

ADVICE FOR INVESTORS

THE INVESTORS ARE ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE PROSPECTUS ESPECIALLY THE RISK FACTORS MENTIONED IN PART 5.7 OF THIS PROSPECTUS BEFORE MAKING ANY INVESTMENT DECISION.

Fatima Fertilizer Company Limited



PROSPECTUS

THE ISSUE SIZE OF RATED, LISTED, AND SECURED IJARAH SUKUK IS PKR 10,500 MILLION OUT OF WHICH SUKUK OF PKR 7,875 MILLION (75% OF ISSUE SIZE) ARE ISSUED TO THE PRE-IPO INVESTORS AND SUKUK OF PKR 2,625 MILLION (25% OF TOTAL ISSUE SIZE) ARE BEING OFFERED TO THE GENERAL PUBLIC THROUGH AN INITIAL PUBLIC OFFER

RATE OF RETURN

5-YEAR FLOATING RATE INSTRUMENT @ 6 MONTH KIBOR* (ASK SIDE) PLUS 1.10% P.A., (SUBJECT TO A FLOOR OF 3% PER ANNUM AND A CAP OF 25% PER ANNUM)

INSTRUMENT RATING: "AA-" (DOUBLE A MINUS)

MEDIUM TO LONG TERM ENTITY RATING: "AA-" (DOUBLE A MINUS)

SHORT TERM ENTITY RATING: "A1+" (A ONE PLUS)

by

PAKISTAN CREDIT RATING AGENCY (PACRA)

Public subscription on December 29, 2016 during banking hours

MANDATED LEAD ADVISOR AND ARRANGER

JOINT FINANCIAL ADVISORS



UNDERWRITERS:

Askari Bank Limited	Habib Bank Limited	The Bank of Punjab
Faysal Bank Limited	MCB Bank Limited	United Bank Limited

BANKERS TO THE ISSUE:

AlBaraka Bank (Pakistan) Limited	Habib Metropolitan Bank Limited
Allied Bank Limited	MCB Bank Limited
Askari Bank Limited	Meezan Bank Limited
Bank Alfalah Limited	Summit Bank Limited
Dubai Islamic Bank (Pakistan) Limited	United Bank Limited
Faysal Bank Limited	

Date of publication of this Prospectus is December 22, 2016

For further queries you may contact

National Bank of Pakistan– Umair Ahsan; Dir: 021 9906 2119 Email: umair.ahsan@nbp.com.pk

Arif Habib Limited – Abdul Qadir; Dir: 021 3243 3542; Email: abdul.qadir@arifhabibltd.com



For investor education please visit www.jamapunji.pk. Jama Punji is an investor education initiative of the Securities & Exchange Commission of Pakistan.

Average rate 'Ask Side' of the six month Karachi Inter Bank offered Rate ("KIBOR") as published on Reuters Page KIBR or as published by the Financial Markets Association of Pakistan in case Reuters page is unavailable on the Base Rate setting date.

Glossary of Abbreviations and General Terms

Base Rate	The average rate 'Ask Side' of the six month Karachi Inter Bank Offered Rate
Board	Board of Directors of the Issuer
Bps	Basis Points
CDC	Central Depository Company of Pakistan Limited
CDS	Central Depository System
EPS	Earnings Per Share
FPI	Foreign Portfolio Investment
CY	Calendar Year
GOP	Government of Pakistan
IPO	Initial Public Offering
Mandated Lead Advisor and Arranger	National Bank of Pakistan or NBP
Joint Financial Advisors	National Bank of Pakistan ("NBP") and Arif Habib Limited ("AHL")
KIBOR	Karachi Inter-bank Offered Rate
PSX	Pakistan Stock Exchange Limited
FFCL or Issuer or Company	Fatima Fertilizer Company Limited
PACRA	The Pakistan Credit Rating Agency Limited
PKR	Pakistan Rupees
Pre-IPO Placement	Pre-Initial Public Offering Placement
SCRA	Special Convertible Rupee Account
SECP or Commission	Securities and Exchange Commission of Pakistan
Shariah Advisor	Mufti Ehsan Waquar Ahmad
Regulation	The Issue of Sukuk Regulation, 2015
Ordinance	The Companies Ordinance, 1984

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SUMMARY OF THE ISSUE

Instrument	: Rated, Listed & Secured Ijarah Sukuk Certificates (the “Sukuk”). The Sukuk will be issued in the Pre-IPO Placement and IPO portion in the ratio of 75:25
Issuer	: Fatima Fertilizer Company Limited (“FFCL” or the “Issuer” or the “Company”)
Issue Amount	: PKR 10,500 Million
Pre-IPO Placement	: PKR 7,875 Million
Initial Public Offering (IPO)	: PKR 2,625 Million
Purpose	: The principal purpose of the Sukuk Issue is to repay an existing long term loan of the Company
Minimum Investment	: PKR 5,000/- (Rupees Five Thousand Only)
Issue Date	: The date of closing of the subscription list for the public offering of the Sukuk Certificates, being the date for subscription by the potential investors
Tenor	: 5 Years (from November 28, 2016 the Ijarah Commencement Date i.e. date of disbursement of fund against Pre-IPO Placement)
Principal Redemption	: The Instrument will be structured to be redeemed in ten (10) equal semi-annual instalments from the Ijarah Commencement Date i.e. from November 28, 2016
Profit Rate	: 5-year floating rate instrument @ 6 month KIBOR (base rate) plus 1.10% p.a., (subject to a floor of 3% per annum and a cap of 25% per annum)
Profit Payment	: Profit will be payable semi-annually in arrears calculated on the basis of actual number of days elapsed in year of 365/366 days on the outstanding principle amount. The first such profit payment will fall due six (6) months from the Ijarah Commencement Date and subsequently, every six (6) months thereafter
Early Redemption / Call Option (Prepayment)	: Early redemption of the Facility will be allowed after 3 years with thirty (30) days prior written irrevocable notice to the Trustee. Early redemption will be subject to the following: <ul style="list-style-type: none"> ▪ in multiple of PKR 500 million ▪ allowed only on profit payment dates ▪ in case of prepayment (call option) payment of an additional amount @ of 0.25% of the amount prepaid which is structured as increase in price of Ijarah asset

	In case of partial bullet payment, a revised schedule shall be worked out incorporating the effect of bullet payment as an increase in advance rental
Issue Price	: The amount invested / to be invested by the Investors / Certificate Holders in the Sukuk, being the aggregate face value specified on the face of all Sukuk Certificate
Rental Payment	: The amounts to be paid by the Issuer to the Certificate Holders to the extent of the ownership share of the Certificate Holders in the Assets for the use of the Assets pursuant to the Ijarah Agreement
Security	<p>Sukuk Issue is secured by:</p> <ul style="list-style-type: none"> a. Initially 1st ranking hypothecation charge over all present and future fixed assets excluding land and building of FFCL with a minimum 25% margin b. Initially 1st ranking mortgage over land and building of FFCL with a minimum 25% margin c. Establishment of and assignment over a Debt Payment Account ("DPA") d. Assignment over all rights and benefits of FFCL under any and all project insurances and cut-through agreements for reinsurance <p>Initially ranking charge would be created which would be upgraded into pari-passu within 90 days of Effective Date</p> <p>For more details, please refer to Section 3.3</p>
Assets or Ijarah Assets	: Means the assets as described in section 2.3.4 of this Prospectus
Transaction Legal Counsel	: Mohsin Tayebaly & Co.
Listing	: Pakistan Stock Exchange Limited
Entity Rating	<p>Long Term : "AA-" (Double A minus)</p> <p>Short Term : "A1+" (A one plus)</p> <p>Entity rating by Pakistan Credit Rating Agency (PACRA) dated November 11, 2016</p>
Instrument Rating	: "AA-" (Double A Minus) by PACRA dated November 11, 2016
Profit Accrual Date	: Issue Date i.e. that the date of closing of the subscription list for the public offering of the Sukuk Certificates (applicable only for successful investors)
Subscription Date	: December 29, 2016 during banking hours
Risk Factors	: For details please refer to Part 5.7 of the Prospectus
Trustee and Investment Agent to the Issue	: Pak Brunei Investment Company Limited

Shariah Auditor	:	Deloitte Yousuf Adil
Compliance Officer	:	Muhammad Aamer Malik Department Manager – Finance Cell Number: 0333-8632345 Phone Number: 042-35909451 Email: aamer.malik@fatima-group.com
Market Maker to the Issue	:	Arif Habib Limited
Majority Certificate Holders	:	“Majority Certificate Holders” mean Certificate Holders holding 75% (seventy five) of the total outstanding face value of Sukuk Certificates
Effective Date	:	“Effective Date” means a date falling not later than 21 (twenty one) days from the date of execution of the Trust Deed (or such other date as may be agreed to between the Parties i.e the Trustee and the Issuer), being the date by which date the conditions listed in clause 2.4 of the Trust Deed are satisfied or waived in writing by the Certificate Holders. All conditions listed in clause 2.4 of the Trust Deed have been complied with and the Effective Date is November 28, 2016
Ijarah Commencement Date	:	“Ijarah Commencement Date” means the date on which the Notice for Ijarah Commencement of First Rental Payment is issued i.e. the date of disbursement of Pre-IPO Investors which is November 28, 2016
Material Adverse Effect	:	<p>“Material Adverse Effect” in respect of the Issuer, means a material adverse effect on:</p> <ol style="list-style-type: none"> I. the business, operations, property, condition (financial or otherwise) or prospects of the Issuer; or II. the ability of the Issuer to perform its obligations under the Trust Deed; or III. the validity or enforceability of the Transaction Documents, or the effectiveness or ranking of any Security granted or purporting to be granted pursuant to any of the Transaction Documents, or the rights or remedies of any party under the Transaction Documents
Buy Out Price	:	“Buy Out Price (Early-Purchase)” means the amount to be paid by the Issuer to the Certificate Holders as payment for acquisition by the Issuer of the Sukuk Certificates upon exercise of a full Call Option by the Issuer pursuant to the Trust Deed
Payment Date	:	“Payment Date(s)” means the date(s) at which the Rental Payment becomes due and payable by the Issuer to the Certificate Holders (payable to the Investment Agent for the benefit of the Certificate Holders) and in accordance with the schedules of Rental Payments provided in the Ijarah Agreement
Financial Indebtedness	:	“Financial Indebtedness” means any obligation whether present or future, actual or contingent, to pay or deliver any moneys under or in

	<p>respect of any financial accommodation, facility or arrangement including, without limitation, under or in respect of any:</p> <ol style="list-style-type: none"> moneys borrowed or raised by that person including, without limitation, any finances as defined in the Financial Institutions (Recovery of Finances) Ordinance, 2001 guarantee bond, debenture, note, certificate, redeemable securities, bill of exchange or any similar instrument (whether or not transferable or negotiable) any option to sell in the future or buy back or discounting arrangement in relation to any properties lease, license or other arrangement in respect of any properties (real, tangible or intangible) entered into primarily for the purpose of raising finance or of financing the acquisition of the properties leased, licensed or subject to the relevant arrangement hire purchase or deferred payment obligation for any properties acquired or service employed interest or currency swap or hedge arrangement, financial option, futures contract or analogous transaction central excise duty and other statutory levies imposed by or payable to the Federal, Provincial or any Local Governments by virtue of or in respect of any of the above or arrangement which achieves the same or equivalent commercial effect as to any of the above
Total Loss	<p>: “Total Loss” means the total loss or destruction of, or damage to the whole of any Assets or any event or occurrence that renders the whole of that Assets permanently unfit for normal use and/or the repair or remedial work in respect thereof is wholly uneconomical (only after taking into consideration the proceeds of any Insurances received);</p>
Certificate Holders	<p>: “Certificate Holders” shall mean the persons shown as the holders of the Sukuk Certificates in the records of the Central Depository System (“CDS”), who shall be the beneficiaries under this Declaration of Trust and will include the institutions who have entered into a Sukuk Subscription Agreement and the general public, until such time as the Sukuk Certificates are actually issued by the Issuer. FFCL shall issue</p>

	Sukuk Certificates to the successful allottees within twenty one (21) days of closure of subscription list in compliance with the requirements of PSX.
Secured Obligations	: “Secured Obligations” shall mean the amount, which is outstanding and payable to the Certificate Holders pursuant to the Sukuk Certificates at any point of time and all other amounts payable under the Trust Deed and the Sukuk Certificates and the Transaction Documents and includes any amounts paid by any intended Certificate Holder(s) to the Issuer for purchase / subscription of the Sukuk Certificates
Transaction Documents	: Means the documents to be entered into in respect of the Sukuk including but not limited to (i) Trust Deed; (ii) Sukuk Subscription and Investment Agency Agreement; (iii) Ijarah Agreement; (iv) Undertaking to Purchase Assets; (v) Undertaking to Sell Assets; (vi) Service Agency Agreement; (vii) Asset Purchase Agreement; (viii) Letter of Lien and Right of Set-Off; (ix) Memorandum of Oral Assignment – Insurance/Takaful Proceeds; (x) Letter of Hypothecation; (xi) Memorandum Confirming Constructive Deposit of Title Deeds For more details, please refer Section 2.2
Extraordinary Resolution	: The expression “Extraordinary Resolution” means a resolution passed by Certificate Holders at a meeting of Certificate Holders duly convened and held in accordance with the provisions of Trust Deed, representing at least more than sixty six percent (66%) of the total outstanding face value of the Sukuk Certificates. A resolution in writing signed by or on behalf of Certificate Holders representing at least more than sixty six (66%) of the aggregate outstanding amount of Sukuk Certificates shall for all purposes of the Trust Deed be as valid and effective as an Extraordinary Resolution
Receiver	: The Receiver shall have the power as defined in point 8 of section 7.6 of this Prospectus
Ballototers, Transfer Agent and Registrar	: Central Depository Company of Pakistan
Underwriters of the Issue	: <ol style="list-style-type: none"> 1. Askari Bank Limited 2. Faysal Bank Limited 3. Habib Bank Limited 4. MCB Bank Limited 5. The Bank of Punjab 6. United Bank Limited

Bankers to the Issue	:	<ol style="list-style-type: none"> 1. AlBaraka Bank (Pakistan) Limited 2. Allied Bank Limited 3. Askari Bank Limited 4. Bank Alfalah Limited 5. Dubai Islamic Bank (Pakistan) Limited 6. Faysal Bank Limited 7. Habib Metropolitan Bank Limited 8. MCB Bank Limited 9. Meezan Bank Limited 10. Summit Bank Limited 11. United Bank Limited
Transferability	:	The Sukuk will be inducted into the Central Depository Company ("CDC"), transfer shall be made in accordance with the Central Depository Act, 1997 and CDC Regulations
Governing Law	:	The Instrument shall be subject to the laws of Islamic Republic of Pakistan and non-exclusive jurisdiction of the Pakistan Courts

PART I

1 APPROVALS, CONSENTS AND LISTING ON THE STOCK EXCHANGE

1.1 APPROVAL OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities and Exchange Commission of Pakistan (the “Commission” or the “SECP”) as required under Section 87(2), read with Section 88(1) of the Securities Act, 2015 (the “Act”) has been obtained for the Issue, circulation and publication of this Prospectus.

Disclaimer

It must be distinctly understood that in giving this approval, SECP does not take any responsibility for the financial soundness of the Issuer and any of its schemes stated herein or for the correctness of any of the statements made or opinions expressed by Fatima Fertilizer Company Limited (“FFCL” or “Issuer” or “Company”) in this Prospectus.

SECP has not evaluated quality of the Issue and its approval for the Issue, circulation and publication of this 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 investment in the Sukuk Certificates (“Sukuks”) being offered through this Prospectus.

1.2 CLEARANCE OF THE PROSPECTUS BY THE PAKISTAN STOCK EXCHANGE LIMITED

The Prospectus for the Issue of rated, listed, and secured Sukuk has been cleared by the Pakistan Stock Exchange Limited (“PSX”) in accordance with the requirements of its Listing Regulations.

Disclaimer

- PSX has 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 solicitation by the PSX.
- The contents of this document do not constitute an invitation to invest in Sukuk or subscribe for any securities or other financial instrument by the PSX, 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 PSX.
- It is clarified that information in this Prospectus should not be construed as advice on any particular matter by the PSX and must not be treated as a substitute for specific advice.
- The PSX disclaims any liability whatsoever for any loss howsoever 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 decision and/or actions taken based on this document.
- **The PSX neither takes responsibility for the correctness of contents of this document nor the ability of the Issuer to fulfil its obligations there under.**
- Advice from a suitably qualified professional should always be sought by investors in relation to any investment in securities.

1.3 APPROVAL BY THE SHARIA ADVISOR TO THE ISSUE

The Sharia Advisor to the Issue has provided an opinion dated November 24, 2016 on the Sukuk structure and Transaction Documents. Please refer to para 2.5 for details.

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

The Company has delivered to the Registrar of Companies, Lahore as required under Sections 57 (3) and (4) of the Ordinance, a copy of this Prospectus signed by all the Directors of FFCL.

1.5 CONSENT FROM THE SHARIA ADVISOR TO THE ISSUE

The Sharia Advisor to the Issue has provided consent to include and publish his names in the Prospectus.

1.6 LISTING ON THE STOCK EXCHANGE

Application has been made to PSX for permission to deal in and for quotation of the Sukuk of FFCL.

If, for any reason, the application for listing is not accepted by the PSX, the Company undertakes to publish immediately in the press a notice to that effect and thereafter shall forthwith repay without surcharge all money received from applicants in pursuance of the Prospectus, and , if any such money is not refunded within eight (8) days after the Company becomes liable to repay it, the Directors of the Company shall be jointly and severally liable to repay that money from the expiration of the eighth (8th) day together with surcharge at the rate of 1.50% per month as required under the provisions of Section 72 of the Ordinance.

PART II

2 SUKUK STRUCTURE

2.1 STRUCTURE OF SUKUK

The Sukuk is structured on the basis of Ijarah. It is a Sale & Lease Back transaction where the Sukuk holders will purchase undivided share in the specific (relevant) asset at a price, amounting to PKR 10,500 million, from FFCL and provide usufruct of these assets to FFCL back for the period of 5 years.

2.2 TRANSACTION DOCUMENTS

Sr. #	Agreement	Execution Date	Parties
1	Trust Deed	21-Nov-16	Fatima Fertilizer Company Limited (the Issuer) Pak Brunei Investment Company Limited (the Trustee)
2	Sukuk Subscription and Investment Agency Agreement	24-Nov-16	Fatima Fertilizer Company Limited (the Issuer) Pak Brunei Investment Company Limited (the Investment Agent) Financial Institutions (the Investors) including National Bank of Pakistan Habib Bank Limited United Bank Limited Fasyal Bank Limited Askari Bank Limited Standard Chartered Bank (Pakistan) Limited MCB Islamic Bank Limited The Bank of Punjab
3	Ijarah Agreement	24-Nov-16	Fatima Fertilizer Company Limited (the Lessee) Pak Brunei Investment Company Limited (the Lessor)
4	Undertaking to Purchase Assets	24-Nov-16	Fatima Fertilizer Company Limited (FFCL) Pak Brunei Investment Company Limited (the Investment Agent)
5	Undertaking to Sell Assets	24-Nov-16	Fatima Fertilizer Company Limited (FFCL) Pak Brunei Investment Company Limited (the Investment Agent)
6	Service Agency Agreement	24-Nov-16	Fatima Fertilizer Company Limited (the Service Agent) Pak Brunei Investment Company Limited (the Investment Agent)
7	Asset Purchase Agreement	24-Nov-16	Fatima Fertilizer Company Limited (the Seller) Pak Brunei Investment Company Limited (the Investment Agent)
8	Letter of Lien and Right of Set-Off	24-Nov-16	Fatima Fertilizer Company Limited (the Issuer) Pak Brunei Investment Company Limited (the Trustee)

Sr. #	Agreement	Execution Date	Parties
9	Memorandum of Oral Assignment – Insurance/Takaful Proceeds	24-Nov-16	Fatima Fertilizer Company Limited (the Issuer) Pak Brunei Investment Company Limited (the Trustee)
10	Letter of Hypothecation	21-Nov-16	Fatima Fertilizer Company Limited (the Issuer) Pak Brunei Investment Company Limited (the Trustee)
11	Memorandum Confirming Constructive Deposit of Title Deeds	21-Nov-16	Fatima Fertilizer Company Limited (the Issuer) Pak Brunei Investment Company Limited (the Trustee)

2.3 SUKUK PROCESS FLOW

2.3.1 SUKUK SUBSCRIPTION AND INVESTMENT AGENCY AGREEMENT

Sukuk Subscription Agreement (in the form of subscription application) has executed by contributing investors of Sukuk (the “investors”) who has recorded their commitment to subscribe for the Sukuk to be issued by FFCL. Under the Sukuk subscription agreement the investors has also appointed the investment agent to act on behalf of the Investors.

FFCL has declared the Trust over the amounts contributed by the investors and the asset acquired from their contribution for the benefit of investors and has appointed a trustee who shall:

- Act as issuing agent in respect of Assets
- Issue Sukuk to investor representing interest in the ownership
- Hold the Assets and security absolutely for the benefit of Sukuk Holders in accordance with the provision of Trust Deed; and
- Distribute the Rental Payments on respective distribution dates among the Sukuk Holders in accordance with provision of Trust Deed.

2.3.2 ASSETS PURCHASE AGREEMENT

Asset Purchase Agreement, dated November 24, 2016, has been made between Investment Agent i.e. Pak Brunei Investment Company Limited and FFCL through which the investors will purchase assets from FFCL.

Assets under Assets Purchase Agreement	Value (PKR)
Complete Ammonia Plant including civil, construction, installation works and other allied accessories located at Mukhtar Garh, Sadiqabad, Distt. Rahum Yar Khan	15,474,191,000*

*As per valuation report dated September 20, 2016 Forced Sale Value of Ammonia Plant as on August 30, 2016 is PKR 12,379 million.

2.3.3 SERVICE AGENCY AGREEMENT

FFCL has appointed as service agent of the Sukuk holders according to which the Company has agreed to carry out maintenance of the Assets, pay all relevant and applicable taxes and shall insure and always keep insured the assets against all reasonable risks including (but not limited to) loss or damage by fire, explosion, and strike damage, malicious damage, riots, terrorism, atmospheric damage and impact under an arrangement acceptable to investors and the Investment Agent. The related expenses will be added to the subsequent rental or purchase price.

2.3.4 IJARAH AGREEMENT

Investment Agent has identified the Assets to be carved out for Ijarah Sukuk. FFCL has entered into an agreement with Trustee for the sale of Ijarah Assets. The investor will own an undivided ownership in the Ijarah Assets free from any other creditors/financiers' charge. Trustee has entered into Ijarah Agreement with FFCL on behalf of investors. Investors (through Investment Agent) will allow FFCL to use their share of the Assets against periodical benchmarked Rental Payments in terms of the Ijarah Agreement. The following assets have been carved out for the Ijarah Sukuk:

Ijarah Assets	Value (PKR)
Complete Ammonia Plant including civil, construction, installation works and other allied accessories located at Mukhtar Garh, Sadiqabad, Distt. Rahum Yar Khan	15,474,191,000

The existing creditors already have encumbrance over Assets carved out. FFCL has undertaken to provide to the Investment Agent with No Objection Certificate from the existing creditors in respect of the carve out of Assets, within 90 days from the Effective Date.

2.3.5 UNDERTAKING TO PURCHASE IJARAH ASSETS

This agreement, dated November 24, 2016, has been executed by FFCL (lessee) in favor of the Investment Agent i.e. Pak Brunei Investment Company Limited in which it undertakes to purchase the asset in case of default or a termination event at a Buyout Price.

2.3.6 UNDERTAKING TO SELL IJARAH ASSETS

This has executed by the Investment Agent i.e. Pak Brunei Investment Company Limited (on behalf of the lessors) and FFCL where Investment Agent undertakes to sell the asset in case of a voluntary prepayment (**exercising call option**) which relates to the entire outstanding under the Sukuk facility, at a Buyout Price. The agreement is dated November 24, 2016.

2.3.7 RENTAL PAYMENT

The rental payment will comprise of Fixed (principal) and Variable (profit) components. FFCL will maintain a Rental Payment Account (**RPA**) with NBP, which will be held under exclusive lien in favor of the Trustee (for the benefit of the Sukuk holders).

Rentals will be payable semi-annually in arrears. Profit will be calculated on the basis of actual number of days elapsed in a year of 365/366 days on the outstanding balance of the Facility Amount.

FFCL shall deposit, in RPA complete rental amount before 15 days of the due date of the relevant payment.

2.3.8 BASE RATE

The Base Rate is defined as the average rate "Ask Side" of the 6 (six) month Karachi Interbank Offered Rate (KIBOR) prevailing on the Base Rate Setting date. The Base rate will be set utilizing the 6 month KIBOR, 1(one) business day prior to the Ijarah Commencement Date and thereafter 1(one) business day prior to each subsequent semi-annual period.

2.3.9 RATE OF RETURN

Base Rate (5-year floating rate @ 6 month KIBOR (ask side)) plus 1.10% per annum (subject to a floor of 3% per annum and a cap of 25% per annum)

2.3.10 COMPLETE/PARTIAL BULLET PAYMENT/ CALL OPTION (PREPAYMENT)

The complete/partial early bullet payment of the Facility will be allowed after 3 years with thirty (30) days prior written irrevocable notice to the Trustee. Early payment will be subject to the following;

- a. In multiple of PKR 500 million
- b. allowed only on rental payment dates
- c. in case of prepayment (call option) payment of an additional amount @ of 0.25% of the amount prepaid which is structured as increase in price of Ijarah Asset.

In case of partial bullet payment, a revised schedule shall be worked out incorporating the effect of bullet payment as an increase in advance rental.

2.4 SHARIA ADVISOR TO THE SUKUK

An independent "Sharia Advisor to the Issue" has been appointed by the Company solely for the purpose of the Issue. The Sharia Advisor to the Issue is Mufti Ehsan Waqar Ahmad.

2.5 PROFILE OF THE SHARIA ADVISOR TO THE ISSUE

Mufti Ehsan Waqar Ahmad is the Chairman, Shariah Board at NBP-Aitemaad. He is among the few Shariah scholars who possess a unique combination of religious and contemporary education. He graduated as a Mufti, achieving Masters in Traditional Islamic Studies and specializing in Islamic Jurisprudence from Pakistan's renowned Islamic School, Jamiat-ur-Rasheed. Later he accomplished Masters in Economics from KU and Masters in Business Administration with majors in Finance from IoBM, Karachi, Pakistan. He also accomplished his Bachelors in Law & Legislation (LLB) from SM Law College, Karachi, Pakistan.

This unique blend of educational combination gives him an edge to understand, correlate and align modern day banking practices with Shariah principles. Besides this, he is also Chairman Shariah Board at Allied Bank Limited and Soneri Bank Limited. He is also serving as Shariah Advisor/Member Shariah Board at NAFA, NBP Modaraba, AGICO, Pakistan Stock Exchange and KPCCI Peshawar and FPCCI.

Prior to this, he has served Islamic Financial Industry with institutions like Emirates Global Islamic Bank now AL Baraka Bank Pakistan, United Bank Limited.

Mufti Ehsan is also a member of the Technical Committee for Developing Accounting & Auditing Standard for Islamic Financial Institution at Institute of Chartered Accountants of Pakistan (ICAP). He has actively worked with SBP and was nominated to several sub-committees formed by the SBP Shariah Board for Islamic Banking matters in Pakistan.

Mufti Ehsan conducts courses of Classical Jurisprudence, Islamic Finance and Risk Management at Traditional Islamic Universities (Jamia-tur-Rasheed) and Modern Business Schools (IoBM, Karachi, Pakistan). He frequently contributes in different international and local periodicals and appears as an industry expert on local TV channels.

2.6 OPINION OF SHARIA ADVISOR

The Sharia Advisor to the Issue has reviewed and approved the aforementioned Ijarah Sukuk structure and Transaction Documents dated November 24, 2016 as provided below:

مفتی رحمان و فار احمد



REVISED

SHARIAH STRUCTURE FATIMA FERTILIZER COMPANY LIMITED IJARAH SUKUK **(SALE & LEASE BACK)**

PURPOSE OF SUKUK

The purpose of the Sukuk issue is to pay-off FFCL's existing loans of conventional facilities.

STRUCTURE OF SUKUK

The Sukuk issue is structured based on Ijarah. It is a Sale & Lease Back transaction where the Sukuk holders will purchase undivided share in the specific (relevant) asset at a price, amounting to PKR 10,500 million, from FFCL and provide usufruct of these assets to FFCL back for the period of 5 years.

FACILITY DOCUMENTS

SUKUK SUBSCRIPTION & INVESTMENT AGENCY AGREEMENT

This agreement (in the form of subscription application) will be executed by contributing investors of Sukuk (the "investors") who will record their commitment to subscribe for the Sukuk to be issued by FFCL. Under this agreement, the investors will also appoint Pak Brunei Investment Company Limited as the investment agent to act on behalf of the Sukuk Holders.

FFCL will declare the Trust over the amounts contributed by the investors and the asset acquired from their contribution for the benefit of investors and appoint Pak Brunei Investment Company Limited as trustee:

- To act as issuing agent in respect of Assets
- To issue Sukuk to investor representing interest in the ownership
- To hold the Assets and security absolutely for the benefit of Sukuk Holders in accordance with the provision of Trust Deed; and
- To distribute the Rental Payments on respective distribution dates among the Sukuk Holders in accordance with provision of Trust Deed.

ASSET PURCHASE AGREEMENT

This Agreement is made between Investment Agent and FFCL through which the investors will purchase undivided share in the assets from FFCL.

SERVICE AGENCY AGREEMENT

FFCL will be appointed as service agent of the Sukuk holders according to which the Company has agreed to carry out maintenance of the Assets, pay all relevant and applicable taxes and shall insure and always keep insured the assets against all reasonable risks including (but not limited to) loss or damage by fire, explosion, and strike damage, malicious damage, riots, terrorism, atmospheric damage, and impact damage under an

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arrangement acceptable to investors. The related expenses will be added to the subsequent rentals or purchase price and thus reimbursed to FFCL in this way.

IJARAH AGREEMENT

Investment Agent will identify the asset to be securitized for Ijarah Sukuk. FFCL will enter into an agreement with Trustee for the sale of Ijarah assets. The investor will own an undivided ownership in the Ijarah Assets ("Relevant Assets") free from any other creditors/financiers' charge. Trustee will enter into an Ijarah Agreement with FFCL on behalf of investors. Investors (through Investment Agent) will allow FFCL to use their share of the Assets against periodical benchmarked Rental Payments in terms of the Ijarah Agreement.

UNDERTAKING TO PURCHASE IJARAH ASSETS

Undertaking to Purchase Ijarah Assets will be executed by FFCL (lessee) in favor of the Investment Agent in which it undertakes to purchase the asset in case of default or a termination event at a Buyout Price.

UNDERTAKING TO SELL IJARAH ASSETS

Undertaking to Sell Ijarah Assets will be executed by the Investment Agent (on behalf of the lessors) where it undertakes to sell the asset in case of a voluntary prepayment (exercising call option) which relates to the entire outstanding under the Sukuk facility, at a Buyout Price (as above)

RENTAL PAYMENT

The rental payment will comprise of fixed (principal), variable (profit) components and together treated and considered as Rental Income in the books of the Bank. FFCL will maintain a (Rental) Payment Account with NBP, which will be held under exclusive lien in favor of the Trustee (for the benefit of the Sukuk holders). Rentals will be payable semi-annually in arrears. Profit will be calculated on the basis of actual number of days elapsed in a year of 365/366 days on the outstanding balance of the Facility Amount.

FFCL shall deposit complete rental amount before 15 days of the due date of the relevant payment. The Base Rate is defined as the average rate "Ask Side" of the 6 (six) month Karachi Interbank Offered Rate (KIBOR) prevailing on the Base Rate Setting date. The Base rate will be set utilizing the 6 month KIBOR, 1(one) business day prior to the date of first disbursement and thereafter 1(one) business day prior to each subsequent semi-annual period.

The Agreement is based on the premise that KIBOR continues to be a true representation of banks' cost of funds and therefore continues to be a realistic benchmark for pricing facility of this nature. The Investors will provide at least 14 days written notice of this change of benchmark before it is deemed to become mutually applicable.

COMPLETE/PARTIAL BULLET PAYMENT/ CALL OPTION (PREPAYMENT)

The complete/partial early bullet payment of the Facility will be allowed after 3 years with thirty (30) days prior written irrevocable notice to the Trustee. Early payment will be subject to the following:

- In multiple of PKR 500 million
- allowed only on rental payment dates
- In case of prepayment (call option) an addition of 0.25% on the amount prepaid which is structured as increase in price of Ijarah asset.

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In case of partial bullet payment, a revised schedule shall be worked out incorporating the effect of bullet payment as an increase in Advance Rental.

APPROVAL

The Shariah Advisor is of the view that, given the prevailing circumstances, the structure and mechanism as set out above is acceptable within the principles of Shariah and the undersigned, hereby approves the above structure and mechanism of the proposed facility.

The final approval on the Facility Documents will be issued after review.

والله سبحانه وتعالى اعلم

ع. و. 

Mufti Ehsan Waquar Ahmad
 Shariah Advisor FFCL SUKUK
 Date: 24.11.2016

مفتی احسان وقار احمد
 منیر برک شریعی امور

مفتی رحمان وقار احمد



November 24, 2016

SHARIAH CERTIFICATE FATIMA FERTILIZER COMPANY LIMITED
SALE & LEASE BACK IJARAH SUKUK

NATURE OF TRANSACTION

The Sukuk Issue is structured on the basis of Ijarah. It is a Sale & Lease Back transaction where the Sukuk holders will purchase undivided share in the specified assets, amounting to PKR 10,500 million, from FFCL and provide usufruct of their share to FFCL for the period of 3 years.

The rental payment will comprise of Fixed (principal) and Variable (profit) and supplementary (miscellaneous expenses incurred during the Ijarah duration) components. These all components are treated and considered as Rental Income in the books of the Bank. Rentals will be payable semi-annually in arrears. The miscellaneous expenses of the preceding period will be made component of the succeeding period but the miscellaneous expenses of the last period will be recovered by adding up in purchase price executed at the end of Ijarah period.

FFCL (lessee) undertakes to purchase the asset in case of default or a termination event at a Buyout Price.

The Investment agent (on behalf of the lessors) undertakes to sell the asset in case of a voluntary prepayment (exercising call option) after the period of 3 years at a Buyout Price.

In case the lessee decides to reduce the tenure, it shall pay an addition amount as advance rent. But this shall only happen after three years from the issuance.

RESPONSIBILITY OF THE MANAGEMENT

Management is responsible for providing all relevant and necessary information pertaining to the issuance and documentation process of above-mentioned Sukuk, which the Shari'ah Advisor requires for providing an opinion.

RESPONSIBILITY OF THE SHARI'AH ADVISOR

Shari'ah Advisor's responsibility is to express an opinion on the structure, mechanism and facility documents of this Sukuk. The following documents have been reviewed:

Asset Purchase Agreement
 Ijarah Agreement
 Undertaking to Purchase Ijarah Assets
 Undertaking to Sell Ijarah Assets
 Letter of Lien and Set-Off
 Service Agency Agreement
 Underwriting Agreement
 Sukuk Subscription & Investment Agency Agreement
 Memorandum of Oral Assignment-Insurance/Tekaful Proceeds
 Letter of Hypothecation
 Trust Deed
 Memorandum of Confirming Constructive Deposit of Title Deeds

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SHAR'AH OPINION

The structure, mechanism and facility documents of the above-mentioned Sukuk have been reviewed as presented and acceptable according to the principles of Shari'ah and the undersigned, hereby approves the above structure, mechanism and facility documents of the proposed facility.

والله سبحانه وتعالى اعلم

E. W. 

Mufti Ehsan Waqar Ahmad
 Shari'ah Advisor for FFCL Sukuk
 November 24, 2016

مفتی احسان وقار احمد
 مشیر شرعی امور

2.7 COMPLIANCE OFFICER

FFCL will appoint Mr. Muhammad Aamir Malik, Department Manager – Finance, as Compliance Officer for the IPO of Rated, Listed and Secured Ijarah Sukuk of Fatima Fertilizer Company Limited. Mr. Muhammad Aamir Malik is currently serving as Finance Manager of FFCL.

2.7.1 CONTACT DETAILS OF COMPLIANCE OFFICER

Cell Number: 0333-8632345

Phone Number: 042-35909451

Email: aamer.malik@fatima-group.com

2.8 KEY INVESTMENT HIGHLIGHTS

2.8.1 LIQUIDITY

Being a Islamic debt market instrument, the Issue is likely to have greater amount of liquidity for secondary market trading in contrast to existing conventional debt instruments. In addition, listing of this Issue on Pakistan Stock Exchange (PSX) will enable investors to easily trade the Sukuk with greater magnitude of market participants comprising of both institutional and individual investors. This will allow investors to easily manage their liquidity risk emanating from lesser market breadth by providing flexibility to exit with ease on the desired market pricing.

2.8.2 EXPERIENCED SPONSORS

FFCL is a joint collaboration between the Arif Habib Group and Fatima Group with cumulative shareholding of 87.7% (as on September 2016) in the Company. Fatima Group, being the main sponsor, is amongst the most progressive business conglomerate in Pakistan, with a strong portfolio of products and services. It is a significant player in the growth and sustainability of important industries of the Country. The Group has made significant investments in large scale manufacturing plants, utilizing state-of-the-art technology and promoting manufacturing excellence. The Group portfolio extends to fertilizer, sugar, textile, commodities trading, mining and energy.

2.9 MANAGEMENT TEAM

The sponsors have inducted a team of professionals having the relevant industry experience to manage the project. The team working on the project includes Mr. M. Abad Khan and Mr. Fawad Ahmed Mukhtar, in addition, Mr. Peter Vang Christensen appointed as Non-Executive Director and provides technical advisory to FFCL.

