

Modaraba
Al-Mali
An Islamic Financial Institution

مُضْتَابِر
الْمَالِ
اسلامى مالياتى اداره

ABOUT ASSETPLEX

AssetPlex Modaraba Management Limited (AMML or AssetPlex), is the Modaraba Management Company (MMC) of Modaraba Al-Mali, a PSX listed 'Islamic Financial Institution' focusing on Islamic Venture Capital/Private Equity and Corporate Restructuring/Rehabilitation through financial resource mobilization and entrepreneurial leadership.

AssetPlex was originally incorporated as JS Finance Limited during Jan, 1986, with the sponsorship of DCD Investments, UK and Jahangir Siddiqui & Co (JS&Co). In Jul 2007, 100% shareholding of JS Finance was acquired by BankIslami Pakistan Limited (BPL), a joint venture between Dubai Bank, DCD Group of UK and JS&Co of Pakistan. After this, the company was renamed as BankIslami Modaraba Investments Limited (BIMIL). In May 2021, BIMIL was acquired by two new prominent sponsors; **Mr. Atique Ahmad Khan** (representing Pakistan's largest producers of Medical & Industrial Gases and Glass Tubes & Ampoules) and **Mr. Aftab Ahmad Chaudhry** (having a diverse history of equity capital mobilization, corporate turnarounds, financial restructuring and deal-actualizations).

With a deep faith in the equitable nature of Islamic finance, the new sponsors aim to create long-term value for their Modaraba investors by exploiting innovative investment and corporate turn-around opportunities.

MODARABA SERIES

MANAGED BY ASSETPLEX MODARABA MANAGEMENT LIMITED



Investments

Islamic venture capital,
 private equity, corporate
 restructuring transactions &
 manufacturing



PSX Ticker: MODAM



Technology

Technology-driven business
 platforms/services and
 online market-places

Upcoming....



Construction

Construction of compact-
 sized commercial and
 affordable/low-cost housing
 units

Upcoming....



Property Management

Building and renting of
 properties for schools,
 campuses and student
 housing

Upcoming....

BUSINESS PLANS & FUTURE OUTLOOK

MODAM - MULTIPURPOSE MODARABA FOR INDEFINITE PERIOD

MANAGEMENT OF MODAM HAS DECIDED TO CHANGE THE BUSINESS OF THE MODARABA AS FOLLOWS:

Discontinued Business	New Business/Ventures
<ol style="list-style-type: none"> Discontinuance of lending business (in Ijarah, Murabaha, Musharaka and any other mode of Financing). Efforts will be made for the recovery of the outstanding balances. Disposal of property/business of Gas Station. Disposal of leasehold offices/premises in Karachi. 	<ol style="list-style-type: none"> Investment in Sulfate of Potash (SOP) project. Islamic Venture Capital/Private Equity. Underwriting & IPO Support Fund. Strategic Equity Investments in Financial Services & Fintech entities.

Available Funds		Utilization of Funds	
	Rs.		Rs.
Right Issue	610,000,000	Potassium Sulfate	500,000,000
Internal Generation	340,000,000	IPO Support Fund	100,000,000
		Underwriting and Business Revival Activities	100,000,000
		Strategic Investments	250,000,000
	<u>950,000,000</u>		<u>950,000,000</u>

FERTILIZER MARKET IN PAKISTAN

Three Main Types of Fertilizers

Nitrogenous Fertilizers

- Urea
- Calcium Ammonium Nitrate (CAN)

Phosphorous Fertilizers

- Di-Ammonium Phosphate or DAP
- Single Superphosphate (SSP)

Potassium Fertilizers

- Nitrogen, Phosphorous & Potassium (NPK)
- Nitro Phosphate (NP)
- Sulphate of Potash (SOP)
- Muriate of Potash (MOP)

Fertilizer Industry Overview

- Industry Players: 6
- Contribution to LSM: 4.4%
- Revenue (FY20): 381Bn
- Annual Offtake: 9.7Mn Tons
- Urea: 6Mn tons
- DAP: <1Mn tons
- NPK: 78k
- SOP: 8.2k

Fertilizer Facts

- Urea is the most widely used fertilizer as it is less price sensitive
- Production is almost at 100% capacity
- In Pakistan, SOP is the only potassium fertilizer which is recommended for all crops, but on a world scale its use is limited to certain crops which are sensitive to chloride.

