respectively. An appeal has been filed in the Competition Appellate Tribunal (at present non-functional) and a writ has been filed in the Sindh High Court and stay has been granted against the recovery of the imposed fine..

8.12.4 Proceeding – 4

The Appellate Tribunal Inland Revenue (ATIR) has decided the following issues in the Company's favour:

- Acquisition of losses from Engro Foods Limited - Group Relief (Financial Years 2007, 2008, 2009): Rs 1,500 million
- Exemption of Inter-Corporate Dividend (2007 and 2008) – Rs 336 million
- Allocation of Gross Profit to Final Tax Regime income (1995-2002) – Rs 653 million

The income tax department has filed reference applications in High Court against the ATIR's decision. The Company is confident that all pending issues will be decided in its favour.

Proceeding 5

The Company has filed a civil suit in Lahore against SNGPL and the Government of Pakistan for recovery of damages incurred due to SNGPL not honoring its contractual obligation for uninterrupted gas supply to the company. Earlier the Sindh High Court had passed a judgment in favor of the company directing SNGPL to supply gas in accordance with the GSA.

8.13 MEMORANDUM OF ASSOCIATION

The Memorandum of Association, inter alia, contains the objects for which the Company was incorporated and the business which the Company is authorized to undertake. A copy of the Memorandum of Association is annexed to this Prospectus and with every issue of the Prospectus except the one that is released in newspapers as advertisement.

8.14 FINANCIAL YEAR OF THE COMPANY

The financial year of the Company commences on January 1st and ends on December 31st each year.

8.15 CAPITALIZATION

1.06 billion bonus shares were issued from share premium in 2010.

PART 9

9 APPLICATION AND ALLOTTMENT INSTRUCTIONS

9.1 GENERAL INSTRUCTIONS

9.1.1 Eligible investors include:

- a. Pakistani citizens resident in or outside Pakistan or Persons holding two nationalities including Pakistani nationality;
- b. Foreign Nationals whether living in or outside Pakistan
- c. Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
- d. Mutual Funds, Provident/pension/gratuity funds/trusts, (subject to the terms of the Trust Deed and existing regulations); and
- e. Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

9.1.2 APPLICATION MUST BE MADE ON THE COMMISSION'S APPROVED APPLICATION FORM OR A LEGIBLE PHOTOCOPY THEREOF ON A PAPER OF A4 SIZE WEIGHING ATLEAST 62 GM.

9.1.3 Copies of this Prospectus and applications forms can be obtained from members of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, the Bankers to the Issue and their Branches, the Lead Managers and the Joint Book Runners, and the registered office of the Company. The Preliminary Prospectus and the Bidding Form can also be downloaded from the following websites: www.engrofertilizers.com , www.akdsecurities.net, www.nextcapital.com.pk

9.1.4 The applicants opting for scripless form of shares are required to complete the relevant sections of the application. In accordance with the provisions of the Central Depositories Act, 1997 and the CDCPL Regulations, credit of such shares is allowed ONLY in the applicant's own CDC account. In case of discrepancy between the information provided in the application form and the information already held by CDS, the Company reserves the right to issue shares in physical form.

9.1.5 Name(s) and address (es) must be written in full block letters, in English and should not be abbreviated.

9.1.6 All applications must bear the name and signature corresponding with that recorded with the applicant's banker. In case of difference of signature with the bank and Computerized National Identity Card (CNIC) or National Identity Card for Overseas Pakistanis (NICOP) or Passport both the signatures should be affixed on the application form.

9.1.7 APPLICATIONS MADE BY INDIVIDUAL INVESTORS

- (i) In case of individual investors, an attested photocopy of CNIC (in case of Resident Pakistanis) / Passport (in case of Non-Resident Pakistanis) as the case may be, should be enclosed and the number of CNIC / Passport should be written against the name of the applicant. Copy of these documents can be attested by any Federal / Provincial Government Gazetted Officer, Councilor, Oath Commissioner or Head Master of High School or bank manager in the country of applicant's residence.
- (ii) Original CNIC / Passport, along with one attested photocopy, must be produced for verification to the banker to the Issue and the applicant's banker (if different from the banker to the Issue) at the time of presenting the application. The attested photocopy will, after verification, be retained by the bank branch along with the application.