2.9.1 INTERNAL CREDIT ENHANCEMENT THROUGH LIEN ON FINANCING PAYMENT ACCOUNT

FFCL will maintain a Rental Payment Account ("RPA") with NBP which will be held under exclusive lien in favor of the Trustee (for the benefit of the Sukuk Investors). FFCL shall deposit complete installment amount before 15 days of the due date of the relevant installment. FPA is expected to provide an extra layer of comfort to the Sukuk Investors because by virtue of this mechanism, investors can monitor availability of cash for retirement of upcoming installment.

PART III

3 SUKUK AND RELATED MATTERS

3.1 ISSUE OF LISTED SUKUK TO THE GENERAL PUBLIC

The total Sukuk amount consist of PKR 10,500 million to be issued in the form of Listed, Rated & Secured Ijarah Sukuk. The Sukuk is structured to redeem in ten equal semi-annual instalments from the Ijarah Commencement Date. The brief terms of the Sukuk are mentioned below:

Brief Terms	
Tenor	5 Years (from November 28, 2016 the Ijarah Commencement Date i.e. date of disbursement of fund against Pre-IPO Placement)
Profit Rate	5-year floating rate @ 6 month KIBOR (ask side) plus 1.10% p.a. (subject to a floor of 3% per annum and a cap of 25% per annum)
Profit Payment	Semi-annual
Pre-IPO Portion (PKR Million)	7,875
General Public Portion (PKR Million)	2,625
Total Amount (PKR Million)	10,500

The Sukuk is issued in Pre-IPO and IPO portion in the ratio of 75:25.

For investor participating in the General Public Portion of the Sukuk, the Tenor will effectively be less than 5 years as the 5 year Tenor has started from Ijarah Commencement Date i.e. November 28, 2016. The Tenor for investors participating in the General Public Portion will state from the Issue Date i.e. day of the public subscription.

Profit Rate

The profit on the Sukuk will be paid on semi-annual basis at a floating rate of 6 month KIBOR (ask side) plus 110 bps p.a. (subject to a floor of 3% per annum and a cap of 25% per annum).

The list of investors in the Pre-IPO is given below:

S.no	Pre-IPO Investors	Amount	Agreement Dated
1	National Bank of Pakistan	2,000,000,000	November 24, 2016
2	Faysal Bank Limited	1,400,000,000	November 24, 2016
3	Habib Bank Limited	1,015,125,000	November 24, 2016
4	Standard Chartered Bank (Pakistan) Limited	1,000,000,000	November 24, 2016
5	United Bank Limited	852,000,000	November 24, 2016
6	Askari Bank Limited	700,000,000	November 24, 2016
7	The Bank of Punjab	532,875,000	November 24, 2016
8	MCB Islamic Bank Limited	375,000,000	November 24, 2016
Total		7,875,000,000	

3.2 SECURITY OF SUKUK

Sukuk will be secured by:

1. A mortgage by constructive deposit of title deeds over the Mortgaged Properties in favour of the Trustee in terms of the Memorandum Confirming Constructive Deposit of Title Deeds in the amount of PKR 14,000,000,000/- (Pak Rupees Fourteen Billion) (inclusive of margin of 25%) which mortgage shall initially constitute a ranking mortgage, ranking subordinate and subservient to the mortgages created in favour of the Existing Creditors and shall be upgraded to a first pari passu mortgage **within 90 (ninety) days of the Effective Date. Detail of the Mortgaged Properties is provided in Schedule 2 of the Memorandum Confirming Constructive Deposit of Title Deeds;**
2. A charge by way of hypothecation over the Hypothecated Assets in favour of the Trustee in terms of the Letter of Hypothecation in the amount of PKR 14,000,000,000/- (Pak Rupees Fourteen Billion) (inclusive of margin of 25%) which charge shall initially constitute a ranking charge, ranking subordinate and subservient to the charges created in favour of the Existing Creditors and shall be upgraded to a first pari passu charge **within 90 (ninety) days of the Effective Date. Detail of the Hypothecated Asset is provided in Section 7.2 of this Prospectus;**
3. An assignment by way of Memorandum of Oral Assignment over the Insurances/ Takaful in favour of the Trustee;
4. Lien over the Rental Payment Account in favour of the Trustee through the Letter of Lien and Right of Set-Off;
5. Such other arrangements as may be mutually agreed between the Trustee, Investment Agent and the Issuer for the purpose of more fully perfecting the Security created in favour of the Trustee in terms of any document and deed to be executed from time to time;
6. Establishment of the Rental Payment Account in favour of the Trustee, which shall, during each semi-annual period commencing from the Ijarah Commencement Date, be funded by the Issuer with the upcoming instalment of the Rental Payment by at least 15 (fifteen) days before the relevant Payment Date ("**Payment Arrangement**"). The Issuer will not be allowed to operate the Rental Payment Account, which account shall be a restricted account with an exclusive lien over the proceeds thereof granted in favour of the Trustee for the benefit of the Sukuk Holders. The Trustee shall be authorized to utilize the amounts in the Rental Payment Account towards payment of the relevant Rental Payment due to the Sukuk Holders in accordance with the Terms and Conditions. In the event of 3 (three) consecutive shortfall or a total of 6 (six) such shortfalls in the Rental Payment Account/ Payment Arrangement occurring during the relevant semi-annual periods, will constitute an Event of Default.

3.3 EXISTING AND EFFECTIVE CHARGES AGAINST FIXED ASSETS

Sr.#	Details of Charges/Beneficiary	Amount (PKR)	Rank
1	Pak Brunei Investment Company Limited	14,000,000,000	Ranking
2	Allied Bank Limited, Bank Alfalah Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, Meezan Bank Limited, NIB Bank Limited, Pak-China Investment Company Limited	7,866,666,667	Pari passu
3	Allied Bank Limited	4,000,000,000	Pari passu
4	Standard Chartered Bank - United Kingdom	2,992,000,000	Pari passu

Sr.#	Details of Charges/Beneficiary	Amount (PKR)	Rank
5	Habib Bank Limited	4,000,000,000	Pari passu
6	Allied Bank Limited	4,000,000,000	Pari passu
	Sub-total of Pari Passu	22,858,666,667	

As per Valuation Report, dated September 20, 2016, issued by M/S Hamid Mukhtar & Co Private Limited of Lahore, Pakistan, the Present Market Value of Fixed Assets (Land, Building, Plant & Machinery) of the Company stood at PKR 89,606,124,000/--as of August 30, 2016.

3.4 OPENING AND CLOSING OF SUBSCRIPTION LIST

The subscription list will open at the commencement of the banking hours on December 29, 2016 and close at the end of banking hours.

3.5 INVESTOR ELIGIBILITY

- Pakistani citizens resident in Pakistan
- Pakistani citizens residing outside Pakistan
- Persons holding two nationalities including Pakistani nationality
- Foreign nationals whether living in or outside Pakistan
- 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)
- Mutual funds, provident/pension/gratuity funds/trusts (subject to the terms of their trust deeds and existing regulations; and
- Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan

3.6 FACILITIES AVAILABLE TO FOREIGN/NON-RESIDENT PAKISTANI INVESTORS

Non-resident Pakistani and foreign investors may subscribe for the Sukuk being issued through this Prospectus by using their Special Convertible Rupee Account ("SCRA") as set out under Chapter 20 of the Foreign Exchange Manual of the State Bank of Pakistan. SBP allows SCRA to be operated by non-resident Pakistani individuals, foreign investors and foreign corporate bodies.

Foreign investors do not require an regulatory approval to invest in the Sukuk being offered by FFCL. Payment in respect of investment in the Sukuk 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 of the sale proceeds (redemption) and profit on the Sukuk. Underlying client names/beneficial owners are required to be disclosed at depositary level.

A. Key documents required for opening of SCRA account by individual are:

- Account Opening request
- Passport/CNIC/NICOP

B. General documentations required for opening of SCRA account by institutional investors are:

- Account opening request;

- (ii) Board Resolution & Signatories list;
- (iii) Passport / ID of Board of Directors;
- (iv) Passport/ID of all authorized signatories;
- (v) Certificate of Incorporation (COI) or equivalent document (like Trade Registry Certificate, Business Registration Certificate, and Certificate of Commencement of Business);
- (vi) Memorandum & Articles of Association;
- (vii) Withholding tax registration certificate / Certificate of country of domicile of client;
- (viii) Latest Annual Report;
- (ix) List of Board of Directors; and
- (x) List of Shareholders (greater than 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 for the procedure from the respective institution.

3.7 MINIMUM AMOUNT OF APPLICATION AND BASIS OF ALLOTMENT OF SUKUKS

The basis and conditions of allotment shall be as follows:

- a. The minimum amount of application for subscription of Sukuk is PKR 5,000/-
- b. Applications for Sukuk below the aggregate face value of PKR 5,000/- shall not be entertained.
- c. Applications for Sukuk by the general public, including institutions and individuals, must be made for a minimum of the aggregate face value of PKR 5,000/- or in multiples of PKR 5,000/-.
- d. If the Sukuk to be issued to the general public are sufficient for the purpose to accommodate all the applications, all applications shall be accommodated.
- e. If the Issue is over-subscribed in terms of amount, then all applications shall be accommodated initially for Sukuks of face value PKR 5,000/- each and the balance Sukuks shall be allotted on pro-rata basis to all applicants who applied for Sukuks in multiple of PKR 5,000/-.
- f. If the Issue is over-subscribed in terms of number of applications and the amount for face value of PKR 5,000/-, the Sukuks shall be allotted through computer balloting in the presence of representatives of PSX.
- g. Allotment of Sukuks shall be subject to scrutiny of applications for subscription.

3.8 REFUND OF MONEY TO UNSUCCESSFUL APPLICANTS

FFCL 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 the Rule 5B read with sub rule 4.20 of the PSX Rule Book as amended from time to time.

As per sub-section (2) of Section 71 of the said Ordinance, if a refund is not made within the time specified, the Directors of the Company shall be jointly and severally liable to repay the money with surcharge at the rate of 1.50%, for every month or part thereof from the expiration of the 15th day and, in addition, to a fine not exceeding PKR 5,000/- (Rupees Five Thousand Only) and in case of continuing offence to a further fine not exceeding PKR 100 /-(Rupees One Hundred Only) for every day after the said 15th day on which the default continues.

3.9 MINIMUM SUBSCRIPTION

The minimum subscription on which the Directors will proceed to allot Sukuk is the full amount of the Issue i.e. PKR 2,625 million. If and to the extent that the Sukuk offered to the general public i.e. PKR 2,625 million are not subscribed in full by the closing of the subscription period, the underwriters, within 7 (seven) business days of being duly called upon by the Issuer to do so, shall subscribe or procure subscription to subscribe and pay for in cash in full for the unsubscribed Sukuk to the extent of the Sukuk underwritten by each underwriter.

3.10 ISSUE AND CREDIT OF SUKUK

FFCL shall issue Sukuk to the successful allottees within twenty one (21) days of closure of subscription list in compliance with the requirements of PSX. Sukuk will be issued in scripless form (in the Central Depository System – “CDS”). Scripless Sukuk shall be directly credited through book entries into the respective CDS accounts of allottees maintained with the Central Depository Company of Pakistan Limited (“CDC”).

The Sukuk issued directly for induction in the CDS shall be subject to the terms and conditions for the issuance of the Sukuk as specified in the Trust Deed dated November 21, 2016 and executed between the Company and the Trustee for the Sukuk Certificates.

The applicants should fill in the relevant column in the application form. In order to exercise the scripless option, the applicant must also have a CDS account at the time of subscription.

If FFCL defaults on complying with the requirements of the Listing Regulations relating to credit of Sukuk, it shall pay to the PSX a penalty of PKR 5,000/- per day for the period during which the default continues. The PSX may also notify the fact of such default and the name of the Bank by notice and also by publication, in the Daily Quotations.

3.11 TRANSFER OF SUKUK

Transfer under Book Entry Systems:

Sukuk will be declared as eligible security through the CDS of the CDC. Stamp duty on initial issuance will be borne by the Company. Sukuk, which are in the CDS, shall subsequently be transferred in accordance with the Central Depositories Act, 1997 and the CDC Regulations. The transfer fee for all subsequent transfers shall be borne by the Sukuk holders.

3.12 REDEEMABLE CAPITAL ISSUED IN PRECEDING YEARS THAT IS STILL OUTSTANDING

The terms of issuance and details of conversion/redemption of preference shares was as follows:

Preference shares issue and terms of issuance:

400 million non-voting, non-participatory, cumulative, redeemable/convertible preference shares at par value of Rs 10 per share were issued in year 2010 by the Company for a total amount of Rs. 4,000 million to the following associated companies:

S.No	Name of Associated Companies	Number of Shares
------	------------------------------	------------------

1	Pakarab Fertilizers Limited	360,000,000
2	Reliance Commodities (Pvt) Limited	35,000,000
3	Fatima Sugar Mills Limited	5,000,000
Total		400,000,000

Annualized cumulative dividend is payable at 6-months KIBOR plus 3.0% p.a. The Company may, at its option, redeem the preference shares at par value at any time by giving at least 60 days prior written notice to the preference shares holders. The redemption shall only be made out of a Sinking Fund reserve account from the profits of the Company.

Preference shares holders will have the option to convert the preference shares into ordinary shares of the Company by serving the Conversion Notice after the end of the two years from the Issue Date of preference shares at 20% discount on fair value of the ordinary share at the time of conversion.

Redemption Conversion:

On May 10, 2012, the Company converted 200 million preference shares into 100 million ordinary shares at conversion price of Rs. 20/- per share yielding a premium of Rs. 1,000 million. The conversion price was agreed with the preference shareholders as the higher of Rs 20/- or at a discount of 20% to the weighted average quoted price of sixty days from the date of notice.

Ordinary shares issued in lieu of preference shares rank pari passu in every respect except they were not eligible for the dividend declared by the Company for the year ended December 31, 2011. On the same date, the Company redeemed 200 million preference shares at par according to the terms of preference shares issuance.

3.13 PRINCIPAL PURPOSE OF THE SUKUK

The principal purpose of the Sukuk is to repay an existing long term loan of the Company, the Syndicated Term Finance Facility ("STFF").

The STFF was priced at 6 months KIBOR + 3% and was due to mature in 2018. Pre-payment of the STFF through the Sukuk will lower the cost of financing of the Company as the Sukuk offers a Profit Rate of 6 month KIBOR + 1.10%. Furthermore, the Sukuk will mature in 2021 thereby favorably re-profiling the balance sheet of the Company.

The outstanding balance of STFF was PKR 10,463 million which has now been repaid. PKR 7,875 million was repaid through Pre-IPO proceeds while the Company utilized available short term borrowing lines to pay the balance PKR 2,588 million. These proceeds from the Public Subscription of the Sukuk will be used to repay the aforementioned short term borrowing lines of PKR 2,588 million. The residual proceeds of PKR 37 million will be utilized as working capital. The list of STFF lenders is mentioned below:

S. No	Name of STFF Lenders	Outstanding Principal
1	National Bank Of Pakistan	1,910,862,377
2	Faysal Bank Limited	1,455,894,635
3	Habib Bank Limited	1,353,527,528

4	Allied Bank Limited	1,137,417,856
5	United Bank Limited	1,136,008,076
6	Askari Bank Ltd	682,491,794
7	Bank Alfalah Limited	682,450,854
8	Standard Chartered Bank Ltd	636,953,957
9	The Bank Of Punjab	591,457,404
10	Habib Metropolitan Bank Ltd	227,483,614
11	MCB Bank Limited	227,483,268
12	Summit Bank Ltd	147,864,318
13	Pak Libya Holding Company Limited	136,490,169
14	Saudi Pak Industrial & Agriculture Investment Company Ltd	90,993,445
15	Bank Of Khyber	45,496,899
Total		10,462,876,194

3.14 REGISTERED INSTRUMENT

Sukuk will be in registered form and the Company and/or Registrar shall maintain or cause to be maintained, a register of Sukuk holders.

3.15 INTEREST OF SUKUK HOLDERS

None of the Sukuk holders of this Issue have any special or other interest in the property or profit of the Company other than that as holders of the Sukuk of the Company. Since the Sukuk are offered to the Public, therefore, the existing ordinary shareholders of the Company, being a listed entity, may subscribe for the Sukuk. In such a case, the Sukuk holders may also have interest in the property and profit of the Company as holders of the ordinary shares in the capital of the company.

3.16 REDEMPTION OF SUKUK

A register of Sukuk holder(s) will be maintained or cause to be maintained by the Company and/or Registrar. The register of Sukuk holders will be closed for a period of seven days prior to the profit payment or redemption of Sukuk. Each Sukuk will be redeemed on its due date through the dispatch of pay order / crossed cheque to the registered holder of the Sukuk. Thus, the Sukuk holder(s) will not need to physically go to the counters of any specific bank in order to have the Sukuk redeemed.

The terms of the redemption of each Sukuk are as shown below:

Tenor	5 Years
	For investor participating in the General Public Portion of the Sukuk, the Tenor will effectively be less than 5 years as the 5 year Tenor has started from Ijarah Commencement Date i.e. November 28, 2016. The Tenor for investors participating in the General Public Portion will start from the Issue Date i.e. day of the public subscription.
Principal Redemption	The Instrument will be structured to be redeemed in ten (10) equal semi-annual instalments from the Ijarah Commencement Date

Profit Rate	<p>5-year floating rate instrument @ 6 month KIBOR (base rate) plus 1.10% p.a., (subject to a floor of 3% per annum and a cap of 25% per annum)</p> <p>“Base Rate” is defined as the average 6 (six) months Karachi Interbank Offered Rate (KIBOR) prevailing on the Rate Fixing Date. KIBOR used for reference will be taken from Reuters Page “KIBR”, as published at 11.30 am Pakistan Standard Time by the Financial Markets Association (FMA). The daily average of the six months “Ask Rate” will be used. In the event this rate is not published on Reuters on the Rate Fixing Date or if less than 8 (eight) banks provide their rates for the KIBOR fixing, the FMA or other relevant market body will be contacted for the relevant rate fixing. The Base Rate will be set for the first time one Business Day prior to the first date of payment of the Issue Price (or any part thereof) for calculating the Rental Payment payable at the end of the first semi-annual period and subsequently one Business Day prior to the beginning of each semi-annual period for the Rental Payment due at the end of that semi-annual period (“Rate Fixing Date”).</p>
Profit Payment	<p>Profit will be payable semi-annually in arrears calculated on the basis of actual number of days elapsed in year of 365/366 days on the outstanding principle amount. The first such profit payment will fall due six (6) months from the Ijarah Commencement Date and subsequently, every six (6) months thereafter</p>

Produced below is the redemption schedule for the Sukuk based on face value of PKR 5,000/, calculated on the basis of the profit rate of 7.20%, i.e. Base Rate + 110 bps. The Base Rate used for the calculation of the redemption schedule herein is 6.10%, which was the average 6-month KIBOR Ask rate as of November 25, 2016:

Redemption Schedule:

Month	Rental Payment date	Fixed Rental (Principle Repayment)	Indicative Variable Rental @ 7.20%	Zakat	Withholding Tax @ 10%	Total Payment	Amount of Fixed Rental Outstanding
0	28-Nov-16						5,000
6	28-May-17	500	179	4	18	656	4,500
12	28-Nov-17	500	163	4	16	643	4,000
18	28-May-18	500	143	4	14	625	3,500
24	28-Nov-18	500	127	3	13	611	3,000
30	28-May-19	500	107	3	11	594	2,500
36	28-Nov-19	500	91	2	9	579	2,000
42	28-May-20	500	72	2	7	563	1,500
48	28-Nov-20	500	54	1	5	548	1,000
54	28-May-21	500	36	1	4	531	500
60	28-Nov-21	500	18	0	2	516	-
		5,000	990	25	99	5,866	

Note: The above redemption schedule includes deduction of Zakat and withholding tax (applicable for persons other than companies). For applicability of these, please refer to paragraph 3.19 & 3.21 below, respectively.

If at any time, the Base Rate is discontinued, while any amounts remain due and payable by the Issuer to the Certificate Holders in terms of the Sukuk Certificates or the 6 (six) month KIBOR ceases to be realistic bench mark on the money market in the opinion of the Certificate Holders, an alternative basis for calculating the Base Rate may be arrived at by mutual consultation between the Issuer and the Certificate Holders.

Early Redemption / Call Option

Early redemption of the Sukuk will be allowed after 3 years with thirty (30) days prior written irrevocable notice to the Trustee. Early redemption will be subject to the following:

- in multiple of PKR 500 million;
- allowed only on profit payment dates;
- in case of prepayment (call option) payment of an additional amount @ 0.25% of the amount prepaid which is structured as increase in price of Ijarah Asset.

In case of partial bullet payment, a revised schedule shall be worked out incorporating the effect of bullet payment as an increase in advance rental.

3.17 PROFIT PAYMENT

The profit on the Sukuk will be paid on semi-annual basis at a floating rate of 6 month KIBOR plus 110 bps p.a. (subject to a floor of 3% per annum and a cap of 25% per annum).

To bring all Sukuk holders at par before credit of Sukuk Certificates, rental for the interim period - from the Ijarah Commencement Date until the day before the date of Public Subscription - will be paid separately to Pre-IPO Investors.

Successful Sukuk investors will accrue rental from the Issue Date (being the day of public subscription) until the first Rental Payment Date which will be a period less than six months. Thereafter all subsequent rentals will be paid for a six month period as per above Redemption Schedule.

3.18 REDEMPTION RESERVE

No redemption reserve is being created for redemption of Sukuk in view of the projected financial cash flows; the Company is expected to have adequate funds to meet its financial obligations arising from the Sukuk.

3.19 DEDUCTION OF ZAKAT

Zakat is deductible in case of the Sukuk being held by Muslim citizens of Pakistan, except where a statutory declaration of exemption is filed, and in case of certain non-corporate entities such as Trusts, Funds, etc. (subject to being qualified for non-deduction of Zakat under the Zakat and Ushr Ordinance, 1980). Zakat is withheld at 2.5% of the redeemed principal.

3.20 INCOME TAX

Any income derived from the Sukuk shall be subject to income tax as per the Income Tax Ordinance, 2001. Withholding tax, as specified in Part III division of the First Schedule of the said ordinance shall be deemed to be the final discharge of tax liability on the profit arising to a tax payer other than a company under subsection 3(a) of section 151 of the Income Tax Ordinance, 2001.

3.21 DEDUCTION OF WITHHOLDING TAX

Profit or yield paid to Sukuk holders will be subject to withholding tax under section 151 of the Income Tax Ordinance, 2001 specified in Part III Division IA of the First Schedule of the said Ordinance or any time to time amendments therein. The rate of tax to be deducted shall be:

- (a) For filer of Income Tax Returns: 10.00 %
- (b) For non-filer of Income Tax Return: 17.5%

Provided that for a non-filer, if the yield or profit paid is rupees five hundred thousand or less, the rate shall be 10%.

3.22 CAPITAL GAINS

Any capital gain derived from the sale of Sukuk shall be subject to capital gain tax as per the Income Tax Ordinance, 2001.

3.23 MARKET MAKING

Arif Habib Limited will act as Market Maker for the Sukuk. The Market Maker will at all times hold at least one percent (1%) of the outstanding amount of Sukuk.

The Market Maker shall mandatorily make available two way quotes on daily basis with a maximum spread of 2.50% till complete redemption of the Sukuk.

The Market Maker shall be bound to purchase or sale a maximum of one percent (1%) of total principal outstanding of the Sukuk during a business day.

The Market Maker will be obligated to replenish its orders/quotes within 90 seconds following full execution, withdrawal, expiration or any change in the price of either bid or offer.

3.24 DISCLOSURE OF DEFERRED TAXATION

Deferred tax is recognized using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the rates enacted at the reporting date. The balance of deferred tax liability as of September 30, 2016 was Rs.15,185 million.

PART IV

4 UNDERWRITING, COMMISSIONS, BROKERAGE AND OTHER EXPENSES TO THE ISSUE

4.1 UNDERWRITING

The Public Offering of Sukuk of PKR 2,625 million has been underwritten as follows:

S. No	Underwriter's name	Amount (PKR)
1	Faysal Bank Limited	1,400,000,000
2	Habib Bank Limited	338,375,000
3	Askari Bank Limited	300,000,000
4	United Bank Limited	284,000,000
5	The Bank of Punjab	177,625,000
6	MCB Bank Limited	125,000,000
Total		2,625,000,000

If and to the extent that the Sukuk offered to the general public by the Public Offering in accordance with the terms hereof shall not have been subscribed for and paid in full by the closing of the subscription list, the Underwriter, within 7 (seven) business days of being duly called upon by the Issuer to do so, shall subscribe or procure subscription to subscribe and pay for in cash in full for the unsubscribed Sukuk to the extent of the Sukuk underwritten by the underwriter.

THE UNDERWRITERS HAVE NOT ENTERED INTO ANY BUYBACK/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 BUYBACK/RE-PURCHASE AGREEMENT WITH THE UNDERWRITERS OR ITS ASSOCIATES. THE ISSUER AND ITS ASSOCIATES SHALL NOT BUYBACK/RE-PURCHASE SUKUK FROM THE UNDERWRITERS AND ITS ASSOCIATES.

4.2 UNDERWRITING COMMISSION

The underwriters will be paid a commission of 0.25% of the total amount underwritten. The take up commission in the Issue is NIL, payable on the amount actually taken up in case of an underwriting call.

4.3 BANKERS TO THE ISSUE COMMISSION

A commission at the rate of 0.25% of the amount collected, in respect of successful applications will be paid to the Bankers to the Issue for services to be rendered by them in connection with the public offer.

4.4 BROKERAGE

For the IPO, FFCL will pay brokerage to the TRE Certificate Holders of the PSX at the rate of 0.25% of the value of Sukuk on successful applications for General Public Portion. No brokerage shall be payable in respect of Sukuk taken up by the underwriters by virtue of their underwriting commitments.

4.5 EXPENSES OF THE ISSUE

The initial expenses of the Issue paid or payable by the Company inclusive of commission to the underwriters, Bankers to the Issue and TRE Certificate Holders of the Stock Exchange, etc., are estimated to be as follows:

Expenses to the Issue	Rate	Amount (PKR)
Commission to the Bankers to the Issue Including Out of Pocket Expenses*	0.25%	7,112,500
Underwriting Arrangement Fee	0.50%	52,500,000
Underwriting Commission - General Public	0.25%	6,562,500
Commission to the TREC Holders of PSX*	0.25%	6,562,500
Success Fee	0.3%	31,500,000
Trustee Fee**	p.a	500,000
Rating Fee**		1,500,000
Legal Counsel		1,000,000
Shariah Structuring Fee	One time	500,000
CDC Annual Fee for Eligible Security	p.a	250,000
CDC Fresh Issue Fee	0.08%	8,400,000
Stamp Duty	0.05%	5,250,000
Legal and Professional Charges		500,000
PSX Initial Listing Fee		500,000
PSX Annual Listing Fee		50,000
SECP Processing Fee		200,000
SECP Supervisory Fee		55,000
Auditors for preparation of various certificates		800,000
Printing, Publication of Prospectus / Application Forms		4,000,000
Balloter & Share Registrar Fee etc		250,000
Market Making**		4,125,000
Miscellaneous Costs		1,000,000
Total		133,117,500

*represents maximum amount payable

**Represent fees for the first year

PART V

5 HISTORY AND PROSPECTS

5.1 BACKGROUND

Fatima Fertilizer Company Limited was incorporated in Pakistan on December 24, 2003 as a public company, due to a joint venture between two major business groups in Pakistan namely, Fatima Group and Arif Habib Group. The principal activity of the Company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals.

The Company was listed on all stock exchanges of Pakistan through a successful initial public offering (IPO) in February 2010 which is now listed at PSX after merger of all the three exchanges. FFCL took control of DH Fertilizers Limited and Buber Sher (Private) Limited on July 1, 2015 and later changed DH Fertilizer Limited's name to Fatimafert Limited on December 2, 2015.

As FFCL is an already listed company on the PSX, the Company is compliant with the Code of Corporate Governance of the Pakistan Stock Exchange. The Annual Report of the Company includes a Report of the Audit Committee on Adherence to the Code of Corporate Governance, Statement of Compliance with the Code of Corporate Governance duly signed by the CEO and a Review Report from the Company's auditors on Statement of Compliance with Best Practices of Code of Corporate Governance.

FFCL has fertilizer complex, a fully integrated production facility capable of producing two intermediate products, i.e. Ammonia and Nitric Acid and three final products which are Urea, Calcium Ammonium Nitrate (CAN) and Nitro Phosphate (NP).

The plant is located at Sadiqabad, Rahim Yar Khan with rated capacity of 1.5 million tons. The Complex has a 56MW captive power plant in addition to off-sites and utilities. The Complex has been allocated 110 MMCFD of gas from the dedicated Mari Gas fields. The Company commenced its commercial production on July 01, 2011. Detail of existing production facilities are as follows:

- **AMMONIA PLANT:** Based on Kellogg process, steam reforming of the natural gas, the Plant has an original designed production capacity of 1,500 MTPD.
- **NITRIC ACID PLANT:** Nitric Acid is based on the latest dual pressure Uhde technology, producing 60% pure acid with a design capacity of 1,500 MTPD (100% basis).
- **UREA PLANT:** Urea Plant is based on Stamicarbon's latest technology and has a design capacity of 1,500 MTPD.
- **NITRO PHOSPHATE PLANT:** Nitro Phosphate produced at FFCL is a Prilled fertilizer, with a production capacity of 1,200 MTPD.
- **CALCIUM AMMONIUM NITRATE (CAN) PLANT:** CAN Granulation Plant is designed and manufactured by Uhde, Germany, with a production capacity of 1,400 MTPD.

Fatima Fertilizer has joined the ranks of leading local companies as it has been added to the Morgan Stanley Capital International (MSCI) Pakistan Index and MSCI Frontier Index from November 2011.

In October 2015 during a planned turnaround, Ammonia plant was successfully re-vamped to enhance its capacity by 10% along with improvement in the energy index and reliability at a cost of USD 58 Million with the support of an engineering company M/S Haldor Topsoe of Denmark. All objectives of the re-vamp were achieved successfully

5.2 SHAREHOLDING STRUCTURE

Break up of Ordinary Shares of the Company are as follows:

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	627,048,601	29.86
Associated Companies, Undertakings and Related Parties	871,346,188	41.49
Sponsors	256,558,204	12.22
Executive	1,208,118	0.06
Public Sector Companies and Corporations	8,188,928	0.39
Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas and Pension Funds	118,949,453	5.66
Mutual Funds	17,447,996	0.83
General Public		
a. Local	78,967,706	3.76
b. Foreign	707,987	0.03
Foreign Companies	13,841,627	0.66
Others	105,735,192	5.04
TOTAL	2,100,000,000	100.00

5.3 BRIEF ABOUT SPONSORS

FFCL is a joint collaboration between the Arif Habib Group and Fatima Group with aggregate shareholding of c. 87.7% in the Company. They have managed to leave their footprints not only in the trading sector but also in manufacturing of various products. The Group started off with trading of commodities and soon ventured into manufacturing of various products.

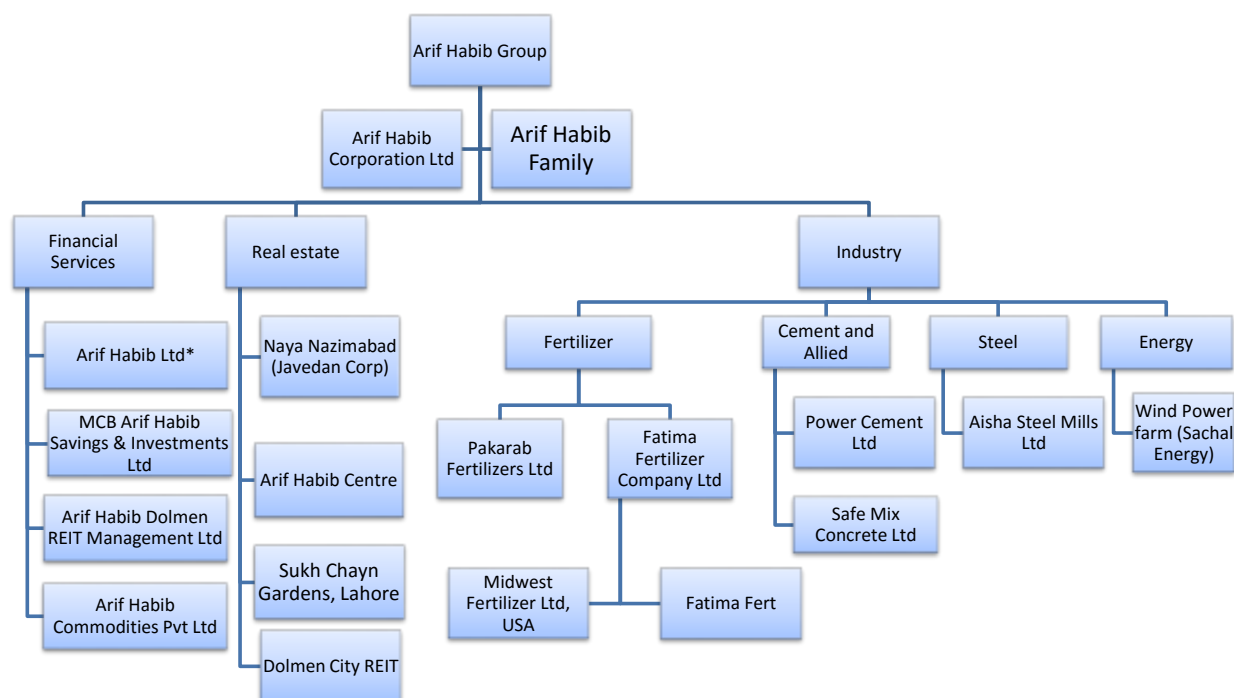
Fatima Group currently deals in fertilizer, sugar, trading, textile, mining and energy. Following are the companies responsible for their business operations:

1. Fatima Fertilizer Limited
2. Pakarab Fertilizers Limited
3. Reliance Weaving Mills Limited
4. Fatima Sugar Mills Limited
5. Reliance Commodities (Private) Limited
6. Fatima Energy Limited
7. Pakistan Mining Company Limited

The group has a vision to further diversify its scope of business and looks forward to start its business operations overseas to make a mark around the globe as they have already started working in USA for their fertilizer division.

The Arif Habib Group started as a securities brokerage house in 1990 and has since built prosperous businesses in the areas of cement, steel, real estate, alternate energy, asset management, M&A and corporate finance.

Following are the companies of operating under Arif Habib Group are as follows:



5.4 PRODUCTS

Fatima Fertilizer Company Limited produces following products:

1. Sarsabz Calcium Ammonium Nitrate (CAN),
2. Sarsabz Urea,
3. Sarsabz Nitro Phosphate (NP).

Sarsabz Calcium Ammonium Nitrate

Sarsabz Calcium ammonium nitrate (CAN) is a granulated nitrogenous fertilizer that supplies nitrogen to plants in a balanced and secure manner. The combination of ammonium nitrogen and nitrate nitrogen makes Sarsabz CAN a special product with neutral chemistry (pH). The excellent granulation and specific surface coating has very good spreading properties.

In farming, the efficient supply of nutrients to the plants, with a low level of losses, is of great importance. This applies primarily to nitrogen, which has a direct influence on crop growth and development. Due to its special properties, the supplies of nutrients are quick and for a longer time.

Sarsabz CAN is a hygroscopic product and needs very low moisture to be absorbed by the plants. It is equally effective in water stressed areas where soil has low moisture. Furthermore Calcium and Sulfur available in Sarsabz CAN is also helpful in soil reclamation.

Sarsabz Calcium Ammonium Nitrate (CAN) can be applied universally and is suitable for all crops, all seasons, soils and locations. The main components nitrate and ammonium are present in an ideal ratio and make Sarsabz CAN an affordable fertilizer for healthy plant growth in agriculture and horticulture. It is suitable for multiple methods of application; by drill, broadcast or through fertigation.

Sarsabz Urea

Sarsabz Urea releases nitrogen into soil which is thereafter taken up in by the plants. Once applied to the soil, Sarsabz Urea undergoes vital transformations and breaks up into ammonium form and this total process is dependent on soil moisture.

As soon as Sarsabz Urea dissolves in the soil, it forms around it a zoning layer of high pH and ammonia concentration turning the soil to be acidic and toxic at the same level. Sarsabz Urea is available as prills that are crystalline white and highly resistant to moisture and thus facilitate long time storage as well.

Sarsabz Urea can be applied in various forms, it can be spread in bulk alone or can also be mixed with other fertilizers before application. When urea is applied on acidic soils of lower pH i.e below 7.0, it should be incorporated into the soil as soon as possible. Sarsabz Urea is high moisture absorbent therefore it should be stored in sealed and well enclosed bags.

Sarsabz Nitrophos

Sarsabz Nitrophos (NP) is a granulated fertilizer in which each grain has equal amounts of Phosphorus (P) 20% & Nitrogen (N) 22%. In addition to this, NP being a highly acidic product with a pH of 3.5, is the most suitable fertilizer for soils that have a high pH and are alkaline in nature.

Sarsabz Nitrophos (NP) can be applied universally on all types of soils, but is more effective where the soils have high pH and are alkaline in nature. In many crops it could be effectively applied at planting and at early growth stages of the crops. Each grain has equal amounts of N & P, hence the nutrients are equally distributed throughout the field.

