

ISSUE/OFFER OF SHARES THROUGH BOOK BUILDING

1. Eligibility:

A public limited company or a body corporate which intends to issue shares to the general public under Section 57 of the Companies Ordinance, 1984 and makes an application to a stock exchange for listing of its shares or an Offeror who intends to offer shares under Section 62 of the Companies Ordinance, 1984 and makes an application to a stock exchange for listing of such shares, where applicable, and is in compliance with Listing Regulations of the stock exchange, is eligible to issue/offer its shares through Book Building mechanism.

2. Offer through Book Building:

A Company or a body corporate or an Offeror, which fulfills the eligibility criteria mentioned in clause 1 above, may subject to the requirements specified under this appendix of the Regulations, offer shares through Book Building process subject to the following conditions:

- (a) not more than 75% of the total offer shall be allocated for offer through book building process to institutional investors and HNWI; and
- (b) not less than 25% of the total offer shall be allocated for offer to the general public.

3. Procedure of Issue/Offer under Book Building Process:

3.1 The Issuer or Offeror, as the case may be, proposing to offer shares to the Institutional Investors and HNWI through the book building process shall appoint a Lead Manager (LM) and a Book Runner (BR). An Issuer / Offeror need not to appoint a LM, if so desired by it, provided such Issuer / Offeror is eligible to act as LM under this appendix of the Regulations. Nothing in this appendix of the Regulations shall restrict an Issuer / Offeror to appoint a single person as Book Runner and Lead Manager or to appoint more than one Book Runner or Lead Manager.

Provided that BR shall not be an associated company or an associated undertaking of the Issuer/ Offeror.

3.2 The Issuer/Offeror in consultation with LM and BR shall issue a preliminary prospectus to selected Institutional Investors and HNWIs.

Apart from meeting the disclosure requirements as specified under various clauses of this appendix of the Regulations and under various provisions of the Companies Ordinance, 1984, the following disclosures shall be suitably made in the preliminary prospectus:

- (i) The particulars of LM, BR, the share registrars and the bankers to the issue/offer etc.;
- (ii) Role and functions of LM and BR;

(iii) The following accounting ratios, shall be given in a separate para under the heading "Financial Ratios" for each of the accounting periods for which the financial information is given:

- a. EPS, where applicable, as adjusted for changes in capital;
- b. P/E ratio, where applicable;
- c. Break-up value per share / Net-Asset value per share;
- d. Return on Assets and Average return on net-worth in the last five years (where applicable);

Note: The accounting ratios disclosed in the prospectus should be calculated after giving effect to the consequent increase of capital on account of compulsory conversions outstanding, as well as on the assumption that the options outstanding, if any, to subscribe for additional capital shall be exercised.

- (iv) The dates and time of opening and closing of the bidding period;
- (v) The method and process of bidding;
- (vi) Mechanism for determination of the strike price containing illustration, for easy understanding, based on hypothetical data;
- (vii) Basis of allotment of shares out of Book Building offer;
- (viii) The addresses of the bid collection centers;
- (ix) Separate statements by both the Issuer/Offeror and LM confirming that all the material information as required under the Companies Ordinance, 1984 and this appendix of the Regulations have been disclosed in the prospectus and that whatever stated in the prospectus and the supporting documents is true and correct to the best of their knowledge and belief and that nothing has been concealed;
- (x) The floor price and justification for the same in case it is higher than the face value of the share.

3.3 The preliminary prospectus/offer for sale document shall, after clearance by the stock exchange(s), be submitted to the Commission for approval under Section 57 or Section 62 of the Companies Ordinance, 1984 as the case may be;

3.4 After approval of the preliminary prospectus/offer for sale document by the Commission, the issuer/Offeror shall seek approval of the Exchange for allocation of dates for the Bidding Period;

3.5 Copy of the preliminary prospectus approved by the Commission shall be circulated by the Issuer/Offeror through LM and BR to the prospective institutional investors and HNWI and shall also be placed on the websites of the Issuer/Offeror, LM and BR;

