

NOTICE OF 30th ANNUAL GENERAL MEETING

Notice is hereby given that 30th Annual General Meeting of the members of Redco Textiles Limited will be held at its Registered Office at Redco Arcade, 78-E, Blue Area, Islamabad on **Thursday 28th October 2021 at 09:00 AM** to transact the following business:

Ordinary Business:

- 1) To confirm the minutes of 29th Annual General Meeting held on October 28, 2020.
- 2) To receive, consider and adopt the annual audited financial statements for the year ended 30th June 2021 along with Directors and Auditors reports thereon.
- 3) To appoint Auditors of the Company for the financial year ending 30th June 2022 and to fix their remuneration. The present Auditors, M/s Mushtaq & Co, Chartered Accountants, being eligible offer themselves for reappointment.

Special Business:

To consider and if deemed appropriate, to pass with or without modification, alteration or any amendment the following resolutions as Special Resolutions:

“RESOLVED THAT:

- (i) the authorized share capital of the Company be increased from Rs.500,000,000 (Rupees five hundred million) divided into 50,000,000 (fifty million) ordinary shares of Rs.10/- (Rupees ten) each to Rs.800,000,000 (Rupees eight hundred million) divided into 80,000,000 (eighty million) ordinary shares of Rs.10/- (Rupees ten) each.
- (ii) the figures and words “Rs.500,000,000 (Rupees five hundred million) divided into 50,000,000 (fifty million) ordinary shares of Rs.10/- each” appearing in Memorandum and Articles of Association of the Company be substituted by the figures and words “Rs. 800,000,000 (Rupees eight hundred million) divided into 80,000,000 (eighty million) ordinary shares of Rs.10/- each.”;

FURTHER RESOLVED THAT subject to (i) amendments to the Sponsor Support Agreement between the Company and Sponsor (**the “Existing Sponsor Support Agreement”**); (ii) increase in authorized share capital of the Company; (iii) approval of the Securities and Exchange Commission of Pakistan under Section 83(1)(b) of the Companies Act, 2017 (**“the Act”**) and compliance with all applicable legal requirements; and (iv) the Sponsor exercising his right to convert his loan to the Company into equity, the allotment and issuance of 30,000,000 ordinary shares of the Company, at the rate of PKR 10/- per share, i.e., at par value, to the Sponsor, without a rights issue, which was granted by the Sponsor to the Company in the shape of Foreign Direct Investment (**“FDI”**), be and is hereby approved (**the “Debt to Equity Conversion”**). This FDI was availed by the Company for its cash flow requirement in order to purchase of new looms for enhancing its production capacity which is part of Company’s BMR plan. The Debt to Equity

Conversion will ensure that the Sponsor's investment remains in the Company which will help improve the financial position of the Company.

FURTHER RESOLVED THAT the price per share (i.e., PKR 10/- per share) at which shares will be issued to the Sponsor, which is equal to the par value of the shares of the Company, is hereby approved and is justified on the basis that given the limited cash resources of the Company a decision has been taken by the Sponsor to retain his investment in the Company by converting his FDI of PKR 300,000,000 (Rupees three hundred million) as at June 30, 2021, into ordinary shares of the corresponding value of the Company, to be issued at par value, i.e., PKR 10/- per share. The shares will be issued without a rights issue under Section 83(1)(b) of the Companies Act, 2017 because the purpose of the issue is to convert the Sponsor's loan into equity and, therefore, these shares will not be offered to the other shareholders of the Company.

FURTHER RESOLVED THAT subject to (i) amendment to the existing Sponsor Support Agreement; (ii) increase in the authorized share capital of the Company; and (iii) the Sponsor exercising his right to convert his loan to the Company into equity, the Company is authorized to submit an application, under Section 83(1)(b) of the Act, to the Securities and Exchange Commission of Pakistan for the allotment of issuance of shares at par value to the Sponsor, without a rights issue, pursuant to the Debt to Equity Conversion.