9.1.8 APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

- (i) Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by an attested photocopy of their Memorandum and Articles of Association or equivalent instrument / document. Where applications are made by virtue of Power of Attorney, the same should also be submitted along with the application. Any Federal / Provincial Government Gazetted Officer, Councilor, Bank Manager, Oath Commissioner and Head Master of High School or bank manager in the country of applicant's residence can attest copies of such documents.
 - (ii) Attested photocopies of the documents mentioned in paragraph 9.1.8 (i) must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the banker to the Issue) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with the application.
- 9.1.9** Only one application will be accepted against each account, however, in case of joint account, one application may be submitted in the name of each joint account holder.
- 9.1.10** Joint application in the name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit attested copies of their CNICs/Passport. The Shares will be dispatched to the person whose name appears first on the application form while in case of CDS, it will be credited to the CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit or return. Please note that joint application will be considered as a single application for the purpose of allotment of Shares.
- 9.1.11** Subscription money must be paid by cheque drawn on applicant's own bank account or pay order/bank draft payable to one of the Bankers to the Issue in favor of account **“IPO OF ENGRO FERTILIZERS LIMITED”** and crossed **“A/C PAYEE ONLY”**.
- 9.1.12** For the applications made through pay order/bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order/bank draft individually for each application.
- 9.1.13** **The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of Shares.**
- 9.1.14** Applications are not to be made by minors and/or persons of unsound mind.
- 9.1.15** Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.
- 9.1.16** Applicants should retain the bottom portion of their application forms as provisional acknowledgement of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of Shares for which the application has been made.
- 9.1.17** **Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.**
- 9.1.18** Bankers to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the bankers to the Issue.
- 9.1.19** **It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of**

remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.

9.1.20 Submission of Fictitious and multiple applications (more than one application by same person) is prohibited and such Application's Money is liable to confiscation under section 18A of the Securities and Exchange Ordinance, 1969.

ADDITIONAL INSTRUCTIONS FOR FOREIGN/NON-RESIDENT INVESTORS

9.1.21 In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of memorandum of association or an equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copies of these documents can be attested by the bank manager in the country of applicant's residence.

9.1.22 Applicants may also subscribe using their Special Convertible Rupee Account (SCRA) as set out under the State Bank of Pakistan's Foreign Exchange Manual.

BASIS OF ALLOTMENT

9.1.23 The basis and conditions of transfer of shares to the General Public shall be as follows:

- a) The minimum amount of application for subscription of 500 ordinary shares is PKR [●]/-(Issue Price x 500 Shares) Application for Shares below the respective amounts mentioned in this paragraph shall not be entertained.
- b) Application for Shares must be made for 500 Shares or in multiple thereof only. Applications, which are neither 500 Shares nor for multiple thereof, shall be rejected.
- c) Allotment/Transfer of Shares to successful applicants shall be made in accordance with the allotment criteria/instructions disclosed in the Prospectus.
- d) Allotment of Shares shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and / or the instructions by the Securities and Exchange Commission of Pakistan.
- e) Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all the data fields in the Application Form.
- f) The Company will dispatch Shares to successful applicants through their Bankers to the Issue or credit the respective CDS accounts of the successful applicants (as he case may be).

9.2 BANKERS TO THE ISSUE

Code No.	Bank	Code No.	Bank
01	Allied Bank Limited	09	Habib Metropolitan Bank Limited
02	Askari Bank Limited	10	JS Bank Limited
03	Bank Al-Falah Limited	11	MCB Bank Limited
04	Bank Al-Habib Limited	12	Samba Bank Limited
05	Bank Islami Pakistan Limited	13	Silk Bank Limited
06	Bank of Punjab	14	Standard Chartered Bank Limited
07	Faysal Bank Limited	15	Summit Bank Limited
08	Habib Bank Limited	16	United Bank Limited

In order to facilitate investors, UBL is offering electronic submission of application (E-IPO) to its account holders. UBL account holders can use UBL Net banking to submit their application online via link <http://www.ubldirect.com/Corporate/ebank>

9.3 CODE OF OCCUPATION

Code No.	Occupation
01	Business
02	Business Executive
03	Service
04	Housewife
05	Household
06	Professional
07	Student
08	Agriculturist
09	Industrialist
10	Others

9.4 NATIONALITY CODE

Code No.	Name of country	Code No.	Name of country
001	U.S.A	006	Bangladesh
002	U.K	007	China
003	U.A.E	008	Bahrain
004	K.S.A	009	Other
005	Oman		

PART 10

10 BIDDING FORM OF ENGRO FERTILIZERS LIMITED

(This space has been left blank intentionally)

PART 11

11 SIGNATORIES TO THE PROSPECTUS

Signed, as required by section 57 of the Companies Ordinance, 1984, by:

1. -sd-
Muhammad Aliuddin Ansari
Director
2. -sd-
Ruhail Mohammed
Director
3. -sd-
Javed Akbar
Director
4. -sd-
Abdul Samad Dawood
Director
5. -sd-
Shabbir Hashmi
Director
6. -sd-
Naz Khan
Director
7. -sd-
Shahid Hamid Pracha
Director
8. -sd-
Khalid S. Subhani
Director

Signed by the above in presence of witnesses:

1. -sd-
Name: Salman Virani
Address: C/O HBL
CNIC # 42301-8971682-3

2. -sd-
Name: Farhan A. Shaikh
Address: C/O HBL
CNIC # 42000-4697408-3

Date: 24 July 2013

Place: Karachi

PART 12

12 MEMORANDUM OF ASSOCIATION

**THE COMPANIES ORDINANCE, 1984,
COMPANY LIMITED BY SHARES
Memorandum of Association
OF
ENGRO FERTILIZERS LIMITED**

- I** The name of the Company is "ENGRO FERTILIZERS LIMITED"
- II** The registered office of the Company shall be situated in the Province of Sind}.
- III** The objects for which the Company is established are as follows:
1. To manufacture, produce, treat, refine, reduce and process all kinds of artificial manures and fertilizers, chemicals and minerals and any products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there from and any substance obtained by mixing any of the foregoing with other substances (hereinafter all referred to as "fertilizers and chemical products") and to purchase or otherwise acquire, sell, supply, market, distribute, exchange or otherwise dispose of, import, export, store, hold, package, transport, use, experiment with, handle, trade, and generally deal in fertilizers and chemical products.
 2. To undertake and carry on all types of business related to all aspects of agriculture, agricultural products and equipment including but not limited to farming including without limitation corporate farming, seeds, pesticides and other plant remedies and the food business at each and every stage of production and distribution and to do all such things as are incidental or conducive to the carrying on of such businesses.
 3. To own, purchase, acquire, lease, build, erect, install, establish, operate, manage and maintain plants, laboratories, equipment, apparatus and other facilities for the manufacture, refining, processing, storage, sale and distribution of fertilizers and chemical products.
 4. To buy, lease, sell, exchange or otherwise acquire and to construct, lay, maintain and operate pipelines and other conveyors for the transportation of gases, liquids, minerals and chemical and other substances;
 5. To purchase, take on lease or in exchange, or otherwise acquire, any lands and to lay out, improve and prepare the same for building or commercial purposes; to sell, mortgage or let the same; to construct, alter, repair, pull down, decorate, maintain, furnish, fit up and improve buildings, to layout, construct and pave roads, streets, alleys, paths and walks, to drain, improve and landscape grounds and enter into contracts and arrangements of all kinds with builders, property owners, tenants and others and to advance money to them;
 6. To clear, manage, farm, cultivate, irrigate and otherwise work or use any lands over which the Company has any rights and to dispose of or otherwise deal with any farm or other products, animal or vegetable, of or on any such lands, and to layout sites for and establish temporary or permanent camps, towns and villages on any such lands and to carry on all or any of the businesses of farmers, dairymen, milk contractors, dairy farmers, millers, seeds men, nurserymen, dealers in agricultural equipment, growers of and dealers in grain, hay and straw, and purveyors and vendors of dairy products, poultry,

animal feeds, and provisions of all kinds and to buy, sell and trade in any goods usually traded in any of the above businesses and to carry on any other businesses which may be advantageously carried on by the Company in connection therewith;

7. To own, acquire, construct, establish, install, layout, improve, maintain, work, manage, operate carry out contract, or aid in, contribute or subscribe to the constructions, erection, maintenance and improvement or working of, any roads, ways, tramways, railways, aerodromes and landing fields, docks, wharves, piers, bridges, jetties, breakwaters, dredging facilities, moorings, harbor abutment, viaducts, aqueducts, canals, water courses, wells, tanks, storage installation, refineries, pipes, pipelines, conveyors, telegraphs, telephones, wireless, gas works, steam works, electric lighting and power works, power houses, hydroelectric plants, laboratories, factories, mills, foundries, workshops, boilers, machine shops, warehouses, shops, stores, fuel stores, hangars, garages, guard towers, machinery and other appliances, hotels, clubs, restaurants, lodging houses, baths, places of worship, hospitals, dispensaries, places of amusement, pleasure grounds, parks, gardens, reading rooms, dwelling houses, office and other buildings, works and conveniences, which may be calculated, directly or indirectly, to advance the Company's interests and to contribute to, subsidies or otherwise assist or take part in the construction, improvement, maintenance, working, management, carrying out of control thereof, and to take any lease or enter into any working agreement in respect thereof;
8. To purchase, build, charter, affreight, hire and let out for hire, or for chartering and affreightment and otherwise to obtain the possession of, and use, operate and dispose off, and employ or turn to account ships, lighters, barges, tugs, launches, boats and vessels of all kinds, automobiles, lorries, motor trucks and tractors, airplanes, helicopters, locomotives, wagons, tank cars, and other forms of transport and rolling stock, and otherwise to provide for and employ the same in the conveyance of property and merchandise of all kinds and the transportation of personnel, employees, customers and visitors, and to purchase or otherwise to acquire any shares or interest in any ships or vessels, airplanes, helicopters, railways, motor transportation or in any companies possessed of or interested in any ships, vessels, airplanes, helicopters, railways and motor transportation;
9. To purchase, acquire, take on lease or tenancy, sell, dispose off, mortgage or let any estate or interest in and to take and acquire options over any property, immovable and I IJUVE,Wlt., UI rrgtus UI any xmc, ana IO ceveiop Improve, turn to account, deal with, lease, mortgage, sell or otherwise dispose off the same in such manner as may be thought expedient.
10. To apply for, purchase, or otherwise acquire, and protect and renew in any part of the world any patents, patent rights, brevets d'. invention, trademarks, designs, licenses, concessions and the like, conferring any exclusive or non-exclusive or limited right to their use, or any secret or other information as to any invention, process or thing which may seem capable of being used for any of the purposes of the Company, or the acquisition of which may seem calculated directly or indirectly to benefit the Company, and to use, exercise, develop or grant licenses in respect of, or otherwise turn to account the property, rights or information so acquired, and to expend money in experimenting upon, testing or improving any such patents, inventions or rights;
11. To act as Managers, Agents, Secretaries, Treasurers, Consultants of and to provide services to any business or concern that the Company may find convenient or advantageous;
12. To enter into partnership or any arrangement for sharing profits, union of interests, co- operation, joint adventure, reciprocal concessions or otherwise with any company, association, firm or person carrying on or engaged in, or about to carry on or engage in, any business or transaction which this Company is authorized to carry on or engage in, or any business or transaction capable of being conducted so as directly or indirectly to benefit the Company, and to lend money to (as may be permissible under law),