3.6 In addition to circulation of the preliminary prospectus in the manner as mentioned in para 3.45above, an advertisement, approved by the Commission, shall be published at least in one Urdu and one English daily Newspaper having wide circulation in the federal and all the provincial capitals, inviting the institutional investors and HNWI to participate in the bidding;

- 3.7 After approval of the preliminary prospectus by the Commission, LM and BR may jointly conduct awareness campaigns like advertisement, road shows, presentations, meetings etc.;
- Note: The Issuer/Offeror shall obtain prior approval of the Commission for issue, circulation and publication of advertisement, if any, regarding the issue/offer of shares.
- 3.8 The electronic system/software used by BR in the book building process may be subject to audit/examination by the Commission directly, through other persons appointed by the Commission for this purpose or through an external auditor appointed by the stock exchange on the directions of the Commission;
- 3.9 LM and BR shall be entitled to remuneration for arranging and conducting the Book Building process and all the expenses including remuneration of LM and BR shall be disclosed in the preliminary prospectus; and
- 3.10 In case the Issuer/Offeror does not receive bids for the minimum number of shares offered at floor price or in the absence of the floor price, at any other price acceptable to the Issuer/Offeror, it may withdraw the offer. The decision of withdrawal shall be taken within a period not more than three working days of the closing of the bidding period. The withdrawal shall be immediately intimated to the Commission and the Exchange;
- In such a case the Issuer/Offeror shall refund the margin money to the bidders within three working days of the decision of withdrawal.
- 3.11 An associated person or any other related person or party of the Issuer / Offeror, as the case may be, shall not make bid(s) for shares in excess of 5% of the book building portion of the issue/offer.

4. Main Parties to the Issue/Offer and their role & responsibilities:

4.1 The Issuer/Offeror:

The Issuer/Offeror shall be responsible to;

- (i) appoint LM, save as provided in para 3.1, and BR;
- (ii) ensure that BR has adequate infrastructure to properly undertake and perform book building process on its behalf;
- (iii) obtain all approvals/consents/NOCs/clearance relating to the issue/offer;
- (iv) ensure that all disclosures as required under the Companies Ordinance, 1984 and this appendix of the Regulations have been made in the prospectus;
- (v) ensure that all the documents required by the Commission to be submitted along with the application under Section 57 or 62, as the case may be, have been provided. In case certain documents are to be provided later on, list of all such documents and reason for its late submission should be provided in the application under Section 57 or 62 as the case may be;
- (vi) ensure that whatever stated in the prospectus and the supporting documents is true and correct to the best of their knowledge and belief and that nothing has been concealed;

- (vii) submit final report about issue/circulation/publication of the prospectus, subscription received, strike price discovered, basis of allotment, refund made and related matters within 30 days of the last date for public subscription to the Commission; and
- (viii) maintain record of the issue/offer, based on book building process, for a period of at least three years from the date of closing of book building process.

4.2 The Lead Manager:

The Lead Manager to the issue/offer shall be responsible to:

- (i) conduct awareness campaigns like presentations, meetings, road shows etc. jointly with BR;
- (ii) ensure that all disclosures as required under the Companies Ordinance, 1984 and this appendix of the Regulations have been made in the prospectus;
- (iii) ensure that necessary infrastructure and electronic system/software is available to collect bids and to carry out book building process in a fair, efficient and transparent manner;
- (iv) obtain, on behalf of the Issuer/Offeror, all approvals/consents/NOCs relating to the issue/offer.

4.3 The Book Runner:

The Book Runner to the issue/offer shall be responsible to:

- (i) conduct awareness campaigns like presentations, meetings, road shows etc. jointly with LM;
- (ii) arrange and ensure that necessary infrastructure and electronic system/software is available to collect bids and to carry out book building process in a fair, efficient and transparent manner;
- (iii) collect bid applications and applications' money, security, margin as the case may be from the Institutional Investors and HNWI in the manner as mentioned in this appendix of the Regulations;
- (iv) put serial number, date and time on each bidding form at the time of collection of the same from the bidders;
- (v) vet the bidding applications;
- (vi) build an order book showing demand for the shares at various prices;
- (vii) discover the strike price at the close of the bidding period;
- (viii) enter into underwriting agreement with the Issuer/Offeror; and
- (ix) maintain record of the bids received for subscription of the shares;
- (x) The Book Runner to the issue / offer shall be required to use the software for Book Building Process provided by the Exchange, which is based on Dutch Auction Methodology for display of the order book and determination of the strike price, on the

terms and conditions as may be agreed in writing between the Exchange and the Book Runner;