Market Share

Urea

- Fauji Group: 48%
- Engro: 34%
- Fatima: 13%

DAP

- FFBL: 38%
- Imports: 62%

MODAM - MULTIPURPOSE MODARABA FOR INDEFINITE PERIOD

POTASSIUM SULFATE (SOP) & HYDROCHLORIC ACID (HCL)

Amount allocated – Rs. 1,250.00 million

Modaraba shall set-up a Chemical Business for the manufacturing, sales & marketing of Potassium Sulfate (K^2SO^4), besides marketing/exporting by-products like Hydrochloric Acid (HCL) & Calcium Chloride

PRODUCTS

1. Potassium Sulfate - K^2SO^4 (SOP)
2. Hydrochloric Acid – HCL

K^2SO^4 /ton	HCL/ton
40,000	50,000

RAW MATERIAL REQUIRED

1. Sulfuric Acid (H^2SO^4)
2. MOP (KCL)
3. Calcium Carbonate
4. Fuel Oil
5. Natural Gas &
6. Water

APPLICATIONS

- SOP is one of the most balanced fertilizer in the family of NPK compound fertilizers.
- SOP increases root elongation & regeneration.
- SOP provides concentrated nutrition for plant uptake and enhances plant's resistance to drought, frost, insects and diseases, thus improving yield and quality.

	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25	30-Jun-26
Financial Impact	-	-	306,105,000	435,294,250	620,242,143

POTASSIUM SULPHATE IDENTIFIED USAGE

Fertilizers



- Potassium and Sulphur are essential nutrients
- Improves yield, quantity, taste and enhances shelf life
- SOP doesn't contain chloride and therefore can be put on all crops and plants.
- SOP has a nil salinity index which means even though it's a salt, it doesn't build up the soil's salinity.
- Where soils are saline or sodic and where irrigation water may have high chloride levels SOP is the preferred form of potassium to use.



Glass Manufacturing

- Occasionally used in manufacturing of glass

Sulphate of Potash (SOP) is recommended for chloride non tolerant crops.

- | | | |
|--|---|---|
| <ul style="list-style-type: none"> ☘ Sunflowers ☘ Grape Vines ☘ Stone Fruits ☘ Blackcurrants ☘ Seed Potatoes ☘ Potatoes For Human Consumption ☘ Tomatoes ☘ Radish ☘ Kohirabi ☘ Peas ☘ Spinach ☘ Carrots ☘ Leek ☘ Horse-radish ☘ Chicory | <ul style="list-style-type: none"> ☘ Pineapple ☘ Cucumber ☘ Kiwifruit ☘ Coffee ☘ Tea ☘ Starch Potatoes For Processing ☘ Tobacco ☘ Redcurrants ☘ Gooseberry ☘ Raspberry ☘ Strawberry ☘ Blackberry ☘ Blueberry ☘ Mango ☘ Citrus ☘ Pepper ☘ Chilli ☘ Avocado ☘ Cashew | <ul style="list-style-type: none"> ☘ Almond ☘ Peach ☘ Cocoa ☘ Hops ☘ Pomes And Stone Fruits (Especially Cherries) ☘ Bush Beans ☘ Broad Beans ☘ Melon ☘ Onion ☘ Letucce ☘ Early Vegetables ☘ All Crops Under Glass ☘ Conifers ☘ Flowers And Ornaments As Well As Seedings And Transplants Of Most Plants |
|--|---|---|