5.5 HISTORICAL FINANCIAL PERFORMANCE OF THE COMPANY

Income Statement Items (PKR mn)	CY11	CY12	CY13	CY14	CY15	9MCY16
Un-Consolidated Financials						
Sales	14,833	29,519	33,496	36,169	29,733	22,908
Gross Profit	10,092	17,266	19,711	21,461	17,122	11,966
EBITDA	9,862	16,340	18,021	19,507	15,590	10,836
EBIT	9,151	14,854	16,490	17,916	13,927	9,479
Profit before Tax	6,088	9,081	12,321	14,149	11,548	7,555
Profit for the year	4,117	6,111	8,022	9,258	9,254	6,371

Balance Sheet Items (PKR mn)	CY11	CY12	CY13	CY14	CY15	9MCY16
Un-Consolidated Financials						
Equity and Liabilities						
Capital and Reserves						
Paid-Up Capital	20,000	21,000	21,000	21,000	21,000	21,000
Un apportioned Profit	3,263	6,158	9,983	13,990	17,469	21,215

Total Equity	28,053	28,948	32,759	36,757	40,229	43,974
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Non-Current Liabilities

Long Term Finances	34,457	27,024	22,647	17,335	13,168	12,602
Deferred Liabilities	1,809	4,844	9,391	14,421	15,412	15,581
Total Non-Current Liabilities	38,483	34,785	32,038	31,789	28,613	28,228

Current Liabilities

Trade and other payables	4,651	4,997	6,651	7,341	8,646	8,640
Short Term Finances- Secured	0	2,690	2,303	600	10,229	11,334
Current maturity of long term Finance	3,033	4,085	5,938	6,375	6,812	7,309
Total Current Liabilities	9,811	12,272	15,275	14,575	25,948	30,570

Total Equities and Liabilities	76,347	76,005	80,072	83,121	94,789	102,772
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Assets**Non-Current Assets**

Property, plant and equipment	68,116	67,579	67,631	68,823	73,132	73,753
Total Non-Current Assets	68,121	67,676	67,726	68,952	75,257	75,884

Current Assets

Store and Spares	1,931	3,231	3,850	4,090	4,764	4,944
Stock in Trade	1,215	2,508	2,702	2,681	7,003	7,085
Short Term loan to associated companies	-	-	3,000	3,000	2,700	3,499
Loans, advances, and other receivables	1,045	1,468	2,456	3,000	4,436	10,273
Total Current Assets	8,226	8,329	12,346	14,169	19,533	26,889

Total Assets	76,347	76,005	80,072	83,121	94,789	102,772
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Key Ratios	CY11	CY12	CY13	CY14	CY15	9MCY16
Profitability						
Gross Profit	68%	58%	59%	59%	58%	52%
EBITDA	66%	55%	54%	54%	52%	47%
EBIT	62%	50%	49%	50%	47%	41%
Profit Before Tax	41%	31%	37%	39%	39%	33%
Profit After Tax	28%	21%	24%	26%	31%	28%
Return on Equity	15%	21%	26%	27%	24%	15%
Return on Capital Employed	28%	23%	26%	27%	20%	13%
Return on total assets	5%	8%	10%	11%	10%	6%

Liquidity/ Activity

Current ratio	0.84	0.68	0.81	0.97	0.75	0.88
Quick/ Acid test Ratio	0.71	0.47	0.63	0.79	0.48	0.65
Inventory turnover	3.90	6.58	5.29	5.46	2.60	1.55

Stock holding period	93.54	55.45	68.98	66.80	140.14	234.97
Total assets turnover	0.19	0.39	0.43	0.44	0.33	0.23

Capital Structure

Debt to Equity	1.40	1.18	0.95	0.67	0.76	0.73
Interest Coverage	2.99	2.57	3.96	4.76	5.85	4.93
Financial Leverage	2.72	2.63	2.44	2.26	2.36	2.34

Investment/ Market

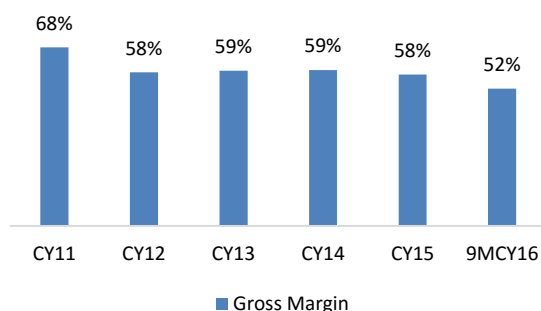
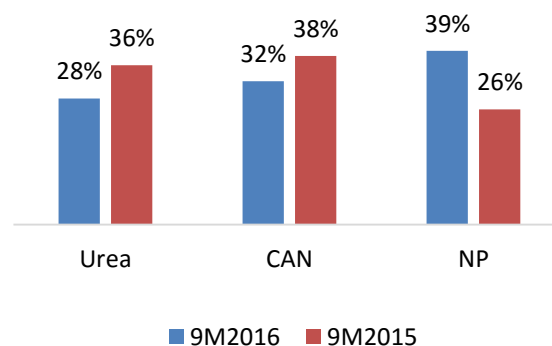
Book Value Per Share	14.03	13.78	15.60	17.50	19.16	20.94
Basic earnings per share	2.06	2.91	3.82	4.41	4.41	3.03
Dividend per share	1.50	2.00	2.50	2.75	-	1.25
Dividend Payout	73%	69%	65%	62%	n/a	41%
Average Market Prices	16.05	24.23	25.17	29.93	41.86	34.09
Dividend Yield	9%	8%	10%	9%	n/a	4%

The sales of the Company grew at a 4 year CAGR of 19.0% from CY11 to CY15, however, a decline in sales by 17.8% witnessed in CY15 due to decrease in sales volume by 18.3%.

During the nine month of 2016, FFCL registered sales volume of 788,000 tons, rose by 11.9% compared to the same period last year.

The volume of Nitro Phosphate posted a healthy increase by 68.9% on year to date basis, while, the volumes of Urea and CAN were lower by 11.5% and 4.9% respectively compared to the corresponding period last year.

Sales Volume Mix

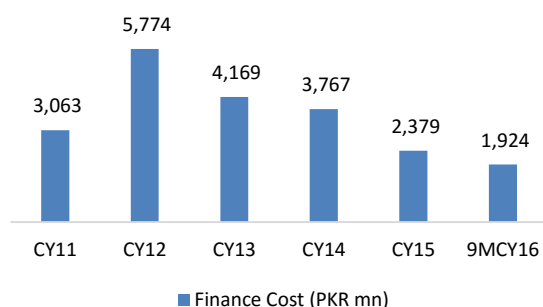


In 9MCY16, FFCL recorded sales 22,908 million up by 3.2%, as compared to 22,188 million in the corresponding period last year. The 12% increase in sales volume translated only in 3% rise in sales revenue mainly due to decreased product prices.

The gross profit for the 9MCY16 was PKR 11,966 dropped by 10%, compared to PKR 13,289 in the corresponding period last year.

Resulting a GP margin of 52%, decreased by 8% as compared to the same period last year mainly on account of lowered product prices.

The finance cost of the company reduced each year at an average rate 6.1% from CY11 to CY15, indicating that the Company's debt has fallen compared to its total assets. However, in 9MCY16, the finance cost



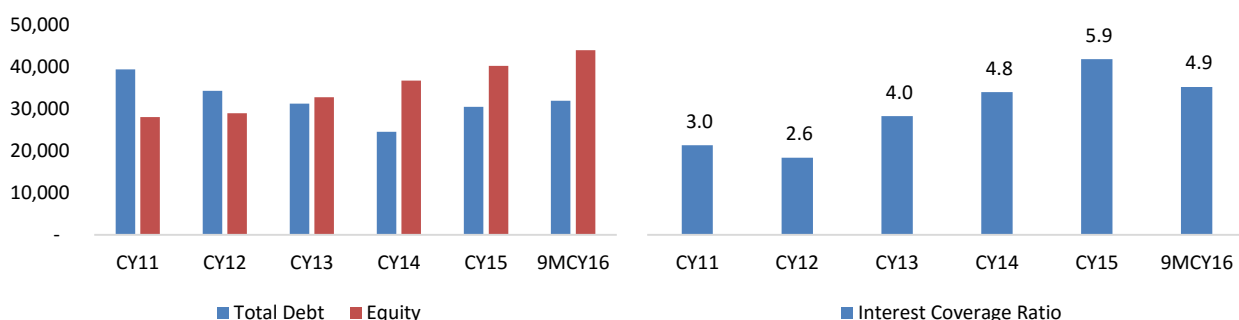
was PKR 1,924 million, up by 7.7% against 1,786 in 9MCY15, mainly due to increased short term borrowing to PKR 11,333 million in 9MCY16 as compared to 10,229 in CY15. The incremental borrowing were utilized to meet the increased working capital requirement during slow offtake situation in 1HCY16.

During CY12 to the 9MCY16, FFCL was able to increase its current ratio to 0.88 in 9MCY16 from 0.68 in CY12 which shows that gradual improvement in the

Company's liquidity. Similar to the current ratio, the quick ratio also improved from 0.47 in CY12 to 0.65 in 9MCY16 indicating that the FFCL is able to meet its liquidity demands easily.

The total debt declined gradually by 4.1% each year on an average basis. The Debt to Equity ratio fallen from 1.40 in CY11 to 0.73 in 9MCY16.

In addition, the interest coverage ratio also showed a significant improvement from 2.99 in CY11 to 4.93 in 9MCY16, resulting that the debt interest is now a lesser burden to the Company and it has sufficient cash flows to meet its current debt obligations.



5.6 SWOT ANALYSIS

S Strengths

- Differentiated and diversified product portfolio, i.e. NP, CAN and Urea
- Manufacturer of cost efficient substitute of DAP
- Diversified pool of qualified and committed human resource
- Growing Dealers Network
- Largest Technical Support team and unique farmer and customer services

W Weaknesses

- No alternate to single source of natural gas supply
- New Brand competing against established brands
- Dependence on single source and imbalanced Logistics support

O Opportunities

- Potential to increase per acre consumption of fertilizers
- Further strengthening of NP and CAN image compared to other fertilizers
- Capacity enhancement through Revamp of Ammonia and other Plants
- Government's refocus on incentivizing farmers to promote agriculture growth
- International collaborations for business development

T Threats

- Climate changes and water scarcity impacting agriculture
- Continuing energy crises
- Volatile law and order situation
- Weak economic situation of Farmers

5.7 RISK FACTORS

5.7.1 GENERAL RISK

Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks and other receivables. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro (EUR). Currently, the Company's foreign exchange risk exposure is restricted to bank balances, the amounts receivable / payable from / to the foreign entities. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

Interest Rate Risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long term interest bearing assets. The company's interest rate risk arises from long term financing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

Capital Management Risk

The Company's objectives when managing capital are to safeguard Company's ability to continue as a going concern in order to provide maximum return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure as required by the lenders.

The Company monitors the capital structure on the basis of debt to equity. In order to maintain or adjust the capital structure, the Company may, for example, issue new ordinary / preference shares, or obtain / repay loans.

Natural Gas Risk

Natural gas is used as a raw material in the production of fertilizer. Shortage in the supply of natural gas can adversely affect the production capacity of the plant.

5.7.2 SPECIFIC TO THE ISSUE**Payment/Default Risk**

This risk is associated with repayment capacity of FFCL to service the principal repayments and profit payments. Since the Sukuk will be repaid through semi-annual instalments, payment risk is largely distributed.

Interest Rate Risk/Reinvestment Risk

Increase in market interest rates, and underlying inflation, may adversely affect the comparative return and/or the real (inflation adjusted) return for the investors.

Price Risk

The Sukuk will be listed on the PSX and the certificate holders will be able to sell or buy Sukuk through the TREC holders of PSX. Price of Sukuk will depend on the bond market behaviour and the performance of the Company. Hence price may rise or fall and result in increase or decrease in the value of Sukuk to any extent.

Changes in Tax Regime

Any adverse change in the existing tax regime for investment in Sukuk, may affect the profit for the Sukuk investors.

Regulatory Risk

Changes in the regulatory framework may have an effect on the profitability of FFCL.

PART VI

6 FINANCIAL INFORMATION & CREDIT RATING REPORT

6.1 AUDITORS CERTIFICATE



Deloitte.Deloitte Yousof Adil
Chartered Accountants

For the financial year ended December 31, 2013:

"During the year ended, the Company has classified the loan to associated company as short term based on the notification from Pakarab Fertilizers Limited of its intentions to repay the loan before December 31, 2014 and the Company's board resolution agreeing to accept such early repayment. While the Company intends to obtain approval of the shareholders in the forthcoming annual general meeting for early repayment of the loan, however, 75% of its shareholders have given consent to vote in favor of the proposed special resolution. Our opinion is not qualified in respect of this matter."

For the financial year ended December 31, 2012:

"During the year ended, the Company has not created capital redemption reserve fund due to inconsistency between the requirements of IFRSs and the Companies Ordinance, 1984. Our opinion is not qualified in respect of this matter."

D/A

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

 Deloitte Yousef Adil
 Chartered Accountants

1. SUMMARY OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY AS AT DECEMBER 31, 2015

- 1.1 The summary of assets, liabilities and shareholders' equity of the Company as at December 31, 2015 was as follows:

	Fatima Fertilizer Company Limited	
	(Standalone)	(Consolidated)
	(Rupees in '000)	
ASSETS		
Non current assets		
Property, plant and equipment	73,105,193	87,510,376
Intangible assets	26,370	5,928,128
Long term investments	2,106,450	85,806
Long term deposits	18,530	19,146
	75,256,543	93,543,456
Current assets		
Stores and spares	4,764,101	5,441,907
Stock in trade	7,002,664	7,077,536
Trade debts	335,002	525,663
Short term loan to associated companies	2,700,000	2,700,000
Loans, advances, deposits, prepayments and other receivables	4,435,640	4,959,017
Cash and bank balances	295,203	762,620
	19,532,610	21,466,743
TOTAL ASSETS	94,789,153	115,010,199
CAPITAL AND RESERVES		
Issued, subscribed and paid up capital	21,000,000	21,000,000
Share premium	1,790,000	1,790,000
Post retirement benefit obligation reserve	(30,437)	(14,784)
Unappropriated profit	17,468,946	31,062,714
	40,228,509	53,837,930
LIABILITIES		
Non current liabilities		
Long term finances	13,168,124	17,634,124
Deferred liabilities	15,411,918	15,672,929
Long term deposits	33,003	42,312
	28,613,045	33,349,365
Current liabilities		
Trade and other payables	8,645,991	10,103,383
Accrued finance cost	260,003	389,807
Short term finances - secured	10,229,486	10,517,595
Current maturity of long term finance	6,812,119	6,812,119
	25,947,599	27,822,904
TOTAL EQUITY AND LIABILITIES	94,789,153	115,010,199

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 Deloitte Young & Adil
 Chartered Accountants

1.2 Contingencies and commitments

- (i) The application under section 65 of the Sales Tax Act, 1990 to the Commissioner Inland Revenue, Multan regarding exemption of sales tax estimating Rs. 690 million inadvertently short levied/paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011 has been rejected. Fatima Fertilizer Company Limited (the Company) has filed an appeal in Lahore High court against the decision.

Based on the advice of the Company's legal counsel and tax advisor, management considers that reasonable grounds exist that appeal will succeed. Consequently, no provision has been recognized in the financial statements for the abovementioned amount.

- (ii) The Company has filed an appeal with the Commissioner Inland Revenue Appeals (CIR(A)) against an order passed by Deputy Commissioner Inland Revenue (DCIR), Multan raising a demand amounting to Rs. 759 million along with 100% penalty by treating the stocks of finished fertilizer products transferred to the Company warehouses as sales without any cogent legal grounds.

Based on the advice of the Company's legal counsel and tax advisor due to feeble basis of demand, the management is confident that the appeal will succeed. Consequently, no provision has been recognized in the financial statements for the abovementioned amount.

- (iii) The Assistant Commissioner Inland Revenue has passed a judgment against the Company alleging that the Company has adjusted the excess input tax amounting to Rs. 12.68 million in January 2012 sales tax return.

The Commissioner Inland Revenue Appeals (CIR(A)) has allowed input tax to the extent of Rs. 2,829 million. For the remaining the Company has opted appeal before the Appellate Tribunal Inland Revenue (ATIR).

- (iv) The Company has preferred appeals in Appellate Tribunal Inland Revenue, Lahore, against the following orders passed by Deputy Commissioner Inland Revenue, Multan alleging that the Company has short paid sales tax by suppression of production. Total demand raised is Rs. 628 million. Earlier appeal filed with Commissioner Inland Revenue (Appeals), Multan did not succeed.

Based on the advice of the Company's legal counsel and tax advisor, management considers that reasonable grounds exist that appeal will succeed. Consequently, no provision has been recognized in these consolidated financial statements for the abovementioned amount.

- (v) On appeal by the Company, the Custom Appellate Tribunal, Lahore, has remanded back the following three cases to Collector of Customs (Adjudication), Faisalabad for re-hearing the case:

- Collector of Customs (Adjudication), Lahore, for irregular claim of exemptions under SRO 575 on import of 64 consignments of various items of capital nature. Demand raised Rs. 495,900 million.
- Collector of Customs (Adjudication), Faisalabad, for irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs. 113.957 million.

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 Chartered Accountants

- Collector of Customs (Adjudication), Faisalabad, for irregular claim of exemptions under SRO 575 on import of 7 consignments of deformed steel bars. Demand raised Rs. 150,604 million.

While decision on the appeal in the following case is pending with the Custom Appellate Tribunal, Lahore:

- Collector of Customs (Adjudication), Faisalabad, alleging that FFCL applied incorrect exchange rate of Rs.60.85 per USD instead of Rs.79 per USD on import clearance of 7 consignments of deformed steel bars. Total demand raised is Rs. 17,936 million.
 - Based on the advice of the legal advisor, management is confident that no financial liability will arise in all the above referred cases, therefore no provision has been made in these consolidated financial statements.
- (vi) Alternative Corporate Tax (ACT) at the rate of 17% of accounting profit before tax has been introduced by the Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001 applicable from tax year 2014. FFCL has filed two Constitutional Petitions in the Honorable High Court of Sindh challenging the levy of ACT for Tax year 2014 and Tax year 2015, on grounds that it has deprived FFCL of certain rights already accrued to it. Stay in this regard has been granted to FFCL for both the tax years. FFCL's petition is pending for hearing in the High Court.
- (vii) The Company has issued a corporate guarantee to a syndicate of financial institutions through Meezan Bank Limited acting as an investment agent to guarantee up to a maximum of Rs. 5,954 million relating to a Diminishing Musharaka Finance Facility of Rs.4,466 million availed by Fatimafert Limited.

Company's Commitments in respect of

- Contracts for capital expenditure Rs. 1,041.900 million.
- Contracts for other than capital expenditure Rs. 220.344 million.
- The amount of future payments under non-cancellable operating leases for one year and later than one year but not later than five years amounts to Rs. 149.95 million and 206.21 million respectively.
- Letters of credit for purchase of raw materials and spares amounts to Rs. 17.75 million.

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2. PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED DECEMBER 31, 2011 TO DECEMBER 31, 2015

	Consolidated 2015	Standalone 2015	2014	2013	2012	2011 (note 5.5)
	(Rupees in '000)					
Sales	31,825,522	29,733,352	36,169,191	33,495,889	29,518,823	14,833,343
Cost of sales	(14,304,291)	(12,611,251)	(14,708,355)	(13,784,677)	(12,259,427)	(4,740,961)
Gross profit	17,520,731	17,122,101	21,460,836	19,711,212	17,266,196	10,092,382
Distribution cost	(1,310,169)	(1,289,561)	(1,448,837)	(1,430,122)	(1,233,844)	(337,946)
Administrative expenses	(1,688,789)	(1,618,654)	(1,345,890)	(1,076,166)	(738,792)	(417,225)
	14,521,573	14,213,886	18,666,109	17,204,924	15,293,440	9,337,211
Finance cost	(2,625,167)	(2,379,218)	(3,766,899)	(4,169,002)	(5,773,821)	(3,063,055)
Other operating expenses	(860,703)	(860,703)	(1,375,485)	(1,010,346)	(506,135)	(320,398)
	11,035,703	10,973,965	13,524,725	12,025,576	9,013,504	5,953,758
Other income	14,131,202	574,313	624,309	294,957	67,033	133,810
Profit before tax	25,166,905	11,548,278	14,149,034	12,320,533	9,080,537	6,087,568
Taxation	(2,319,526)	(2,294,667)	(4,891,238)	(4,298,348)	(2,969,418)	(1,970,593)
Profit for the year	22,847,379	9,253,611	9,257,796	8,022,185	6,111,119	4,116,975
Earnings per share						
- basic (Rupees)	10.88	4.41	4.41	3.82	2.86	1.90
- diluted (Rupees)	10.88	4.41	4.41	3.82	2.86	1.86

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Notes:

3. Figures for years ended December 31, 2011 to December 31, 2013 have been reclassified where necessary to facilitate comparison and to reflect more appropriate presentation of events and transactions.

Significant reclassifications relating to the audited financial statements are explained below:

- a. Deferred tax liability amounting to Rs. 781.75 million for the year ended December 31, 2013 has been reclassified from deferred tax liability to advance income tax paid.
- b. Cost of sales amounting to Rs. 34.04 million for the year ended December 31, 2013 has been reclassified from cost of sales to other income.
- c. Administrative expenses amounting to Rs. 15.14 million and 75.27 million for the year ended December 31, 2013 has been reclassified from administrative expenses to other income and cost of sales respectively.
- d. Distribution cost amounting to Rs. 15.36 million, Rs. 16.20 million and Rs. 14.44 million for the year ended December 31, 2013 has been reclassified from distribution cost - others to distribution cost - vehicle running and maintenance, traveling and technical services to farmers respectively.
- e. Accrued finance cost amounting to Rs. 947.05 million for the year ended December 31, 2011 has been reclassified from accrued finance cost to dividend and markup payable to related parties.
- f. Capital work in progress amounting to Rs. 100 million for the year ended December 31, 2011 has been reclassified from capital work in progress to other receivables.
- g. Cost of sales amounting to Rs. 40.53 million for the year ended December 31, 2011 has been reclassified from cost of sales-fuel and power to administrative expenses-utilities.

4. **Dividends paid by the Company**

The details of cash dividends declared by the Company during the five years are as follows:

2015	2014	2013	2012	2011
-	27.50%	25.00%	20.00%	15.00%

5. **Significant Disclosures made in the notes to the published financial statements of the Company/Group for the relevant financial years:**

We give below the significant disclosures made in the notes to the published financial statements of the Company/the Group for the relevant financial years:

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5.1 For the Year ended December 31, 2015

5.1.1 Short Term Finances

The Company obtained Cash Finance amounting to Rs. 6,954.70 million. These facilities have been obtained from various banks for working capital requirements, and are secured by pledge of raw material and finished goods and by personal guarantees of sponsoring directors.

The Company obtained Running Finance amounting to Rs. 2,184.84 million. These facilities have been obtained from various banks for working capital requirements, and are secured by Pari Passu charge of Rs 5,335.34 million on present and future current assets.

5.1.2 Gas Infrastructure Development Cess (GIDC) payable)

(a) Parent Company

The financial statements for the year ended December 31, 2015 includes Rs 1,480.896 million accrued by the Company on account of Gas Infrastructure Development Cess (GIDC) on fuel stock. The Company has not recorded any amount for GIDC on feed stock as it is entitled to receive feed stock at fixed price as committed by GoP in Fertilizer Policy 2001. During 2014, the Honorable Supreme Court through its judgment dated August 22, 2014 dismissed appeals of the Government of Pakistan (GoP) against which GoP had filed a review petition which was also dismissed. Subsequently, the Government of Pakistan imposed the levy of GIDC through the GIDC Ordinance, 2014, followed by the GIDC Act 2015, on fertilizer manufacturers with fixed price gas contracts. The GIDC Act 2015 also ratified the preceding GIDC Act 2011 and GIDC Ordinance 2014. After promulgation of GIDC Act 2015, the Company has obtained a stay order from Sindh High Court restraining Mari Petroleum Company Limited from charging and / or recovering GIDC till the pendency of the matter.

(b) Subsidiary Company

The financial statements for the year ended December 31, 2015 include an amount of Rs. 1,246.85 million on account of levy of Gas Infrastructure Development Cess (GIDC). The Honorable Supreme Court through its judgement dated August 22, 2014 had upheld the decision of the High Court of Peshawar declaring the entire levy of GIDC through GIDC act, 2011 as unconstitutional and invalid. The Government has filed a review petition against the decision of the Honorable Supreme Court, which is pending. In the meanwhile, the President of Pakistan promulgated GIDC ordinance, 2014, on September 25, 2014 seeking to impose GIDC levy since 2011 in disregard of the judgement of the Honorable Supreme Court. On MAY 23, 2015, GIDC Act 2015, was promulgated. The act ratified the preceding GIDC Act 2011 and GIDC ordinance 2014 and its provisions. However, subsequent to the promulgated of GIDC Act 2015, the Company obtained a stay order from Sindh High Court restraining SNGPL from charging and/or recovering GIDC till the pendency of the matter.

5.1.3 Acquisition of Subsidiary Company

During the year ended December 31, 2015, the Company has acquired all the shares of Fatimefert Limited and Buber Sher (Pvt) Limited against purchase price of Rs 2,020.634 million and Rs 0.01 million respectively. The price of 100% shares of Fatimefert Limited has been valued as total of:

(i) differential between the agreed enterprise value of Fatimefert Limited (Rs 6,600 million) and the total long term loans of Rs 4,607 million; and

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(ii) excess of current assets over current liabilities of Fatimafert Limited at June 30, 2015 determined at Rs 28.134 million.

The control of Fatimafert Limited was transferred to the Company on July 01, 2015.

5.2 For the Year ended December 31, 2014

5.2.1 Short term loan to associated Company

The Company has given a loan to Pakarab Fertilizer Limited (PFL) at markup rate of 6 months KIBOR plus 2.12%. The loan is fully secured against ranking charge on all present and future fixed assets of PFL. As per the terms, the loan was receivable in one or more installments by December 31, 2014.

In December 2014, the Company received a communication from PFL, notifying that during 2014 due to severe shortage of gas supply to PFL by SNGPL, PFL could not operate at the expected levels. Due to this reason, contrary to the expectations at the start of 2014, PFL would not be in a position to repay the said loan by December 31, 2014. PFL has requested the Company to extend the repayment period for one year upto December 31, 2015.

Based on the communication from PFL, the BOD of the Company in its meeting held on March 26, 2015, approved the extension in repayment period for one year upto December 31, 2015. Furthermore, in order to comply with the requirements of Section 208 of the Companies Ordinance 1984, the Company will present the change in terms of the loan in the upcoming Annual General Meeting for shareholders' approval. The Company has already received consent from more than 80% of its shareholders to vote in favor of the special resolution to be presented in the Annual General Meeting.

5.3 For the Year ended December 31, 2013

5.3.1 Change in accounting policy in respect of defined benefit plan

IAS-19 (revised) 'Employee benefits' became effective for annual periods beginning on or after January 01, 2013 which amended the accounting for employee benefit schemes. The standard required immediate recognition of past service cost and also replaced the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined asset or liability and the discount rate, measured at the beginning of the year.

The standard requires all actuarial gains and losses to be recognized immediately in 'other comprehensive income'. This has resulted in unrecognized net actuarial losses aggregating Rs 2.500 million (net of related deferred tax) as at December 31, 2012 being recognized in 'other comprehensive income'. This has no impact on profit and loss account for the year ended December 31, 2013 and December 31, 2012. This change also has resulted in decrease in deferred tax liability by Rs 1.347 million as at December 31, 2012.

The standard requires past service cost to be recognized immediately in profit or loss. This has no impact on total comprehensive income for the year or liability of the Company.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high quality corporate bonds. This treatment, however, has no impact on these financial statements.

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There is a new term 'remeasurements'. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.

Retirement benefits obligation as previously reported has been restated at the balance sheet dates to reflect the effect of the above. The amount has been restated as Rs 88.195 million (previously Rs 84.348 million) as at December 31, 2012.

The effect of this change in accounting policy on the cash flow statement and on earnings per share is immaterial.

5.4 For the Year ended December 31, 2012

5.4.1 Conversion and Redemption of Preference Shares

On May 10, 2012, the Company has converted 200 million preference shares into 100 million ordinary shares at conversion price of Rs 20/- per share yielding a premium of Rs 1,000 million. The conversion price was agreed with the preference shareholders as the higher of Rs 20/- or at a discount of 20 percent to the weighted average quoted price of sixty days from the date of notice. Ordinary shares issued in lieu of preference shares rank pari passu in every respect except they will not be eligible for the dividend declared by the Company for the year ended December 31, 2011. On the same date, the Company has also redeemed 200 million preference shares at par according to the terms of the issue of preference shares. There exists a conflict between relevant International Financial Reporting Standards (IFRSs) and the Companies Ordinance, 1984 (the Ordinance), on the classification of preference shares, whereby the preference shares may be treated as non current liabilities according to IFRS while as per the Ordinance these are treated as Equity.

5.5 For the Year ended December 31, 2011

Start of commercial operations

The Company commenced commercial operations of the production facilities from July 01, 2011. The above income statement is for a period of six months starting from July 01, 2011 to December 31, 2011.

Yours truly,


 Chartered Accountants

 Member of
 Deloitte Touche Tohmatsu Limited

6.2 AUDITORS CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID UP CAPITAL



06-037 / 0449
November 08, 2016

The Board of Directors
Fatima Fertilizer Company Limited
E-110, Khayaban-e-Jinnah
Lahore

Deloitte Yousuf Adil
Chartered Accountants
134-B, Abulghar Block
New Garden Town, Lahore,
Pakistan

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www.deloitte.com

Dear Sirs,

AUDITORS' CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

We have verified from books of account and records of Fatima Fertilizer Company Limited (the Company) that the issued, subscribed and paid-up share capital of the Company as at December 31, 2015 was Rs. 21,000,000 thousand which comprises as follows:

Number of Shares	Particulars	(Rupees in '000)
2,000,000,000	Fully paid in cash @ Rs. 10 each	20,000,000
100,000,000	Ordinary shares of Rs. 10 each issued on conversion of fully paid preference shares @ Rs. 20 each	1,000,000
2,100,000,000		21,000,000

Yours truly,


Chartered Accountants

Member of
Deloitte Touche Tohmatsu Limited

6.3 AUDITORS CERTIFICATE ON BREAK UP VALUE OF SHARES



06-037 / 0446
November 08, 2016

The Board of Directors
Fatima Fertilizer Company Limited
E-110, Khayaban-e-Jinnah
Lahore

Dear Sirs,

CERTIFICATE FOR BREAK-UP VALUE OF SHARES

As requested, the break-up value of ordinary shares of Rs. 10 each of Fatima Fertilizer Company Limited (the Company) based on audited standalone and consolidated financial statements of the Company for the year ended December 31, 2015 is as follows:

	Standalone	Consolidated
	(Rupees in '000)	
Issued, subscribed and paid capital	21,000,000	21,000,000
Share premium	1,790,000	1,790,000
Post retirement benefit obligation reserve	(30,437)	(14,784)
Unappropriated profit	17,468,946	31,062,714
	<u>40,228,509</u>	<u>53,837,930</u>
	Number of shares in '000	
Number of ordinary shares	2,100,000	2,100,000
	Rupees per share	
Break-up value per ordinary share	19.16	25.64

Yours truly,


Chartered Accountants

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6.4 KEY FINANCIAL HIGHLIGHTS

Income Statement Items (PKR mn)	CY11	CY12	CY13	CY14	CY15	9MCY16
Sales	14,833	29,519	33,496	36,169	29,733	22,908
Gross Profit	10,092	17,266	19,711	21,461	17,122	11,966
EBITDA	9,862	16,340	18,021	19,507	15,590	10,836
EBIT	9,151	14,854	16,490	17,916	13,927	9,479
Profit before Tax	6,088	9,081	12,321	14,149	11,548	7,555
Profit for the year	4,117	6,111	8,022	9,258	9,254	6,371

Balance Sheet Items (PKR mn)	CY11	CY12	CY13	CY14	CY15	9MCY16
Equity and Liabilities						
Capital and Reserves						
Paid-Up Capital	20,000	21,000	21,000	21,000	21,000	21,000
Un apportioned Profit	3,263	6,158	9,983	13,990	17,469	21,215
Total Equity	28,053	28,948	32,759	36,757	40,229	43,974

Non-Current Liabilities

Long Term Finances	34,457	27,024	22,647	17,335	13,168	12,602
Deferred Liabilities	1,809	4,844	9,391	14,421	15,412	15,581
Total Non-Current Liabilities	38,483	34,785	32,038	31,789	28,613	28,228

Current Liabilities

Trade and other payables	4,651	4,997	6,651	7,341	8,646	8,640
Short Term Finances- Secured	0	2,690	2,303	600	10,229	11,334
Current maturity of long term Finance	3,033	4,085	5,938	6,375	6,812	7,309
Total Current Liabilities	9,811	12,272	15,275	14,575	25,948	30,570

Total Equities and Liabilities	76,347	76,005	80,072	83,121	94,789	102,772
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Assets

Non-Current Assets

Property, plant and equipment	68,116	67,545	67,588	68,823	73,105	73,737
Total Non-Current Assets	68,121	67,676	67,726	68,952	75,256	75,884

Current Assets

Store and Spares	1,931	3,231	3,850	4,090	4,764	4,944
Stock in Trade	1,215	2,508	2,702	2,681	7,003	7,085
Short Term loan to associated companies	-	-	3,000	3,000	2,700	3,499
Loans, advances, and other receivables	1,045	1,468	2,456	3,000	4,436	10,273
Total Current Assets	8,226	8,329	12,346	14,169	19,533	26,889

Total Assets	76,347	76,005	80,072	83,121	94,789	102,772
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6.5 FINANCIAL REPORTS

6.5.1 UN-CONSOLIDATED REPORTS FOR THE NINE MONTHS ENDED SEPTEMBER 2016

Fatima Fertilizer Company Limited | Separate Financial Statements

Condensed Interim Balance Sheet

As at September 30, 2016

	Note	Unaudited September 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,500,000,000 (December 31, 2015: 2,500,000,000) Ordinary shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up capital 2,100,000,000 (December 31, 2015: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Share premium		1,790,000	1,790,000
Post retirement benefit obligation reserve		(30,437)	(30,437)
Unappropriated profit		21,214,550	17,468,946
		43,974,113	40,228,509
NON CURRENT LIABILITIES			
Long term finances	4	12,602,201	13,168,124
Deferred liabilities	5	15,581,267	15,411,918
Long term deposits		44,676	33,003
		28,228,144	28,613,045
CURRENT LIABILITIES			
Trade and other payables		8,640,398	8,645,991
Accrued finance cost		662,426	260,003
Short term finances - secured	6	11,333,672	10,229,486
Current maturity of long term finance		7,308,564	6,812,119
Dividend Payable		2,625,000	—
		30,570,060	25,947,599
CONTINGENCIES & COMMITMENTS	7		
		102,772,317	94,789,153

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim financial statements.



Chief Executive

3rd Quarterly Report 2016

	Note	Un audited September 30, 2016	Audited December 31, 2015
(Rupees in thousands)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	73,737,436	73,409,090
Intangible assets	9	15,796	26,370
		73,753,232	73,435,460
Long term investments		2,106,449	2,106,450
Long term deposits		23,979	18,530
		75,883,660	75,560,440
CURRENT ASSETS			
Stores and spares	10	4,944,055	4,460,204
Stock in trade	11	7,085,460	7,002,664
Trade debts		502,248	335,002
Short term loans to associated companies		3,499,000	2,700,000
Loans, advances, deposits, prepayments and other receivables		10,272,664	4,435,640
Short term investment		199,990	—
Cash and bank balances		385,240	295,203
		26,888,657	19,228,713
		102,772,317	94,789,153



 Director

Fatima Fertilizer Company Limited | Separate Financial Statements

Condensed Interim Profit and Loss Account (Un Audited)

For the nine months ended September 30, 2016

	Note	Three months ended		Nine months ended	
		September 30 2016	September 30 2015	September 30 2016	September 30 2015
(Rupees in thousand)					
Sales	12	10,132,532	3,045,373	22,908,140	22,188,433
Cost of sales	13	(4,497,576)	(1,215,380)	(10,942,405)	(8,899,107)
Gross profit		5,634,956	1,829,993	11,965,735	13,289,326
Distribution cost		(596,721)	(196,646)	(1,468,932)	(1,252,513)
Administrative expenses		(341,911)	(220,317)	(995,325)	(811,692)
		4,696,324	1,413,030	9,501,478	11,225,121
Finance cost	14	(624,628)	(516,419)	(1,924,319)	(1,786,429)
Other operating expenses		(289,688)	(114,783)	(554,320)	(743,103)
		3,782,008	781,828	7,022,839	8,695,589
Other income		182,922	112,012	532,128	468,982
Profit before tax		3,964,930	893,840	7,554,967	9,164,571
Taxation		(569,680)	(282,093)	(1,184,163)	(1,724,852)
Profit for the period		3,395,250	611,747	6,370,604	7,439,719
Earnings per share					
- basic and diluted (Rupees)	16	1.62	0.29	3.03	3.54

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim financial statements.


 Chief Executive


 Director

3rd Quarterly Report 2016

Condensed Interim Cash Flow Statement (Un Audited)

For the nine months ended September 30, 2016

Note: September 30, 2016 - September 30, 2015

(Rupees in thousands)

Cash flows from operating activities			
Cash generated from operations	17	3,598,876	5,829,245
Net increase in long term deposits		11,673	-
Finance cost paid		(1,536,334)	(1,461,238)
Taxes paid		(600,283)	(529,901)
Employee retirement benefits paid		(25,464)	(16,194)
Net cash from operating activities		1,448,468	3,821,912
Cash flows from investing activities			
Additions in property, plant and equipment		(1,656,573)	(2,933,598)
Additions in intangible assets		(2,999)	(14,669)
Long term investment		-	(800,000)
Short term loans to associated companies - net		(799,000)	56,609
Proceeds from disposal of property plant and equipment		132	106
Net increase in long term deposits		(5,449)	(4,295)
Net increase in short term investment		(199,990)	-
Profit received on short term loan and saving accounts		270,740	407,874
Net cash used in investing activities		(2,393,139)	(3,287,973)
Cash flows from financing activities			
Repayment of long term finances		(3,695,994)	(3,087,574)
Proceeds from long term finances		3,626,516	1,118,598
Dividend paid		-	(5,768,875)
Increase in short term finances - net		1,104,186	6,421,497
Net cash from / (used in) financing activities		1,034,708	(1,316,354)
Net increase / (decrease) in cash and cash equivalents		90,037	(782,415)
Cash and cash equivalents at the beginning of the period		295,203	948,807
Cash and cash equivalents at the end of the period		385,240	166,392

The annexed explanatory notes from 1 to 21 form an integral part of these condensed interim financial statements.