FURTHER RESOLVED THAT approval be accorded to dispose off the old machinery and to utilize the sale process for procurement of new machinery as per BMR approved by Board.

FURTHER RESOLVED THAT the Board of Directors of the Company are authorized to approve the transactions conducted with the related parties as disclosed in the note 37 of the financial statements for the year ended 30 June 2021 be and are hereby ratified, approved and confirmed.

FURTHER RESOLVED THAT the Chief Executive / Director and the Company Secretary be and are hereby jointly and severally authorized to take any and all necessary steps and actions for implementing the above resolutions, including, without limitation, to seek any and all consents and approvals, to execute and (where required) file all necessary applications (including the application under Section 83(1)(b) of the Act), documents, statutory returns, declarations and undertakings and to appear and make representations before any regulatory or other authority, as may be necessary or conducive for and in connection with any of the foregoing matters and to sign, issue and dispatch all such documents and notices and do all such acts as may be necessary for carrying out the aforesaid purposes and giving full effect to the above resolutions.

FURTHER RESOLVED THAT these above transactions by the Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval.

Other Business:

- 4) To consider any other business with permission of the chair.

By order of the Board
(Muhammad Kashif)
Company Secretary

Islamabad
October 06, 2021

Notes:

- a) The Share Transfer Books of the Company will remain closed from 21st October to 28th October, 2021 (both days inclusive).
- b) A member entitles to attend and vote at the meeting may appoint any other member as his/ her proxy to attend and vote.
- c) The proxy to be valid must be in writing and received at the registered office of the company not later than 48 hours before the time of meeting and must be stamped, signed and witnessed.
- d) Members are requested to notify the Company regarding change in their addresses, if any.
- e) CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participants ID number, for identification purpose.
- f) In view of the instructions of the Government / SECP in light of escalating number of Corona virus Pandemic cases, the shareholders are requested to consolidate their attendance by proxies to avoid large gatherings. The shareholders can email the Company at email: sales@redcogroup.com or WhatsApp at 0334-3105944 their comments / suggestions, if any. The Company shall ensure that comments/suggestions of the shareholders will be read out at the meeting and the responses will be made part of the minutes of the meeting.
- g) Members can also avail video conference facility, in this regard, please fill the following and submit to registered address of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"I/We, _____ of _____, being a member of Redco Textiles Limited, holder of _____ ordinary share(s) as per Registered Folio No. _____ hereby opt for video conference facility at _____."

Signature of member

Statement Pursuant to Section 134 (3) of the Companies Act, 2017

Pursuant to Section 134 (3) of the Companies Act, 2017, this statement sets forth the material facts concerning the special business listed hereinabove, to be transacted at the Annual General Meeting of Redco Textiles Limited to be held on October 28, 2021.

Increase in Authorised Share Capital

- i) The authorized share capital of the Company is being increased so that the Company can issue shares to its Sponsor if the Sponsor exercises his right to convert his debt of PKR 300,000,000 (Rupees three hundred million) as at June 30, 2021 into shares of the corresponding value.
- ii) Authorised Share Capital of the Company is PKR 500,000,000 (Rupees five hundred million) divided into 50,000,000 (fifty million) ordinary shares having face value of Rs.10/- per share; and
- iii) Authorised Share Capital of the Company is proposed to be increased to the extent of PKR 800,000,000 (Rupees eight hundred million) divided into 80,000,000 (eighty million) ordinary shares of Rs.10/- per share each.

Amendment in Memorandum and Articles of Association of the Company

Memorandum and Articles of Association of the Company is being amended in light of the proposed increase in the authorized share capital of the Company. Accordingly, the following amendment is being proposed to the Memorandum and Articles of Association of the Company:

The figures and words "Rs. 500,000,000 (Rupees five hundred million) divided into 50,000,000 (fifty million) ordinary shares of Rs.10/- each" appearing in Memorandum and Articles of Association of the Company are to be substituted by the figures and words "Rs.800,000,000 (Rupees eight hundred million) divided into 80,000,000 (eighty million) ordinary shares of Rs.10/- each."