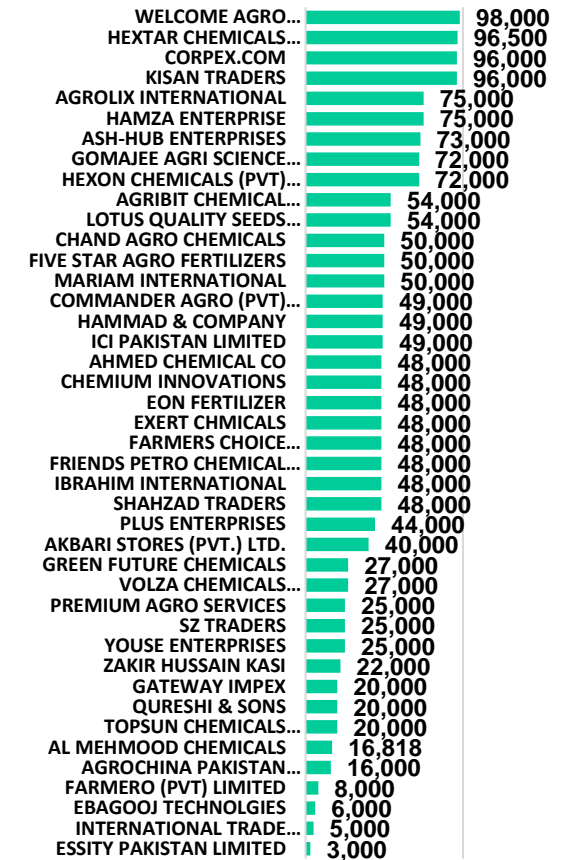
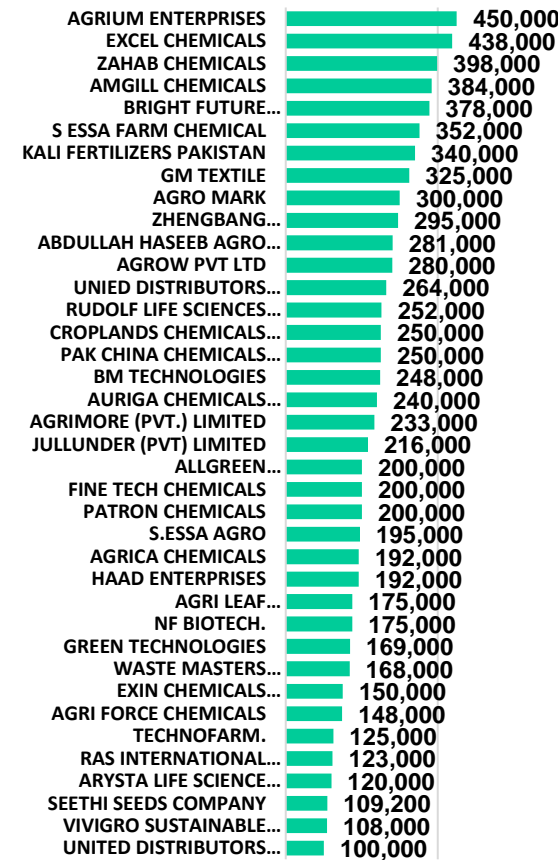
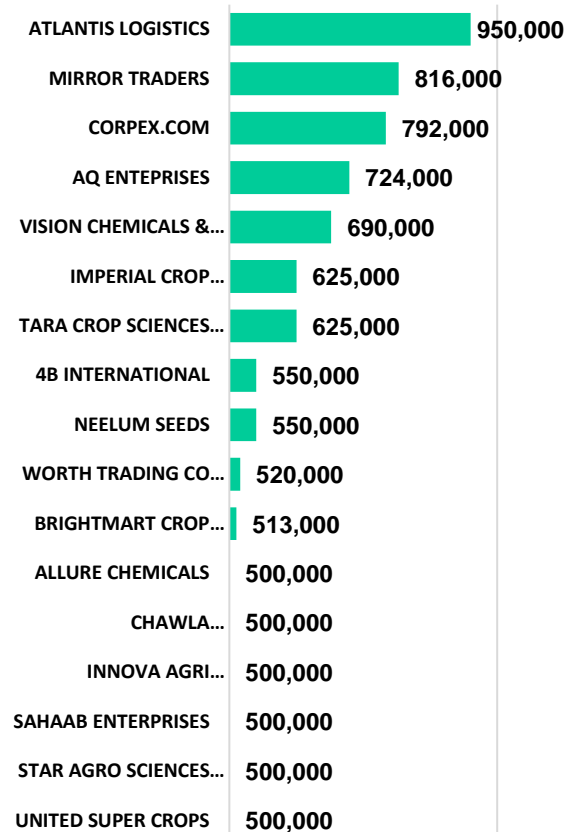
