ENGRO CORPORATION LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Ninth Annual General Meeting of Engro Corporation Limited will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Wednesday, April 22, 2015 at 10:00 a.m. to transact the following business:

A. ORDINARY BUSINESS

(1) To receive and consider the Audited Accounts for the year ended December 31, 2014 and the Directors' and Auditors' Reports thereon.

(2) To declare a final dividend at the rate of PKR 4 (40%) per share for the year ended December 31, 2014.

(3) To appoint Auditors and fix their remuneration.

(4) To elect Nine directors in accordance with the Companies Ordinance, 1984. The retiring Directors are M/s. Hussain Dawood, Muhammad Aliuddin Ansari, Abdul Samad Dawood, Shahzada Dawood, Shabbir Hashmi, Khawaja Iqbal Hassan, Frank Murray Jones, Ruhail Mohammed, Shahid Hamid Pracha, Saad Raja, Sarfaraz A. Rehman and Khalid S. Subhani.

B. SPECIAL BUSINESS

(5) To consider, and if thought fit, to pass the following resolution as Special resolution:

"RESOLVED THAT the approval of the members of the Company be and is hereby accorded in terms of Sections 208 and 196 of the Companies Ordinance

1984 for sale/disposal of all the shares of the Company's wholly owned subsidiary, Engro Eximp (Private) Limited to Engro Fertilizers Limited for an aggregate sum of PKR 4.4 Billion."

(6) To consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT the approval of the members of the Company be and is hereby accorded in terms of Section 208 of the Companies Ordinance 1984 for investment up to PKR. 2,247,600,000 in Engro Polymer and Chemicals Limited, an associated company, for subscribing at par value to 224,760,000 non redeemable, cumulative, non participatory and non convertible preference shares of PKR 10 each to be issued by Engro Polymer Chemicals Limited."

(7) To consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT the consent of the Company in General Meeting be and is hereby accorded to lend to Engro Polymer and Chemicals Limited, a Subsidiary Company, a subordinated long term loan of upto PKR 4 Billion."

A statement under Section 160 of the Companies Ordinance, 1984 setting forth all material facts concerning the Resolutions contained in items 5,6 and 7 of the Notice which will be considered for adoption at the Meeting is annexed to this Notice of Meeting being sent to Members.

By Order of the Board

Karachi,
February 18th 2015

ANDALIB ALAVI
Vice President - Legal
& Company Secretary

N.B (1) The Directors of the Company have fixed, under sub-section (1) of Section 178 of the Companies Ordinance, 1984, the number of elected directors of the Company at Nine.

(2) The share transfer books of the Company will be closed from Wednesday April 09, 2015 to Wednesday April 22, 2015(both days inclusive). Transfers received in order at the office of our Registrar, Messrs FAMCO ASSOCIATES (PVT.) LTD, 8-F, next to Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal, Karachi PABX Nos. (92-21) 34380101-5 and email info.shares@famco.com.pk, by the close of business (5:00 p.m) on Tuesday April 08, 2015 will be treated as being in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.

(3) A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.

(4) SUBMISSION OF THE CNIC/NTN DETAILS (MANDATORY)

Pursuant to the directives of the Securities and Exchange Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2014, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as: for filers of Income Tax return 10% and Non filer of Income Tax return 15%. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

Company Name	Folio/CDS Account No.	Total Shares	Principal	Shareholder	Joint	Shareholder
			Name & CNIC No.	Shareholding proportion (No.of Shares)	Name & CNIC No.	Shareholding proportion (No.of Shares)

The CNIC number/NTN details is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

Individuals including all joint holders holding physical share certificates are therefore requested to submit a copy of their valid CNIC to the company or its Registrar if not already provided. For shareholders other than individuals, the checking will be done by matching the NTN number, therefore the Corporate shareholders having CDC accounts are requested in their own interest to provide a copy of NTN certificate to check their names in the ATL before the book closure date to their respective participants/CDC, whereas corporate shareholders holding physical share certificates should send a copy of their NTN certificate to the Company or its Share Registrar. The Shareholders while sending CNIC or NTN certificates, as the case may be must quote their respective folio numbers.

In case of non-receipt of the copy of a valid CNIC or NTN, the Company would be unable to comply with SRO 831(1)/2012 dated July 05 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders. Further, all shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The Company as per the new Law, shall apply 15% rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

Statement under Section 160 of the Companies Ordinance, 1984

This Statement is annexed to the Notice of the Forty Ninth Annual General Meeting of Corporation Limited to be held on Wednesday, April 22, 2015, at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business.