guarantee the contracts of, or otherwise assist any such company, association, firm or person, and to purchase, take, or otherwise acquire, shares and securities of any such company or association, firm or person, and to sell, hold, reissue, with or without guarantee, or otherwise deal with the same;

13. To acquire and undertake the whole or any part of the business, property and liabilities of any person or company carrying on or proposing to carry on any business which the Company is authorized to carry on, or possessed of property suitable for the purposes of the Company, or which can be carried on in conjunction therewith or which is capable of being conducted so as directly or indirectly to benefit the Company;
14. To establish or promote or concur in establishing or promoting any company or companies for the purpose of acquiring all or any of the property, rights and liabilities of the Company or for any other purpose which may seem directly or indirectly calculated to benefit the Company to amalgamate or consolidate or merge with a view to effecting a union of interests, either in whole or in part, with or into any other companies, associations, firms or persons, and to place or guarantee the placing of, underwrite, subscribe for or otherwise acquire all or any part of the shares, debentures or other securities of any such other companies, associations, firms or persons;
15. To lend and advance money (as may be permissible under law), or give credit to such persons or companies and on such terms as may seem expedient, and to guarantee the performance of any contract or obligation and the payment of money of or by any such persons or companies and generally to give guarantees and indemnities;
16. To receive money on deposit or loan and borrow or raise money in such manner as the Company shall think fit, as permissible under law and in particular by the issue of debentures or debenture stock (perpetual or otherwise) and to secure the repayment of any money borrowed raised or owing, by mortgage, charge or lien upon all or any of the property or assets of the Company (both present and future), including its uncalled capital, and also by a similar mortgage, charge or lien to secure and guarantee the performance by the Company or any other person or company of any obligation undertaken by the Company or any other person or company as the case may be;
17. To draw, make accept, indorse, negotiate, buy, sell, deal in, discount, execute and issue promissory notes, bills of exchange, bills of lading, warrants, debentures and other negotiable or transferable instruments;
18. To subscribe for, purchase or otherwise acquire and to hold, dispose of and deal in shares, stocks, bonds, debentures, debenture stocks, annuity or other obligations of any other company, person, institution or corporate or governmental body, whether secured or unsecured;
19. To sell, lease, mortgage or otherwise dispose of the property, assets or undertaking of the Company or any part thereof for shares, stock, debentures, or other securities or obligations of any institution, corporate or governmental body, person or company, whether or not having objects altogether or in part similar to those of the Company, or for any other consideration;
20. To obtain any legislative, judicial, administrative or other acts, or authorizations of any government or authority competent in that behalf for enabling the Company to carry any of its objects into effect and for effecting any modification of the Company's constitution, or for any other purpose which may seem expedient, to take all necessary or proper steps with the authorities, supreme, national, local, municipal, or otherwise, of any place in which the Company may have interests, and to carry on any negotiations or operations for the purpose of directly or indirectly carrying out the objects of the Company or furthering the interests of its Members and to oppose any proceedings, applications, actions or steps

taken by any Governmental authority or body, or nay company, association, firm or person, which may seem calculated, directly or indirectly, to prejudice the interests of the Company or its Members;