Conversion of Debt into Equity

- (i) The Board has proposed that upon the Sponsor exercising his right to convert his loan to the Company into equity, 30,000,000 ordinary shares shall be issued to the Sponsor, without a rights issue, as per the details provided in the notice of the general meeting.
- (ii) Under the Existing Sponsor Support Agreement between the Sponsor and the Company, the Sponsor agreed to provide sponsor support up to PKR 650,000,000 (six hundred and fifty million) to the Company through either, or a combination of a shareholder loan or FDI.

Subsequently, out of the total approved investment of PKR 650,000,000 (six hundred and fifty million), the Sponsor granted a loan in the shape of FDI of PKR 300,000,000 (three hundred million) to the Company. Keeping in view the limited financial resources of Company, the Sponsor has taken the decision to retain his investment in the Company by converting his loan of PKR 300,000,000 (Rupees three hundred million) as at June 30, 2021 into ordinary shares of the corresponding value of the Company (the "**Debt to Equity Conversion**"). The shares will, subject to the approval of the SECP, be issued without a rights issue under Section 83(1)(b) of the Companies Act, 2017 because the purpose of the issue is to convert the Sponsor's Subordinated Shareholder Loan into equity (so as to allow the Sponsor to retain his investment in the Company) and, therefore, these shares will not be offered to the other shareholders of the Company.

It is expected that the proposed conversion of debt of PKR 300,000,000 (Rupees three hundred million) will help to improve the financial condition of the Company.

- (iii) As stated in paragraph (ii) above, the shares are being issued without a rights issue because the Sponsor intends to convert his outstanding debt to equity and, therefore, the shares issued by the Company cannot be offered to the other shareholders.
- (iv) The shares will be issued to the Sponsor at par value of PKR 10/- per share. The justification for issuing shares at par value is that given the limited cash resources of the Company a decision has been taken by the Sponsor to retain his investment in the Company by converting his debt of PKR 300,000,000 (Rupees three hundred million) as at June 30, 2021, into ordinary shares of the corresponding value of the Company, to be issued at par value, i.e., PKR 10/- per share.
- (v) The Shareholder Loan in the shape of FDI was utilized by the Company to meet its cash flow requirements for machinery BMR purposes.
- (vi) Existing number of shares held by Sponsor in the Company and also his percentage of shareholding is as follows:

No. of shares held by the Sponsor	8,223,300
Percentage of Sponsor's shareholding	16.68%

- (vii) Total number of shares and shareholding percentage of Sponsor after the Debt to Equity Conversion will be as follows:

No. of shares held by the Sponsor	38,223,300
Percentage of Sponsor's shareholding	48.21%

- (viii) The Company confirms that shares issued to the Sponsor as a result of the Debt to Equity Conversion shall rank pari passu in all respects with the existing shares of the Company.
- (ix) The Debt to Equity Conversion is subject to approval of the SECP.

Sale of used and old Machinery

In continuation with comprehensive plan for balancing, modernization and replacement (BMR) the plan which was approved by Board amounting to Rs. 700 million in addition to sale of scrapped ring frame machines to consider and if thought fit seeking approval of members to dispose additional obsolete machinery. The machines to be sold will be replaced by new updated machines. The Company is in the view and is confident that it will be able to fetch suitable offer for disposal of it used machines to proceed with BMR. Couple of prospective buyers is keenly interested in purchase of Company's assets and management is hoping to get reasonable price. The disposed off machinery will not constitute sizeable part of the undertaking

Transactions with Related Parties

During the financial year 2020-21, the Company entered into various transactions with related parties of which the major transactions are with the Sponsor against the purchase of 40 new Toyota Air Jet looms amounting to Rs. 301,197,746. This will help to compete the market and increase the profitability of the Company for best interest of the shareholders.