 Chief Executive


 Director

6.5.2 CONSOLIDATED REPORTS FOR THE NINE MONTHS ENDED SEPTEMBER 2016

Fatima Fertilizer Company Limited | Consolidated Financial Statements

Condensed Interim Consolidated Balance Sheet

As at September 30, 2016

	Note	Un audited September 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital 2,500,000,000 (December 31, 2015: 2,500,000,000)			
Ordinary shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up capital 2,100,000,000 (December 31, 2015: 2,100,000,000)			
Ordinary shares of Rs 10 each		21,000,000	21,000,000
Share premium		1,790,000	1,790,000
Post retirement benefit obligation reserve		(14,784)	(14,784)
Unappropriated profit		34,762,838	31,062,714
		57,538,054	53,837,930
NON CURRENT LIABILITIES			
Long term finances	4	17,068,201	17,634,124
Deferred liabilities	5	15,790,485	15,672,929
Long term deposits		53,985	42,312
		32,912,671	33,349,365
CURRENT LIABILITIES			
Trade and other payables		11,006,119	10,103,383
Accrued finance cost		690,352	389,807
Short term finances - secured	6	14,872,673	10,517,595
Current maturity of long term finance	4	7,308,564	6,812,119
Dividend Payable		2,625,000	-
		36,502,710	27,822,904
CONTINGENCIES & COMMITMENTS	7		
		126,953,435	115,010,199

The annexed explanatory notes from 1 to 19 form an integral part of these condensed interim consolidated financial statements.



Chief Executive

3rd Quarterly Report 2016

	Note	Un audited September 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	87,937,119	87,814,273
Intangible assets	9	5,916,895	5,928,128
		93,854,014	93,742,401
Long term investments		85,806	85,806
Long term deposits		24,505	19,146
		93,964,325	93,847,353
CURRENT ASSETS			
Stores and spares	10	5,655,171	5,138,010
Stock in trade	11	11,417,006	7,077,536
Trade debts		773,461	525,663
Short term loan to associated company		3,499,000	2,700,000
Loans, advances, deposits, prepayments and other receivables		10,947,785	4,959,017
Short term investment		199,990	-
Cash and bank balances		496,697	762,620
		32,989,110	21,162,846
		126,953,435	115,010,199


 Director

Fatima Fertilizer Company Limited | Consolidated Financial Statements

Condensed Interim Consolidated Profit and Loss Account (Un Audited)

For the nine months ended September 30, 2016

	Note	Three month ended		Nine months ended	
		September 30 2016	September 30 2015	September 30 2016	September 30 2015
		(Rupees in thousand)			
Sales	12	12,778,438	3,220,293	26,801,017	22,020,199
Cost of sales	13	(6,740,666)	(1,380,876)	(14,219,670)	(8,771,050)
Gross profit		6,037,772	1,839,417	12,581,347	13,249,149
Distribution cost		(716,018)	(162,345)	(1,637,155)	(875,057)
Administrative expenses		(378,332)	(408,829)	(1,097,330)	(1,293,757)
		4,943,422	1,268,243	9,846,862	11,080,335
Finance cost	14	(698,771)	(621,181)	(2,258,820)	(1,891,191)
Other operating expenses		(291,904)	(114,783)	(556,536)	(743,103)
		3,952,747	532,279	7,031,506	8,446,041
Other income		65,236	13,679,448	467,971	14,036,417
Profit before tax		4,017,983	14,211,727	7,499,477	22,482,458
Taxation		(539,676)	(297,209)	(1,174,353)	(1,739,968)
Profit for the period		3,478,307	13,914,518	6,325,124	20,742,490
Earnings per share					
- basic and diluted (Rupees)	16	1.66	6.63	3.01	9.88

The annexed explanatory notes from 1 to 19 form an integral part of these condensed interim consolidated financial statements.


 Chief Executive


 Director

3rd Quarterly Report 2016

Condensed Interim Consolidated Cash Flow Statement (Un Audited)

For the nine months ended September 30, 2016

Note: September 30, 2016: September 30, 2015

(Rupees in thousands)

Cash flows from operating activities			
Cash generated from operations	17	498,714	5,765,453
Net increase in long term deposits		11,673	-
Finance cost paid		(1,991,117)	(1,562,371)
Taxes paid		(626,199)	(534,915)
Employee retirement benefits paid		(38,188)	(20,350)
Net cash (used in) / from operating activities		(2,145,117)	3,647,817
Cash flows from investing activities			
Additions in property, plant and equipment		(1,670,384)	(2,933,629)
Additions in intangible assets		(2,999)	(14,669)
Short term loan to associated company - net		(799,000)	56,609
Long term investment		-	(800,000)
Proceeds from disposal of property plant and equipment		515	251
Net increase in long term loans and deposits		(5,359)	(4,295)
Net increase in short term investment		(199,990)	-
Profit received on short term loan and saving accounts		270,809	407,890
Net cash used in investing activities		(2,406,408)	(3,287,843)
Cash flows from financing activities			
Repayment of long term finance		(3,695,994)	(7,695,074)
Proceeds from long term finance		3,626,516	5,584,598
Dividend paid		-	(5,768,875)
Increase in short term finance - net		4,355,080	6,749,470
Net cash from / (used in) financing activities		4,285,602	(1,129,881)
Net decrease in cash and cash equivalents		(265,923)	(769,907)
Cash and cash equivalents at the beginning of the period		762,620	951,750
Cash and cash equivalents at the end of the period		496,697	181,843

The annexed explanatory notes from 1 to 19 form an integral part of these condensed interim consolidated financial statements.


 Chief Executive


 Director

6.6 ENTITY RATING REPORT



FATIMA FERTILIZER COMPANY LIMITED (FATIMA)

ENTITY RATINGS REPORT

	NEW [Nov-16]	PREVIOUS [Nov-15]
Long-Term	AA-	AA-
Short-Term	A1+	A1+
Outlook	Stable	Stable

NOVEMBER 2016



The Pakistan Credit Rating Agency Limited

FERTILIZER

FATIMA FERTILIZER COMPANY LIMITED

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FERTILIZER**Profile & Ownership**

- Fatima Fertilizer Company Limited (Fatima), incorporated in 2003, is listed on Pakistan Stock Exchange
- Majority owned by Fatima Group (45%) and Arif Habib Group (31%); Fatima Group retains the management control
- The group has interests in textile, sugar, mining and energy sectors and in addition owns Pakarab Fertilizer
- Fatima owns a fertilizer complex with nameplate capacity of 1.28mtn MT p.a (Urea, Can and NP combined), located at Mithkhar Garia, Rahim Yar Khan
- Fatima Fert (formerly DH Fert) is a wholly owned subsidiary of Fatima adding 453K MT of additional capacity

Governance and Management

- Eight member board of directors including the CEO, four representative of Fatima Group, two of Arif Habib Group and two independent members
- The chairman of Arif Habib Group, Mr. Arif Habib, a reputed business professional, chairs the company's board
- Mr. Faraz Ahmed Mithkhar, a seasoned entrepreneur, is the CEO of Fatima as well as of Pak. Arab and Fatima Fert

Performance

- Fatima's revenue, in 9M16, continued to be driven by diversified fertilizer products: NP (38%), CAN (31%), and Urea (31%)
- Market share declined to 18%, though company is the market leader in CAN (66%) and NP (72%)
- Capacity utilization surpassed 100% level, benefiting from completion of ammonia plant revamp in Nov'15
- Commissioning of Waste Gas Boiler by April'16, boosted the energy efficiency
- Topline grew by 3%, wherein sizeable increase in NP sales (69%) diluted by decrease in urea (2%) and CAN (7%)
- Increased offtake in the month of Sep'16, alone, on account of hefty discounts, compensated the previous months' losses generating a gross profit margin of 32%, highest in the industry
- Net profit margin of 28% remained highest among industry players

Business Strategy

- Fatima envisages the optimal mix of urea, CAN and NP to keep margins afloat
- Continue efforts in improving farmer's knowledge through providing technical assistance; conducting awareness seminars, meetings and trainings
- Greenfield project (Cost: USD 2.9bn) of fertilizer complex (2.6mtn MTPA), owned by Midwest Fertilizer Corp (MFC) based in Indiana state of the US is at advanced stage; financial close delayed till 1Q17 (previously 1Q16)
- Fatima envisages to have 35% shareholding in MFC's equity total worth of USD 840-860mtn

Financial Risk

- Traditionally low working capital requirement witnessed upping due to inventory pile up; a phenomenon in line with industry
- Increased working capital requirements (Sep'16: PKR 7,014mtn) have been financed by hefty short term borrowings (Sep'16: PKR 11,334mtn, Dec'15: PKR 10,229mtn)
- Moderately leveraged (45%), however short term borrowings pushed up debt level to PKR 31,244 mtn at end Sep 16 (Dec'15: PKR 30,210mtn) despite significant repayment of PKR 3,696mtn
- Debt coverage stands at 4.2times with robust debt payback of 2.4yrs
- Fatima's plans of investment (~PKR 30bn) in MFC's Greenfield fertilizer complex would raise the debt level. In this regard, Fatima envisages to issue 7-year US dollar denominated bonds with bullet payment falling due in 2023; keeping Fatima's financial risk profile within comfortable ranges

RATING RATIONALE

The ratings reflect strong business profile of the company on the back of diversified product mix. Secure supply of gas from Marri field together with lower feed stock price (under fertilizer policy - 2001 up till July'2021), represents inherent strengths of the company compared to peers. With ammonia plant debottlenecking, completed in Nov'15, overall capacity utilization has exceeded above 100% (previously: 90% - 98%). Efficiency in fuel consumption was also achieved with the installation of Waste Gas Boiler in April'16. Gross margins are sanguine, with the uptick in off takes post subsidy announcement. The company faces competition from peers amidst supply surplus situation in the country, mainly on the back of improved gas situation in the country, experiencing huge inventory pile up of urea. The pending risk needs immediate attention of all stakeholders. Another risk is reduced international pricing, a significant threat to current profits. Fatima's carry over inventories and working capital needs have pushed up short term borrowings. This has hampered the incremental benefit on leveraging enabled by retirement of long term borrowings. The financial close of Fatima's Greenfield fertilizer complex in the United States of America has been delayed. The ratings are dependent on the company's ability to maintain its cash flows.

FATIMA FERTILIZER COMPANY LIMITED (FATIMA)

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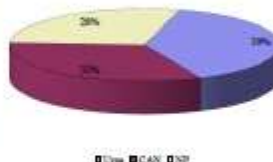
FERTILIZER

1. PROFILE

- Diversified product base
- Largest NP producing capacity of the country

1.1 Fatima Fertilizer Company Limited (FATDMA), incorporated in Dec-03, and obtained listing on three bourses of the country in Feb-10. The company's fertilizer complex is located at Mukhtar Garh, Sadiqabad, Rahim Yar Khan. The construction of the Complex commenced in Mar'07. The fertilizers complex achieved commercial production beginning July-11. The complex is designed to produce 500K MT of Urea per annum, 420K MT of CAN per annum, 360K MT of NP per annum, bringing total capacity to 1.28m tons p.a. Urea and NP plants are brand new, while Ammonia, NA, and CAN plants are relocated. FATDMA is the second fertilizer company in Pakistan to produce CAN after its associate Pakarab Fertilizers Limited (PFL). Whereas, FATDMA is the largest producer of NP, followed by PFL. The complex has a 56MW captive power plant in addition to off-sites and utilities. The complex has been allocated 110MMCFD of gas from the dedicated Mari Gas Fields (with reserve life of 16 years).

Productwise Distribution - designed capacity



1.2 The company supplies fertilizers to 58 districts (3000 dealers) spanning over 10 regions all around Pakistan (approx 220 cities). However, geographically Fatima's market is relatively concentrated in Punjab (73%). Besides, the company established a dealer call centre - one stop solution - in an effort to become the "preferred fertilizer brand".

1.3 Following graph depicts trading history of FATDMA's scrip on the Karachi Stock Exchange. The stock price of Fatima has mostly performed inline with KSE-100.



1.4 The auditors of the company, M. Younus Adil Saleem & Company, expressed an unqualified opinion on the financial statements for the full year ending Dec-15 and half year ending Jun-16.

2. OWNERSHIP

- Majority owned by Fatima Group and Arif Habib Group
- Family Charter within Mukhtar Family
- Acquired DH Fertilizer - now

2.1 Fatima Fertilizer Company Limited is a joint venture between two major business groups in Pakistan namely Fatima Group (FG) and Arif Habib Group (ARG). Fatima Group - the key sponsors - holds 45%, while Arif Habib Group holds 31% and Fazal Group hold 8% stake. The shareholding remained the same YoY.

2.1.2 Presently, the Fatima Group owners comprise three sons of Mr. Mukhtar Ahmed (late) - Fawad Ahmed (the eldest son; CEO of Fatima Fert, Pakarab Fertilizer Ltd and D.H Fert); Fazal Ahmed (CEO of Fatima Energy, AirOne & Reliance Weaving; and Faizal Ahmed (CEO - Fatima Sugar). The shareholding among brothers (and their families) is equally distributed (7% each; and rest indirectly through group companies). Fawad Ahmed is the CEO of Fatima (and Pak Arab Fertilizer and recently acquired DH Fertilizer), while Fazal Ahmed oversees financial matters of the group. Mr. Fawad is also on the board of group companies. Mukhtar Family has entered into a Family Charter



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FERTILIZER

named Fatima
Fert

(agreement), specifying the succession & inheritance rules; lead and managed by an international management consultant, IMD. In this regard, a Family Council is being developed. Moreover, a Holding Company (named Fatima Holdings) has been established; the board is being constituted. Post completion of charter, IMD would monitor, for two years, adherence to the charter, as per the agreement. Whereas, the relationship between two major shareholders, Fatima Group and Arif Habib Group, is governed by tacit understanding, not documented.

2.2 Fatima Group is one of the leading corporate groups in Pakistan, engaged in trading of commodities, manufacturing of fertilizers, textiles, sugar, mining and energy. Group companies include (i) Fatima Fertilizer Company Limited, (ii) Pakarab Fertilizers Limited, (iii) Reliance Weaving Mills Limited, (iv) Fazal Cloth Mills Limited, (v) Fatima Sugar Mills Limited, (vi) Reliance Commodities (Private) Limited, (vii) Fatima Energy Limited, (viii) Pakistan Mining Company Limited, and (ix) Air One (Private) Limited. Fazal Cloth Mills Limited and Reliance Weaving Mills Limited are listed on Karachi and Lahore Stock Exchanges. Arif Habib Group ranks amongst the prominent financial services group in Pakistan. The group holds interests in the securities brokerage, investment and financial advisory, investment management, commercial banking, commodities, private equity, cement and fertilizer industries. The relationship of the partners is governed by tacit agreement, not documented.

2.3 Fatima Group acquired 100% stake in DH Fertilizers Limited (DH Fert now known as Fatima Fert) last year in June'15. The investment remains on the books of Fatima. The price of 100% shares was valued at PKR 26ln (agreed enterprise value of PKR 66ln minus long term loan of PKR 4.66ln). Fatima also acquired 100% shares of Bubbar Sher (Pvt) Limited (BSPL) – brand of DH Fert – at the cost of PKR 10,000. The management control of DH Fert and BSPL was completely transferred on 1-Jul-15. This acquisition has been beneficial for Fatima, as it now enjoys the market share captured by "Bubbar Sher" brand as well. Fatima also benefits from reduced freight cost as this new brand is manufactured and sold in the same region (concentrated in Punjab). The company is now operational, on LNG, on its full capacity. Besides being a well-recognized brand, "Bubbar Sher" would take some time to regain its market share which was captured by other competitors.

2.4 Fatima Group incorporated Midwest Fertilizer Corp's (MFC) in Delaware, US in Sep12. Fatima's shareholding in MFC, currently 100%, shall be diluted to 30% while

Fatima's Shareholding Pattern (Sep-16)		
	Holding %	
	Sep-16	Sep-15
Corporate		
Fatima Sugar Mills Limited	12.8	12.8
Reliance Commodities (Pvt) Limited	10.0	10.0
Reliance Weaving Mills Limited	0.1	0.1
	22.9	22.9
Individuals		
Mr. & Mrs. Mukhtar Ahmed	0.3	0.3
Mr. Farid Ahmed Mubtar & Family	7.3	7.3
Mr. Tawal Ahmed Sheikh & Family	7.0	7.0
Mr. Tawal Ahmed Mubtar & Family	7.0	7.0
	21.7	21.7
Sub-total	44.6	44.6
Arif Habib Group		
Corporate		
Arif Habib Corporation Limited	15.2	16.2
	15.2	16.2
Individuals		
Arif Habib	8.8	8.8
Others	5.5	5.5
	14.3	14.3
Sub-total	29.7	31.7
Other		
Fazal Group		
Corporate		
Fazal Cloth Mills Ltd	3.3	3.3
	3.3	3.3
Individuals		
Muhammad Naveed & Family	5.0	5.0
	5.0	5.0
Sub-total	8.3	8.3
General Public	16.5	15.5
Total	100	100



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FERTILIZER

retaining the management control, after the project kick starts. MFC plans to build a nitrogen fertilizer plant in Posey County, State of Indiana. MFC is at advanced stage to start construction of a fertilizer complex, over a land area of 219 acres, having nameplate capacity of 2.6mln MTPA. The complex consists of an ammonia plant (2,200 mtpd), a urea synthesis plant (2,200 mtpd), urea granulation plant (1,200 mtpd), urea ammonium nitrate plant (4,300 mtpd), diesel exhaust fuel plant (900 mtpd) and a nitric acid plant (1,530 mtpd). The financial close of the project has been delayed to end-Dec'16 (previously end-Mar'15) due to delay in regulatory approvals in US.

3. GOVERNANCE

- Non-executive chairman
- Representation of both Sponsors on Board
- Two board committees

3.1 FATIMA's board of directors comprises eight members, including the CEO, Mr. Fawad Ahmed Mukhtar. The chairman of Arif Habib Group, Mr. Arif Habib, a well known business professional of the country, chairs the company's board in non-executive role. The board includes three members from Fatima Group, two members from Arif Habib, one employee of the company and two independent directors. Out of 8 members, four are non-executive directors. The board meeting minutes are adequately documented and the minutes reflect strong participation by the board members. Brief profile of the BoD members is attached at *Annexure-I*. The board has two committees namely Human Resource and Remuneration Committee and Board Audit Committee.

4. MANAGEMENT

- Experienced management team
- Induction of HRBP Concept

4.1 The organizational structure of the company is divided into various functional departments, namely: (i) Operations, (ii) Finance, (iii) Administration, (iv) Procurement (v) Human Resource (vi) IT (vii) Marketing, and (viii) Internal Audit. The management is a balanced blend of professional people from the industry. Key management personnel include sponsor directors (Mukhtar brothers) and an experienced individual (Mr. Abad Khan) associated with the group as employee since inception. A Brief profile of the key management personnel is attached as per *Annexure-II*.

4.2 Since CY13, the company's HR department has been strengthened. It has in place Human Resource Business Partner (HRBP) concept, defining succession policy. More emphasis is placed on training and development of its HR.

5. SYSTEMS & CONTROLS

- Licenses from renowned international companies
- ERP based MIS
- Separate Resource for monitoring Regulatory Compliance

5.1 The company's manufacturing facilities has been built in collaboration with leading international contractors and suppliers, including Sojitz Corporation (a leading chemical fertilizer producer in Southeast Asia), Kellog (a technology-based engineering service), Stami carbon (specializing in licensing of urea), China National Chemical Engineering Corporation (a large corporation directly administered by the State Council of China), and General Electric.

5.2 FATIMA's operating system is an Oracle based ERP system that is capable of generating critical reports on a periodic basis for the management. The treasury department of the company prepares daily and bi-annual cash flow summary report to evaluate company's liquidity position against upcoming payments. Moreover, the company uses a separate resource for monitoring its compliance with regulatory requirements and banks' covenants. Group level business intelligence and data warehouse has been upgraded, which now provide intelligent tool for better decision making. In this regard, dealers of the company now maintain integrated register by inputting data regarding farmers, acre of land etc. Almost 30 warehouses have been brought online while the remaining will be brought in near future. The company's ordering system is online, which is expected to reduce the logging process time.



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FERTILIZER

6. BUSINESS RISK

- Diversified products; benefiting the topline
- Capacity utilization above 100%
- Efficiency gains due to ammonia plant revamp
- Strong performance in Sep'16
- Improved margins
- Setting up new plant in the US – Geographical diversification

6.1.1 Business Source and Mix: Fatima's revenue, in 9M16, continued to be driven by diversified fertilizer products; NP (38%), CAN (31%), and Urea (31%). The mix tilted more towards NP in current year as urea volumes remain muted in anticipation of price cut by GoP in budget FY17. Geographically, Fatima's market is relatively concentrated in Punjab. In 9M16, the overall capacity utilization surpassed 100% level, benefiting from completion of the debottlenecking project of ammonia plant with further energy efficiencies added by the completion of waste gas boiler project in April'16. The market declined to 18%, though company is the market leader in CAN (66%) and NP (72%).

	CY14		CY15		9M15		9M16	
Product	Production ('000 MT)	Capacity Utilization	Production ('000 MT)	Capacity Utilization	Production ('000 MT)	Capacity Utilization	Production ('000 MT)	Capacity Utilization
Urea	373	75%	414	83%	334	67%	339	68%
CAN	435	103%	402	96%	372	93%	354	89%
NP	375	104%	363	101%	291	100%	330	115%
Total	1,181	92%	1,179	92%	942	98%	1,023	110%

	CY14		CY15		9M15		9M16	
Product	Sales ('000 MT)	Market Share	Sales ('000 MT)	Market Share	Sales ('000 MT)	Market Share	Sales ('000 MT)	Market Share
Urea	373	7%	354	6%	253	6%	224	6%
CAN	411	86%	321	70%	268	75%	245	70%
NP	370	79%	258	46%	183	47%	300	70%
Total	1,154	18%	942	14%	704	18%	769	18%

Performance Analysis: In 9M16, the topline of the company increased by 3% as compared to same period last year, herein the diversified product mix planned out for Fatima as the decline in Urea (2%) and CAN (5%) was normalized by marginal increase in NP (69%). CAN (comprising of ~31% in company's 1H16 revenues) particularly remained problematic especially after implementation of FY17 budget wherein the price of urea was brought down to PKR1,400/bag. NP, however, provided cushion to the

revenue, however after finalization of DAP subsidy, NP prices may rise. With increased offtake in the month of Sep'16 (~134,000MT), with strong improvement in all three of its products, Fatima was able to offset the impasse of previous months generating a gross profit margin of 12%, highest in the industry. The finance cost slightly increased (8%) to PKR 1.9bln, leading to pre-tax profit of PKR 7.6bln (9M16: PKR 9.2bln). The net profit margin of Fatima also dominated the other industry players (26%).

6.2.2 Fatima envisages the optimal mix of urea, CAN and NP to keep margins afloat. The revamp and debottlenecking of its ammonia plant phase-I (DBN), was completed in Nov'15, it increased the name plate capacity of 1,500 MT/day to 1,650 MT/day (10% more capacity), thereby increasing cashflows. The related cost of PKR 4.3bln was capitalized at end-Dec'15. During this year, the energy index was further improved by the completion of Waste Gas Boiler at the end of April'16, which was financed through Standard Chartered Bank (UK) (USD 22mln). The group is at advanced stage to initiate a Greenfield project, costing USD 2.5bln, of fertilizer complex (2.6mln MTPA), owned by Midwest Fertilizer Corp (MFC) based in Indiana state of the US. Out of total equity of USD \$40-\$60mln,





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Fatima shall have ~35% shareholding; 5% by a Chinese Firm - Sojitz Corporation - and 60% by US investors. The financial close is expected at end-Dec16 (previously end-Mar16). Regulatory approvals caused delay, however as for today, all approvals are in place now. During the year, the company has increased its investment through short-term investments in HBL Tier II TFC (Jun'16: PKR 200mln).

6.3 Subsidiary – Midwest Fertilizers Corp (MFC): The project cost is estimated to be USD 2.5bln. The project shall be ~35% equity financed (Total: USD 875mln, of which Fatima's share: USD 306mln) while the rest USD 1.62bln will be debt financed; tax-exempt bond, issued under the Heartland Disaster Tax Relief Act of 2008. The tax-exemption to investors of bonds makes them lucrative and, hence, easy financing for MFC. The financial close is dependent on Fatima's share of US 300mln, for which Fatima is once again arranging a foreign currency debt. The financial close is expected at end-CY16 (previously planned to end by Mar16). The delay has been caused due to finalization of foreign shareholders; discussions in this regard are still going on. The Fatima's management has finalized a Lump Sum Turnkey Contract (LSTC) with ThyssenKrupp Industrial Solutions USA to design and build the project; previously the EPC contract was with the Tecumount but was turn down to unsettlement in contract conditions. The LSTC shall lock the time and amount of the project, whereby the burden of any loss due to delay shall be on the contractors. This entails the financial close happening only after Fatima and other investors deposit their share in escrow account. The remaining equity partners are expected to be a consortium of international investors; including Chinese, Japanese & US-based strategic partners.

7. FINANCIAL RISK

- Working capital requirement driven by raw material
- Inventory levels of finished goods surged
- High trade leverage
- Cashflows constrain as topline declined
- Sustained coverages
- Investment in new fertilizers complex would raise the leveraging, going forward
- Sukuk issue of PKR 10.5bln

7.1 Working Capital:

FATIMA's working capital requirements are a function of imported raw material used in the manufacturing of CAN and NP. Traditionally the working capital requirement is low but it has witnessed uprising due to inventory pile up, however this is a temporary phenomenon expected to normalize by end of Rabi-season. In 9M16, FATIMA's working capital requirements soared in absolute amount to PKR 7.01bln (9M15: PKR 5.6bln) because of high inventory days related to stores and spares, in-line with inventory bulk of all industry players. The inventory days of finished goods increases, resulting into higher gross (201 days) and net cash cycle (118 days). With increase in operations, in absolute terms, inventory levels of finished products rose to PKR 5.7bln at end-Sep16 – major increase in urea inventory level (PKR 2319mln; 9M15: PKR 836mln), followed by CAN (9M16: PKR 1,221mln, 9M15: PKR 618mln), and decrease in NP alone (9M16: PKR 2,085mln, 9M15: PKR 2,495mln). The short term borrowings of the company are partially driven by raw material imports (rock phosphate – NP), however, rest of the borrowings have been utilized for other than trade purposes; resulting into hefty short term borrowings of PKR 11.3bln (9M15: PKR 7.1bln). Going forward, the urea inventory pile up may result in further price discount of the product; this may also constrain margins on CAN, as being a close substitute.

7.2 Cash Flows and Coverages: The free cash flows (FCFO) of the company during

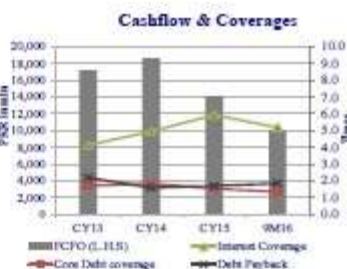




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9M16 (PKR 9.9bln) decreased by 13% YoY, on the back of deteriorated margins and downturn in turnover. This affected the coverages of the company; however, it still remained in comfortable range (5.2times). The finance cost slightly increased YoY (8%), while FCFO decreased, resulting in core coverage of 1.3times (9M15: 1.7times). The high inventory level, partially due to mid-season and rest due to subsidy announcements, entails high short term borrowings at end-Sep16. With anticipated pickup in sales during winter cropping cycle in 2H16 and onwards due to farmer price reduction incentives announced by Government, the coverages would further improve.



7.2.1 The company repaid PKR 3.7bln to lenders during 9M16. The company further availed remaining USD 5.988mln (total facility: USD 22mln) to be utilized in ammonia DBN Project-I. The loan is repayable in 21 equal installments starting from Jun16, with one year grace period.

7.3 Capital Structure: At end-Sep16, Fatima's capital structure is leveraged at 42%. Although long term debt declined by PKR ~2bln, a simultaneous increase in short term borrowings (~PKR 11.6bln) reduced the benefit. Fatima's plans of investment (approx PKR 30bln) in MFC's Greenfield fertilizer complex would raise the debt level. In this regard, Fatima envisages to issue 7-year US dollar denominated bonds with bullet payment falling due in 2023 – five years after complete retirement of existing local debt.



This repayment arrangement would keep Fatima's financial risk profile within comfortable ranges. Fatima has also extended a short term loan to its associates of PKR 3.1bln.

7.4 Sukuk Issue: Fatima is issuing a listed, rated and secured Sukuk. The Sukuk, amounting PKR 10.5bln, has a tenor of 5 years and would be issued in the Pre-IPO and IPO portion in the ratio of 75:25. Redemption of the Sukuk will be in ten stepped-up semi-annual installments, starting from date of first disbursement, and the semi-annual coupon payments are payable @6MKE+1.10%. The instrument, initially, would be secured with a ranking charge which would be upgraded into first pari-passu charge over all the present and future fixed assets with a minimum 25% margin, within 90 days of first disbursement. The company is required to create a Debt Payment Account with National Bank of Pakistan (NBP), which are the advisor and arranger of the Sukuk. An early redemption of the issue is allowed after 3 years of the issue. The Sukuk proceeds would



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be utilized to settle existing Syndicated Term Finance Facility availed by the company.

SUKUK – LISTED, RATED & SECURED	
FACE VALUE	PKR 10,500 mln
TERM	5 Years
PROFIT RATE	Floating rate of 6M KIBOR + 1.10% payable semi-annually.
PRINCIPAL REPAYMENT	To be redeemed in 10 equal semi-annual installments from the date of first disbursement.
SECURITY	Secured by: <ul style="list-style-type: none"> - First pari-passu hypothecation charge over all present and future fixed assets with a minimum 25% margin; - First pari-passu mortgage over land and building with a minimum 25% margin; - Establishment of a Debt Payment Account (DPA) - Assignment over all rights and benefits of Fatima under any and all project insurance and cut-through agreements for reinsurance The Sukuk would be initially secured by ranking charge and it would be upgraded into first pari-passu within 90 days of first disbursement.

Fatima Fertilizer Company Limited (Fatima) Profile of Board of Directors 30-Sep-16					
Sr. #	Name [DOB] [Qualification]	Representation	Occupation	Overall Experience	Association With Board Since
1	Arif Habib [Date- Month - 1953] [Education?]	Arif Habib Group	Chairman - Fatima Fertilizer	<ul style="list-style-type: none"> More than 15 years of diversified experience CEO - Arif Habib Corporation Chairman - PakArab Fertilizer, Aisha Steel Mills, Javelan Corporation Director - PakArab energy Ltd 	1-May-05 13.4 Years
2	Muhammad Kashif Habib [Date- Month - 1982] [A.C.A]	Arif Habib Group	CEO - Power Canal Ltd	<ul style="list-style-type: none"> More than 15 years of diversified experience Director - Pak Arab Fertilizer, Arif Habib Corporation Fatima Fert, Pakistan Soda, Javelan Corporation, Aisha Steel Mills, Arif Habib Deewan RST Management, Pakistan Engineering Company (Pvt) and Maroon Health & Education Foundation 	1-Jun-10 6.8 Years
3	Faisal Ahmed Muhtaseer [Date- Month - 1964] [Bachelor's degree in Arts]	Fatima Group	CEO - Fatima Fertilizer	<ul style="list-style-type: none"> Overall 10 years of experience CEO Pak Arab Fertilizer & Fatima Fert Director Fatima Group Companies Director - Fatima Transmission Company and Pakistan Energy 	1-Dec-03 12.6 Years
4	Faisal Ahmed Muhtaseer [Date- Month - 1968] [LLB]	Fatima Group		<ul style="list-style-type: none"> More than 25 years of experience in textile, sugar and fertilizer businesses Chairman - Workers Welfare Board at Pakistan Fertilizers Director - Pakistan Fertilizers, Fatsincoert, Fatima Sugar Mills, Fatima Holding, Fatima Energy, Fatima Electric Company, Pakistan Energy, Pakistan Warehousing Mills, Pakistan Commodities (Private), Faisal Cloth Mills, and Air One (Private) 	1-Dec-03 12.6 Years
5	Faisal Ahmed Sheikh [Date- Month - 1965] [Bachelor's degree in Engineering]	Fatima Group	CEO - Fatima Energy, Air One and Pakistan Warehousing	<ul style="list-style-type: none"> More than 25 years of experience in textile, sugar and fertilizer businesses Director - Pakistan Fertilizers, Faisal Cloth, and other Fatima group companies 	1-Dec-03 12.6 Years
6	Muhammad Ahsan Khan [Date- Month - 1955] [Mechanical Engineer]	Fatima Group	Project Director - Fatima Fertilizer	<ul style="list-style-type: none"> Over 55 years experience in the fertilizer industry Advisor to Fatima Group on fertilizer 	1-Sep-06 10.1 Years
7	Peter Yang Christensen [Date- Month - Year] [Chemical Engineer]	Independent	Vice President Licensing, Project Sales and Chemical Business Unit	<ul style="list-style-type: none"> Above 22 years of experience Employed with Halder Topsoe A/S since 1992 	1-Sep-14 2.1 Years
8	Tariq Jamali [Date- Month - 1980] [MBA]	Independent	SEVP & Group Chief Logistic Support Group	<ul style="list-style-type: none"> Overall working experience of more than 25 years at different key positions Previously he headed Commercial & Retail Banking Group Group Chief Compliance since 2009 	1-Nov-13 2.9 Years

Fatima Fertilizer Company Limited (Fatima)							
Profile of Board of Directors							
30-Sep-16							
Sr No.	Name	BoD	Committees		FY15		
			Audit	HR & Remuneration	Total	Attended	%
No. of meetings		4	3	1	51	33	65%
1	Acif Habib	3			4	3	75%
2	Muhammad Kashif Habib	4	3	1	8	8	100%
3	Fawad Ahmed Mukhtar	3			4	3	75%
4	Faisal Ahmed Mukhtar	1	0	0	8	1	13%
5	Faisal Ahmed Sheikh	4			4	4	100%
6	Muhammad Ahsad Khan	4	3	1	8	8	100%
7	Peter Vang Christensen	2	1	1	8	4	50%
8	Tariq Jamali	2	0		7	2	29%



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ANNEXURE –II

Management Profile Fatima Fertilizer Company Limited (Fatima)
As at September-16

Sr. #	Name [YoB] [Qualification]	Designation	Reporting Line	Experience (years)		
				Overall	With the company	At current position
1.	Mr. Arif-ur-Rehman [1957] [B.E. Chemical]	Chief Manufacturing Officer	CEO	34	9 Years: 7 Months	0 Years: 7 Months
	Mr. Inam Ullah Naveed Khan [1956] B.E. Civil	Director Operations	CMO	37	7 Months	7 Months
3.	Mr. Anwar Qureshi [1954] [FCA, ICAP]	Group Company Secretary	CEO	28	6 Years: 4 months	6 Years: 4 Months
4.	Mr. Asad Murad [1970] [FCA, ICAP]	Chief Financial Officer	CEO	24	6 Years	2 Years: 6 Months
5.	Dr. Fuzd Imran Khan [1956] [Ph.D Comp Information & Control Engineering]	Chief Information Technology	CEO	36	3 Years: 6 Months	3 Years: 6 Months
6.	Mr. Javed Akbar [1956] [Masters – Comp Science & Elec Mechanical Engineering]	Group Head – Procurement	CEO	27	5 years: 10 months	5 years: 10 months
7.	Mr. Haroon Waheed [1955] [L.L.M, Australia]	Group Head – Human Resource	CEO	32	4 Years: 8 Months	4 Years: 8 Months
8.	Mr. Syed Akhen-ud- Din [1960] [B.E Chemical Engineering]	Director Technology Division	CEO	32	4 Years: 9 Months	4 Years: 9 Months
9.	Mr. Qadeer Ahmed Khan [1950] [MSc Chemical]	Director Special Projects	CEO	38	8 Years: 2 Months	2 Years: 2 Months
10.	Mr. Ifkhar Mahmood Baig [1961] [Fellow Member – Institute of Chartered Secretaries & Managers Pakistan]	Director Business Development	CEO	34	22 Years	6 Years: 9 Months

 FATIMA FERTILIZER COMPANY LIMITED (FATIMA)
 November 2016

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ANNEXURE –II

11.	Mr. Kachif Mustafa Khan [1970] [Fellow Member – Institute of Cost and Management Accounts]	Head of Internal Audit	CEO	21	6 Years: 2 Months	2 Years: 6 Months
12.	Mr. Asghar Naveed [1972] [B.Sc. Chemical]	Corporate HSE Manager	Director Technology	20	3 Years: 10 Months	3 Years: 10 Months



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Fatima Fertilizer Co. Limited

BALANCE SHEET - CUMULATIVE

	30-Sep-16	30-Dec-15	31-Dec-14	31-Dec-13
As at	Cumulative (in)	Cumulative Annual	Cumulative Annual	Cumulative Annual
A. NON-CURRENT ASSETS				
1 Operating Fixed Assets - Owned and Leased	73,737	73,105	68,823	67,588
2 Intangible Assets	16	26	30	43
3 Other Non-Current Assets	24	19	13	10
Non-Current Assets	73,777	73,150	68,867	67,641
B. INVESTMENTS				
1 Associates / Subsidiaries				
a. Equity	2,021	2,021	-	-
b. Debt Securities / Loans	5,499	2,700	3,000	3,000
2 Investment Property	3,520	4,721	3,000	3,000
3 Other Investments	-	-	-	-
a. Equity Securities	86	86	86	83
b. Debt Securities	200	-	-	-
c. Other	286	86	86	83
Investments	5,805	4,806	3,886	3,885
C. CURRENT ASSETS				
1 Stores and Spares	4,944	4,364	4,090	3,830
2 Inventories				
Raw Material	1,371	2,367	2,312	2,302
Work in Progress	28	29	24	26
Finished Goods	5,687	4,206	3,45	174
3 Trade Receivables	7,083	7,003	2,681	2,702
4 Other Current Assets	502	155	448	96
5 Cash and Bank Balances	10,273	4,436	3,000	1,674
6 Dividend Receivable	385	295	949	238
Current Assets	23,189	16,833	11,169	8,564
D. TOTAL ASSETS (A+B+C)	102,772	94,789	83,121	79,290
E. CURRENT LIABILITIES				
1 Current Maturity of Long Term Debt	7,309	6,812	6,375	5,938
2 Short Term Borrowings	11,334	10,229	600	2,303
3 Trade Payables	3,408	3,410	1,146	649
4 Other Current Liabilities	5,895	5,496	6,472	6,375
5 Provision for Taxation	-	-	-	-
6 Dividend Payable	2,625	-	15	11
Current Liabilities	30,570	25,948	14,608	15,275
F. NON-CURRENT LIABILITIES				
1 Borrowings	12,602	13,168	17,335	22,647
2 Due to Associates	-	-	-	-
3 Other Non-Current Liabilities	15,626	15,445	14,421	8,605
Non-Current Liabilities	28,228	28,613	31,756	31,252
G. NET ASSETS (D-E-F)	43,974	40,229	36,757	32,759
H. SHAREHOLDERS' EQUITY				
1 Ordinary Share Capital	21,000	21,000	21,000	21,000
2 Preference Share Capital	-	-	-	-
3 Share Premium Account	1,790	1,790	1,790	1,790
4 Reserve				
a. Fixed Assets	-	-	-	-
b. Investments	-	-	-	-
5 Revenue Reserves	(30)	(30)	(23)	-
6 Unappropriated Profit	21,215	17,469	13,990	9,969
Shareholders' Equity	43,974	40,229	36,757	32,759

Notes:

1. Amnesia Plant capitalised in Dec'15 for PKR 4.55bn and Waste Gas Boiler commissioning capitalised in Jun'16 for PKR 2.31bn and Sep'16 PKR 2.614bn.
2. Investment in Fatahert PKR 2,021bn.
3. Includes Loan to PAK Arab (Dec'15: PKR 2,200bn), Balance Commodities (Dec'15: PKR 500bn).
4. Includes Loan to Fatahert PKR 3,117bn and investment in Mafha Real estate company PKR 87.8bn.
5. PKR 200bn investment in HBL's Tier II TFC.
6. Includes: (i) Umea PKR 2,319bn, (ii) JOP PKR 2,085bn, (iii) CASI PKR 1,221bn and (iv) Ratione reductions PKR 61,975bn.