21. To enter into any arrangements and contracts with any government or authority, supreme, municipal, local or otherwise, that may seem conducive to the Company's objects or anyone of them and to obtain from such government or authority any rights, privileges, options, concessions and licenses, and to carry out, exercise or comply with any such arrangements, agreements, rights, privileges, concessions and licenses and to procure the Company to be registered or recognized in any part of the world;
22. To remunerate Directors, officials, agents, employees and servants of the Company and others and to establish and support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences, calculated to benefit employees or ex-employees of the Company, or the dependant or connections of such persons, and to grant pensions, gratuities and allowances and to provide houses, amenities and conveniences of all kinds and to make payments towards insurance and to subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful purpose and for the purpose of this paragraph the words "employees" and "ex-employees" shall include, respectively, present and former directors and other officers, agents, employees, trainees and servants;
23. To manage, improve, develop, sell, exchange, lease, mortgage, pledge (as may be permissible under law), hypothecate, assigns, transfer, deliver, dispose off, turn to account or otherwise deal with all or any part of the property and assets, immovable and moveable, corporeal or incorporeal, tangible or intangible, and any right, title and interest of the Company therein, including rights, licenses, privileges, concessions and franchises as may seem expedient;
24. To payout of the funds of the Company all expenses which the Company may lawfully pay with respect to the formation, promotion and registration of the Company or - the issue of its capital, including brokerage and commissions for obtaining applications for or taking, placing or underwriting or procuring the underwriting of shares, debentures or other securities of the Company;
25. To pay for any rights or property acquired by the Company and to remunerate any person or company whether by cash payment or by the allotment of shares, debentures or other securities of the Company credited as paid up in full or in part, or otherwise;
26. To adopt such means of making known the products of the Company as may seem expedient and in particular by undertaking educational, training and demonstration programmes and by advertising in the circulars and exhibition of works of art or interest, by publication of books and periodicals and by granting prizes, rewards and donations;
27. To undertaking, assist and participate in commercial and industrial operations and undertakings in any part of the world, and both singly and in connection with other persons, firms, associations and companies and corporations;
28. To do all or any of the above things, either as principals, agents, trustees, contractors, or otherwise, and either alone or in conjunction with others, and either by or through agents, sub- contractors, trustees or otherwise, and either alone or in conjunction with others;
29. To distribute among the Members in specie any property of the Company, or any proceeds of sale or disposal of any property of the Company, but so that no distribution amounting to a reduction of capital be made except with the sanction (if any) for the time being required by law;

30. To do all such other things as may be deemed incidental or conducive to the attainment of the above objects or any of them;
31. Notwithstanding anything stated in any object clause, the company shall obtain such other approval or license from the competent authority, as may be required under any law for the time being in force, to undertake a particular business.
32. It is declared that notwithstanding anything contained in the foregoing object clauses of this Memorandum of Association, nothing shall construe any power upon the company, to undertake or indulge in the business of a banking company and investment company, insurance and leasing company, managing agency business or any other unlawful business or operations in Pakistan directly or indirectly and the Company shall not launch multi-level marketing (MLM), Pyramid and Ponzi schemes.
33. The objects specified in each of the sub clauses of the main Clause 3 shall be regarded as independent objects, and accordingly, shall in no way be limited or restricted (except when the context expressly requires) by reference to or inference from the terms of any other sub clauses or the name of the Company but may be carried out in as full and ample a manner and construed in as wide a sense as if each of the said sub clause defined the object of a separate and distinct Company and the Company shall have full power to exercise all or any of the powers conferred by any part of this clause in any part of the world. And it is hereby declared that the word "company" in this clause, except where used in reference to this Company, shall be deemed to include any partnership or body of persons, whether corporate or unincorporate, and whether domiciled in Pakistan or elsewhere.

IV The liability of the Members is limited.

V The share capital of the Company shall be Rs. 14,000,000,000 (Rupees Fourteen Billion) divided into 1,400,000,000- Ordinary shares of Rs.10-(Rupees Ten) each with power to increase and reduce the capital and to divide the shares in the capital, for the time being, into several classes.

We, the several, persons whose names and address are subscribed below are desirous of being formed into a Company, in pursuance of this Memorandum of Association and we respectively agree to take the number of shares in the Capital of the company set opposite our respective names:-

S.NO	NAME AND SURNAME (PRESENT & FORMAT) IN FULL (IN BLOCK LETTERS)	FATHER'S HUSBAND NAME IN FULL	NATIONALITY & CNIC NO.	OCCUPATION	RESIDENTIAL ADDRESS IN FULL	NUMBER OF SHARES TAKEN BY EACH SUBSCRIBER	SIGNATURE
1	ASAD UMAR	GHULAM UMAR	42301-8211470-7	BUSINESS EXECUTIVE	84/II, 23RD STREET, OFF KHAYABAN-E- SEHR, PHASE VI, DHA-KARACHI	1 (ONE)	Sd
2	ABDUL SAMAD KHAN	ABDUL BASIT KHAN	42101-1564562-3	BUSINESS EXECUTIVE	49/1, KHAYABAN-E-BOKARI, PHASE VI, DHA-KARACHI.	1 (ONE)	Sd
3	INAMULLAH NAVEED KHAN	RAJA SADAT MAND KHAN	45101-0601671-7	BUSINESS EXECUTIVE	MANAGEMENT COLONY, ENGRO CHEMICAL PAK LTD. DAHARKI, DISTRICT GHOTKI.	1 (ONE)	Sd
4	MOHAMMAD KHALID MIR	MOHAMMAD ANWAR MIR	42301-9907922-9	BUSINESS EXECUTIVE	41, KHAYABAN-E-HILAL, PHASE VI DHA, KARACHI.	1 (ONE)	Sd
5	MOHAMMAD ASIF SULTAN TAJIK	ABUDL HAMEED TAJIK	42301-5610553-9	BUSINESS EXECUTIVE	51/1, 5TH COMMERCIAL STREET, PHASE IV, DHA, KARACHI.	1 (ONE)	Sd
6	RUHAIL MOHAMMAD	YOUSUF MOHAMMED	42301-0895452-9	BUSINESS EXECUTIVE	H.NO. 101-1, KHY-E-BADBAN,PHASE V, DHA, KARACHI.	1 (ONE)	Sd
7	SYED KHALID SIRAJ SUBHANI	SIRAJ UL ISLAM SUBHANI	45101-6778750-7	BUSINESS EXECUTIVE	123/1, 13TH STREET, KHAYABAN-E- MUHAFIZ, PHASE VI, DHA, KARACHI.	1 (ONE)	Sd