ITEM (5) OF THE AGENDA

Engro Eximp (Private) Limited (EXIMP), a wholly owned subsidiary of the Company, is the group's commodity trading business that deals primarily in the import and trading of phosphate and potash based fertilizers for Engro Fertilizers Limited (EFERT) such as DAP, MAP, MOP and SOP, and also imports micro-nutrients like Zinc Sulphate, which it supplies as raw materials to EFERT's Zarkhez plant for manufacturing blended fertilizers. Over the past five years, EXIMP has become the single largest importer of phosphates and potash fertilizers in Pakistan. Following the completion of the transaction, EFERT will acquire the entire shareholding of EXIMP together with rights to use 'Engro' trademarks (under license from Engro Corporation to EXIMP) for imported fertilizers / associated products, against a lump sum consideration of Rs.4.4 bn.

EFERT is 85.8% owned public listed subsidiary of the Company, and is one of the leading fertilizer manufacturing and marketing companies in the Country. It is primarily engaged in the manufacturing and marketing of urea and NPK fertilizers.

Currently, EXIMP imports phosphates based fertilizers, which are distributed and marketed through EFERT's network as an extension of Engro's overall fertilizer portfolio. In order to further strengthen synergies between the Company's business lines, it is being proposed to consolidate the fertilizer business into one entity which will in turn allow EFERT to consolidate its own position in the fertilizer industry. This transaction will enable EFERT to increase its revenues and is expected to enhance the earnings of the Company. The proposed transaction will also allow the Company to create value through synergies and increase its footprint in agricultural inputs. Therefore, these corporate actions are expected to be value enhancing for the Company.

Considering the synergies involved, it is being proposed by the Board to transfer 100% of the Company's equity in EXIMP to EFERT. The modality agreed in principle, subject to regulatory approvals is as follows:

Initially the Company will be purchasing the entire issued share capital of Engro Eximp Agriproducts (Private) Limited, (a wholly owned subsidiary of EXIMP), from EXIMP for Rs. 4.4bn in order to delink the rice business from the trading entity and bring in the required focus as part of its restructuring plans. Subsequently, it is proposed that EXIMP (along with its other wholly owned subsidiary – Engro Eximp FZE, UAE) be acquired by EFERT and the Company transfer all of its shareholding in EXIMP at fair value to EFERT. The Company's total investment to date in EXIMP is Rs.4bn. Upon such transfer, all liabilities, whether existing or in future, of EXIMP shall ultimately become the responsibility of EFERT. EFERT will purchase the entire issued share capital of EXIMP from the Company for a sum of PKR 4.4 billion, which is the fair value of the business determined on the basis of an independent third party valuation.

Following the purchase, EXIMP shall be a 100% owned subsidiary of EFERT. The Company holds 85.8% of the shares in EFERT and therefore EXIMP will remain within the Group. EXIMP is also not a sizeable part of the total value of shareholding held by the Company and as such it is believed that shareholder approval under section 196 of the Companies Ordinance 1984 is not required, but approval is being sought from the shareholders out of abundant caution, as approval under the requirements of SRO. 704(i) 2011, relating to Section 208, is anyway required.

(i) Details of assets to be disposed of i.e., its description, cost, revalued amount (if available), book value and approximate current market price / fair value.

The current market price/ fair value of the shares of EXIMP is PKR 4.4 billion which has been determined on the basis of an independent third party valuation by M. Yousuf Adil Saleem & Co. (member of Deloitte Touche Tohmatsu Limited, a recognized and highly reputable international accountancy firm). The book value of the shares as carried in the books of the Company is Rs.4bn. The total consideration payable (Rs.4.4bn) assumes the net book value (not including intangible assets) of EXIMP to be Rs.63M and any variation in such value will be adjusted in the purchase price.

(ii) The proposed manner of disposal of the said assets.

As detailed above

(iii) Reasons for the sale, lease or disposal of assets and the benefits expected to accrue to the shareholders therefrom.

As detailed above

ITEM (6) OF THE AGENDA

Engro Polymer and Chemicals Limited (EPolymer) is a subsidiary company of Engro Corporation which holds 56.19% of its shares, with other large shareholders being the International Finance Corporation (14.64%) and Mitsubishi Corporation (10.24%). EPolymer is the only manufacturer of polyvinyl chloride (PVC) resin and VCM (the raw material for manufacture of PVC) in the Country, in addition to manufacturing and marketing caustic soda. EPolymer has undertaken various debottlenecking, capacity expansion and backward integration projects in the recent years resulting in the annual base production capacity of 178,000 tons of PVC, 204,000 tons of VCM and 107,000 tons of Caustic Soda. The projects are now complete and operational, and were financed primarily by leveraging the balance sheet of EPolymer.