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Fatima Fertilizer Co. Limited

PROFIT & LOSS ACCOUNT - CUMULATIVE

For the period ending

	30-Sep-16	30-Dec-15	31-Dec-14	31-Dec-13
	Cumulative 9M	Cumulative Annual	Cumulative Annual	Cumulative Annual
A Turnover	22,908	29,733	36,169	33,496
B Operating Costs	(10,942)	(12,651)	(14,708)	(13,711)
C Gross Profit	11,966	17,122	21,461	19,783
D Operating Expenses				
1 Administrative and General Expenses	(993)	(1,619)	(1,346)	(1,099)
2 Selling and Marketing Expenses	(5,469)	(1,290)	(1,449)	(1,430)
	(2,464)	(2,908)	(2,795)	(2,529)
E Operating Profit / (Loss)	9,501	14,214	18,666	17,254
F Other Income / Expenses				
Recurring Non-Core				
1 Dividend from Associates	-	-	-	-
2 Share of Profit / (Loss) from Associates	-	-	-	-
3 Dividend Income from Investments	-	-	-	-
4 Rental Income	-	-	-	-
5 Interest Income	294	349	381	158
	294	349	381	158
G Profit / (Loss) before Non-Recurring Impact	9,796	14,562	19,047	17,412
Non-Recurring Non-Core				
1 Profit / (Loss) on Sale of Assets	0	0	0	(8)
2 Profit / (Loss) on Sale of Investments	-	-	-	19
2 Surplus / (Deficit) on revaluation	-	-	-	-
3 Exchange Gain / (Loss)	(2)	(5)	14	(97)
4 Other Income / (Expense)	(314)	(630)	(1,144)	(864)
5 Extraordinary Items	-	-	-	-
	(316)	(635)	(1,130)	(952)
H Profit / (Loss) before Financial Charges	9,479	13,927	17,916	16,460
I Financial Charges				
1 Interest Expense				
Gross Interest	(1,924)	(3,379)	(3,767)	(4,169)
Interest Capitalized	-	-	-	-
	(1,924)	(3,379)	(3,767)	(4,169)
J Profit / (Loss) before Taxation	7,555	11,548	14,149	12,291
K Taxation	(7,184)	(2,295)	(4,891)	(4,298)
L Net Income / (Loss)	6,371	9,253	9,258	8,022
M Unappropriated Profit / (Loss) Brought Forward	17,469	13,990	9,983	6,158
	23,840	23,244	19,240	14,180
N Adjustments (+/-)	-	-	-	(11)
O Available for Appropriation	23,840	23,244	19,240	14,169
P Appropriations				
1 Reserve	-	-	-	-
2 Dividends				
a. Stock	-	-	-	-
b. Cash	(2,625)	(5,773)	(5,230)	(4,200)
c. Preference	-	-	-	-
	(2,625)	(5,773)	(5,230)	(4,200)
Q Effect of change in Accounting Policy (+/-)	-	-	-	-
R Unappropriated Profit Carried Forward	21,215	17,469	13,990	9,969

Notes:

1 Includes subsidy from Government of PKR 1,833mn (9M15: 0) and updated for discounts of PKR 751mn (9M16: PKR 129mn)

2 Includes: (i) Profit on short term loan to subsidiary & associate companies PKR 270mn, (ii) Profit on selling accounts PKR 16mn

3 Includes: (i) Markup on Long term finance PKR 1,137mn, (ii) Markup on short term finance PKR 680mn, (iii) Bank Charges PKR 88mn, (iv) Markup on short term deposits PKR 3,9mn, (v) Interest on workers fund PKR 9,6mn

4 Interest dividend for the year ending Dec'16 @ PKR 1.25/Share



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Fatima Fertilizer Co. Limited

CASH FLOW STATEMENT- CUMULATIVE

For the period ending:

	30-Sep-16	30-Dec-15	31-Dec-14	31-Dec-13
	Cumulative 1H	Cumulative Annual	Cumulative Annual	Cumulative Annual
A CASH FLOWS FROM OPERATING ACTIVITIES				
1 Profit Before Tax	7,555	11,548	14,149	12,321
2 Adjustments for:				
a. Depreciation/Amortization	1,356	1,663	1,591	1,532
b. Adjustments for other Non-Cash Changes/Items	72	93	85	3
c. Recurring non core (income)/expense	(294)	(349)	(981)	(158)
3 Add back:				
a. Interest Expense/(Income)	1,924	2,379	3,767	4,169
EBITDA	10,613	15,335	19,212	17,867
4 Subtract:				
a. Taxes paid	(600)	(1,177)	(528)	(614)
b. Others (+/-)	(25)	(19)	(38)	(14)
Free Cash Flows from Operations (FCFO)	9,987	14,139	18,566	17,238
5 Recurring non core income/(expense) from Subsidiaries/Associates	255	376	339	-
6 Recurring non core income/(expense) from Other Investments	16	33	12	11
Total Operating Cash Flows (TCF)	10,258	14,548	19,317	17,249
7 Interest paid	(1,536)	(2,498)	(3,891)	(5,865)
Net Cash from Operating Activities before Working Capital Changes (WCC)	8,722	12,050	15,126	11,384
8 Changes in Working Capital				
a. (Increase)/Decrease in Current Assets	(7,009)	(6,586)	(493)	(792)
b. Increase/(Decrease) in Current Liabilities (Excl. Debt)	(6)	999	586	1,651
	(7,014)	(5,587)	193	859
Net Cash provided by Operating Activities	1,708	6,463	15,319	12,243
B CASH FLOWS FROM INVESTING ACTIVITIES				
1 Capital Expenditure	(1,660)	(5,520)	(2,514)	(1,584)
2 Proceeds from sale of Fixed Assets	0	0	0	0
3 (Purchase)/Sale of Investments	(200)	(2,021)	(1)	39
4 Investment/Loan in Subsidiary/Associated Companies	(799)	300	-	(3,000)
5 Others	6	(5)	30	1
Net Cash (Used in)/Available From Investing Activities	(2,652)	(7,246)	(2,784)	(4,543)
C CASH FLOWS FROM FINANCING ACTIVITIES				
1 Proceeds from Issue of Ordinary Shares	-	-	-	-
2 Dividends Paid	-	(5,770)	(5,346)	(5,534)
3 Net increase (decrease) in short term borrowings	1,104	9,630	(1,703)	(388)
4 Net increase (decrease) in long term borrowings	(69)	(3,730)	(4,375)	(2,524)
5 Net increase (decrease) in preference share capital	-	-	-	-
6 Rental against finance lease	-	-	-	-
7 Others (+/-)	-	-	-	-
Net Cash (Used in)/Available From Financing Activities	1,035	130	(11,424)	(8,445)
D Non recurring/unusual and non core (expense) income	-	-	-	-
E NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90	(654)	311	(746)
F OPENING BALANCE OF CASH AND CASH EQUIVALENTS	295	949	138	984
G CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	385	295	449	238

Note:

1 Includes: i) Profit on short term loan to subsidiary & associate companies PKR 278.3mln, ii) Profit on saving accounts PKR 15.9mln

2 Includes: i) Profit received on short term loans PKR 255mln, ii) Interest on Bank deposits PKR 15.9mln

3 PKR 200mln investment in HBL's Tier II TFC

4 Includes: i) Repayment PKR 3,696mln, ii) Proceeds PKR 3,626mln



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Fatima Fertilizer Co. Limited

RATIO ANALYSIS- CUMULATIVE

For the period ending

	30-Sep-16	30-Dec-15	31-Dec-14	31-Dec-13
	Cumulative 1H	Cumulative Annual	Cumulative Annual	Cumulative Annual
A. EARNINGS/PROFITABILITY				
Turnover (PAK mld)	22,968	29,733	36,169	33,498
1 Turnover Growth (same period last year)	5%	-18%	8%	(98.3)%
2 Turnover Growth (for the period)	139%	36%	8%	(98.3)%
3 Gross Margin	52%	58%	59%	59.1%
4 Operating Margin	41%	48%	52%	51.5%
5 Pre-Tax Profit Margin	33%	39%	39%	36.8%
6 Effective Tax Rate	16%	20%	35%	34.9%
7 Pre-Tax Return on Equity	23%	29%	41%	39.9%
8 Return on Assets (ROA)	8%	10%	11%	10.3%
9 Net Non-core Income (Expenses) / Net Income	0%	-3%	-8%	-9.5%
10 Non-core non-recurring Income (Expenses) / Net Income	-5%	-7%	-12%	-11.5%
11 Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	13%	29%	52%	54%
12 Cash Conversion Efficiency (FCFO/Sales)	44%	48%	52%	51%
13 Dividend Cover (X)	2.4	1.6	(1.8)	(1.9)
14 Return on Equity (ROE)	19%	23%	26%	25%
15 Net Profit Margin	28%	31%	26%	24%
16 Leverage (Total Assets / Equity)	2.3	2.4	2.3	2.4
17 Asset Turnover (Sales / Average Total Average Assets)	0.3	0.3	0.4	0.4
B. WORKING CAPITAL MANAGEMENT				
1 Average Inventory Held (Days)	195	135	78	78
a) Average Raw Material Held (Days)	54	59	66	70
b) Average WIP (Days)	1	1	1	1
c) Average Finished Goods Held (Days)	140	75	11	7
2 Average Trade Debtors (Days)	7	4	3	3
3 Average Trade Creditors (Days)	83	50	19	18
4 Net Working Capital Days	118	89	62	62
5 Short-term Trade Leverage (1 - (STB/Net Trade Assets OR Liabilities))	-154%	-172%	-344%	366%
6 Short-term Total Leverage (Net Current Assets - STB) / Current Assets	-42%	2%	42%	19%
7 Current Ratio (Total Current Assets/Total Current Liabilities excluding	1.0	0.9	1.4	0.9
C. COVERAGES				
1 EBITDA/Gross Interest	5.5	6.4	5.1	4.3
2 FCFO/Gross Interest	5.2	5.9	5.0	4.1
3 FCFO/Gross Interest+CMLTD	1.3	1.5	1.8	1.7
4 FCFO/Gross Interest+CMLTD+Uncovered Short Term Borrowings	1.3	1.5	1.8	1.7
5 TCF/Gross Interest+CMLTD+Uncovered Short Term Borrowings	1.4	1.6	1.9	1.7
Debt Payback (Total LT Debt including Uncovered Total STBs) /				
6 (FCFO - Gross Interest)	1.9	1.7	1.6	2.2
D. CAPITAL STRUCTURE				
1 Total Debt/Total Debt+Equity	42%	43%	40%	40%
2 Total Debt/Total Debt+Equity(net of rev. surplus)	42%	43%	40%	40%
3 Current Debt/Total Debt	60%	56%	29%	27%
4 Average Borrowing Rate	8%	9%	13%	11%
5 Average OMC/BOR	6%	7%	10%	9%
6 Spread over KIBOR	2%	2%	1.2%	1.1%



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STANDARD RATING SCALES & DEFINITIONS

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

LONG TERM RATINGS		SHORT TERM RATINGS	
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.	A1+	The highest capacity for timely repayment.
AA+	Very high credit quality. Very low expectation of credit risk.	A1	A strong capacity for timely repayment.
AA	Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
AA-		A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A+	High credit quality. Low expectation of credit risk.	B	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
A	The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.	C	An inadequate capacity to ensure timely repayment.
A-			
BBB+	Good credit quality. Currently a low expectation of credit risk.		
BBB	The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances or economic conditions are more likely to impair this capacity.		
BBB-			
BB+	Moderate risk. Possibility of credit risk developing.		
BB	There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.		
BB-			
B+	High credit risk.		
B	A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business, and economic environment.		
B-			
CCC	Very high credit risk.		
CC	"CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.		
C			
D	Obligations are currently in default.		

Rating Watch Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. Rating Watch may carry designation – Positive (rating may be raised), negative (lowered), or developing (direction is unclear). A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled.	Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.	Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, a suspended rating should be considered withdrawn.	Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, or e) the entity/issuer defaults.
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Disclaimer: PACRA's rating is an assessment of the credit standing of an entity/issuer in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

Regulatory and Supplementary Disclosures																																			
Rating Agency	<p>Name of Rated Entity: Fatima Fertilizer Company Limited</p> <p>Sector: Fertilizer</p> <p>Type of Relationship: Solicited</p> <p>Process of the Rating: Independent Risk Assessment</p>																																		
Rating History	<table><tr><th>Transmission Date</th><th>Long Term</th><th>Short Term</th><th>Outlook</th><th>Action</th></tr><tr><td>-</td><td>AA-</td><td>A1+</td><td>Stable</td><td>Maintain</td></tr><tr><td>12-Nov-15</td><td>AA-</td><td>A1+</td><td>Stable</td><td>Maintain</td></tr><tr><td>27-Nov-16</td><td>AA-</td><td>A1+</td><td>Stable</td><td>Upgrade</td></tr><tr><td>26-Jan-17</td><td>A+</td><td>A1</td><td>Positive</td><td>Maintain</td></tr><tr><td>15-Dec-17</td><td>A+</td><td>A1</td><td>Stable</td><td>Upgrade</td></tr></table>					Transmission Date	Long Term	Short Term	Outlook	Action	-	AA-	A1+	Stable	Maintain	12-Nov-15	AA-	A1+	Stable	Maintain	27-Nov-16	AA-	A1+	Stable	Upgrade	26-Jan-17	A+	A1	Positive	Maintain	15-Dec-17	A+	A1	Stable	Upgrade
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Rating Criteria and Research	<p>Methodology: Corporate Rating Methodology</p> <p>Research: Fertilizer Sector / Overview / October 2015</p> <p>Rating Analysts: Mahesh Mehta mahesh.mehta@pactera.com (91-42-3586504)</p> <p>Amara S. Goudal amara.goudal@pactera.com (91-42-3586504)</p>																																		
Rating Team Statement	<p>Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.</p>																																		
Disclaimer	<p>PACRA maintains principle of integrity in issuing rating decisions.</p> <p>PACRA has used due care in preparation of this document. Our information has been obtained directly from the underlying entity and public sources we consider to be reliable but the accuracy or completeness is not guaranteed. PACRA shall own no liability whatsoever in any loss or damage caused by or resulting from any error in such information.</p> <p>Conflict of Interest:</p> <p>PACRA, the analysts involved in the rating process, and members of its rating committee do not have any conflict of interest relating to the credit rating done by them.</p> <p>The analysts involved in the rating process do not have any interest in a credit rating or any of its family members has any such interest. The analysts and members of the rating committee including the external member members have disclosed all the conflict of interest, including those of their family members, if any, to the Compliance Officer PACRA.</p> <p>The analysts or any of its family members do not buy or sell or engage in any transaction in any security which falls in the analysts area of primary analytical responsibility. This is, however, not applicable on investment in securities through collective investment schemes. PACRA has established appropriate policies governing investments and trading in securities by its employees.</p> <p>PACRA may provide consultancy/advisory services or other services to any of its clients or to any of its clients' associated companies and associated undertakings that is being rated or has been rated by it. In such cases, PACRA has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities.</p> <p>PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct conditions: i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and ii) fee mandate - signed with the payer, which can be different from the entity.</p> <p>PACRA ensures that the credit rating assigned to an entity or instrument should not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship.</p> <p>Surveillance:</p> <p>PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the rated entity/ issuer, the security assignment, the industry etc, is disseminated to the market, in a timely and effective manner, after appropriate consultation with the entity/issuer.</p> <p>PACRA reviews all the outstanding ratings on annual basis or as and when required by any stakeholder (including regulator) or upon the occurrence of such an event which requires to do so.</p> <p>PACRA initiates immediate review of the outstanding ratings upon becoming aware of any information that may be reasonably be expected to result in any change (including downgrade) in the rating.</p> <p>Reporting of Misconduct:</p> <p>PACRA has framed and implemented whistleblower policy encouraging all employees to intimate the compliance officer any unethical practice or misconduct relating to the credit rating by another employee of the company that came to his/her knowledge. The Compliance Officer reports to the CEO.</p> <p>Confidentiality:</p> <p>PACRA has framed a confidentiality policy to prevent, abuse of the non-public information by its employees and other persons involved in the rating process, sharing and dissemination of the non-public information by such persons to outside parties.</p> <p>Where feasible and appropriate, prior to issuing or revising a rating, PACRA informs the issuer of the critical information and principal considerations upon which a rating will be based and provide the opportunity to clarify any likely factual misperception or other matter that PACRA would wish to be made aware of in order to produce a fair rating. PACRA duly evaluates the response. Where in a particular circumstance PACRA has not informed the entity/issuer prior to issuing or revising a rating, it informs the entity/issuer as soon as practical thereafter.</p> <p>Prohibition:</p> <p>None of the information in this document may be copied or otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's written consent. PACRA reports and ratings constitute opinions, not recommendations to buy or to sell.</p>																																		
Probability of Default (PD)	<p>PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e. probability). PACRA's transition matrix captures the historical performance behavior of each rating notch. These matrices are available at our website (www.pactera.com). However, actual realization of a particular rating may not follow the pattern observed in the past.</p>																																		

6.7 INSTRUMENT RATING



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FATIMA FERTILIZER COMPANY LIMITED (FATIMA)

INSTRUMENT RATING REPORT

PRELIMINARY (Nov-16)	
Listed and secured Sukuk (PKR 10.5bn)	AA-
Outlook	Stable

NOVEMBER 2016



The Pakistan Credit Rating Agency Limited

FERTILIZER**FATIMA FERTILIZER COMPANY LIMITED**

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Sukuk Issuance:

- Fatima is issuing a limited, rated and secured Sukuk of PKR 10.5bn and has a term of 5 years. It would be issued in the Pre-IPO and IPO portion in the ratio of 75:25. Redemption of the Sukuk will be in 10 semi-annual installments, starting from date of first disbursement, and coupon payments are payable @6MCK+1.10%. The instrument, initially, would be secured with a ranking charge which would be upgraded into first pari-passu charge over all the present and future fixed assets with a minimum 25% margin, within 90 days of first disbursement. The company is required to create a Debt Payment Account with National Bank of Pakistan (NBP), which are the advisor and arranger of the Sukuk. An early redemption of the issue is allowed after 3 years of the issue. The Sukuk proceeds would be utilized to settle existing Syndicated Term Finance Facility.

Profile & Ownership:

- Fatima Fertilizer Company Limited (Fatima), incorporated in 2003, is listed on Pakistan Stock Exchange.
- Majority owned by Fatima Group (43%) and Arif Habib Group (31%); Fatima Group retains the management control.
- The group has interests in textile, sugar, mining and energy sectors and in addition owns Fatahah Fertilizer.
- Fatima owns a fertilizer complex with nameplate capacity of 1.23mtpa (Urea, CAN and NP combined), located at Multan Qurb, Rahim Yar Khan.
- Fatima Fert (formerly DH Fert) is a wholly owned subsidiary of Fatima adding 455K MT of additional capacity.

Governance and Management:

- Eight member board of directors including the CEO, four representative of Fatima Group, two of Arif Habib Group and two independent members.
- The chairman of Arif Habib Group, Mr. Arif Habib, a reputed business professional, chairs the company's board.
- Mr. Fawad Ahmed Multan, a seasoned entrepreneur, is the CEO of Fatima as well as of Pak Arab and Fatima Fert.

Performance:

- Fatima's revenue, in 9M16, continued to be driven by diversified fertilizer products, NP (38%), CAN (31%), and Urea (31%).
- Market share declined to 18%, though company is the market leader in CAN (56%) and NP (72%).
- Capacity utilization surpassed 100% level, benefiting from completion of ammonia plant revamp in Nov'15.
- Commissioning of Waste Gas Boiler by April'16, boosted the energy efficiency.
- Topline grew by 3%, wherein sizeable increase in NP sales (69%) diluted by decrease in urea (2%) and CAN (5%).
- Increased offtake in the month of Sep'16, alone, on account of hefty discounts, compensated the previous months impasse generating a gross profit margin of 52%, highest in the industry.
- Net profit margin of 28% remained highest among industry players.

Business Strategy:

- Fatima envisages the optimal mix of urea, CAN and NP to keep margins afloat.
- Continue efforts in improving farmer's knowledge through providing technical assistance, conducting awareness seminars, meetings and trainings.
- Greenfield project (Cost: USD 2.5bn) of fertilizer complex (2.6mtpa MTPA), owned by Midwest Fertilizer Corp (MFC) based in Indiana state of the US is at advanced stage; financial close delayed till 1Q17 (previously 1Q16).
- Fatima envisages to have 35% shareholding in MFC's equity total worth of USD 840-860mn.

Financial Risk:

- Traditionally low working capital requirement witnessed upsurge due to inventory pile up, a phenomenon in line with industry.
- Increased working capital requirements (Sep'16: PKR 7,014mn) have been financed by hefty short term borrowings (Sep'16: PKR 11,334mn, Dec'15: PKR 10,229mn).
- Moderately leveraged (42%), however short term borrowings pushed up debt level (PKR 31,244 mn) despite significant repayment (PKR 3,696mn).
- Debt coverage stands at 4.1times with robust debt payback of 2.4yrs.
- Fatima's plans of investment (~PKR 30bn) in MFC's fertilizer complex would raise the debt level. In this regard, Fatima envisages to issue 7-year US dollar denominated bonds with bullet payment falling due in 2023, keeping Fatima's financial risk profile within comfortable ranges.

RATING RATIONALE

The ratings reflect strong business profile of the company on the back of diversified product mix. Secure supply of gas from Mari field together with lower feed stock price (under fertilizer policy - 2001 up till July'2021), represents inherent strengths of the company compared to peers. With ammonia plant debottlenecking, completed in Nov'15, overall capacity utilization has exceeded above 100% (previously: 90% - 98%). Efficiency in fuel consumption was also achieved with the installation of Waste Gas Boiler in April'16. Gross margins are sanguine, with the uptick in off takes post subsidy announcement. The company faces competition from peers amidst supply surplus situation in the country, mainly on the back of improved gas situation in the country, experiencing huge inventory pile up of urea. The pending risk needs immediate attention of all stakeholders. Another risk is reduced international pricing, a significant threat to current profits. Fatima's carry over inventories and working capital needs have pushed up short term borrowings. This has hampered the incremental benefit on leveraging enabled by retirement of long term borrowings. The financial close of Fatima's Greenfield fertilizer complex in the United States of America has been delayed. The ratings are dependent on the company's ability to maintain its cash flow.



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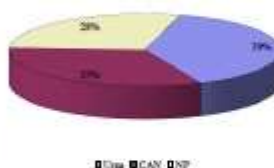
FERTILIZER

1. PROFILE

- Diversified product base
- Largest NP producing capacity of the country

1.1 Fatima Fertilizer Company Limited (FATIMA), incorporated in Dec-03, and obtained listing on three bourses of the country in Feb-10. The company's fertilizer complex is located at Mukhtar Garh, Sadiqabad, Rahim Yar Khan. The construction of the Complex commenced in Mar'07. The fertilizers complex achieved commercial production beginning July-11. The complex is designed to produce 500K MT of Urea per annum, 420K MT of CAN per annum, 360K MT of NP per annum, bringing total capacity to 1.28mln tons p.a. Urea and NP plants are brand new, while Ammonia, NA, and CAN plants are relocated. FATIMA is the second fertilizer company in Pakistan to produce CAN after its associate Pakarab Fertilizers Limited (PFL). Whereas, FATIMA is the largest producer of NP, followed by PFL. The complex has a 36MV captive power plant in addition to off-sites and utilities. The complex has been allocated 110MMCFD of gas from the dedicated Mari Gas Fields (with reserve life of 16 years).

Productwise Distribution - designed capacity



1.2 The company supplies fertilizers to 38 districts (3000 dealers) spanning over 10 regions all around Pakistan (approx 220 cities). However, geographically Fatima's market is relatively concentrated in Punjab (73%). Besides, the company established a dealer call centre - one stop solution- in an effort to become the "preferred fertilizer brand".

1.3 Following graph depicts trading history of FATIMA's scrip on the Karachi Stock Exchange. The stock price of Fatima has mostly performed inline with KSE-100.

1.4 The auditors of the company, M. Younsuf Adil Saleem & Company, expressed an unqualified opinion on the financial statements for the full year ending Dec-15 and half year ending Jun-16.



2. OWNERSHIP

- Majority owned by Fatima Group and Arif Habib Group
- Family Charter within Mukhtar Family
- Acquired DH Fertilizer - now

2.1 Fatima Fertilizer Company Limited is a joint venture between two major business groups in Pakistan namely Fatima Group (FG) and Arif Habib Group (AHG). Fatima Group - the key sponsors - holds 47%, while Arif Habib Group holds 31% and Fazal Group hold 8% stake. The shareholding remained the same YoY.

2.1.2 Presently, the Fatima Group owners comprise three sons of Mr. Mukhtar Ahmed (late) - Fawad Ahmed (the eldest son; CEO of Fatima Fert, Pakarab Fertilizer Ltd and D.H Fert); Fazal Ahmed (CEO of Fatima Energy, AirOne & Reliance Weaving; and Faizal Ahmed (CEO - Fatima Sugar). The shareholding among brothers (and their families) is equally distributed (7% each; and rest indirectly through group companies). Fawad Ahmed is the CEO of Fatima (and Pak Arab Fertilizer and recently acquired DH Fertilizer), while Fazal Ahmed oversees financial matters of the group. Mr. Fawad is also on the board of group companies. Mukhtar Family has entered into a Family Charter



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FERTILIZER

named Fatima
Fert.

(agreement), specifying the succession & inheritance rules; lead and managed by an international management consultant, IMD. In this regard, a Family Council is being developed. Moreover, a Holding Company (named Fatima Holdings) has been established; the board is being constituted. Post completion of charter, IMD would monitor, for two years, adherence to the charter, as per the agreement. Whereas, the relationship between two major shareholders, Fatima Group and Arif Habib Group, is governed by tacit understanding, not documented.

2.2 Fatima Group is one of the leading corporate groups in Pakistan, engaged in trading of commodities, manufacturing of fertilizers, textiles, sugar, mining and energy. Group companies include (i) Fatima Fertilizer Company Limited, (ii) Pakarab Fertilizers Limited, (iii) Reliance Weaving Mills Limited, (iv) Fazal Cloth Mills Limited, (v) Fatima Sugar Mills Limited, (vi) Reliance Commodities (Private) Limited, (vii) Fatima Energy Limited, (viii) Pakistan Mining Company Limited, and (ix) Air One (Private) Limited. Fazal Cloth Mills Limited and Reliance Weaving Mills Limited are listed on Karachi and Lahore Stock Exchanges. Arif Habib Group ranks amongst the prominent financial services group in Pakistan. The group holds interests in the securities brokerage, investment and financial advisory, investment management, commercial banking, commodities, private equity, cement and fertilizer industries. The relationship of the partners is governed by tacit agreement, not documented.

2.3 Fatima Group acquired 100% stake in DH Fertilizers Limited (DH Fert now known as Fatima Fert) last year in June '15. The investment remains on the books of Fatima. The price of 100% shares was valued at PKR 26bn (agreed enterprise value of PKR 6bn minus long term loan of PKR 4.6bn). Fatima also acquired 100% shares of Bubbar Sher (Pvt) Limited (BSPL) – brand of DH Fert – at the cost of PKR 10,000. The management control of DH Fert and BSPL was completely transferred on 1-Jul-15. This acquisition has been beneficial for Fatima, as it now enjoys the market share captured by "Bubbar Sher" brand as well. Fatima also benefits from reduced freight cost as this new brand is manufactured and sold in the same region (concentrated in Punjab). The company is now operational, on LNG, on its full capacity. Besides being a well-recognized brand, "Bubbar Sher" would take some time to regain its market share which was captured by other competitors.

2.4 Fatima Group incorporated Midwest Fertilizer Corp's (MFC) in Delaware, US in Sep12. Fatima's shareholding in MFC, currently 100%, shall be diluted to 30% while

Fatima's Shareholding Pattern (Sep-16)		
	Holding %	
	Sep-16	Sep-15
Corporate		
Fatima Sugar Mills Limited	12.8	12.8
Reliance Commodities (Pvt) Limited	10.0	10.0
Reliance Weaving Mills Limited	0.1	0.1
	22.9	22.9
Individuals		
Mr. & Mrs. Mukhtar Ahmad	0.3	0.3
Mr. Taseel Ahmad Mukhtar & Family	7.3	7.3
Mr. Taseel Ahmad Sheikh & Family	7.0	7.0
Mr. Taseel Ahmad Mukhtar & Family	7.0	7.0
	21.7	21.7
Sub-total	44.6	44.6
Corporate		
Arif Habib Corporation Limited	15.2	15.2
	15.2	15.2
Individuals		
Arif Habib	8.8	8.8
Others	6.6	6.6
	15.5	15.5
Sub-total	30.7	31.7
Public Group		
Corporate		
Fazal Cloth Mills Ltd	3.3	3.3
Individuals		
Mian Naveem & Family	5.0	5.0
	8.3	8.3
Sub-total	11.5	11.5
General Public	16.5	15.5
Total	100	100



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retaining the management control, after the project kick starts. MFC plans to build a nitrogen fertilizer plant in Posey County, State of Indiana. MFC is at advanced stage to start construction of a fertilizer complex, over a land area of 219 acres, having nameplate capacity of 2.6mln MTPA. The complex consists of an ammonia plant (2,200 mtpd), a urea synthesis plant (2,200 mtpd), urea granulation plant (1,200 mtpd), urea ammonium nitrate plant (4,300 mtpd), diesel exhaust fuel plant (900 mtpd) and a nitric acid plant (1,530 mtpd). The financial close of the project has been delayed to end-Dec'16 (previously end-Mar'15) due to delay in regulatory approvals in US.

3. GOVERNANCE

- Non-executive chairman
- Representation of both Sponsors on Board
- Two board committees

3.1 FATMA's board of directors comprises eight members, including the CEO, Mr. Fawad Ahmed Mukhtar. The chairman of Arif Habib Group, Mr. Arif Habib, a well known business professional of the country, chairs the company's board in non-executive role. The board includes three members from Fatima Group, two members from Arif Habib, one employee of the company and two independent directors. Out of 8 members, four are non-executive directors. The board meeting minutes are adequately documented and the minutes reflect strong participation by the board members. Brief profile of the BoD members is attached as *Annexure-I*. The board has two committees namely Human Resource and Remuneration Committee and Board Audit Committee.

4. MANAGEMENT

- Experienced management team
- Induction of HRBP Concept

4.1 The organizational structure of the company is divided into various functional departments, namely: (i) Operations, (ii) Finance, (iii) Administration, (iv) Procurement (v) Human Resource (vi) IT (vii) Marketing, and (viii) Internal Audit. The management is a balanced blend of professional people from the industry. Key management personnel include sponsor directors (Mukhtar brothers) and an experienced individual (Mr. Abad Khan) associated with the group as employee since inception. A Brief profile of the key management personnel is attached as per *Annexure-II*.

4.2 Since CY13, the company's HR department has been strengthened. It has in place Human Resource Business Partner (HRBP) concept, defining succession policy. More emphasis is placed on training and development of its HR.

5. SYSTEMS & CONTROLS

- Licenses from renowned international companies
- ERP based MIS
- Separate Resource for monitoring Regulatory Compliance

5.1 The company's manufacturing facilities has been built in collaboration with leading international contractors and suppliers including Sojitz Corporation (a leading chemical fertilizer producer in Southeast Asia), Kellogg (a technology-based engineering service), Stami carbon (specializing in licensing of urea), China National Chemical Engineering Corporation (a large corporation directly administered by the State Council of China), and General Electric.

5.2 FATMA's operating system is an Oracle based ERP system that is capable of generating critical reports on a periodic basis for the management. The treasury department of the company prepares daily and bi-annual cash flow summary report to evaluate company's liquidity position against upcoming payments. Moreover, the company uses a separate resource for monitoring its compliance with regulatory requirements and banks' covenants. Group level business intelligence and data warehouse has been upgraded, which now provide intelligent tool for better decision making. In this regard, dealers of the company now maintain integrated register by inputting data regarding farmers, acre of land etc. Almost 30 warehouses have been brought online while the remaining will be brought in near future. The company's ordering system is online, which is expected to reduce the logging process time.



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FERTILIZER

6. BUSINESS RISK

- Diversified products; benefiting the topline
- Capacity utilization above 100%
- Efficiency gains due to ammonia plant revamp
- Strong performance in Sep'16
- Improved margins
- Setting up new plant in the US - Geographical diversification

6.1.1 Business Source and Mix: Fatima's revenue, in 9M16, continued to be driven by diversified fertilizer products; NP (38%), CAN (31%), and Urea (31%). The mix tilted more towards NP in current year as urea volumes remain muted in anticipation of price cut by GoP in budget FY17. Geographically, Fatima's market is relatively concentrated in Punjab. In 9M16, the overall capacity utilization surpassed 100% level, benefiting from completion of the debottlenecking project of ammonia plant with further energy efficiencies added by the completion of waste gas boiler project in April'16. The market declined to 18%, though company is the market leader in CAN (66%) and NP (72%).

	CY14		CY15		9M15		9M16	
Product	Production ('000 MT)	Capacity Utilization	Production ('000 MT)	Capacity Utilization	Production ('000 MT)	Capacity Utilization	Production ('000 MT)	Capacity Utilization
Urea	373	75%	414	83%	310	60%	389	104%
CAN	433	103%	402	96%	312	99%	354	112%
NP	375	104%	363	101%	291	108%	330	115%
Total	1,181	92%	1,179	92%	942	98%	1,073	110%

	CY14		CY15		9M15		9M16	
Product	Sales ('000 MT)	Market Share	Sales ('000 MT)	Market Share	Sales ('000 MT)	Market Share	Sales ('000 MT)	Market Share
Urea	373	7%	354	6%	253	6%	324	6%
CAN	413	86%	321	70%	268	75%	255	70%
NP	370	70%	268	46%	182	5%	320	70%
Total	1,156	16%	942	14%	704	18%	798	18%

Performance Analysis: In 9M16, the topline of the company increased by 3% as compared to same period last year, herein the diversified product mix planned out for Fatima as the decline in Urea (2%) and CAN (5%) was normalized by marginal increase in NP (69%). CAN (comprising of ~31% in company's 1H16 revenues) particularly remained problematic especially after implementation of FY17 budget wherein the price of urea was brought down to PKR1,400/bag. NP, however, provided cushion to the revenue, however after finalization of DAP subsidy, NP prices may rise. With increased offtake in the month of Sep'16 (~134,000MT), with strong improvement in all three of its products, Fatima was able to offset the impasse of previous months generating a gross profit margin of 52%, highest in the industry. The finance cost slightly increased (8%) to PKR 1.9bn, leading to pre-tax profit of PKR 7.6bn (9M16: PKR 9.2bn). The net profit margin of Fatima also dominated the other industry players (28%).