SUBMISSION OF FICTITIOUS AND MULTIPLE APPLICATIONS (MORE THAN ONE APPLICATIONS BY SAME PERSON) IS PROHIBITED AND SUCH APPLICATIONS' MONEY IS LIABLE TO CONFISCATION UNDER SECTION 18A OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969.

جعلی اور گھیر درخواستیں (ایک شخص کی جانب سے ایک سے زیادہ درخواستیں) دینا قانوناً منع ہے۔ ایسی درخواستوں کے ہمراہ جمع کرائی ہوئی رقم سیکورٹیز ریگولیشن ایکٹ 1969 کے سیکشن 18A کے تحت قابل ضبط ہوگی۔

INVESTMENT IN SECURITIES IS A HIGHLY RISKY BUSINESS. INVESTORS ARE, THEREFORE, ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE PROSPECTUS ESPECIALLY THE RISK FACTORS BEFORE MAKING ANY INVESTMENT DECISION.



ENGRO FERTILIZERS LIMITED

APPLICATION FOR SUBSCRIPTION OF ORDINARY SHARES

For the applicant (s) opting for credit of their account in the Central Depository Company of Pakistan Limited (Refer to instruction No.4 on the reverse hereof)

Shares Delivery/Credit Options (Please Tick One) CDC (Rs. XX-) Physical (PKR XX/-)

The Directors,
Engro Fertilizers Limited,
7th & 8th Floor,
The Harbour Front Building,
HC-3, Marine Drive,
Block 4, Clifton, Karachi.
Pakistan.
www.engrofertilizers.com

CDC PARTICIPANT / ACCOUNT HOLDER ID	SUB ACCOUNT NUMBER	HOUSE A/C NO.
OR		
CDC INVESTOR ACCOUNT SERVICES ID	CDC INVESTOR ACCOUNT NO.	

SUBSCRIPTION DATES
FROM October [x]2013 TO
October [x] 2013 during banking
hours

Broker's Stamp & Code		
KSE 01	LSE 02	ISE 03
Code		

1) I/We apply for the following number of Ordinary Shares for Rs. XX/- per share in case of shares credited to CDC account and Rs. XX/- per share in case of shares delivered physically, for the value indicated below:

No of Shares Applied For	Amount Payable in PKR	Cheque/ Demand Draft/Pay Order No

2) I/We agree to accept the same or any smaller number of Shares that may be allotted to me/us upon the terms as stated in the Prospectus Document. I/We authorize you to send the Shares to me/us pursuant to this application and if no Shares or a smaller number of Shares are allotted to me/us you are hereby authorized to return to me/us by cheque or other means my/our application money for the amount of shares not delivered by post at my/our risk to the address written below, or to the Banker to the Issue through which I /we have submitted this application.

Banker's Stamp	
Bank Code	Branch Code
Application Serial No.	

For Pakistanies	
Resident	01
Non-resident	02

3) DECLARATION

I/We declare that: i) I am/we are national(s) of _____; ii) I am/We are not minor(s); iii) I/We have not made nor have I/we instructed any other person(s)/institution (s) to make any other application(s) in my/our name(s) or in the name of any other person on my/our behalf or in any fictitious name; iv) I/We agree to abide by the instructions provided with this application and in case of any information given herein being incorrect I/we understand that I/we shall not be entitled to the allotment of Shares if successful rather the application money shall be liable to confiscation if this declaration proves to be incorrect at any time.

Yours faithfully,

Signature (s) a) _____ b) _____

4) ALL DETAILS MUST BE WRITTEN IN

B L O C K - L E T T E R S IN THE SPACES PROVIDED, LEGIBLY IN BLACK PEN

a) Name in Full (as per CNIC)										
Mr. Ms. Mrs. Co. Please Tick										
Father's/Husband's Name (as per CNIC)										
Identity Number (CNIC/ Passport/Registration No.)										
Full Address										
Phone No., if any										
Bank Account No.										
Branch Name & Address										
Additional Information - For Non-Resident Pakistanies and Foreign Investors Only										
Place of Issue of Passport										
Date of Issue of Passport										
Corporate Business Letter enclosed	Yes	No	Nationality Code							
Country of Residence										

5) FOR JOINT HOLDER, IF ANY

b) Name in Full (as per CNIC)										
Mr. Ms. Mrs. Co. Please Tick										
Identity Number (CNIC/ Passport/Registration No.)										