The business conducted by EPolymer is exposed to commodity volatility and, during the year 2014 as a result of international commodity prices remaining highly volatile, the margins of EPolymer diminished. This situation was further exacerbated by adverse changes in the external environment namely (a) imposition of import duty on Ethylene and EDC, the two main raw materials used by EPolymer and (b) increase in Gas Infrastructure Development Cess (GIDC), the levy of which is being contested in the courts of Pakistan. We expect the business environment to remain challenging in the near future.

EPolymer has long term debt of PKR 9.1 billion outstanding as of December 31, 2014. Further, of the total long term debt, a significant portion i.e. ~PKR 6.5 billion is falling due within the next 2 years. EPolymer requires financing to strengthen its Balance Sheet and enhance its capability to meet its loan obligations in time, and hence, is seeking approval to issue Preference Shares (by way of a rights issue of Rs.4bn) to its existing shareholders.

The Company owns 56.19% of the shares of EPolymer and will therefore need to subscribe to 224,760,000 Preference Shares, at par value of Rs. 10 each totaling Rs. 2,247,600,000. Approval of the shareholders is therefore sought for this investment. The Preference Shares will carry a dividend of 14% per annum and are cumulative, i.e. if dividends are not paid in any year, they will be paid to the Preference shareholders in priority to any dividends being paid to Ordinary shareholders in subsequent years. The shares will also carry a call option, i.e. at any time 3 years after their issue, the shares may be bought back by EPolymer by paying the face value plus all accumulated dividends. The shares will be non-redeemable, non-participatory and non-convertible.

(i) **Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established**: Engro Polymer & Chemicals Limited (EPolymer), a subsidiary company with 56.19% shareholding being held by Engro Corporation Limited

(ii) **Purpose, benefits and period of investment**; As mentioned above, the investment (i.e the subscription to the Preference Shares of EPolymer by way of rights issue) will serve as financial support enabling EPolymer to strengthen its Balance Sheet. In any case the Preference Shares provide an attractive return of 14% per annum.

(iii) **Maximum amount of investment**; Rs.2,247,600,000

(iv) **Maximum price at which securities to be acquired**; Rs. 10 (par value)

(v) **Maximum number of securities to be acquired**; 224,760,000

(vi) **Number of securities and percentage thereof held before and after the proposed investment**; Not applicable. Shares being issued are of different nature than the ones being presently held. However the Company owns 56.19% of the issued Ordinary Shares of EPolymer

(vii) **In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired**; Not applicable. These shares will be listed subsequent to investment.

(viii) **In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)**; Not Applicable. These are new Rights/ Preference Shares of EPolymer .

(ix) **Break-up value of securities intended to be acquired on the basis of the latest audited financial statements**; New class of shares will be issued, hence, break-up value is not available

(x) **Earning per share of the associated company or associated undertaking for the last three years**; **2012**: 0.07; **2013**: 1.08, **2014**: (1.53)

(xi) **Sources of fund from which securities will be acquired**; Internal cash generation and borrowing, if required.

(xii) **Where the securities are intended to be acquired using borrowed funds**.-

(I) Justification for investment through borrowings – the Company will subscribe to the shares through its dividend and other income, however if it needs to borrow, it be able to earn a higher return than its borrowing costs and in any case, support to its subsidiary is required as detailed in (ii) above.

(xiii) Detail of guarantees and assets pledged for obtaining such funds; Not applicable

(xiv) **Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment**; Not applicable.

(xv) **Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;** The directors of Engro Corporation Limited have no personal interest in EPolymer which is a direct subsidiary of the Company, except that some Directors of Engro Corporation Limited are Directors of EPolymer and hold one share each in EPolymer, as nominees of Engro Corporation Limited. Mr. Shahzada Dawood holds 5,000 shares of EPolymer in addition to one share held in the capacity of director. The following Directors of EPolymer hold shares in Engro Corporation Limited: Mr. Muhammad Aliuddin Ansari (200,000), Mr. Khalid S. Subhani (865,714), Mr. Shahzada Dawood (822,410), Ms. Naz Khan (53,000), and Mr. Asif Saad (6,800).

(xvi) **Any other important details necessary for the members to understand the transactions:** none save as stated above.

The Directors of the Company have carried out the necessary due diligence for the purposes of this investment in EPolymer.

ITEM (7) OF THE AGENDA

Due to the fact that the issue of Preference Shares will take some time due to various legal and regulatory approvals required and as a precaution against any problems that may arise in their issuance, it is proposed that the Company also take approval to lend to EPolymer a sum of upto Rs. 4 billion as a long term subordinated loan. However, it is not the intention to invest more than a maximum of Rs. 4 billion by way of a combination of the Preference Shares investment and loans for which approval is being sought.