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6.2.2 Fatima envisages the optimal mix of urea, CAN and NP to keep margins afloat. The revamp and debottlenecking of its ammonia plant phase-I (DBN), was completed in Nov'15, it increased the name plate capacity of 1,500 MT/day to 1,650 MT/day (10% more capacity), thereby increasing cashflows. The related cost of PKR 4.3bn was capitalized at end-Dec'15. During this year, the energy index was further improved by the completion of Waste Gas Boiler at the end of April'16, which was financed through Standard Chartered Bank (UK) (USD 22mln). The group is at advanced stage to initiate a Greenfield project, costing USD 2.5bn, of fertilizer complex (2.6mln MTPA), owned by Midwest Fertilizer Corp (MFC) based in Indiana state of the US. Out of total equity of USD \$40-\$60mln,



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Fatima shall have ~35% shareholding; 5% by a Chinese Firm - Sojitz Corporation - and 60% by US investors. The financial close is expected at end-Dec16 (previously end-Mar16). Regulatory approvals caused delay, however as for today, all approvals are in place now. During the year, the company has increased its investment through short-term investments in HBL Tier II TFC (Jun'16: PKR 200mln).

6.3 Subsidiary – Midwest Fertilizers Corp (MFC): The project cost is estimated to be USD 2.5bn. The project shall be ~35% equity financed (Total: USD 875mln, of which Fatima's share: USD 306mln) while the rest USD 1.62bn will be debt financed; tax-exempt bond, issued under the Heartland Disaster Tax Relief Act of 2008. The tax-exemption to investors of bonds makes them lucrative and, hence, easy financing for MFC. The financial close is dependent on Fatima's share of US 300mln, for which Fatima is once again arranging a foreign currency debt. The financial close is expected at end-CY16 (previously planned to end by Mar16). The delay has been caused due to finalization of foreign shareholders; discussions in this regard are still going on. The Fatima's management has finalized a Lump Sum Turnkey Contract (LSTC) with ThyssenKrupp Industrial Solutions USA to design and build the project; previously the EPC contract was with the Technimont but was turned down to unsettlement in contract conditions. The LSTC shall lock the time and amount of the project, whereby the burden of any loss due to delay shall be on the contractors. This entails the financial close happening only after Fatima and other investors deposit their share in escrow account. The remaining equity partners are expected to be a consortium of international investors, including Chinese, Japanese & US-based strategic partners.

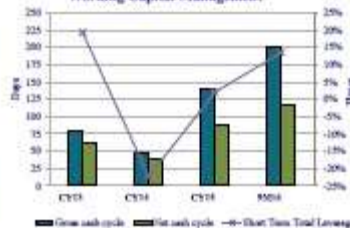
7. FINANCIAL RISK

- Working capital requirement driven by raw material
- Inventory levels of finished goods surged
- High trade leverage
- Cashflows constrain as topline declined
- Sustained coverages
- Investment in new fertilizers complex would raise the leveraging, going forward
- Sukuk issue of PKR 10.5bn

7.1 Working Capital:

FATMA's working capital requirements are a function of imported raw material used in the manufacturing of CAN and NP. Traditionally the working capital requirement is low but it has witnessed uprising due to inventory pile up, however this is a temporary phenomenon expected to normalize by end of Rabi-season. In 9M16, FATMA's working capital requirements soared in absolute amount to PKR 7.01bn (9M15: PKR 5.6bn) because of high inventory days related to stores and spares, in-line with inventory bulk of all industry players. The inventory days of finished goods increases, resulting into higher gross (201 days) and net cash cycle (118 days). With increase in operations, in absolute terms, inventory levels of finished products rose to PKR 5.7bn at end-Sep16 – major increase in urea inventory level (PKR 2319mln; 9M15: PKR 836mln), followed by CAN (9M16: PKR 1,221mln, 9M15: PKR 818mln), and decrease in NP alone (9M16: PKR 2,085mln, 9M15: PKR 2,495mln). The short term borrowings of the company are partially driven by raw material imports (rock phosphate – NP), however, rest of the borrowings have been utilized for other than trade purposes; resulting into hefty short term borrowings of PKR 11.3bn (9M15: PKR 7.1bn). Going forward, the urea inventory pile up may result in further price discounts of the product; this may also constrain margins on CAN, as being a close substitute.

Working Capital Management



7.2 Cash Flows and Coverages: The free cash flows (FCFO) of the company during

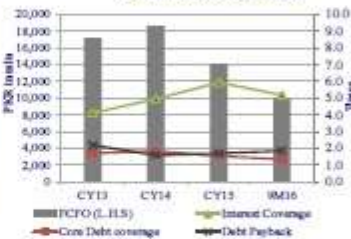


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9M16 (PKR 9.9bln) decreased by 13% YoY, on the back of deteriorated margins and downturn in turnover. This affected the coverages of the company; however, it still remained in comfortable range (5.2times). The finance cost slightly increased YoY (8%), while FCFO decreased, resulting in core coverage of 1.3times (9M15: 1.7times). The high inventory level, partially due to mid-season and rest due to subsidy announcements, entails high short term borrowings at end-Sep16. With anticipated pickup in sales during winter cropping cycle in 2H16 and onwards due to farmer price reduction incentives announced by Government, the coverages would further improve.

Cashflow & Coverages



7.2.1 The company repaid PKR 3.7bln to lenders during 9M16. The company further availed remaining USD 5.988mln (total facility: USD 22mln) to be utilized in ammonia DBN Project-I. The loan is repayable in 21 equal installments starting from Jun16, with one year grace period.

7.3 Capital Structure: At end-Sep16, Fatima's capital structure is leveraged at 42%. Although long term debt declined by PKR ~2bln, a simultaneous increase in short term borrowings (~PKR 11.6bln) reduced the benefit. Fatima's plans of investment (approx PKR 30bln) in MFC's Greenfield fertilizer complex would raise the debt level. In this regard, Fatima envisages to issue 7-year US dollar denominated bonds with bullet payment falling due in 2023 – five years after complete retirement of existing local debt. This repayment arrangement would keep Fatima's financial risk profile within comfortable ranges. Fatima has also extended a short term loan to its associates of PKR 3.1bln.

Capital Structure



7.4 Sukuk Issue: Fatima is issuing a listed, rated and secured Sukuk. The Sukuk, amounting PKR 10.5bln, has a tenor of 5 years and would be issued in the Pre-IPO and IPO portion in the ratio of 75:25. Redemption of the Sukuk will be in ten stepped-up semi-annual installments, starting from date of first disbursement, and the semi-annual coupon payments are payable @6MK+1.10%. The instrument, initially, would be secured with a ranking charge which would be upgraded into first pari-passu charge over all the present and future fixed assets with a minimum 25% margin, within 90 days of first disbursement. The company is required to create a Debt Payment Account with National Bank of Pakistan (NBP), which are the advisor and arranger of the Sukuk. An early redemption of the issue is allowed after 3 years of the issue. The Sukuk proceeds would



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be utilized to settle existing Syndicated Term Finance Facility availed by the company.

SUKUK – LISTED, RATED & SECURED	
ISSUANCE	PKR 10,500 mln
TENOR	5 Years
PROFIT RATE	Floating rate of 6M KIBOR + 1.10% payable semi-annually.
PRINCIPAL REPAYMENT	To be redeemed in 10 equal semi-annual installments from the date of first disbursement
SECURITY	Secured by: <ul style="list-style-type: none"> - First pari-passu hypothecation charge over all present and future fixed assets with a minimum 25% margin; - First pari-passu mortgage over land and building with a minimum 25% margin; - Establishment of a Debt Payment Account (DPA) - Assignment over all rights and benefits of Fatima under any and all project insurance and cut-through agreements for reinsurance <p>The Sukuk would be initially secured by ranking charge and it would be upgraded into first pari-passu within 90 days of first disbursement.</p>

Fatima Fertilizer Company Limited (Fatima) Profile of Board of Directors 30-Sep-16					
Sl. #	Name [DOB] [Qualification]	Representation	Occupation	Overall Experience	Association With Board Since
1	Arif Habib [Date- Month - 1953] [Education: B.E.]	Arif Habib Group	Chairman - Fatima Fertilizer	<ul style="list-style-type: none"> More than 35 years of diversified experience CEO - Arif Habib Corporation Chairman - Pak-Arab Fertilizer, Aisha Steel Mills, Jawaden Corporation Director - Pak-Arab Energy Ltd 	1-May-05 10.4 Years
2	Muhammad Kasim Habib [Date- Month - 1982] [A.C.A.]	Arif Habib Group	CEO - Power Cement Ltd	<ul style="list-style-type: none"> More than 15 years of diversified experience Director - Pak Arab Fertilizer, Arif Habib Corporation FatimaFert, Reliance Sacks, Jawaden Corporation, Aisha Steel Mills, Arif Habib Dolomite R&D Management, Ransco Engineering Company (Pvt) and Maroon Health & Education Foundation 	1-Dec-10 6.6 Years
3	Faisal Ahmed Mubshir [Date- Month - 1964] [Bachelor's degree in Arts]	Fatima Group	CEO - Fatima Fertilizer	<ul style="list-style-type: none"> Overall 30 years of experience CEO Pak Arab Fertilizer & Fatima Fert Director Fatima Group Companies Director - Fatima Transmission Company and Pak Arab Energy 	1-Dec-03 12.8 Years
4	Faisal Ahmed Mubshir [Date- Month - 1968] [I.I.T.]	Fatima Group		<ul style="list-style-type: none"> More than 25 years of experience in textile, sugar and fertilizer businesses Chairman - Workers Welfare Board at Pak Arab Fertilizer Director - Pak Arab Fertilizers, Fatmafeed, Fatima Sugar Mills, Fatima Holding, Fatima Energy, Fatima Electric Company, Pak Arab Energy, Reliance Weaving Mills, Reliance Commodities (Private), Steel Cloth Mills, and Air One (Private) 	1-Dec-03 12.6 Years
5	Faisal Ahmed Sheikh [Date- Month - 1965] [Bachelor's degree in Economics]	Fatima Group	CEO - Fatima Energy, Air One and Reliance Weaving	<ul style="list-style-type: none"> More than 25 years of experience in textile, sugar and fertilizer businesses Director - Pak Arab Fertilizers, Steel Cloth, and other Fatima group companies 	1-Dec-03 12.8 Years
6	Muhammad Ahsan Khan [Date- Month - 1935] [Mechanical Engineer]	Fatima Group	Project Director - Fatima Fertilizer	<ul style="list-style-type: none"> Over 55 years experience in the fertilizer industry Advisor to Fatima Group on fertilizer 	1-Sep-06 10.1 Years
7	Peter Yang Christensen [Date- Month - Year] [Chemical Engineer]	Independent	Vice President Licensing, Project Sales and Chemical Business Unit	<ul style="list-style-type: none"> Above 22 years of experience Employed with Haldor Topsoe A/S since 1992 	1-Sep-14 2.1 Years
8	Tariq Jazaili [Date- Month - 1980] [MBA]	Independent	SEVP & Group Chief Logistic Support Group	<ul style="list-style-type: none"> Overall working experience of more than 25 years at different key positions Previously he headed Commercial & Retail Banking Group Group Chief Compliance since 2006 	1-Nov-13 2.9 Years

Fatima Fertilizer Company Limited (Fatima)							
Profile of Board of Directors							
30-Sep-16							
Sr. No.	Name	BoD	Committees		Total	FY15	
			Audit	HR & Remuneration		Attended	%
No. of meetings		4	3	1	51	33	65%
1	Asif Habib	3			4	3	75%
2	Muhammad Kasif Habib	4	3	1	8	8	100%
3	Fawad Ahmed Mukhtar	3			4	3	75%
4	Faisal Ahmed Mukhtar	1	0	0	8	1	13%
5	Faisal Ahmed Sheikh	4			4	4	100%
6	Muhammad Abul Khan	4	3	1	8	8	100%
7	Peter Vang Christensen	2	1	1	8	4	50%
8	Tariq Jamali	2	0		7	2	29%



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ANNEXURE –II

Management Profile Fatima Fertilizer Company Limited (Fatima)
As at September-16

Sr. #	Name [YoB] [Qualification]	Designation	Reporting Line	Experience (years)		
				Overall	With the company	At current position
1.	Mr. Arif-ur-Rehman [1957] [B.E. Chemical]	Chief Manufacturing Officer	CEO	34	9 Years 7 Months	0 Years 7 Months
	Mr. Inam Ullah Naveed Khan [1956] B.E. Civil	Director Operations	CMO	37	7 Months	7 Months
3.	Mr. Amjad Qureshi [1954] [FCA, ICAP]	Group Company Secretary	CEO	28	6 Years 4 months	6 Years 4 Months
4.	Mr. Asad Murad [1970] [FCA, ICAP]	Chief Financial Officer	CEO	24	6 Years	2 Years 6 Months
5.	Dr. Fuzd Imran Khan [1956] [Ph.D Comp Information & Control Engineering]	Chief Information Technology	CEO	36	3 Years 6 Months	3 Years 6 Months
6.	Mr. Javed Akbar [1956] [Masters - Comp Science & Elec Mechanical Engineering]	Group Head - Procurement	CEO	27	5 years 10months	5 years 10months
7.	Mr. Haroon Waheed [1955] [LLM, Australia]	Group Head - Human Resource	CEO	32	4 Years 8 Months	4 Years 8 Months
8.	Mr. Syed Akhen-ud- Din [1960] [B.E Chemical Engineering]	Director Technology Division	CEO	32	4 Years 9 Months	4 Years 9 Months
9.	Mr. Qadeer Ahmed Khan [1950] [MSc Chemical]	Director Special Projects	CEO	38	8 Years 2 Months	2 Years 2 Months
10.	Mr. Ifkhar Mahmood Baig [1961] [Fellow Member - Institute of Chartered Secretaries & Managers Pakistan]	Director Business Development	CEO	34	22Years	6 Years 9 Months

 FATIMA FERTILIZER COMPANY LIMITED (FATIMA)
 November 2016

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ANNEXURE –II

11.	Mr. Kashif Mustafa Khan [1970] [Fellow Member – Institute of Cost and Management Accounts]	Head of Internal Audit	CEO	21	6 Years: 2 Months	2 Years: 6 Months
12.	Mr. Asghar Naveed [1972] [B.Sc Chemical]	Corporate HSE Manager	Director Technology	20	3 Years: 10 Months	3 Years: 10 Months



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Fatima Fertilizer Co. Limited

BALANCE SHEET - CUMULATIVE

As at	30-Sep-14	30-Dec-15	31-Dec-14	31-Dec-13
	Cumulative Rs	Cumulative Annual	Cumulative Annual	Cumulative Annual
A. NON-CURRENT ASSETS				
1 Operating Fixed Assets - Owned and Leasedhold	73,737	73,105	68,823	67,588
2 Intangible Assets	16	26	30	43
3 Other Non-Current Assets	24	19	13	10
<i>Non-Current Assets</i>	<u>73,777</u>	<u>73,150</u>	<u>68,867</u>	<u>67,641</u>
B. INVESTMENTS				
1 Associates / Subsidiaries				
a. Equity	2,021	2,021	-	-
b. Debt Securities / Loans	3,499	2,700	3,000	3,000
	5,520	4,721	3,000	3,000
2 Investment Property	-	-	-	-
3 Other Investments				
a. Equity Securities	86	86	86	83
b. Debt Securities	200	-	-	-
	286	86	86	83
<i>Investments</i>	<u>5,805</u>	<u>4,806</u>	<u>3,086</u>	<u>3,083</u>
C. CURRENT ASSETS				
1 Stocks and Spares	4,944	4,364	4,090	3,850
2 Inventories				
Raw Material	1,371	2,167	2,312	2,502
Work in Process	28	29	24	26
Finished Goods	5,687	4,206	345	124
	7,085	7,003	2,681	2,702
3 Trade Receivables	502	135	448	99
4 Other Current Assets	10,273	4,456	3,000	1,674
5 Cash and Bank Balances	385	295	949	238
<i>Current Assets</i>	<u>23,189</u>	<u>16,833</u>	<u>11,169</u>	<u>8,564</u>
D. TOTAL ASSETS (A+B+C)	<u>102,772</u>	<u>94,789</u>	<u>83,121</u>	<u>79,298</u>
E. CURRENT LIABILITIES				
1 Current Maturity of Long Term Debt	7,309	6,812	6,375	5,938
2 Short Term Borrowings	11,334	10,229	600	2,303
3 Trade Payables	3,408	3,410	1,146	649
4 Other Current Liabilities	5,895	5,496	6,472	6,375
5 Provision for Taxation	-	-	-	-
6 Dividend Payable	2,625	-	15	11
<i>Current Liabilities</i>	<u>30,570</u>	<u>25,948</u>	<u>14,608</u>	<u>15,278</u>
F. NON-CURRENT LIABILITIES				
1 Borrowings	12,602	13,168	17,335	22,647
2 Due to Associates	-	-	-	-
3 Other Non-Current Liabilities	15,626	15,445	14,421	8,609
<i>Non-Current Liabilities</i>	<u>28,228</u>	<u>28,613</u>	<u>31,756</u>	<u>31,256</u>
G. NET ASSETS (D-E-F)	<u>43,974</u>	<u>40,229</u>	<u>36,757</u>	<u>32,759</u>
H. SHAREHOLDERS' EQUITY				
1 Ordinary Share Capital	21,000	21,000	21,000	21,000
2 Preference Share Capital	-	-	-	-
3 Share Premium Account	1,790	1,790	1,790	1,790
4 Revaluation Reserve				
a. Fixed Assets	-	-	-	-
b. Investments	-	-	-	-
5 Reserve Reserves	(30)	(30)	(23)	-
6 Unappropriated Profit	21,215	17,469	13,990	9,969
<i>Shareholders' Equity</i>	<u>43,974</u>	<u>40,229</u>	<u>36,757</u>	<u>32,759</u>

Notes:

1. Amnesia Plant capitalised in Dec'13 for PKR 4.50m and Waste Gas Boiler commissioning capitalised in Jun'15 for PKR 2.30m and Sep'16 PKR 2.614m.
2. Investment in Pakistan PKR 2,021m.
3. Includes Loan to PAK Arab (Dec'15: PKR 2,200m), Balance Commodities (Dec'15: PKR 500m).
4. Includes Loan to Pakistan PKR 3,115m and investment in Madani Real estate company PKR 85.5m.
5. PKR 200m investment in HBL in Dec'13.
6. Includes: (i) Utra PKR 2,319m, (ii) GPO PKR 2,080m, (iii) CASH PKR 1,221m and (iv) Balance reductions PKR 61,975m.



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Fatima Fertilizer Co. Limited

PROFIT & LOSS ACCOUNT- CUMULATIVE

For the period ending:

	30-Sep-16	30-Dec-15	31-Dec-14	31-Dec-13
	(Annualized 9M)	Cumulative Annual	Cumulative Annual	Cumulative Annual
A Turnover	22,908	29,733	36,569	33,496
B Operating Costs	(10,942)	(12,611)	(14,708)	(13,711)
C Gross Profit	11,966	17,122	21,861	19,785
D Operating Expenses				
1 Administrative and General Expenses	(955)	(1,519)	(1,346)	(1,099)
2 Selling and Marketing Expenses	(1,469)	(1,290)	(1,449)	(1,430)
	(2,424)	(2,809)	(2,795)	(2,529)
E Operating Profit / (Loss)	9,541	14,314	19,066	17,254
F Other Income / Expenses				
Recurring Non-Core:				
1 Dividend from Associates	-	-	-	-
2 Share of Profit / (Loss) from Associates	-	-	-	-
3 Dividend Income from Investments	-	-	-	-
4 Rental Income	-	-	-	-
5 Interest Income	294	349	381	158
	294	349	381	158
G Profit / (Loss) before Non-Recurring Impact	9,796	14,562	19,447	17,412
Non-Recurring Non-Core:				
1 Profit / (Loss) on Sale of Assets	0	0	0	(3)
2 Profit / (Loss) on Sale of Investments	-	-	-	39
2 Surplus / (Deficit) on revaluation	-	-	-	-
3 Exchange Gain / (Loss)	(2)	(5)	14	(97)
4 Other Income / (Expense)	(314)	(630)	(1,144)	(864)
5 Extraordinary Items	-	-	-	-
	(316)	(635)	(1,131)	(923)
H Profit / (Loss) before Financial Charges	9,479	13,927	17,916	16,490
I Financial Charges				
1 Interest Expense:				
Gross Interest	(1,924)	(2,379)	(3,767)	(4,169)
Interest Capitalized	-	-	-	-
	(1,924)	(2,379)	(3,767)	(4,169)
J Profit / (Loss) before Taxation	7,555	11,548	14,149	12,321
K Taxation	(1,184)	(2,295)	(4,891)	(4,298)
L Net Income / (Loss)	6,371	9,254	9,258	8,023
M Unappropriated Profit / (Loss) Brought Forward	17,469	13,990	9,983	6,158
	23,840	23,244	19,240	14,180
N Adjustments (+/-)	-	-	-	(11)
O Available for Appropriation	23,840	23,244	19,240	14,169
P Appropriations				
1 Reserves	-	-	-	-
2 Dividends:				
a. Stock	-	-	-	-
b. Cash	(2,623)	(5,775)	(5,230)	(4,200)
c. Preference	-	-	-	-
	(2,623)	(5,775)	(5,230)	(4,200)
Q Effect of change in Accounting Policy (+/-)	-	-	-	-
R Unappropriated Profit Carried Forward	21,215	17,469	13,990	9,969

Notes:

- Includes subsidy from Government of PKR 1,833mln (9M15: 0) and adjusted for discounts of PKR 75mln (9M16: PKR 129mln)
- Includes: (i) Profit on short term loan to subsidiary & associate companies PKR 279mln, (ii) Profit on saving accounts PKR 16mln
- Includes: (i) Markup on Long term finance PKR 1,137mln, (ii) Markup on short term finance PKR 699mln, (iii) Bank Charges PKR 88mln, (iv) Markup on short term deposits PKR 8.9mln, (v) Interest on workers fund PKR 9.6mln
- Interim dividend for the year ending Dec'16 @ PKR 1.25/Share



The Pakistan Credit Rating Agency Limited

Fatima Fertilizer Co. Limited

CASH FLOW STATEMENT - CUMULATIVE

For the period ending

	30-Sep-16	30-Dec-15	31-Dec-14	31-Dec-13
	Cumulative 1H	Cumulative Annual	Cumulative Annual	Cumulative Annual
A CASH FLOWS FROM OPERATING ACTIVITIES				
1 Profit Before Tax	7,555	11,548	14,149	12,321
2 Adjustments for:				
a. Depreciation/Amortization	1,356	1,663	1,591	1,532
b. Adjustments for other Non-Cash Charges/Items	72	93	85	3
c. Recurring non-core income/(expense)	(294)	(349)	(381)	(158)
3 Add back:				
a. Interest Expense/(Income)	1,934	2,379	3,767	4,169
EBITDA	10,613	15,335	19,212	17,867
4 Subtract:				
a. Taxes paid	(600)	(1,177)	(528)	(614)
b. Others (+/-)	(25)	(19)	(18)	(14)
Free Cash Flows from Operations (FCFO)	9,987	14,139	18,666	17,258
5 Recurring non-core income/(expense) from Subsidiaries/Associates	255	376	339	-
6 Recurring non-core income/(expense) from Other Investments	16	33	12	11
Total Operating Cash Flows (TCF)	10,258	14,548	19,017	17,249
7 Interest paid	(1,536)	(2,498)	(3,891)	(5,865)
Net Cash from Operating Activities before Working Capital Changes (WCC)	8,722	12,050	15,126	11,384
8 Changes in Working Capital				
a. Increase/Decrease in Current Assets	(7,009)	(6,586)	(493)	(792)
b. Increase/Decrease in Current Liabilities (Excl. Debt)	(6)	999	686	1,651
	(7,014)	(5,587)	193	859
Net Cash provided by Operating Activities	1,708	6,463	15,319	12,243
B CASH FLOWS FROM INVESTING ACTIVITIES				
1 Capital Expenditure	(1,660)	(5,520)	(2,814)	(1,584)
2 Proceeds from sale of Fixed Assets	0	0	0	0
3 (Purchase)/Sale of Investments	(200)	(2,021)	(1)	39
4 Investments/Loan in Subsidiary/Associated Companies	(799)	300	-	(3,000)
5 Others	6	(5)	30	1
Net Cash (Used in)/Available From Investing Activities	(2,652)	(7,246)	(2,784)	(4,543)
C CASH FLOWS FROM FINANCING ACTIVITIES				
1 Proceeds from Issue of Ordinary Shares	-	-	-	-
2 Dividends Paid	-	(5,770)	(5,246)	(5,534)
3 Net increase (decrease) in short term borrowings	1,104	9,630	(1,703)	(388)
4 Net increase (decrease) in long term borrowings	(69)	(3,730)	(4,875)	(2,524)
5 Net increase (decrease) in preference share capital	-	-	-	-
6 Repairs against finance lease	-	-	-	-
7 Others (+/-)	-	-	-	-
Net Cash (Used in)/Available From Financing Activities	1,035	130	(11,824)	(8,445)
D Non recurring/unusual and non-core (expense) income	-	-	-	-
E NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90	(654)	711	(746)
F OPENING BALANCE OF CASH AND CASH EQUIVALENTS	295	949	238	984
G CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	385	295	949	238

Notes:

1 Includes: i) Profit on short term loan to subsidiary & associate companies PKR 278.5mln, ii) Profit on saving accounts PKR 15.9mln

2 Includes: i) Profit received on short term loans PKR 255mln, ii) Interest on Bank deposits PKR 15.9mln

3 PKR 200mln investment in HBL's Tier II TFC

4 Includes: i) Repayment PKR 3,696mln, ii) Proceeds PKR 3,626mln



The Pakistan Credit Rating Agency Limited

Fatima Fertilizer Co. Limited

RATIO ANALYSIS- CUMULATIVE

For the period ending

	30-Sep-16	30-Dec-15	31-Dec-14	31-Dec-13
	Cumulative IN	Cumulative Annual	Cumulative Annual	Cumulative Annual
A EARNINGS/PROFITABILITY				
Turnover (PKR mds)	22,900	29,733	36,169	33,496
1 Turnover Growth (same period last year)	5%	-18%	8%	198.3%
2 Turnover Growth (for the period)	139%	36%	8%	198.3%
3 Gross Margin	52%	58%	59%	59.1%
4 Operating Margin	41%	48%	52%	51.5%
5 Pre-Tax Profit Margin	33%	39%	39%	36.8%
6 Effective Tax Rate	16%	20%	35%	34.9%
7 Pre-Tax Return on Equity	23%	29%	41%	39.9%
8 Return on Assets (ROA)	8%	10%	11%	10.3%
9 Net Non-core Income (Expenses) / Net Income	0%	-3%	-8%	-9.5%
10 Non-core non-occurring Income (Expenses) / Net Income	-5%	-7%	-12%	-11.5%
11 Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	13%	29%	52%	54%
12 Cash Conversion Efficiency (FCFO/Sales)	44%	48%	52%	53%
13 Dividend Cover (X)	2.4	1.6	(1.8)	(1.9)
14 Return on Equity (ROE)	19%	23%	26%	25%
15 Net Profit Margin	28%	31%	26%	24%
16 Leverage (Total Assets / Equity)	2.3	2.4	2.3	2.4
17 Asset Turnover (Sales / Average Total Average Assets)	0.3	0.3	0.4	0.4
B WORKING CAPITAL MANAGEMENT				
1 Average Inventory Held (Days)	195	135	78	78
a) Average Raw Material Held (Days)	54	39	66	70
b) Average WIP (Days)	1	1	1	1
c) Average Finished Goods Held (Days)	140	75	11	7
2 Average Trade Debtors (Days)	7	4	3	3
3 Average Trade Creditors (Days)	83	50	19	18
4 Net Working Capital Days	118	89	62	62
5 Short-term Trade Leverage (1 - (STB/Net Trade Assets OR Liabilities))	-154%	-172%	-144%	366%
6 Short-term Total Leverage (Net Current Assets - STB) / Current Assets	-42%	2%	42%	19%
7 Current Ratio (Total Current Assets/Total Current Liabilities excluding	1.0	0.9	1.4	0.9
C COVERAGES				
1 EBITDA/Gross Interest	5.5	6.4	5.1	4.3
2 FCFO/Gross Interest	5.2	5.9	5.0	4.1
3 FCFO/Gross Interest+CMLTD	1.3	1.5	1.8	1.7
4 FCFO/Gross Interest+CMLTD+Uncovered Short Term Borrowings	1.3	1.5	1.8	1.7
5 TCF/Gross Interest+CMLTD+Uncovered Short Term Borrowings	1.4	1.6	1.9	1.7
Debt Payback (Total LT Debt including Uncovered Total STBs) /				
6 (FCFO- Gross Interest)	1.9	1.7	1.6	2.2
D CAPITAL STRUCTURE				
1 Total Debt/Total Debt+Equity	42%	43%	40%	49%
2 Total Debt/Total Debt+Equity(net of rev. surplus)	42%	43%	40%	49%
3 Current Debt/Total Debt	60%	56%	29%	27%
4 Average Borrowing Rate	9%	9%	13%	13%
5 Average 6M LIBOR	6%	7%	10%	9%
6 Spread over KIBOR	2%	2%	3.2%	3.1%



The Pakistan Credit Rating Agency Limited

STANDARD RATING SCALES & DEFINITIONS

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

LONG TERM RATINGS		SHORT TERM RATINGS	
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.	A1+:	The highest capacity for timely repayment.
AA+	Very high credit quality. Very low expectation of credit risk.	A1:	A strong capacity for timely repayment.
AA	Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	A2:	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
AA-		A3:	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A+	High credit quality. Low expectation of credit risk.	B:	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.
A	The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.	C:	An inadequate capacity to ensure timely repayment.
A-			
BBB+	Good credit quality. Currently a low expectation of credit risk.		
BBB	The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances or economic conditions are more likely to impair this capacity.		
BBB-			
BB+	Moderate risk. Possibility of credit risk developing.		
BB	There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.		
BB-			
B+	High credit risk.		
B	A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business, and economic environment.		
B-			
CCC	Very high credit risk.		
CC	"CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.		
C			
D	Obligations are currently in default.		

Rating Watch

Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. Rating Watch may carry designation - Positive (rating may be raised, negative (lowered), or developing (direction is unclear). A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled.

Outlook (Stable, Positive, Negative, Developing)

Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Suspension

It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, a suspended rating should be considered withdrawn.

Withdrawn

A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, or e) the entity/issuer defaults.

Disclaimer: PACRA's rating is an assessment of the credit standing of an entity/issue in Pakistan. They do not take into account the potential transfer / convertibility risk that may exist for foreign currency creditors. PACRA's opinion is not a recommendation to purchase, sell or hold a security, in so much as it does not comment on the security's market price or suitability for a particular investor.

PART VII

7 TRUSTEE AND SECURITY

7.1 THE SECURITY

Facility will be secured by:

1. A mortgage by constructive deposit of title deeds over the Mortgaged Properties in favour of the Trustee in terms of the Memorandum Confirming Constructive Deposit of Title Deeds in the amount of PKR 14,000,000,000/- (Pak Rupees Fourteen Billion) (inclusive of margin of 25%) which mortgage shall initially constitute a ranking mortgage, ranking subordinate and subservient to the mortgages created in favour of the Existing Creditors and shall be upgraded to a first pari passu mortgage **within 90 (ninety) days of the Effective Date. Detail of the Mortgaged Properties is provided in Schedule 2 of the Memorandum Confirming Constructive Deposit of Title Deeds;**
2. A charge by way of hypothecation over the Hypothecated Assets in favour of the Trustee in terms of the Letter of Hypothecation in the amount of PKR 14,000,000,000/- (Pak Rupees Fourteen Billion) (inclusive of margin of 25%) which charge shall initially constitute a ranking charge, ranking subordinate and subservient to the charges created in favour of the Existing Creditors and shall be upgraded to a first pari passu charge **within 90 (ninety) days of the Effective Date. Detail of the Hypothecated Assets is provided in Section 7.2 of this Prospectus;**
3. An assignment by way of Memorandum of Oral Assignment over the Insurances/ Takaful in favour of the Trustee;
4. Lien over the Rental Payment Account in favour of the Trustee through the Letter of Lien and Right of Set-Off;
5. Such other arrangements as may be mutually agreed between the Trustee, Investment Agent and the Issuer for the purpose of more fully perfecting the Security created in favour of the Trustee in terms of any document and deed to be executed from time to time;
6. Establishment of the Rental Payment Account in favour of the Trustee, which shall, during each semi-annual period commencing from the Ijarah Commencement Date, be funded by the Issuer with the upcoming instalment of the Rental Payment by at least 15 (fifteen) days before the relevant Payment Date ("**Payment Arrangement**"). The Issuer will not be allowed to operate the Rental Payment Account, which account shall be a restricted account with an exclusive lien over the proceeds thereof granted in favour of the Trustee for the benefit of the Sukuk Holders. The Trustee shall be authorized to utilize the amounts in the Rental Payment Account towards payment of the relevant Rental Payment due to the Sukuk Holders in accordance with the Terms and Conditions. In the event of 3 (three) consecutive shortfall or a total of 6 (six) such shortfalls in the Rental Payment Account/ Payment Arrangement occurring during the relevant semi-annual periods, will constitute an Event of Default.

7.2 HYPOTHECATION OF FIXED ASSETS

FFCL as the sole legal and beneficial owner has hypothecated the Hypothecated Assets, in favour of the Trustee for the benefit of the investors, by way of first pari passu charge **with in 90 days (ninety) days for the Effective Date ("Hypothecation").**

“Hypothecated Assets” means all present and future fixed assets (excluding land and building) of the Issuer.

7.3 IJARAH AGREEMENT

Investment Agent has identified the Assets to be carved out for Ijarah Sukuk. FFCL has entered into an agreement with Trustee for the sale of Ijarah Assets. The investor will own an undivided ownership in the Ijarah Assets free from any other creditors/financiers’ charge. Trustee has entered into Ijarah Agreement with FFCL on behalf of investors. Investors (through Investment Agent) will allow FFCL to use their share of the Assets against periodical benchmarked Rental Payments in terms of the Ijarah Agreement. The following Assets have been carved out for the Ijarah Sukuk:

Ijarah Assets	Value (PKR)
Complete Ammonia Plant including civil, construction, installation works and other allied accessories located at Mukhtar Garh, Sadiqabad, Distt. Rahum Yar Khan	15,474,191,000

The existing creditors already have encumbrance over Assets carved out. FFCL has undertaken to provide to the Investment Agent with No Objection Certificate from the existing creditors in respect of the carve out of Assets, within 90 days from the Effective Date.

7.4 THE TRUSTEE/INVESTMENT AGENT

In order to safeguard the interest of the Sukuk holders, Pak Brunei Investment Company Limited has been appointed to act as Trustee/Investment Agent for the Issue. The issuer shall pay to Trustee/Investment Agent an annual fee of PKR 2,500,000. The Bankers to the Issue have been instructed to inform the Trustee on daily basis of subscriptions received for issuance of Sukuk.

7.5 THE TRUST DEED

The Trust Deed for Sukuk dated November 21, 2016 executed between the Company and Trustee specifies the rights and obligations of the Trustee. In the event of FFCL defaulting on any of its obligations under the terms of Declaration of Trust/Trust Deed, the Trustee may enforce FFCL obligations in accordance with the terms of the Trust Deed. The proceeds of any such enforcement shall be distributed to the Sukuk holders at the time in proportion to the amounts owed to each Sukuk holder pursuant to the Sukuk.