6) DIVIDEND MANDATE (Optional): Mark tick [✓] in the appropriate boxes Yes [] No []

Incase the Applicant intends that if shares applied for are issued to him/it and the dividend declared by the company, if any, is credited directly in his/it bank account, instead of issue of dividend warrants, then please fill in the following boxes:

Title of Account										
Account Number										
Bank Name										
Branch Name and Address										

Signature of the Applicant as per the Bank account

(TO BE FILLED IN BY THE APPLICANT'S BANKER)

7.) It is certified that the above-mentioned applicant (s) is/are maintaining account number as mentioned above at this bank branch and his/her/their particulars and signature (s) are correct and verified as per the bank's record and their CNIC/Passport. It is further certified that only one application has been made in the name of the above account holder through this branch. We also confirm that the original CNIC/Passport has been seen by us.
Note: In case the subscription money is paid through a bank other than the bankers to the issue (through pay order or bank draft), this certification shall be provided by the manager of the bank where the applicant maintains his/her bank account.

Bank's Authorized Signatory
Bank's Rubber Stamp

SPECIMEN SIGNATURE (S) OF THE APPLICANT

NAME OF THE APPLICANT IN BLOCK LETTERS (AS PER CNIC)										
SPECIMEN SIGNATURE (S)										
a)										
b)										

Banker's to the Issue: Provisional acknowledgement of application for Shares of Engro Fertilizers Limited			
Received from Mr/Ms/Mrs. _____ application for _____ Shares/Certificates.			
Name of Bank	Branch Code	Application Serial No.	Date of Receipt

Signature & Rubber Stamp of Receiving Bank

IMPORTANT: (i) This slip must be retained by the Applicant ii) Please read instructions provided with this application

APPLICATION INSTRUCTIONS FOR INVESTORS

GENERAL INSTRUCTIONS

1. **Eligible investors includes:**
 - a. Pakistani citizens resident in or outside Pakistan or Persons holding two nationalities including Pakistani nationality;
 - b. Foreign Nationals whether living in or outside Pakistan
 - c. Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
 - d. Mutual Funds, Provident/pension/gratuity funds/trusts, (subject to the terms of the Trust Deed and existing regulations); and
 - e. Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.
2. **APPLICATION MUST BE MADE ON THE COMMISSION'S APPROVED APPLICATION FORM OR A LEGIBLE PHOTOCOPY THEREOF ON A PAPER OF A4 SIZE WEIGHING ATLEAST 62 GM.**
3. **Copies of Prospectus and application forms can be obtained from the members of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, the Bankers to the Issue and their branches, the Lead Managers, Financial Advisors/Arrangers and the registered office of the Company. The Prospectus and the application forms can also be downloaded from the website: <http://www.akdsecurities.net/>, <http://www.nextcapital.com.pk/> and <http://engrofertilizers.com/>**
4. The applicants opting for scrippless form of Shares are required to complete the relevant sections of the application. In accordance with provisions of the Central Depositories Act, 1997 and the CDC Regulations, credit of such Shares is allowed ONLY in the applicant's own CDC Account. In case of discrepancy between the information provided in the application form and the information already held by CDS, the Company reserves the right to issue shares in physical form.
5. Name (s) and address (es) must be written in full block letters, in English and should not be abbreviated.
6. All applications must bear the name and signature corresponding with that recorded with the applicant's banker. In case of difference of signature with the bank and Computerized National Identity Card (CNIC) or National Identity Card for Overseas Pakistanis (NICOP) or Passport both the signatures should be affixed on the application form.
7. **APPLICATIONS MADE BY INDIVIDUAL INVESTORS**
 - (i) In case of individual investors, an attested photocopy of CNIC (in case of RPs)/Passport (in case of NRPs and FIs) as the case may be, should be enclosed and the number of CNIC/ Passport should be written against the name of the applicant. Copy of these documents can be attested by any Federal/Provincial Government Gazetted Officer, Councilor, Oath Commissioner or Head Master of High School or bank manager in the country of applicant's residence
 - (ii) Original CNIC/Passport, along with one attested photocopy, must be produced for verification to the banker to the offer and the applicant's banker (if different from the banker to the offer) at the time of presenting the application. The attested photocopy will, after verification, be retained by the bank branch along with the application.
8. **APPLICATIONS MADE BY INSTITUTIONAL INVESTORS**
 - (i) Applications made by companies, corporate bodies, mutual funds, provident/pension/gratuity funds/trusts and other legal entities must be accompanied by an attested photocopy of their Memorandum and Articles of Association or equivalent instrument / document. Where applications are made by virtue of Power of Attorney, the same should also be submitted along with the application. Any Federal/Provincial Government Gazetted Officer, Councilor, Bank Manager, Oath Commissioner and Head Master of High School or bank manager in the country of applicant's residence can attest copies of such documents
 - (ii) Attested photocopies of the documents mentioned in 8(i) must be produced for verification to the banker to the issue and the applicant's banker (if different from the banker to the offer) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with the application
9. Only one application will be accepted against each account, however, in case of joint account, one application may be submitted in the name of each joint account holder.
10. Joint application in the name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit attested copies of their CNICs/Passport. The shares/certificates will be dispatched to the person whose name appears first on the application form while in case of CDS, it will be credited to the CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit or return. Please note that joint application will be considered as a single application for the purpose of allotment of Shares/Certificates.
11. Subscription money must be paid by cheque drawn on applicant's own bank account or pay order/bank draft payable to one of the Bankers to the Offer "INITIAL PUBLIC OFFER OF ENGRO FERTILIZERS LIMITED" and crossed "A/C PAYEE ONLY".
12. For the applications made through pay order/bank draft, it would be permissible for a banker to the offer to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order/bank draft individually for each application.
13. **The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of Shares.**
14. Applications are not to be made by minors and/or persons of unsound mind.
15. Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.
16. Applicants should retain the bottom portion of their application forms as provisional acknowledgement of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of Shares/Certificates for which the application has been made.
17. Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.
18. Bankers to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the bankers to the offer.
19. **It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.**
20. **Submission of Fictitious and multiple applications (more than one applications by same person) is prohibited and such applications' money is liable to confiscation under section 18A of the Securities and Exchange Ordinance, 1969.**