- (xi) The Book Runner to an issue / offer for information of the investors shall, in addition to live display of the order book on the website of the Exchange, also live display the same order book simultaneously on its own website till closing of the bidding period.”

5. Underwriting:

The offering of shares through book building should be compulsorily underwritten in the following manner:

- (a) BR shall enter into an underwriting agreement with the Issuer/Offeror stating that BR has underwritten the entire Book Building portion at the Strike price. The Underwriting Agreement should also disclose the number of shares underwritten, the rate and amount of the underwriting Commission/Fee to be paid to BR;
- (b) the Book Building Offer shall be underwritten within 2 working days of the closing of bidding period; and
- (c) In the event, a bidder backs out of his commitment, BR shall, save as provided in para 3.10, be responsible for subscribing to the amount involved.

6. Publication of the Final Prospectus:

On finalization of the underwriting arrangement LM shall, within ten working days of the closing of bidding period, shall submit application to the Stock Exchange(s) concerned for allocation of dates for publication of the final prospectus and subscription of shares by the general public.

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

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

7. Bidding Form:

- 7.1 Standardized bidding forms shall be prescribed by the BR;
- 7.2 Bids shall be submitted through the Bid Collection Centers on the standard bidding form duly filled in and signed in duplicate;
- 7.3 The bidding form shall be serially numbered at the bid collection centers and date and time stamped, at the time of collection of the same from the bidders;
- 7.4 The serial number may be system generated or stamped with an automatic numbering machine;
- 7.5 The bidding form shall be issued in duplicate signed by the investor and countersigned by the BR, with first copy for BR, and the second copy for the investor;
- 7.6 The identities of the investors participating in the bidding process shall not be made public.

8. Procedure for bidding:

- 8.1 The method and process of bidding shall be subject to the following:
 - 8.1.1 Bids can be at a 'limit price' or at 'strike order' or can be a 'step bid'.

Provided that the minimum size of a limit bid shall be Rs.1,000,000 and in case of a step bid, the amount of any step shall not be less than Rs.250,000/-;
 - 8.1.2 The institutional investors and HNWI shall place their bids through BR who shall vet the bid forms;
 - 8.1.3 The institutional investors and HNWI shall have the right to revise or withdraw their bids during the bidding period;
 - 8.1.4 The institutional investors and HNWI shall not make more than one bids.
- 8.2 The BR shall collect an amount to the extent of 100% of the application money as margin money in respect of bids placed by HNWI;
- 8.3 The BR shall collect an amount of not less than 25% of the application money as margin money in respect of bids placed by institutional investors;
- 8.4 BR may reject a bid placed by an institutional investors and/or HNWI for reasons to be recorded in writing and the reasons should be disclosed to such bidder forthwith. Decision of BR shall not be challengeable by the bidder or its associates;
- 8.5 BR shall maintain record of the bids received for bidding of the shares;
- 8.6 BR shall ensure that all the bids received by the bid collection centers are entered into the system developed by the Exchange for the purpose of book building. BR shall not accept any bid after 5:00 p.m. during the days of the bidding period, except the last day when no fresh bid(s) shall be collected after 5:00 p.m. and the bid(s) collected thus far, shall be required to be entered into the System by 7:00 p.m. on the same day and thereafter no bid shall be entered into the system or be revised in any way and for any reason even if the bid application has been received from the investors. Online revision of the bids shall be allowed to the bidders through system software. This will however be subject to the condition that the bidder shall comply with the requirements of bidding as disclosed under Clause 8 of this Appendix and / or any other condition / procedure disclosed in the offering document. The Exchange shall display live an order book showing the demand for shares at various prices and the accumulated number of shares bid for along-with percentage of the total shares offered. The order book should also show the revised bids and the bids withdrawn;
- 8.7 No extension shall be allowed in book building period, except under the extra ordinary circumstances like law and order situation resulting closure of banks etc. Such extension shall be allowed by the Exchange with the prior written approval of the Commission;
- 8.8 BR shall approach and circulate the preliminary prospectus to a maximum number of the institutional investors and HNWI, but not less than ten in each category, inviting them for participation in the bidding process;