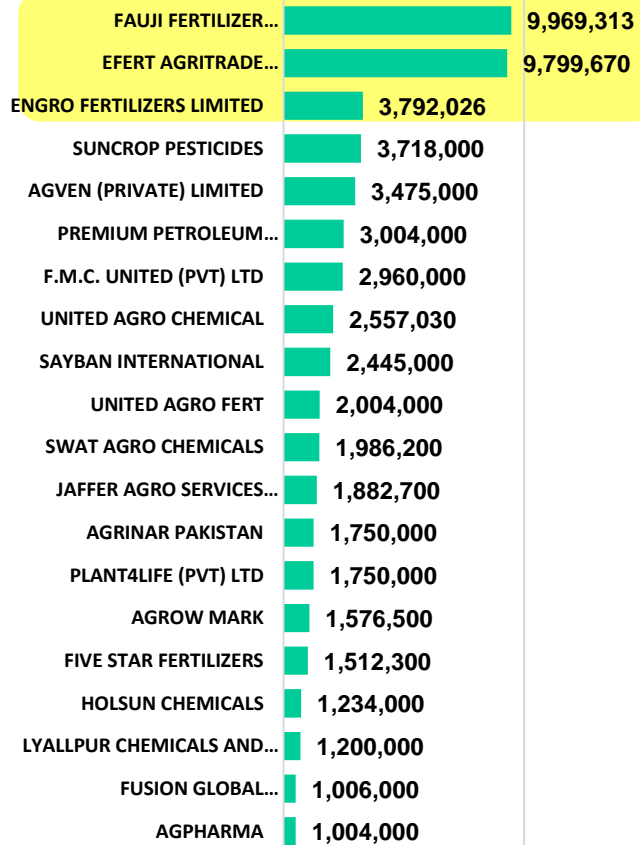
POTASSIUM SULFATE IMPORTER'S IN 2021 BY VOLUME