جعلی اور گھبر درخواستیں (ایک شخص کی جانب سے ایک سے زیادہ درخواستیں) دینا قانوناً منع ہے۔ ایسی درخواستوں کے ہمراہ جمع کرائی ہوئی رقم سیکیورٹیز ریگولیشنز ایکٹ 1997 کے سیکشن 18A کے تحت قبضہ ضبط ہوگی۔

ADDITIONAL INSTRUCTIONS FOR FOREIGN/NON-RESIDENT INVESTORS

21. In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of memorandum of association or an equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copies of these documents can be attested by the bank manager in the country of applicant's residence.
22. Applicants may also subscribe using their Special Convertible Rupee Account (SCRA) as set out under the State Bank of Pakistan's Foreign Exchange Manual.

BASIS OF ALLOTMENT

1. The minimum amount of application for subscription of 500 ordinary shares is PKR XX/- (Issue Price plus PKR 0.01/- per share transfer fee x 500 Shares) in case shares are desired to be transferred to CDC account. In case physical shares are desired minimum amount of application for subscription of 500 ordinary shares is PKR XX/- (Issue Price plus PKR 0.15/- per share transfer fee x 500 Shares). Application for Shares below the respective amounts mentioned in this paragraph shall not be entertained.
2. Application for Shares must be made for 500 Shares or in multiple thereof only. Applications, which are neither for 500 Shares nor for multiple thereof, shall be rejected.
3. Allotment/Transfer of Shares to successful applicants shall be made in accordance with the allotment criteria/ instructions disclosed in the Prospectus.
4. Allotment of Shares shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and/or the instructions by the Securities & Exchange Commission of Pakistan.
5. **Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the Application Form.**
6. The Company will dispatch shares to successful applicants through their Bankers to the Offer or credit the respective CDS accounts of the successful applicants (as the case may be).
7. **BANKERS TO THE ISSUE**

Code	Name of Banks	Code	Name of Banks
01	Allied Bank Limited	09	Habib Metropolitan Bank Limited
02	Askari Bank Limited	10	JS Bank Limited
03	Bank Al-Falah Limited	11	MCB Bank Limited
04	Bank Al-Habib Limited	12	Samba Bank Limited
05	Bank Islami Pakistan Limited	13	Silk Bank Limited
06	Bank of Punjab	14	Standard Chartered Bank Pakistan
07	Faysal Bank Limited	15	Summit Bank Limited
08	Habib Bank Limited	16	United Bank Limited "UBL"

9. OCCUPATION CODE

Code	Occupation	Code	Occupation
01	Business	06	Professional
02	Business Executive	07	Student
03	Service	08	Agriculturist
04	Housewife	09	Industrialist
05	Household	10	Other

In order to facilitate investors, UBL is offering electronic submission of application (E-IPO) to its account holders. UBL account holders can use UBL Net banking to submit their application online via link <http://www.ubldirect.com/corporate/ebank>

8. OVERSEAS BANKERS TO THE ISSUE

Code	Name of Banks	Code	Name of Banks
01	n/a	06	n/a
02	n/a	07	n/a
03	n/a	08	n/a
04	n/a	09	n/a
05	n/a	10	n/a

10. NATIONALITY CODE

Code	Name of Banks	Code	Name of Banks
001	U.S.A	006	Bangladesh
002	U.K	007	China
003	U.A.E	008	Bahrain
004	K.S.A	009	Other
005	Oman		