7.6 EVENTS OF DEFAULT AND SECURITY ENFORCEMENT PROCEDURE

- The obligation to purchase the Sukuk Certificates shall become immediately due and the Security created by the Security Document shall become immediately enforceable by a declaration in writing of the Trustee notified to the Issuer, that the Trustee has been notified in writing by the Majority Certificate Holders supported by an Extra-Ordinary Resolution certifying the occurrence of any of the following events:
 - Default of the Issuer in paying on the due date for payment, or within any period stipulated herein of any sum payable under the Trust Deed and/or the Transaction Documents on its respective due date including but not limited to the Rental Payments under the Ijarah Agreement;

- II. Default by the Issuer in performance of any of its commitments, obligations and/or covenants under the Trust Deed or any Transaction Documents which would have a Material Adverse Effect on it (or any other agreement or arrangement with the Trustee entered into pursuant to or by reference to the Trust Deed) in the opinion of the Majority Certificate Holders and such default is not rectified (where it is capable of being rectified) within 30 (thirty) days of a notice received from the Trustee;
- III. Any statement, representation or warranty made or repeated by the Issuer in or pursuant to this Trust Deed or any Transaction Document is incorrect or misleading in any material respect, or any statement, representation or warranty made or repeated by the Issuer in any notice, certificate or statement referred to or delivered under the Trust Deed or any Transaction Document is incorrect or misleading in any material respect, or any such statement, representation or warranty becomes incorrect in any material respect at any time;
- IV. Liquidation, bankruptcy, cessation of business activities or cessation of the payment of debts of the Issuer, or any other legal or factual situation, including judicial or amicable settlement of debts, which may affect the ability of the Issuer to pay its dues to the Trustee in accordance with this Agreement;
- V. Attachment or assignment or transfer or takeover of any properties or assets of the Issuer by any receiver, encumbrancer, assignee, or any other person or body whether appointed by the Issuer or a Court or the government under any law or regulation, if the same is not cured within 45 (forty five) days from such attachment or assignment or transfer or take over;
- VI. Making of any order or passing of a resolution for the winding up of the Issuer;
- VII. Any transformation of the existing form, nature or corporate objects of the Issuer without the approval of the Trustee;
- VIII. One or more judgments, decrees or orders for the payment of money rendered against the Issuer which is likely to have a Material Adverse Effect on it in the opinion of the Majority Certificate Holders and such judgments, decrees or order shall continue unsatisfied and in effect for a period of 15 (fifteen) consecutive days without being vacated, discharged, satisfied or stayed;
- IX. The taking of any step by the Issuer for the purpose of entering into a compromise or arrangement with any of its members, or creditors, generally or any class of them;
- X. The Security created and/or furnished by the Issuer to the Trustee under Trust Deed deteriorates in quality or becomes inadequate in the sole judgment of the Majority Certificate Holders, communicated through the Trustee;
- XI. Any Security Document executed or furnished by the Issuer under Trust Deed for any reason whatsoever ceases to be in full force and effect or is declared to be void or is repudiated unless rectified within 15 (fifteen) Business Days of notice from the Trustee;
- XII. The occurrence of any event whatsoever which is likely to have a Material Adverse Effect in the opinion of the Majority Certificate Holders;
- XIII. The occurrence of any of the following:
 - a. Any amount whatsoever becomes due and payable in respect of any Financial Indebtedness of the Issuer before the stated maturity of that Financial Indebtedness;

- b. Any facility or obligation granted or owed by any person to the Issuer to provide or underwrite financial accommodation, or to acquire or assume any risk in respect of any Financial Indebtedness, is prematurely terminated;
 - c. Any amount owing by the Issuer in respect of any Financial Indebtedness is not paid when due for payments (having regard to any applicable grace period);
 - d. Any Security Interest granted by the Issuer in respect of any Financial Indebtedness is enforced or becomes capable of being enforced before its stated maturity by reason of default of the Issuer; or
 - e. Any bond, debenture, note, certificate, redeemable securities or similar instrument issued by the Issuer is required to be redeemed prior to its stated maturity;
- XIV. If the Issuer claims that all or any provision of the Trust Deed:
 - a. Do not have effect or cease to have effect in accordance with its terms; or
 - b. Are or become void, voidable, illegal or unenforceable;
- XV. If all or any part of the properties and assets of the Issuer is compulsorily acquired or expropriated by the Federal Government or any Provincial Governments;
- XVI. If such qualifications are made by the auditors in the audited accounts that if the accounts were drawn so as to remove those qualifications the financial covenants of the Issuer agreed under the Trust Deed would be breached;
- XVII. Failure to upgrade the charge over the Hypothecated Assets and the mortgage over the Mortgaged Properties **within 90 (ninety) days from the Effective Date** in accordance with Clause 2.1.1 (i) and Clause 2.1.1 (ii) of the Trust Deed;
- XVIII. If the Issuer is not compliant with Shariah principles as determined by the Shariah Advisor;
- XIX. three (3) consecutive shortfalls in the rental payment account during three (3) consecutive Rental Periods or a total of 6 (six) such shortfalls;
- XX. An event of default occurs under any other Transaction Document; or
- XXI. If subsequent to the listing of the Sukuk hereto, the Securities Exchange suspends the trading of the Sukuk Certificates and the same is not restored with a period of 60 (sixty) days.
- 2. At any time after an Event of Default in terms of clause 1 of 7.6 above,
 - I. The Trustee (subject to the Trustee being indemnified by the Certificate Holders or at its option paid by them an estimated amount in advance to its satisfaction against all proceedings, claims and demands to which the Trustee may be liable and all costs, charges and expenses which may be incurred by the Trustee in connection therewith), and with written notice take such proceedings/ actions against the Issuer for the purpose of the enforcement of the Secured Obligations as it may deem fit or as instructed by the Certificate Holders in terms hereof including without prejudice to any of its other rights, by notice to the Issuer, terminate the Ijarah and enforce the Purchase Undertaking (except in case of Total Loss).
 - II. In case of Total Loss, the proceeds of insurance/takaful shall be pro-rata distributed amongst the Certificate Holders and in addition also the Issuer shall ensure payment of any unpaid Rental Payments till the date of the Total Loss under the Ijarah Agreement.

In case there is a Total Loss due to the negligence of the Issuer or breach of any contract by the Issuer, then in such case, Issuer, hereby agrees to indemnify the Certificate Holders and all losses, costs, charges and expenses which may be incurred by the Certificate Holders in connection therewith.

3. Upon a notice of termination being issued pursuant to clause 2 of 7.6 above,
 - I. Except in case of occurrence of Total Loss (whereupon provisions of clause II (2) will be applicable) the Issuer shall purchase the Assets and remaining Sukuk Certificates from the Certificate Holders immediately.
 - II. The remaining Sukuk Certificates shall be purchased by the Issuer at the Buy Out Price (Termination). In addition the Issuer will also pay Rental Payment under the Ijarah Agreement.
 - III. In the event that the Issuer fails to purchase the Assets at the Buy Out Price (Termination), within a period of 10 (ten) working days from the date of the notice issued under clause II (1) above or fails to comply with its obligations under II(2) above, the Trustee at the instructions of the Majority Certificate Holders proceed to enforce the security interest in the Assets and may enforce the Security for recovery of the amounts due to the Certificate Holders under the Transaction Documents, including the applicable Buy Out Price (Termination) and unpaid Rental Payments, if applicable, plus any costs Taxes and other dues payable and applicable to the Assets. The Trustee shall , at the request of the Majority Certificate Holders or supported by an Extra Ordinary Resolution passed at a meeting of the Certificate Holders enforce the Security and/or realize beneficial interest in the Asset or in case of failure by the Trustee, one of more of the Certificate Holders may for the benefit of all the Certificate Holders enforce the Security and/or realize the beneficial interest in the Asset, the proceeds of the same shall be distributed by the Trustee or the Certificate Holders (as the case may be) to the Certificate Holders in proportion to their holding of Sukuk Certificates.
4. The Trustee shall be entitled to prove in any winding-up of the Issuer in respect of any amounts payable in relation to the Sukuk Certificates or other moneys payable under any provision of the Trust Deed and the Security/Transaction Documents.
5. Notwithstanding anything stated in the Trust Deed, in case the Issuer fails to pay the Rental Payment on the Payment Date, the Certificate Holders shall be entitled to any remedy (whether by way of action, petition and/or any other remedy available to them under the law or otherwise howsoever) for the recovery of any amounts due in respect of the Sukuk Certificates held by such Certificate Holder. The Certificate Holder may, after giving 30 (thirty) days written notice to the Trustee and the Issuer take any action or institute any proceedings against the Issuer to recover the amount due in respect of the Sukuk Certificates held by such Certificate Holder and the indemnity of the Issuer provided to the Trustee under clause 3.6, shall be available to the Certificate Holder taking such action mutatis mutandis, provided that the breach is not remedied by the Issuer within the notified period.
6. At any time after the Trustee shall make a declaration under clause I. of 7.6, the Trustee may with the institution of legal proceedings against the Issuer take appropriate action for the appointment of any person or persons to be an administrative receiver or a receiver and manager or receivers and

managers (the “Receiver”, which expression shall include any substituted receiver(s) and manager(s) of the Assets) with respect to administration of the Assets.

7. The Trustee, in consultation with the Issuer, may from time to time determine the remuneration of the Receiver and may remove the Receiver and appoint another in his place. In the event of a dispute between the Trustee and the Issuer regarding the remuneration of the Receiver, the decision of the Trustee shall be final. Notwithstanding anything contained hereinabove, the payment of remuneration of the Receiver shall be the Issuer’s liability.
8. In particular, but without limiting any general powers or the Trustee’s power of sale, the Receiver shall have power to:
 - I. Take possession of, collect and get in all or any part of the Assets and for that purpose to take any proceedings in the Issuer’s name or otherwise as it shall think fit;
 - II. Take, continue or defend any proceedings and make any arrangement or compromise which the Trustee or the Receiver shall think fit;
 - III. Make and effect all repairs, improvements and insurances;
 - IV. Appoint managers, and agents for any of the above purposes, at such salaries as the Receiver or the Trustee may determine;
 - V. Perform, repudiate, rescind, vary or enter into any arrangement or compromise any contracts or agreements which the Receiver may consider expedient;
 - VI. Settle, arrange, compromise and submit to arbitration any accounts, claims, questions of disputes whatsoever which may arise in connection with the business of the Issuer or the Assets or in any way relating to the security constituted by the Security Documents and bring prosecute, defend, enforce, compromise, submit to and discontinue any action, suits or proceedings whatsoever, whether civil or criminal;
 - VII. Exercise or permit the Issuer or any nominee of the Issuer to exercise any powers or rights incidental to the partnership of the Assets or any part of them in such manner as the Receiver may think fit;
 - VIII. Give valid receipts for all monies and execute all discharges, assurances and things which may be proper or desirable for realizing the Assets or any part of them; and
 - IX. Execute and do all such other acts, things and deeds as the Receiver may consider necessary or desirable for realizing or preserving the Assets or any part of them or incidental or conducive to any of the matters, powers or authorities conferred on a Receiver under or by virtue of the Trust Deed or otherwise or exercise in relation to the Assets or any part of them all such powers, authorities and things as the Receiver would be capable of exercising if he were the absolute beneficial owner of them.
9. The Receiver shall exercise the above mentioned powers in consultation and with the consent of the Trustee without violating any provision of Law.

Note: It is confirmed that all events of default mentioned in the Trust Deed have been disclosed in this Prospectus in the same manner.

PART VIII

8 MANAGEMENT OF THE COMPANY

8.1 BOARD OF DIRECTORS OF FFCL FERTILIZER LIMITED

S. No	Name	Designation	Address	Directorship Held in Other Companies
1	Mr. Arif Habib	Chairman / Non-Executive Director	86/2, 10th Street, Khyaban-i-Sehr, Phase VI, DHA Karachi.	<p>CHAIRMAN:</p> <ul style="list-style-type: none"> ▪ Aisha Steel Mills Limited, ▪ Arif Habib Consultancy (Pvt.) Limited, ▪ Arif Habib Foundation, ▪ Fatimafert Limited, ▪ Fatima Fertilizer Company Limited, ▪ Javedan Corporation Limited, ▪ Pakarab Fertilizers Limited, ▪ Sachal Energy Development (Pvt.) Limited. <p>CEO:</p> <ul style="list-style-type: none"> ▪ Arif Habib Corporation Limited. <p>DIRECTOR:</p> <ul style="list-style-type: none"> ▪ Arif Habib Real Estate Services (Pvt.) Limited, ▪ Fatima Cement Limited, ▪ International Builders and Developers (Pvt.) Limited, ▪ International Complex Projects Limited, ▪ NCEL Building Management Limited, ▪ Pakistan Business Council, ▪ Pakistan Centre for Philanthropy, ▪ Pakarab Energy Limited, ▪ Pakistan Engineering Company Limited,

				<ul style="list-style-type: none"> Pakistan Opportunities Limited,
2	Mr. Fawad Ahmed Mukhtar	Chief Executive Officer / Director	43-A Qasim Road, Multan Cantt.	<p><u>CHAIRMAN:</u></p> <ul style="list-style-type: none"> Reliance Weaving Mills Limited, Fatima Energy Limited, Reliance Commodities (Private) Limited, Fatima Holding Limited, Fatima Sugar Mills Limited, Air One (Private) Limited. <p><u>CEO:</u></p> <ul style="list-style-type: none"> Pakarab Fertilizers Limited, Fatima Fertilizer Company Limited, Fatimafert Limited. <p><u>DIRECTOR:</u></p> <ul style="list-style-type: none"> Pakarab Energy Limited, Fatima Electric Company Limited and Fatima Transmission Company Limited.
3	Mr. Fazal Ahmed Sheikh	Executive Director	43-A Qasim Road, Multan Cantt.	<p><u>CEO:</u></p> <ul style="list-style-type: none"> Reliance Weaving Mills Limited, Fatima Energy Limited, Fatima Electric Company Limited, Fatima Transmission Company Limited, Pakarab Energy Limited Air One (Private) Limited. <p><u>Director:</u></p> <ul style="list-style-type: none"> Pakarab Fertilizers Limited, Fatima Fertilizer Company Limited, Fatimafert Limited, Reliance Commodities (Private) Limited, Fatima Holding Limited,

				<ul style="list-style-type: none"> Fatima Sugar Mills Limited Fazal Cloth Mills Limited.
4	Mr. Faisal Ahmed Mukhtar	Non - Executive Director	43-A Qasim Road, Multan Cantt.	<p>CEO:</p> <ul style="list-style-type: none"> Fatima Holding Limited and Fatima Sugar Mills Limited <p>Director:</p> <ul style="list-style-type: none"> Pakarab Fertilizers Limited, Fatima Fertilizer Company Limited, Fatimafert Limited, Fatima Holding Limited, Fatima Sugar Mills Limited, Fatima Energy Limited, Fatima Electric Company Limited, Reliance Weaving Mills Limited, Reliance Commodities (Private) Limited, Fazal Cloth Mills Limited, Pakarab Energy Limited Air One (Private) Limited.
5	Mr. M. Abad Khan	Non - Executive Director	H # 69/C, Tech Society Lahore	<p>DIRECTOR:</p> <ul style="list-style-type: none"> Fatima Fertilizer Company Limited, Fatimafert Limited, Fatima Energy Limited, Pakarab Energy Limited, Fatima Ventures (Pvt) Ltd Fatima Electric Company Limited.
6	Mr. Muhammad Kashif Habib	Non - Executive Director	86/2, 10th Street, Khyaban-i-Sehr, Phase VI, DHA Karachi.	<p>CEO:</p> <ul style="list-style-type: none"> Power Cement Limited Safemix Concrete Limited. <p>DIRECTOR:</p> <ul style="list-style-type: none"> Aisha Steel Mills Limited, Arif Habib Foundation,

				<ul style="list-style-type: none"> ▪ Arif Habib Real Estate Services (Pvt.) Limited, ▪ Fatimafert Limited, ▪ Fatima Fertilizer Company Limited, ▪ Javedan Corporation Limited, ▪ Nooriabad Spinning Mills (Private) Limited, ▪ Arif Habib Equity (Private) Limited
7	Mr. Peter Vang Christensen	Independent Director	Tangevej 62, 2740, Skovlunde, Denmark	N/A
8	Mr. Tariq Jamali	Independent Director	H. No. 146/1, St 11, Khabyan-e-Bukhari DHA Phase VI Karachi	N/A

8.2 PROFILE OF THE CHAIRMAN

Mr. Arif Habib, Chairman & Non – Executive Director

Mr. Arif Habib is the Chairman of Fatima Fertilizer Company Limited. He is also the Chief Executive Officer of Arif Habib Corporation Limited, director of Pakarab Energy Limited and Chairman of Pakarab Fertilizers Limited, Fatimafert Limited, Aisha Steel Mills Limited and Javedan Corporation Limited.

Mr. Arif Habib remained the elected President/Chairman of Karachi Stock Exchange for six times in the past and was a Founding Member and Chairman of the Central Depository Company of Pakistan Limited. He has served as a Member of the Privatization Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. Over the years he has been nominated on the Board of Directors of a number of companies by the Government of Pakistan.

Mr. Habib participates significantly in welfare activities. He is one of the trustees of Fatimid Foundation and Memon Health and Education Foundation as well as a director of Pakistan Centre for Philanthropy and Karachi Education Initiative.

8.3 PROFILE OF THE CHIEF EXECUTIVE OFFICER

Mr. Fawad Ahmed Mukhtar, Chief Executive Officer & Director

Mr. Fawad Ahmed Mukhtar is the Chief Executive Officer and Director of the Company. He has rich experience of manufacturing and industrial management, and in addition to being a successful business leader, he is also a renowned philanthropist. Following his graduation, he has spent 30 years in developing his family business into a sizable conglomerate.

Mr. Fawad Mukhtar leads several community service initiatives of his group including the Fatima Fertilizer Trust and Welfare Hospital, Fatima Fertilizer Education Society and School, Mukhtar A. Sheikh Welfare

Trust etc. He is also the Chairman of Reliance Weaving Mills Limited, Fatima Energy Limited, Reliance Commodities (Private) Limited, Fatima Sugar Mills Limited, Fatima Holding Limited, Air One (Private) Limited, and is also the CEO of Pakarab Fertilizers Limited and Fatimafert Limited. He is also the Director of Fatima Transmission Company Limited and Pakarab Energy Limited. In addition, he is member Board of Directors of “The National Management Fund” – a parent body of Lahore University of Management Sciences (LUMS).

8.4 PROFILE OF DIRECTORS

Mr. Fazal Ahmed Sheikh, Executive Director

Mr. Fazal Ahmed Sheikh is a Director of the Company. He holds a degree in Economics from the University of Michigan, Ann Arbor, USA. He has played a strategic role in Fatima Group’s expansion and success. He is the CEO of Reliance Weaving Mills Limited, Fatima Energy Limited, Fatima Electric Company Limited, Fatima Transmission Company Limited, Pakarab Energy Limited and Air One (Private) Limited. In addition, he is also the member Board of Directors at Pakarab Fertilizers Limited, Fatimafert Limited, Reliance Commodities (Private) Limited, Fatima Sugar Mills Limited, Fatima Holding Limited and Fazal Cloth Mills Limited.

Mr. Faisal Ahmed Mukhtar, Non-Executive Director

Mr. Faisal Ahmed Mukhtar holds a Law degree from Bahauddin Zakariya University, Multan. He is the former Mayor and City District Nazim of Multan, and continues to lead welfare efforts in the city. He is also the Chairman of Workers Welfare Board at Pakarab Fertilizers Limited and is member Board of Directors at Pakarab Fertilizers Limited, Fatimafert Limited, Fatima Sugar Mills Limited, Fatima Holding Limited, Fatima Energy Limited, Fatima Electric Company Limited, Pakarab Energy Limited, Reliance Weaving Mills Limited, Reliance Commodities (Private) Limited, Fazal Cloth Mills Limited, and Air One (Private) Limited. Additionally he was also a member in the Provincial Finance Commission (Punjab), Steering Committee of Southern Punjab Development Project and Decentralization Support Program.

Mr. Muhammad Abad Khan, Non-executive Director

Mr. Muhammad Abad Khan graduated in Mechanical Engineering from UET Lahore and received extensive training in Fertilizer manufacturing from abroad. Over the last 55 years of his career, he remained part of the growth of fertilizer industry in Pakistan. He was part of the team that commissioned Pakistan’s first Urea Plant under the aegis of PIDC. He served Exxon Chemical Pakistan Ltd. for 15 years mostly at senior management positions in manufacturing. He led Fauji Fertilizer Co. manufacturing for 14 years as General Manager Plant. During this period, Plant operated par excellence and its design capacity increased to more than double. In 2001, when FFBL faced serious challenges, he took responsibility as head the manufacturing and was instrumental in a major revamp which improved the capacity by 25 %. He has been with Fatima Group for the last 10 years and played a significant role in establishment and progress of Fatima Fertilizer plant and operational improvements in Pak Arab Fertilizer. During the course of a long career, he had extensive international exposures through seminars, symposiums and trainings including the one at Harvard Business School. He is also Director of several other Group Companies namely Fatima Energy Ltd, Pak Arab Energy Ltd, Fatimafert Ltd, Bubber Sher (Pvt) Ltd, Fatima Ventures (Pvt) Ltd and Fatima Electric Co Ltd.

Mr. Muhammad Kashif Habib, Non-Executive Director

Mr. Muhammad Kashif Habib is a Director of the Company. He is a Chartered Accountant from the Institute of Chartered Accountants of Pakistan (ICAP) and has completed his mandatory Articles with M/s. A. F. Ferguson & Co. Chartered Accountants.

He is the CEO of Power Cement Limited and Safe Mix Concrete Limited. He is also Director of Arif Habib Corporation Limited, Pakarab Fertilizers Limited, Fatimafert Limited, Bubber Sher (Pvt.) Limited, Reliance Sacks Limited, Javedan Corporation Limited, Aisha Steel Mills Limited, Rotocast Engineering Company (Pvt.) Limited and Memon Health & Education Foundation.

Mr. Peter Vang Christensen, Independent Director

Mr. Peter Vang Chirstensen holds a BSc in Chemical Engineering from Technical University of Denmark and a degree in Business Engineering from Copenhagen Engineering College. He is employed with Haldor Topsøe A/S since 1992, and is currently working as Vice President, Licensing and Project Sales, Chemical Business Unit. Over the years, he has acquired vast experience in varied engineering fields including Petrochemical Plants, Process Engineering, Start-up Engineer, Project Manager and Project Sales. He is currently responsible for licensing and project sales for the chemicals business areas, including Ammonia, Methanol, Hydrogen, Syngas, Formaldehyde, DME and SNG plants. He brings in vast experience and technical management know how for Fatima.

Tariq Jamali, Independent Director / Nominee Director – NBP

Mr. Tariq Jamali is SEVP and Group Chief Logistic Support Group. Previously he headed Commercial and Retail Banking Group and Group Chief Compliance since 2009. He joined NBP in 1987 and has held numerous Senior Management positions at Regional and Head Office levels. He has an overall working experience of more than 25 years at different key positions. He holds a MBA degree from University of Dallas.

8.5 MANAGEMENT TEAM**Mr. Arifur Rehman, Chief Manufacturing Officer & Head of Procurement**

Mr. Arif-ur-Rehman is a chemical engineer and has over 33 years of experience in the fertilizer and petrochemical industries. He has been a part of number of successful projects from construction to commissioning. These include Fauji Fertilizer Company, Fauji Fertilizer Bin Qasim and ICI (PTA Plant). He also worked on various foreign assignments.

Mr. Inam Ullah Naveed, Director Operations

Mr. Inam Ullah Naveed joined Fatima Fertilizers as Director Operations, Plant site, Sadiqabad. Previously Inam served as Vice President at Engro Fertilizers and was assigned as Project Executive of the Billion \$, EnVen-1.3 world's biggest single train Ammonia-Urea project at Engro, Daharki. He led the team to successful EPC of the plant in December 2010. On merger of all the plants after EnVen project he took-over as VP Manufacturing in 2011. Inam retired as Vice President, manufacturing from Engro Fertilizers after a service of more than 29-years.

He started his career with Exxon Chemicals as Maintenance Planning engineer. In 1990, Inam was assigned as Planning / Cost and schedule engineer for PaVan-600 relocation project of Ammonia-Urea plants from USA and UK. He spent 6-months at Exxon, Edmonton, Canada to develop the feasibility of the project and then was transferred to Ammonia plant dismantling site for one year at Mississippi, USA. His international exposure also includes 4 year tenure at various challenging positions with Snamprogetti SpA and has served in Italy and Bahrain.

Mr. Asad Murad, Chief Financial Officer

Mr. Asad Murad is a Fellow Member of the Institute of Chartered Accountants of Pakistan. He has over 19 years of experience in automobile and fertilizer industries. He has held various senior management positions in the areas of finance, strategic business planning, systems development, risk management and corporate compliance. He has also served as the Chief Financial Officer at Honda Atlas Cars (Pakistan) Limited. He joined Fatima Group in 2010 as Group Head of Internal Audit before being appointed to his current position as the Chief Financial Officer of the Company

Mr. Ausaf Ali Qureshi, Company Secretary

Mr. Ausaf Qureshi is a fellow member of Institute of Chartered Accountants of Pakistan. He has over 33 years of experience with Fauji Fertilizers, Pakistan International Airlines Holdings and Bristol-Myers Squibb (BMS). In his 20 years at BMS, he held various senior management positions in Pakistan, South Korea, Egypt and Singapore in the areas of finance, corporate compliance and strategic project planning.

He is also incharge of Investor relations for Fatima Fertilizer.

Mr. Haroon Waheed, Group Head of Human Resource

Mr. Haroon has done his LL.M from Monash University, Melbourne, Australia. He has more than 21 years of national and international broad based functional business experience with Unilever and has been associated with Pakistan Society of HR Management as President. In addition to representation in the HR & Management Development conferences at the National Level, Hr. Haroon has won the International best HR Leadership award in 2010.

Mr. Iftikhar Mahmood Baig, Director Business Development

Iftikhar Mahmood Baig is a Fellow Member of Institute of Chartered Secretaries and Managers of Pakistan. He has 32 years of Financial and Commercial experience. Over the course of his tenure with Fatima Group, he played an instrumental role in obtaining natural gas allocation of 110 MMCFD in 2004 and successfully achieving Financial Close of the largest rupee syndication of PKR 23 billion in 2006 for the green field fertilizer manufacturing complex of Fatima Fertilizer Company Limited (Investment US\$ 750 million). He also played a pivotal role in the acquisition of Pakarab Fertilizers Limited in 2005. He was associated with Fatima Energy Limited from conceptual stage until its implementation. Iftikhar is currently engaged in Gas management and LNG sourcing for Fertilizer Plants, Government Regulations/Regulatory Approvals and development of New Ventures in Power Sectors.

Mr. Qadeer Ahmed Khan, Director Special Projects

Mr. Qadeer Khan has done his MS in Petrochemicals and Hydrocarbons from the Institute of Science and Technology, University of Manchester, England. He has a vast experience of working in chemicals and fertilizer industries. He has over 32 years of experience from Engro Chemicals and Engro Polymers, where he held various capacities.

Mr. Ahsen ud Din, Director Technology Division

Mr. Ahsen ud Din has around 32 years of professional experience with leading companies like Fauji Fertilizer, Kuwait National Petroleum and Engro Polymers and Chemicals. During his professional career Mr. Ahsen ud Din has a track record of executing multimillion dollar petrochemical projects and efficiently managing petrochemical manufacturing facilities with world class HSE performance.

Mr. Kashif Mustafa, Incharge of Internal Audit

Mr. Kashif Mustafa Khan is a Fellow Member of Institute of Cost and Management Accountants of Pakistan. He has diversified experience of over 21 years' in the field of financial management, regulatory compliance, taxation, international reporting and business planning. He had worked with Glaxo Smith Kline for 3 years and Honda Atlas Cars (Pakistan) Limited for 14 year before joining the Company in 2010. He has been serving as Head of Accounts & Taxation prior to his present role in the Organization.

Mr. Asghar Naveed, Corporate Health, Safety and Environment Manager

Mr. Asghar Naveed possess 21 years of high end experience, with particular focus on Health, Safety and Environment (HSE). He holds a degree in chemical engineering along with various diplomas in HSE. In addition to Fatima he has recently been given additional responsibilities for other Fatima Group Companies for developing and implementing high quality standards for HSE. He is a renowned speaker at national and international forums, and has authored various publications.

8.6 OVERDUE LOANS

The Company, its Chief Executive and directors; and its associated companies and undertakings have no overdue loans (local and/or foreign currency)

8.7 POWER OF DIRECTORS

As required under section 196 of the Companies Ordinance, 1984, and the Articles of Association of the Company, the authority to conduct business of the Company is vested with its Board of Directors and they may exercise all such powers of the Company as are not required by the Companies Ordinance, 1984 or the Articles of Association of the Company or by a special resolution, required to be exercised by the Company in the general meeting of the shareholders.

8.8 NUMBER OF DIRECTORS

Pursuant to section 174 of the Companies Ordinance, 1984, the number of directors of a listed company should not be less than seven (7). At present, the Board consists of eight (8) directors, including the Chief Executive Officer.

8.9 QUALIFICATION OF DIRECTORS

Pursuant to Article 71 of the Articles of Association, the qualification of a director shall be holding of the shares of the Company to the nominal value of Rs. 50,000/- atleast in his own name, and this qualification shall be acquired within four months after appointment.

8.10 REMUNERATION OF DIRECTORS

Pursuant to Article 68 of the Articles of Association of the Company the remuneration of a Director for performing extra services including holding of the office of Chairman and remuneration to be paid to any Director for attending the meetings of the Directors or a committee of Directors shall from time to time be determined by the Board of Directors in accordance with the law.

8.11 AMOUNT OF BENEFITS TO PROMOTER AND OFFICERS DURING THE LAST TWO YEARS

No amount of benefits has been paid or given during the last year or is intended to be paid or given to any promoter or to any officer of the Company other than as remuneration for services rendered as whole-time executives of the Company.

8.12 INTEREST OF DIRECTORS

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 services in the Company may also be deemed interested in the remuneration payable to them by the Company. The nominee directors have interest in the Company to the extent of representing the sponsors in the capital of the Company.

8.13 INTEREST OF THE DIRECTORS IN THE PROPERTY ACQUIRED BY THE COMPANY

None of the Directors of the Company had or has any interest in any property acquired by the Company or proposed to be acquired by the Company.

8.14 ELECTION OF DIRECTORS

The Directors of the Company are elected for a term of 03 years in accordance with the procedure laid down in section 178 of the Ordinance.

The Directors shall comply with the provisions of Sections 174 to 178 and Sections 180 and 184 relating to the election of Directors and matters ancillary thereto.

Subject to the provisions of the Ordinance, the Company may from time to time increase or decrease the number of Directors.

Any casual vacancy occurring on the Board of Directors may be filled up by the Directors, but the person so appointed shall be subject to retirement at the same time as if he / she had become a Director on the day on which the Director in whose place he / she is chosen was last elected as Director.

The Company may remove a Director in accordance with the provisions of the Ordinance.

The present Directors of the Company were elected on April 30, 2014 for the period of 03 years.

8.15 BORROWING POWERS

The Directors may from time to time raise or borrow any sum or sums of money or make any arrangement for finance for the purpose of the Bank. The Director may raise or secure the payment of such sum of sums or financial arrangement in such manner and upon such terms and conditions in all respects as they think fit and in particular by making, drawing, accepting or endorsing on behalf of the Bank any promissory notes or bills or exchange or by issuing bonds, perpetual or redeemable debentures or debenture stock or any mortgage, charge (other than a floating charge certified in writing by the State Bank under section 18 of the Banking Companies Ordinance, 1962) or other security on all undertaking or the whole or any part of the property of the Bank (both present and future), but so that no charge shall be created upon any unpaid capital of the Bank.

8.16 VOTING RIGHTS

The Sukuks shall not carry any voting rights in relation to the FFCL.

8.17 INTERNAL AUDIT

The Board of Directors has set up 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.

The internal audit committee comprises of the following members:

- Mr. Muhammad Kashif Habib – Chairman
- Mr. Peter Vang Christensen – Member
- Mr. Faisal Ahmed Mukhtar – Member
- Mr. M. Abad Khan - Member
- Mr. Tariq Jamali – Member

8.18 HUMAN RESOURCE COMMITTEE

The Board of Directors has set up an effective Human Resources function managed by suitable and qualified personnel who are conversant with the policies & procedures of the Company and are involved in Human Resources function on a full time basis.

PART IX**9 MISCELLANEOUS INFORMATION**

9.1 REGISTERED OFFICE / HEAD OFFICE

E-110, Khayaban-e-Jinnah,
Lahore Cantt., Pakistan.

9.2 PLANT ADDRESS OF THE COMPANY

Mukhtar Garh, Sadiqabad,
Distt. Rahim Yar Khan,
Pakistan.

9.3 TRUSTEE AND INVESTMENT AGENT

Pak Brunei Investment Company Limited
Horizon Vista Commercial No. 10,
Block No 4. Scheme No. 5,
Clifton, Karachi
Tel: 92 021 3536 1215-19

9.4 AUDITOR OF THE COMPANY

Deloitte Yousuf Adil
Chartered Accountants
(A member firm of Deloitte Touche
Tohmatsu Limited)
134 – A, Abubakar Block,
New Garden Town, Lahore
Tel: 92 042 3591 3595-7

9.5 SHARIAH AUDITOR

Deloitte Yousuf Adil
Chartered Accountants
(A member firm of Deloitte Touche
Tohmatsu Limited)
134 – A, Abubakar Block,
New Garden Town, Lahore
Tel: 92 042 3591 3595-7

9.6 SHARIAH ADVISOR

Mufti Ehsan Waquar Ahmad
Chairman, Shariah Board
National Bank Pakistan - Aitemaad
Suite No. 114, 3rd Floor, KSE Building,

Off, I.I. Chundrigar Road Karachi
Tel: 92 300 828 6191

9.7 LEGAL ADVISOR TO THE ISSUE

Mohsin Tayebaly & Co.
1st Floor, Dime Centre, BC-4, Block-9,
Kehkashan, Clifton, Karachi – 75600

9.8 COMPLIANCE OFFICER

Mr. Muhammad Aamer Malik
Department Manager - Finance
Cell Number: 0333-8632345
Phone Number: 042-35909451
Email: aamer.malik@fatima-group.com

9.9 REGISTRAR AND TRANSFER AGENT

Central Depository Company of
Pakistan Limited
Share Registrar Department
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400.

9.10 BANKERS TO THE ISSUE

BANKERS TO THE ISSUE:	
AlBaraka Bank (Pakistan) Limited	Habib Metropolitan Bank Limited
Allied Bank Limited	MCB Bank Limited
Askari Bank Limited	Meezan Bank Limited
Bank Alfalah Limited	Summit Bank Limited
Dubai Islamic Bank (Pakistan) Limited	United Bank Limited
Faysal Bank Limited	

9.11 BANKERS TO THE COMPANY

1	Allied Bank Limited	11	Habib Bank Limited
2	Askari Bank Limited	12	Habib Metropolitan Bank Limited
3	Bank Alfalah Limited	13	MCB Bank Limited
4	Bank Al-Habib Limited	14	Meezan Bank Limited
5	BankIslami Pakistan Limited	15	National Bank of Pakistan
6	Citibank N.A.	16	NIB Bank Limited
7	Faysal Bank Limited	17	Soneri Bank Limited
8	United Bank Limited	18	Bank of Punjab

9	Sindh Bank Limited	19	Standard Chartered Bank (Pakistan)
10	Bank of Khyber	20	Summit Bank Limited

9.12 MANDATED LEAD ADVISOR AND ARRANGER TO THIS ISSUE

National Bank of Pakistan

Head Office

NBP Building, I.I. Chundrigar Road

Karachi, Pakistan

Tel: 92 21 990 621 19

Fax: 92 21 992 202 39

Email: umair.ahsan@nbp.com.pk

Website: www.nbp.com.pk

9.13 JOINT FINANCIAL ADVISORS

Arif Habib Limited

Arif Habib Center,

23, MT Khan Road, Karachi, Pakistan

Tel: 92 21 324 681 17

Fax: 92 21 324 296 53

Email: abdul.qadir@arifhabibltd.com

Website: www.arifhabibltd.com

National Bank of Pakistan

Head Office

NBP Building, I.I. Chundrigar Road

Karachi, Pakistan

Tel: 92 21 990 621 19

Fax: 92 21 992 202 39

Email: umair.ahsan@nbp.com.pk

Website: www.nbp.com.pk

9.14 MARKET MAKER

Arif Habib Limited

Arif Habib Center,

23, MT Khan Road, Karachi, Pakistan

Tel: 92 21 324 681 17

Fax: 92 21 324 296 53

Email: abdul.qadir@arifhabibltd.com

9.15 MATERIAL CONTRACTS / DOCUMENTS RELATED TO THE ISSUE

Sukuk agreements between Fatima Fertilizer Company Limited and the respective Pre-IPO investors are set out below:

S. No	Pre-IPO Investors	Amount	Agreement Dated
1	National Bank of Pakistan	2,000,000,000	November 24, 2016
2	Faysal Bank Limited	1,400,000,000	November 24, 2016
3	Habib Bank Limited	1,015,125,000	November 24, 2016
4	Standard Chartered Bank (Pakistan) Limited	1,000,000,000	November 24, 2016
5	United Bank Limited	852,000,000	November 24, 2016
6	Askari Bank Limited	700,000,000	November 24, 2016
7	The Bank of Punjab	532,875,000	November 24, 2016
8	MCB Islamic Bank Limited	375,000,000	November 24, 2016
Total		7,875,000,000	

Underwriting between Fatima Fertilizer Company Limited and the following underwriters:

S. No	Underwriter's Name	Amount (PKR)
1	Faysal Bank Limited	1,400,000,000
2	Habib Bank Limited	338,375,000
3	Askari Bank Limited	300,000,000
4	United Bank Limited	284,000,000
5	The Bank of Punjab	177,625,000
6	MCB Bank Limited	125,000,000
Total		2,625,000,000

9.16 TRUST DEED DATED NOVEMBER 21, 2016 BETWEEN FATIMA FERTILIZER COMPANY LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED

9.17 INSTRUMENT CREDIT RATING REPORT BY PACRA DATED NOVEMBER 2016

9.18 ENTITY CREDIT RATING REPORT BY PACRA DATED NOVEMBER 2016

9.19 CLEARANCE VIDE LETTER REFERENCE NO. GEN-9172 DATED DECEMBER 13, 2016 FROM PAKISTAN STOCK EXCHANGE LIMITED.

9.20 APPROVAL LETTER REFERENCE NO. SMD/CIW/SA-88/06/2016 DATED DECEMBER 20, 2016 FROM THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN.