- 8.9 At the close of the bidding period, the Issuer/Offeror, in consultation with LM, if any, and BR shall determine the strike price on the basis of “Dutch Auction Method”. Under this Methodology, the strike price is determined by lowering the price to the extent that the total number of shares that the Issuer/Offeror intends to issue or to divest through the Book Building process is subscribed. While determining the strike price, the bids placed through strike order(s) shall not be taken into consideration.

The order book shall display the bid prices in a descending order along with the quantity for each price level as well as the cumulative quantity at each price level. The strike orders shall be displayed in the order book in the following manner:

- (a) after the lowest limit bid, in case the limit bids placed are not sufficient for full allotment of the shares offered; or
- (b) after the limit bid at which all the shares offered can be allotted, in case the limit bids placed are sufficient for full allotment of the shares offered.

For the purpose of allotment of shares, the limit bid(s) entered at the price determined/discovered as Strike Price through book building process, and the bids placed as strike order shall be ranked equally and preference will be given to the bidder who has made the bid earlier.

Once the strike price is determined all those bidders whose bids have been found successful shall become entitled for allotment of shares. The bidders, who have made bids at prices above the strike price, will be issued shares at the strike price and the differential will be refunded. The bidders, who have made bids below the strike price, shall not qualify for allotment of shares and their margin money will be refunded;

- 8.10 The offer price to general public shall be equal to or at a discount to the strike price;
- 8.11 Successful bidders shall be intimated, within two working days of the closing of the bidding period, the strike price and the number of shares provisionally allotted to each of them. The successful institutional bidders shall, within seven working days of the closing of the bidding period, deposit the balance amount as consideration against allotment of shares. Where a successful bidder defaults in payment of shares allotted to him, the margin money deposited by such bidder shall be forfeited to the BR;
- 8.12 Margin money of the unsuccessful bidders shall be refunded within three working days of the close of the bidding period;
- 8.13 The Issuer/Offeror shall open two separate bank accounts for collection of applications’ money, one each for the Book Building offer and the Public Issue/ offer;
- 8.14 Final allotment of shares out of the Book Building Offer shall be made after receipt of full subscription money from the successful bidders; however, shares to such bidders shall be issued/ transferred at the time of issuance/transfer of shares out of the Public Issue/ Offer to the successful applicants;
- 8.15 The Book Building process will be considered as withdrawn if the total number of bids received is less than 15;

- 8.16 The successful bidders shall be issued shares, which are allocated to them as a result of book-building process, in the form of book-entry securities to be credited in their CDS accounts. All the institutional investors and HNWI shall, therefore, provide their CDC account numbers in the bid application.

9. Restriction on provisional listing

The company whose shares are issued / offered through Book Building shall not be provisionally listed.

10. Maintenance of Books and Record:

- 10.1 The Issuer/Offeror, LM, BR and other intermediaries associated with the issue/offer of shares shall maintain record of the issue/offer for a period of at least three years from the closing of the public subscription list; and
- 10.2 The Commission shall have the right to call such information/documents as it deems fit from the Issuer/Offeror, LM, BR and other intermediaries associated with the issue/offer. The Commission may also inspect such records and books which are maintained by the Issuer/Offeror, LM, BR and other intermediaries involved in the issue/offer.

11. Relaxation:

Where the Exchange is satisfied that it is not practicable to comply with any of the requirement(s) specified in this appendix of the Regulations, in a particular case or class of cases, the Exchange may, for reason(s) to be recorded, relax such requirement(s) subject to such conditions as it may deem fit, with the approval of the Commission.