The information required under S.R.O.27(I)/2012for equity investment is provided below:

(i) Name of investee Company or associated undertaking along with criteria based on which the associated relationship is established:

Engro Polymers and Chemicals Limited (a subsidiary of Engro Corporation Limited)

(ii) Amount of Loans or Advances:

Long term subordinated debt of up to PKR 4 billion

(iii) Purpose of Loans or Advances and benefits likely to accrue to the investing Company and its members from such loans or advances:

The purpose and benefits are explained in detail above in item no. 5 of the agenda and in (ix) below

(iv) In case any Loan has already been granted to the said associate company or associated undertaking, the complete details thereof:

Short term loan of PKR 600 million at a markup rate of 3 Months KIBOR + 3.5%

(v) Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements:

Audited Accounts for the year ended December 31, 2014 are as follows:

Assets	PKR in Millions
Property, plant and equipment	16,923

Stock in trade	3,898
Short term investments	219
Other assets	5,297
Total Assets	**26,337**
Liabilities	
Borrowings	9,879
Trade and other payables	9,346
Other liabilities	1,147
Total Liabilities	**20,372**
Equity	**5,965**
Income Statement	
Revenue	23,819
Operating Loss	(463)
Loss after tax	(1,109)

(vi) Average borrowing cost of the investing company:

Long term borrowing at 13.13%

Short term borrowing at 3 Months KIBOR + 1.5%

(vii) Rate of interest, mark up, profit, fees or commission etc. to be charged:

Higher than the markup payable by Engro Corporation Limited on its borrowing of like or similar maturities at the time of disbursement.

(viii) Sources of funds from where loans or advances will be given:

Internal cash generation and/or further borrowing if required.

(ix) Where loans or advances are being granted using borrowed funds; justification for granting loan or advance out of borrowed funds; detail of guarantees/ assets pledged for obtaining such funds, if any; and repayment schedules of borrowing of the investing company:

The loans shall be made from the Company's dividend and other income and/or borrowing if required. Justification of lending out of proceeds of borrowings is to provide support to a subsidiary to strengthen its Balance Sheet as well as to earn a higher return.

(x) Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any:

No security will be obtained since Engro Corporation Limited is the largest shareholder of EPolymer and the other lenders have prior rights and charges. Engro Corporation Limited is confident that EPolymer will ultimately be able to repay the loan.

(xi) If the loans or advances carry conversion feature:

Nil

(xii) Repayment schedule and terms of loans or advances to be given to the investee company:

Repayment of the long term subordinated loan shall be in installments, repayable in full five years after disbursement with payment of markup on semi-annual basis.

(xiii) Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment:

As detailed above.

(xiv) Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration:

The directors of Engro Corporation Limited have no personal interest in EPolymer which is a direct subsidiary of the Company, except that some Directors of Engro Corporation Limited are Directors of EPolymer and hold one share each in EPolymer, as nominees of Engro Corporation Limited. Mr.

Shahzada Dawood holds 5,000 shares of EPolymer in addition to one share held in the capacity of director.

As of the date of this notice, the following Directors of EPolymer hold shares in Engro Corporation Limited: Mr. Muhammad Aliuddin Ansari (200,000), Mr. Khalid S. Subhani (865,714) and Shahzada Dawood (822,410), Naz Khan (53,000) and Asif Saad (6,800).

(xv) Any other important details necessary for the members to understand the transaction:

N/A

(xvi) In case of investment in a project of an associated company or associated undertaking that has not commenced operations.

N/A

The Directors of the Company have carried out the necessary due diligence for the purposes of extending this long term subordinated loan to EPolymer.

<u>Note relating to Engro Foods Limited</u>

Engro Foods Limited (E.Foods) is a subsidiary of Engro Corporation Limited. In 2012, the shareholders approved a running finance facility from Engro Corporation Limited to E.Foods for upto PKR 2 billion which was initially for a period of one year and the renewal of the same for four further periods of one year each was also approved. The running finance facility is still effective but the facility has not been utilized till date.

<u>Note relating to Engro Polymer and Chemicals Limited.</u>

Engro Polymer and Chemicals Limited (EPolymer) is a subsidiary of Engro Corporation Limited. In 2012, the shareholders approved a running finance facility from Engro Corporation Limited to EPolymer for upto PKR 2 billion which was initially for a period of one year and the renewal of the same for four further periods of one year each was also approved. The running finance facility is still effective and till date the amount utilized is PKR 600 million.

By order of the Board

ANDALIB ALAVI
Vice President – Legal
& Company Secretary

Karachi,
February 18, 2015.