9.21 ASSETS PURCHASE AGREEMENT DATED NOVEMBER 24, 2016 BETWEEN FATIMA FERTILIZER COMPANY LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED

9.22 IJARAH AGREEMENT DATED NOVEMBER 24, 2016 BETWEEN FATIMA FERTILIZER COMPANY LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED

9.23 LETTER OF LIEN AND RIGHT TO SET-OFF DATED NOVEMBER 24, 2016 BETWEEN FATIMA FERTILIZER COMPANY LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED

- 9.24 LETTER OF HYPOTHECATION DATED NOVEMBER 21, 2016 BETWEEN FATIMA FERTILIZER COMPANY LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED**
- 9.25 MEMORANDUM CONFIRMING CONSTRUCTIVE DEPOSIT OF TITLE DEEDS DATED NOVEMBER 21, 2016 BETWEEN FATIMA FERTILIZER COMPANY LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED**
- 9.26 MEMORANDUM OF ORAL OF ASSIGNMENT-INSURANCE/TAKAFUL PROCEEDS DATED NOVEMBER 24, 2016 BETWEEN FATIMA FERTILIZER COMPANY LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED**
- 9.27 SERVICE AGENCY AGREEMENT DATED NOVEMBER 24, 2016 BETWEEN FATIMA FERTILIZER COMPANY LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED**
- 9.28 SHARIAH STRUCTURE OF SALE AND LEASE BACK IJARAH SUKUK DATED NOVEMBER 24, 2016**
- 9.29 AN AGREEMENT REGARDING UNDERTAKING TO PURCHASE ASSETS DATED NOVEMBER 24, 2016 BETWEEN FATIMA FERTILIZER COMPANY LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED**
- 9.30 AN AGREEMENT REGARDING UNDERTAKING TO SELL ASSETS DATED NOVEMBER 24, 2016 BETWEEN FATIMA FERTILIZER COMPANY LIMITED AND PAK BRUNEI INVESTMENT COMPANY LIMITED**
- 9.31 MARKET MAKING AGREEMENT DATED DECEMBER 15, 2016**
- 9.32 INSPECTION OF DOCUMENTS AND CONTRACTS**

All the Balance Sheets and Profit & Loss Accounts, Copies of the Memorandum and the Articles of Association, the Auditor's Certificates, Trust Deeds, the Letter of Hypothecation, the Credit Rating Report by PACRA, Clearance letter from PSX and the approval letters from Securities & Exchange Commission of Pakistan, and the 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 Period.

9.33 LEGAL PROCEEDINGS

1. The application under section 65 of the Sales Tax Act, 1990 to the Commissioner Inland Revenue, Multan regarding exemption of sales tax estimating Rs 690 million inadvertently short levied/paid on its fertilizer product, Calcium Ammonium Nitrate for the period from April 18, 2011 to December 31, 2011 has been rejected. The Company has filed an appeal in Lahore High court against the decision.

Based on the advice of the Company's legal counsel and tax advisor, management considers that reasonable grounds exist that appeal will succeed. Consequently, no provision has been recognized in these financial statements for the abovementioned amount.

2. The Company's stance was vindicated by Commissioner Inland Revenue Appeals (CIR(A)), as he annulled the order passed by Deputy Commissioner Inland Revenue (DCIR), Multan creating a demand of Rs. 759 million along with 100% penalty by treating the stocks of finished fertilizer products transferred to Company warehouses as sales without any cogent legal grounds. The decision was challenged by the Department before Appellate Tribunal Inland Revenue.
3. The Assistant Commissioner Inland Revenue has passed a judgment against the Company alleging that the Company has adjusted the excess input tax amounting to Rs 12.68 million in January 2012 sales tax return. The Commissioner Inland Revenue Appeals (CIR(A)) has allowed input tax to the extent of Rs 2.829 million. For the remaining Company has opted appeal before the Appellate Tribunal Inland Revenue (ATIR).
4. The Company has preferred appeals in Appellate Tribunal Inland Revenue, Lahore, against the following orders passed by Deputy Commissioner Inland Revenue, Multan alleging that the Company has short paid sales tax by suppression of production. Total demand raised is Rs. 628 million. Earlier appeal filed with Commissioner Inland Revenue (Appeals), Multan did not succeed.

Based on the advice of the Company's legal counsel and tax advisor, management considers that reasonable grounds exist that appeal will succeed. Consequently, no provision has been recognized in these financial statements for the abovementioned amount.

5. The Company has filed appeal with the Custom Appellate Tribunal, Lahore against the following two cases decided against the Company by the Collector of Customs (Adjudication), Faisalabad. Earlier these cases were remanded back to Collector of Customs (Adjudication), Faisalabad for re-hearing the case by the Custom Appellate Tribunal, Lahore:
 - b. Alleged irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs 113.957 Million.
 - c. Alleged irregular claim of exemptions under SRO 575 on import of 7 consignments of deformed steel bars. Demand raised Rs. 150.604 million.

Management is confident that no financial liability will arise in all the above referred cases, therefore no provision has been made in these financial statements.

6. Alternative Corporate Tax (ACT) at the rate of 17% of accounting profit before tax has been introduced by the Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001 applicable from tax year 2014. The Company has filed two Constitutional Petitions in the Honourable High Court of Sindh challenging the levy of ACT for Tax year 2014 and Tax year 2015, on grounds that it has deprived the Company of certain rights already accrued to it. Stay in this regard has been granted to the Company for both the tax years. The Company's petition is pending for hearing in the High Court.

In view of above, the Company has not recorded tax liability under ACT for the tax years 2014 and 2015.

9.34 INDEMNITY

As per the Article 115 of Company's Articles of Association, Every Director, Chairman, Managing Director, Chief Executive, Manager or officer of the Company or any person (whether an officer of the Company or not) employed by the Company as auditor or Advisor, shall be indemnified out of the funds of the Company against any liability incurred by him as such Director, Chairman, Managing Director, Chief Executive, Manager, Officer, Auditor or Advisor, 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 Section 488 of the Ordinance in which relief is granted to him by Court.

9.35 CAPITALIZATION OF RESERVES

There has been no capitalization of reserves since the incorporation of FFCL.

9.36 REVALUATION OF FIXED ASSETS

The Company has not performed any revaluation of Fixed Assets to date.

9.37 MEMORANDUM OF ASSOCIATION

The Memorandum of Association, inter alia, contains the objects for which the FFCL was incorporated and the business, which the FFCL is authorized to undertake. A copy of the Memorandum of Association annexed to this Prospectus is being published with all issues hereof except those released as newspaper advertisement.

9.38 INVESTMENT IN SUBSIDIARY COMPANIES

The Company has acquired entire share capital of Fatimafert Limited (FF) (formerly DH Fertilizers Limited) and Buber Sher (Pvt) Limited (BSPL) against purchase price of Rs 2,020.634 million and Rs 0.01 million respectively. The price of 100% shares of FL has been valued as total of:

1. Differential between the agreed enterprise value of FF (Rs 6,600 million) and the total long term loans of Rs 4,607 million and
2. Excess of current assets over current liabilities of FF as at June 30, 2015 determined to be Rs 28.134 million.

The control of DH Fertilizers Limited was transferred to the Company on July 01, 2015.

9.39 INVESTMENT IN ASSOCIATED COMPANIES

The Company has invested in 858,056 fully paid ordinary shares of Rs 100 each of Multan Real Estate Company (Pvt) Limited (MREC). The investment represents 39.5% of the total issued, subscribed and paid up share capital of MREC. The main business of MREC is establishing and designing housing and commercial schemes, to carry on business of civil engineers for construction of private and governmental buildings and infrastructure and provision of labor and building material.

This Investment is measured at cost as the associated company has not yet started its commercial operations and the breakup value for the purpose of equity method is not significantly different from cost.

9.40 VENDORS

Major operational vendors are as under

1. Mari Petroleum Company Limited For Gas
2. OCP Morocco For Rock Phosphate

PART X

10 APPLICATION AND ALLOTMENT INSTRUCTIONS

General instructions

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 exiting 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.

Foreign investors and non-resident Pakistani investors may subscribe for the Sukuks being offered through this Prospectus by using their Special Convertible Rupee Account. For details please refer to para 3.6 of this Prospectus.

The bank itself or a related party over which the bank exercises control or significant influence cannot be an eligible investor.

2) Application must be made on the commission's approved application form or a legible photocopy thereof on a paper of A4 size weighing at least 62 gm.

3) Copies of Prospectus and application forms can be obtained from the TRE Certificate Holders of Pakistan Stock Exchange Limited, the Bankers to the Issue and their branches and registered office of FFCL Fertilizer Limited. The Prospectus and the application forms can also be downloaded from the website: www.arifhabibltd.com, www.nbp.com.pk & www.fatima-group.com/ffcl/

4) The applicants opting for scripless form of Sukuks 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 Sukuks 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 Issuer reserves the right to reject Sukuks application 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 be bear the name and signature of the applicant. In case of difference of signature with the bank and Computerized National Identity Card for Overseas Pakistanis (NICOP) or passport both 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 NRPs and FIs) as the case may be, should be enclosed and the number of CNIC/passport should be written against the name of 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 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 at the time of presenting of 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 fund 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 country of applicant's residence can attest copies of such documents.
 - II) Attested photocopy of 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 Issue) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with 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 2 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 Sukuks 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 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 Sukuks.
 - 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 **"IPO of FFCL Sukuk – Public Subscription"** 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 Issue 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 least one bank account with any of the commercial banks but not necessarily with the Bankers to the Issue. The applicants not having a bank account at all (non account holders) are not allowed to submit application for subscription of Sukuk.

- 14) Applications are not 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 acknowledgment of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that applicant will be allotted the number of Sukuks 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 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 Issue.
- 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.

ADDITIONAL INSTRUCTIONS FOR FOREIGN/NON-RESIDENT INVESTORS

- 20) 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 applicants' residence.
- 21) 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

- I) The minimum amount of application for subscription of Sukuks is 5,000/-. Application for Sukuks below the total value of PKR 5,000/- shall not be entertained.
- II) Application for Sukuks must be made for a minimum of the aggregate face value of PKR 5,000/- or in multiples of PKR 5,000/- for amounts above PKR 5,000/-. Applications, which are neither for PKR 5,000/- nor in multiples of PKR 5,000/- for amounts above PKR 5,000/- shall be rejected.
- III) Allotment / transfer of Sukuks to successful applicants shall be made in accordance with the allotment criteria / instructions disclosed in the Prospectus.
- IV) Allotment of Sukuks 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.
- V) 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.
- VI) The Registrar will credit the respective CDS accounts of successful applicants. Therefore, applicants are advised to fill in accurate mailing address and CDS account details, if any.

22) Bankers to the Issue

Code	Name of Bank	Code	Name of Bank
1	AlBaraka Bank (Pakistan) Limited	7	Habib Metropolitan Bank Limited
2	Allied Bank Limited	8	MCB Bank Limited
3	Askari Bank Limited	9	Meezan Bank Limited
4	Bank Alfalah Limited	10	Summit Bank Limited
5	Dubai Islamic Bank (Pakistan) Limited	11	United Bank Limited
6	Faysal Bank Limited		

23) Code of occupation

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

24) Nationality code

Code	Country	Code	Country
001	USA	006	Iran
002	UK	007	Bangladesh
003	UAE	008	China
004	KSA	009	Bahrain
005	Oman	010	Other

PART XI**11 SIGNATORIES TO THE PROSPECTUS**

Director	Designation	Signature
Mr. Arif Habib	Chairman	Sd/-
Mr. Fawad Ahmed Mukhtar	Chief Executive Officer	Sd/-
Mr. Fazal Ahmed Sheikh	Executive Director	Sd/-
Mr. Faisal Ahmed Mukhtar	Non - Executive Director	Sd/-
Mr. M. Abad Khan	Non - Executive Director	Sd/-
Mr. Muhammad Kashif Habib	Non - Executive Director	Sd/-
Mr. Peter Vang Christensen	Independent Director	Sd/-
Mr. Tariq Jamali	Independent Director	Sd/-

Witness 1

Name: Asad Murad
 Designation: Chief Financial Officer
 Signature: Sd/-

Witness 2

Name: Ausaf Ali Qureshi
 Designation: Company Secretary
 Signature: Sd/-

Dated: 8th November 2016

PART XII

12 MEMORANDUM OF ASSOCIATION

Date 1-23/5

The Companies Ordinance 1984
 Company Limited by Shares
MEMORANDUM OF ASSOCIATION
OF
FATIMA FERTILIZER COMPANY LIMITED

- I. The name of the Company is "FATIMA FERTILIZER COMPANY LIMITED"
- II. The Registered Office of the Company will be situated in the Province of Punjab.
- III. The objects for which the Company is established are:
 1. To enter into and carry on the business of manufacturing, producing, buying, selling, importing and exporting or otherwise dealing in or with chemicals and fertilizers of any and all kinds, including, but without limiting the generality of the foregoing, artificial or natural fertilizers, compound, complex, nitrogenous, phosphatic and potassium fertilizers, nitro phosphates, calcium, ammonium nitrate, urea, nitric acid, hydrochloric acid, sulphuric and other acids, all chemicals produced with the help of sulphuric acid, ammonia and other derived products of sulphuric acid and ammonia, ammonium, ammonium sulphate and other compounds of ammonia, oxygen, carbon dioxide and super phosphate, soil amendements, micronutrients, super-phosphates, phosphoric acid, intermediates, dips, sprays, vermifuges, fungicides, insecticides, herbicides, pesticides, medicines, animal feed supplements of any and all kinds 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 and to preserve, pack and transport the said products; to own, purchase or otherwise acquire and to sell or otherwise dispose of any mines, manufacturing, plants, machinery, appliances, tools, supplies, materials, and any other property of any nature whatsoever, suitable, convenient or necessary for any of the purposes aforesaid or which may lawfully be used in connection therewith and to establish agencies and warehouses for the storage, sale and distribution of said products as incidental to the carrying on of any such business and in connection therewith or as a part thereof, to carry on any business, trade, or occupation necessary, convenient or useful therein or thereon, or which is or may be customarily carried on by others engaged in conducting a chemical or fertilizer business.
 - ✓ 2. To purchase, manufacture, produce, refine, prepare, import, export, sell and generally deal in and use of heavy chemicals, fertilizers and all products and by-products and to acquire, construct and operate or otherwise deal in such things as may furnish materials for the manufacture of all kinds of fertilizers and to deal in such other chemicals and fertilizers as can be conveniently manufactured and collected directly or indirectly to contribute to the general economy of the process and will aid in the carrying out of the operations or otherwise enhance the profits of the Company and to do all things which may be proper or necessary in connection with the above or any of them.
 - ✓ 3. 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, dispense, apply and generally deal in substances used in the manufacture and treatment of chemicals, fertilizers and chemical products and agricultural products and equipment and perform services and operations related thereto; and so far as may be conducive to the attainment of the said objects or as is convenient or advantageous in connection therewith.



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 Company Secretary

4. To acquire and take over from National Fertilizer Corporation (NFC), the fertilizer factory, godowns and other buildings and erections already built or now being built by the said Corporation under the name of FFCI, with the land appertaining thereto and all the stock in trade, book debts, goodwill and, all other assets and liabilities in respect thereof and all the benefits of all subsisting contracts and orders together with the rights and privileges relating to the said Fertilizer Factory through Privatization process.
5. To establish, take or give on lease all sorts of fertilizer factories to carry on all or any of the business of manufacturing and selling of and dealers and workers in fertilizer of all kinds of packing and other material including polythene, polypropylene, jute, Hessian cloth, gunny bags, paper bags and coverings of all kinds.
6. To own, lease, license, purchase or otherwise acquire, maintain, work, gather, get in, and develop gas, minerals and chemicals and other substances of all kinds and to pipe, transport, store, process, refine, treat, supply and deal in all such substances.
7. To carry on all or any of the business of chemists, druggists, chemical manufacturers, importers and exporters, manufacturers of and dealers in pharmaceutical and medicinal preparation.
8. To construct, 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.
9. To carry on business in Pakistan or elsewhere as dealers, wholesalers, and retailers in drugs, chemicals patent medicines, dyes, dye-wares, colours, compounds, starch, sizing material and all other articles and things the business of which in the opinion of the Directors may be conveniently carried on and for that purpose to buy, sell, resell, import, export, order out and obtain indents for and to act as agents and representatives for dealing in all in any of the above products, articles and things.
10. To purchase or otherwise acquire, become interested in, deal in and with, invest in, hold, sell, mortgage, pledge, or otherwise dispose of, turn to account or realize, all forms of securities, including shares, bonds, debentures, notes, evidence of indebtedness, securities of any nature of form convertible into or exchangeable for other securities of any nature or form, certificates of interest, participation certificates, and certificates evidencing shares of or interest in trusts and trusts estates or associations, certificates of trust of beneficial interests in trusts, mortgages and other instruments, securities and rights.
11. To carry on the business of manufacturers, exporters and importers and dealers in Petro-Chemicals, alkalis, essences, cordials, chemical, industrial and other preparations, articles of any kind whatsoever such as Urea, Formaldehyde, Polyethylene, Polypropylene, Polystyrene Fibre, Man-Made Fibre such as Nylon, Rayon and Glass Fibres, Mordants and other waters, cement, oils, paints, pigments and varnishes, paint and colour materials, analytical chemicals, drysalts, oil and colourmen, makers of and dealers in pharmaceutical articles of all kind and of electrical, chemical, photographic, surgical and scientific appliances, apparatus and materials and any similar or allied business and enterprises in connection with the said business or as distinct or separate business.
12. To institute, participate in, or promote commercial, mercantile, financial and industrial enterprises and operations.
13. To acquire by purchase or otherwise, own, hold, buy, sell, convey, lease, mortgage or encumber real estate and other property, at any place or places in Pakistan, or anywhere in the world, personal or mixed, and to survey, subdivide, plan, improve and develop lands for purposes of sale or otherwise, and to do and perform all things needful and lawful for the development and improvement of the same for residence, trade or business.

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14. To supply any cities, towns, villages, communities, counties, and the inhabitants thereof, corporations, partnerships, individuals, places of amusement or exhibition, or any two or more of either or the same, with water, light, heat, gas and/or electric power, and to do any and all things incidental, necessary, and/or proper in furtherance of and/or in connection with the foregoing objects and purposes.
15. To apply for, obtain, register, purchase, lease or otherwise to acquire, and to hold, use, own, operate and introduce and to sell, assign or otherwise dispose of, any trade-marks, trade-names, copyrights, patents, inventions, improvements and secret processes used in connection with or secured under entry of any certificate of trade-marks or otherwise, and to use, exercise, develop and grant licenses in respect of, or otherwise turn to account any such trade-marks, copyrights, patents, licenses, processes and the like or any such property or rights, necessary or incidental thereto.
16. To purchase, take on lease, or occupancy or in exchange or allotment or hire, or otherwise acquire, erect, maintain, equip, construct, reconstruct, repair, renovate, or adapt moveable or immovable property including buildings, work, residential bungalow, labour lines, quarters, offices, places of worship, schools, institutions, hospitals, dispensaries, canteens, recreation rooms, clubs, warehouses, godowns, workshops, mill structures, erections, foundries, engines, tools electric and telephone installations, accessories, implements, appliances, apparatuses, articles and other things found necessary or convenient for the purposes of the company or for the welfare of the employees of the company and also to expand the business of the company by purchasing, acquiring, getting transferred, adding to, altering, enlarging, all or any of the buildings, mills, factories, premises, places, being the property of the company on all or any of the lands for the time being the property of the company or in possession of the company and by spending from time to time such sum or sums of money as may be necessary or expedient for improving, adding to, altering, repairing and maintaining the buildings, structures, machinery plant and property for the time being of the company and to sell or mortgage or let out on hire or otherwise dispose of all or any portion of the same as may be thought desirable.
17. To buy, lease, sell, exchange or otherwise acquire and so construct, lay, maintain and operate pipelines and other conveyors for the transportation of gases, liquids, minerals and chemicals and other substances.
18. To construct, erect and build structures and buildings including, but without prejudice to the generality of the foregoing, factories, warehouses, workshops, offices, dwellings, stores and any other works or convenience which may seem directly or indirectly conducive to any of the objects of the Company.
19. To purchase, construct, improve, maintain, develop, work, manage, carry on, superintend any huts, markets, roadways, tramways, railways, branches, bridges, reservoirs, canals, water courses, ferries, piers, hydraulic works, electric works, telephone works, factories, bus-stops, villages, wharves, jetties, manufactories, shops, stores and other works and conveniences which may seem calculated directly or indirectly to advance the Company's interest, and to contribute, subsidize, or otherwise assist or take part in construction, improvement, maintenance, working, management, carrying out, or control thereof.
20. To buy, sell, manufacture, store, repair, alter, improve, exchange, hire, import, export and deal in all factories, works, plant, machinery, tools, utensils, aircraft, vehicles, appliances, apparatus, products, materials, substances, articles and things capable of being used in any business which the Company is competent to carry on or required by any customers of or persons dealing with the Company or customarily dealt with by persons engaged in any such business or which may seem capable of being profitably dealt with in connection therewith and to manufacture, experiment with, render marketable and deal in

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all products of residue and by-products incidental to or obtained in any of the business carried on by the Company.

21. To purchase, take on lease or tenancy or in exchange, hire, take options over or otherwise acquire for any estate or interest whatsoever and to hold develop, work cultivate, deal with, dispose of and turn to account concessions, grants, decrees, licenses, privileges, claims, options, leases, property, moveable or immovable, or rights or powers of any kind which may appear to be necessary or convenient for any business of the Company or for purposes of investment or re-investment and to purchase, charter, hire, build or otherwise acquire vehicles of any or every sort or description and to use the same for the carriage of merchandise or passengers of all kinds and to carry on the business of owners of trucks, lorries, motor-cars and air-craft in all or any of their respective branches.
22. To sell, exchange, mortgage or let on lease or royalty all or any of the property of the Company and to grant licenses, easements, options or other rights over the same and to accept such consideration as may be thought fit for the same.
23. To construct and provide or otherwise acquire, whether by purchase, lease or otherwise, residential accommodation for persons engaged in the business of the Company.
24. To provide the industrial classes with commodious and healthy lodgings and dwellings.
25. To purchase natural gas, coal, diesel oil, petrol, timber, salt, kerosene oil, food grain and other cereal, edible oil, plant, machinery, stores, goods and merchandise, and to deal with and dispose of the same by sale or otherwise.
26. To manage, improve, farm, cultivate, maintain, lease, underlet, exchange, sell or otherwise deal with and dispose of all or any part of the lands and buildings or other real property of the Company, not required for the purposes of the Company.
27. To purchase, import or otherwise deal with any raw material and machinery, from any market whether in Pakistan or any part of the world.
28. To appropriate any part or parts of the property of the Company for the purposes of, and to build and let or sell, shops, offices and other places of business.
29. To advertise all or any of the manufactures or goods of the Company in any way that may be thought advisable, including the posting of bills in relation thereto, and the issue of books, pamphlets and price lists, and the conducting of competitions and the giving of prizes therefor.
30. To purchase or otherwise acquire and undertake the whole or any part of the property, assets and liabilities of any person, firm, body or company carrying on any business which the company is authorized to carry on, or possessed of property suitable for the purpose of this Company.
31. To purchase, take on lease, or otherwise acquire any mines, mineral rights and metaliferous land in Pakistan or elsewhere and any interest therein, and to explore, mine, exercise, develop and turn to account the same.
32. To apply for and obtain any provisional orders of any Government department or Ministry for any of the purposes within the objects of this Company.
33. To support and subscribe to any charitable or public object, and any institution, society or club which may be for the benefit of the Company or its employees or may be connected with any town or place where the Company carries on business; to give pensions, gratuities or charitable aid to any persons who may have been Directors of or may have served the Company, or to the wives, children, or other relatives or dependents of such persons; to make payments towards insurance, and to form and contribute to provide and benefit funds for the benefit of any such persons, or of their wives, children, or other relatives or dependents.



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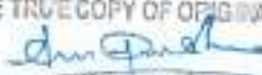
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 Company Secretary

34. To procure the Company to be registered or recognized in any foreign country or place and to take all steps which may be necessary or expedient to enable it to carry on business there.
35. To enter into any arrangement and to take all necessary or proper steps with the Government of Pakistan, and, with the approval of the Government of Pakistan, with any provincial government or foreign government or public authority, local, municipal or otherwise or with any corporation or private persons, or all or any of these for the purposes of directly or indirectly carrying out the objects of the Company or effecting any modification in the constitution of the Company or furthering the interests of the Company and to oppose any such steps taken by any other authority, firm or person which the Company considers likely, directly or indirectly, to prejudice its interests, and to obtain from any such governmental or other public authority any charters, contracts, decrees, rights, grants, loans, subsidies, privileges, concessions, indemnities, sanctions or covenants as the Company may think proper.
36. To enter into partnership or into any arrangement for sharing profits, union of interest, co-operation, joint venture, reciprocal concession or amalgamation with any person or Company carrying on or engaged in, or about to carry on or engaged in any business or transaction which this Company is authorized to carry on or engaged in, or any business or transaction capable of being conducted which may, directly or indirectly, benefit this Company, and to lend money to, guarantee the contracts of, or otherwise assist, any such person or company, and to take or otherwise acquire shares and securities of any such Company, and to sell, hold, re-issue with or without guarantee, or otherwise deal with the same.
37. To draw, make, accept, discount, endorse, execute or negotiate and issue cheques, promissory notes, bills of exchange, hundies, bills of lading and other negotiable or transferable securities and to advance, deposit with or lend money, securities or property to such persons, firm or company and on such terms with or without security, as the Company deems fit, but not to operate as a banking and/or investment company.
38. To expend money in experimenting on and testing and in improving or seeking to improve any patents, rights, inventions, discoveries, processes or information of the Company or which the Company may acquire or propose to acquire.
39. To form, incorporate or promote any company or companies whether in Pakistan or in any foreign country, having amongst its or their objects the acquisition of all or any of the assets or control, management or development of the Company or any other objects or object which in the opinion of the Company could or might directly or indirectly benefit the Company in the management of its business or the development of its property or otherwise prove advantageous to the Company and to pay all or any of the costs and expenses incurred in connection with any such promotion or incorporation and to remunerate any person or company in any manner it shall think fit for services rendered or to be rendered in obtaining subscriptions for or placing or assisting to place or obtain subscription for or for guaranteeing the subscription of or the placing of any stock in the capital of the Company or any bonds, debentures, obligations or securities of any other company held or owned by the Company or in which the Company may have an interest or the promotion or formation of any other company in which the Company may have an interest subject to prior permission of the Federal Government.
40. To take or otherwise acquire and hold shares, stock, debentures, debenture-stock and other securities whether convertible into shares to acquire and undertake the whole or any part of the shares, business, property or liabilities of any other company having objects altogether or in part similar to those of the Company or carrying on any business capable of being conducted so as directly or indirectly to benefit the Company.



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41. To grant pensions, allowances and bonuses to employees (including Directors) or ex-employees of the Company including payment of premiums on life policies on employees or their dependents, to establish and operate Provident Funds for the same and to establish and support or aid any schools and any educational, scientific, literary, religious or charitable institutions or trade societies whether such societies be solely connected with the trade carried on by the Company or not, or any club or other establishment calculated to advance the interests of the Company or its employees.
 42. To pay any premiums or salaries and to pay for any property rights or privilege acquired by the Company or for services rendered in connection with the promotion of the objects of the business of the Company or in connection with the acquisition of any property, rights or privileges for the Company or otherwise howsoever, either wholly or partially in cash or in shares, bonds, debentures or other securities of the Company and to issue any shares, bonds, debentures or other securities, and to charge any such bonds, debentures or any part of the property of the Company.
 43. To subscribe or guarantee money for any national, charitable, benevolent, public, general or useful object or for any exhibition.
 44. To aid, pecuniarily or otherwise, any association, body or movement having for an object the solution, settlement or surmounting of industrial or labour problems or troubles or the promotion of industry or trade.
 45. To establish, provide, maintain and conduct or otherwise subsidize research laboratories and experimental workshops for scientific and technical research and experiments and undertake and carry on all scientific and technical researches and tests of all kinds, to promote studies and research both scientific and technical investigation and invention by providing or assisting laboratories, workshops, libraries, lectures, meetings and conferences and by providing the remuneration of scientific or technical teachers and for providing for the award of scholarships, prizes, grants and bursaries to students or independent students or otherwise and generally to encourage, promote and reward studies, research, investigations, experiments, tests and inventions of any kind that may be considered likely to assist any of the business which the Company is authorized to carry on.
 46. To pay all costs, charges and expenses which the Company may lawfully pay with respect to the formation and registration of the Company.
 47. To do all or any of the things herein in any part of the world either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others.
 48. To do all and everything necessary, suitable or proper or incidental or conducive to the accomplishment of any of the purposes or the attainment of any of the objects or the furtherance of any of the powers hereinbefore set forth, either alone or in conjunction with other corporate bodies, firms or individuals and to do every other act or thing which may be or appertains to or arising out of or connected with the business or interest of the Company or part thereof, provided the same be lawful.
 49. It is declared that notwithstanding anything contained in the foregoing objects of this Memorandum of Association nothing contained therein shall be construed as empowering the Company to undertake or to indulge in business of banking, insurance, investment, lottery schemes, instalment schemes, etc. prepayment sales scheme, managing agency or insurance business directly or indirectly as restricted under the law or any unlawful operation.
- IV. The liability of the members is limited.
- V. The Authorized Capital of the Company is Rs. 25,000,000,000 (Rupees twenty five billion) divided into 2,500,000,000 (Two billion five hundred million) shares of Rs. 10/- each with the rights, privileges and conditions attaching thereto as are provided by the regulations of the Company for the time being, with power to increase and reduce the capital and to divide the shares in the capital for the time being into several classes.

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We, the several persons whose names and addresses 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 as set opposite our respective names:

Name & Surname (Present & Former) in Full (in Block Letters)	Former Address & Name in Full	Nationality (Present & Former) Nationality	Occupation	Residential Address	Number of Shares taken by each Subscriber	Signature
FAZAL AHMED MUJHTAR SHERKH 38302-2741274-7	Man. Multan Ahmed Sheikh	Pakistan	Industrialist	43-A Qasbi Road, Multan Cantt.	1 One	50-
FAZAL AHMED SHERKH 38302-2641241-8	Man. Multan Ahmed Sheikh	Pakistan	Industrialist	43-A Qasbi Road, Multan Cantt.	1 One	50-
FAZAL MUJHTAR SHERKH 332-87-628825	Man. Multan Ahmed Sheikh	Pakistan	Industrialist	43-A Qasbi Road, Multan Cantt.	1 One	50-
Mrs. FARUKH MUJHTAR SHERKH 38302-2330061-0	Man. Multan Ahmed Sheikh	Pakistan	Industrialist	43-A Qasbi Road, Multan Cantt.	1 One	50-
ABDULLAH 38302-046514-0	Hay House, Unah	Pakistan	Service (Private)	781B P.O. Box, Multan	1 One	50-
MUNIR BUTT 27234-461718	ABDUL BATTAR	Pakistan	Service (Private)	172-Isam Block, Azam Gardens, Multan Road, Lahore	1 One	50-
IFTIKHAR MAHMOOD SAGI 38302-2443686-3	SULTAN AHMED	Pakistan	Service (Private)	1-13-Hassan P.O. Box, Road, Multan	1 One	50-

TOTAL: 7 (Seven)

Dated the 16th day of December 2019

Witness to above Signature:

Name:
Address:
NIC:**Certified to be True Copy**

(Signature)
 Deputy Registrar of Companies,
 Securities and Exchange
 Commission of Pakistan
 Company Registration Office
 MULTAN
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(Signature)

(Signature)
 16/12/2019

PART XIII

13 APPLICATION FORM

SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS AN OFFENCE UNDER SECTION 87(7) OF THE SECURITIES ACT, 2015 AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015

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.

Fatima Fertilizer Company Limited

APPLICATION FOR SUBSCRIPTION OF SUKUK CERTIFICATES (SUKUKs)

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)

SUKUKs Credit Option (Please Tick) CDC ☐

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

OR

CDC INVESTOR ACCOUNT SERVICES ID	CDC INVESTOR ACCOUNT NO.

The Directors,
Fatima Fertilizer Company Limited
E-110, Khayaban-e-Jinnah,
Lahore Cantt., Pakistan.
www.fatima-group.com/fatcl

SUBSCRIPTION DATE
December 29, 2016 during banking hours

For Brokers

Broker's Stamp & Code

PSX Code

For Bankers

Banker's Stamp

Bank Code Branch Code

Application Serial No.

1) I/we apply for the following number of SUKUKs of Rs. --- per certificate for the value indicated below:

No. of SUKUKs 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 SUKUKs that may be allotted to me/us upon the terms as stated in the prospectus. If no SUKUKs or a smaller number of SUKUKs 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 SUKUKs 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.

For Pakistanis
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 SUKUKs if successful rather the application money shall be liable to confiscation if this declaration proves to be incorrect at any time.

Yours faithfully,

4) CONSENT

I/we hereby agree to appoint Pak Brunei Investment Company Limited as the Trustee and Investment Agent in respect of the Sukuk and the transaction documents.

5) ALL DETAILS MUST BE WRITTEN IN THE SPACES PROVIDED, LEGIBLY IN BLACK PEN

a) Name in Full (as per CNIC) _____ b) _____

IN THE SPACES PROVIDED, LEGIBLY IN BLACK PEN

a) Name in Full (as per CNIC) _____

Co. No. Date _____ Please Tick

Father's/Husband's Name (as per CNIC) _____

Identity Number (CNIC/Passport/Registration No.) _____

Identity Number (NTN) _____

*INVESTORS ARE ENCOURAGED TO DISCLOSE THEIR NTN NUMBERS TO FACILITATE THE COMPANY TO CHECK STATUS OF THE SHAREHOLDERS AS TAX RETURN FILER OR NON FILER FROM THE ACTIVE TAXPAYERS LIST (ATL) AVAILABLE ON THE WEBSITE OF FBR. PLEASE NOTE THAT REDUCED TAX RATE OF 10% APPLIES TO FILERS INSTEAD OF 15% FOR NON FILERS ON PAYMENT OF PROFIT.

Full Address _____

Phone No. _____

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 (DD-MM-YYYY) _____

Corporate Business Letter enclosed Yes ☐ No ☐ Nationality Code _____ Country of Residence _____

6) FOR JOINT HOLDER, IF ANY

b) Name in Full (as per CNIC) _____

Co. No. Date _____ Please Tick

Identity Number (CNIC/Passport/Registration No.) _____

7) PROFIT PAYMENT/REDEMPTION MANDATE (Optional): Mark tick [P] in the appropriate boxes Yes [] No []

In case the Applicant intends that if SUKUKs applied for are issued to him/it and the subsequent profit payment and redemption of SUKUKs by the company, is credited directly in his/it bank account, instead of issue of pay order/ crossed cheque, then please fill in the following boxes:

Title of Account _____

Account Number _____

Bank Name _____

Branch Name and Address _____

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

8) It is certified that the above-mentioned applicant(s) is/are maintaining account number as mentioned above at this bank branch and his/her/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)

a) _____

b) _____

Bankers to the Issue's Provisional acknowledgement of application for SUKUKs of Fatima Fertilizer Company Limited

Received from Mr/Ms. _____ application for _____ 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

- Eligible investors includes:**
 - Pakistani citizens resident in or outside Pakistan or Persons holding two nationalities including Pakistani nationality;
 - Foreign Nationals whether living in or outside Pakistan;
 - 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);
 - Mutual Funds, Provident/pension/gratuity funds/trusts, (subject to the terms of the Trust Deed and existing regulations); and
 - Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.
- 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.**
- Copies of the Prospectus and application forms can be obtained from the members of Pakistan Stock Exchange Limited, the Bankers to the Issue and their branches, the Mandated Lead Advisor and Arranger, the Joint Financial Advisors and the registered office of the Company. The Prospectus and the application forms can also be downloaded from the website: www.arifhabilttd.com, www.nbp.com.pk & www.fatima-group.com/ffcl**
- The Applicants opting for scrippless form of Sukuks 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 Sukuks 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 Issuer reserves the right to reject Sukuks application form.
- Name(s) and address(es) must be written in full block letters, in English and should not be abbreviated.
- 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.
- APPLICATIONS MADE BY INDIVIDUAL INVESTORS**
 - In case of individual investors, an attested photocopy of CNIC (in case of RPs)/Passport (in case of NRPs and Fs) 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.
 - 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.
- APPLICATIONS MADE BY INSTITUTIONAL INVESTORS**
 - 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.
 - 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 Issue) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with the application.
- 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.
- 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 Sukuks 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 Sukuk.
- 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 "IPO of FFCL Sukuk – Public Subscription" and crossed "A/C PAYEE ONLY".
- 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.
- The applicant should have at least one bank account with any of the commercial banks. Applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of Sukuks.**
- Applications are not to be made by minors and/or persons of unsound mind.
- Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.
- 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 Certificates for which the application has been made.
- 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.
- 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.**
- 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.**
- Submission of false and fictitious applications is an offence under section 87(7) of the Securities Act, 2015 and such applications' money is liable to confiscation under section 87(8) of the Securities Act, 2015.**

عوام کا اس کو مطلع کیا جاتا ہے کہ تکلیف دہ ریڈار ایکٹ 2015 کی دفعہ نمبر (7) 87 کے تحت جھوٹی یا جعلی درخواستیں دینا ناجائز ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے، ریڈار ایکٹ 2015 کی دفعہ نمبر (8) 87 کے تحت ضبط کی جاسکتی ہے۔

ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON-RESIDENT INVESTORS

- 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.
- 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

- The minimum amount of application for subscription of Sukuks is Rs 5,000/- Application for Sukuks below the total value of Rs. 5,000/- shall not be entertained.
- Application for Sukuks must be made for Rs. 5,000/- Sukuks or in multiple thereof only. Applications, which are neither for Rs. 5,000/- Sukuks nor for multiple thereof, shall be rejected.
- Allotment/Transfer of Sukuks to successful applicants shall be made in accordance with the allotment criteria/ instructions disclosed in the Prospectus.
- Allotment of Sukuks 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.
- 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.**
- The Registrar will credit the respective CDS accounts of the successful applicants.

BANKERS TO THE ISSUE

Code	Name of Banks	Code	Name of Banks
01	AlBaraka Bank (Pakistan) Limited	07	Habib Metropolitan Bank Limited
02	Allied Bank Limited	08	MCB Bank Limited
03	Askari Bank Limited	09	Meezan Bank Limited
04	Bank Alfalah Limited	10	Summit Bank Limited
05	Dubai Islamic Bank (Pakistan) Limited	11	United Bank Limited
06	Faysal Bank Limited		

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

OVERSEAS BANKERS TO THE OFFER

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

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		

For further queries you may contact:

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 Arif Habib Limited - Mr. Abdul Qadir; D: +92 (21) 3243 3542; E: abdul.qadir@arifhabilttd.com