1,000,001 – 10,000,000 Kgs

500,001 – 1,000,001 Kgs

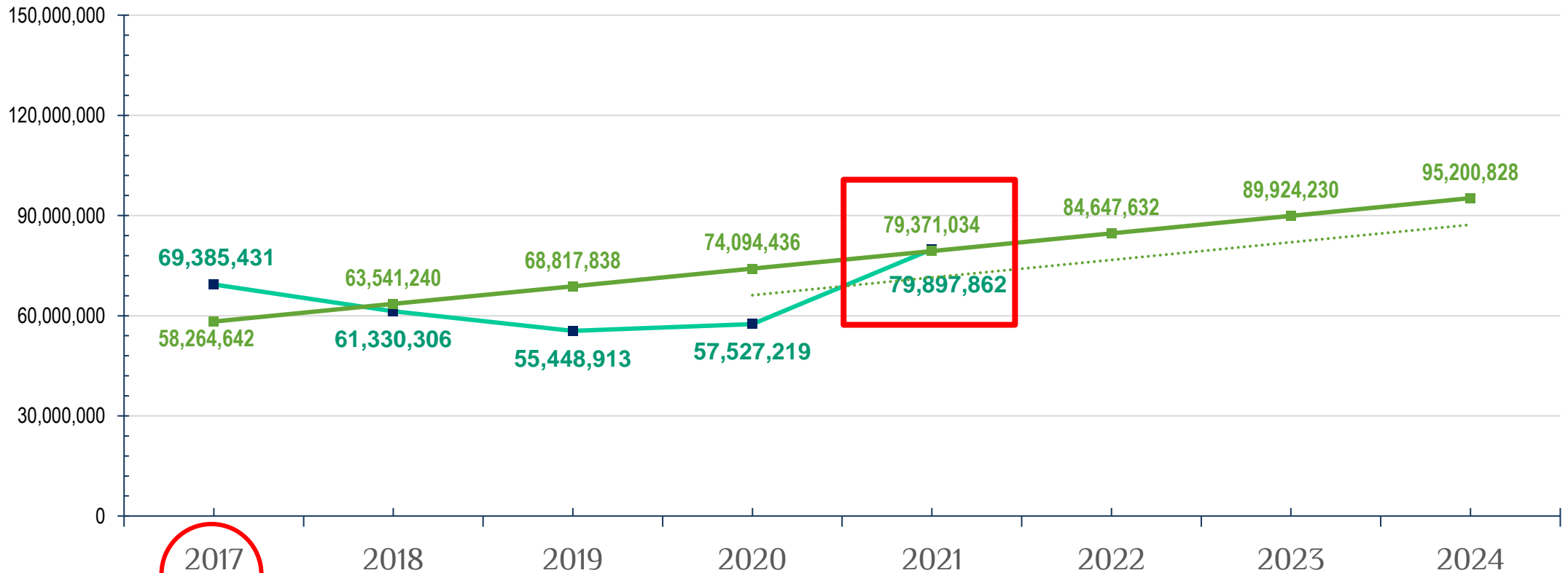
100,001 – 500,000 Kgs

100,000 & Below Kgs



Fauji Fert & Efert Agri Trade are the market leader in importing Potassium Sulphate with a combined volume of 19,768,983 Kgs in 2021.

POTASSIUM SULFATE DEMAND GROWTH & NEED ASSESSMENT FOR YEAR 2024 (VOLUMES - KGS)



The real growth is projected to remain upward in 2022 and onwards . Developments since early 2021, the trend is not tilting to the downside Thus indicating that Volumetric Off-takes to remain upwards. It appears that this growth trend will continue till MY 2024.

For MY 17-24 volumetric CAGR is projected at a steady rate of 3.94%.

For 2024 the demand is projected between, **80,000,000 Kgs ~ 100,000,000 Kgs**

KEY DRIVER: Rising Middle Class Population resulting to increased food demand and consumption.

PORTER 5-FORCES ANALYSIS

Supplier Power

HIGH POWER

- The international market is fairly concentrated.
- Quite a few players are occupying the market share.

Buyer Power

HIGH POWER

- Rise in demand from end user industries.
- FFC, ENGRO, EFERT are the main buyers.
- Possibility of expansion & foothold in neighboring & premium markets.

Threat of Substitutes

MEDIUM THREAT OF SUBSTITUTES

- MOP (Potassium Chloride) could be another substitute. Most common potassium source used in agriculture, accounting for more than 90% of all potash fertilizers used worldwide.
- SOP is a high value alternate to MOP. It contains 50% K2O in addition to 18% sulfur, which is an important nutrient especially for oil seed crops because of its role in increasing the oil contents.

Threat of New Entrants

LOW TO MEDIUM THREAT TO ENTRY

- Pakistan an Agriculture and livestock based economy, so the demand is rising.
- Due to overall small market size, there isn't any substantial threat of competition.

Degree of Rivalry

MEDIUM THREAT

- Barket Fertilizers is Pakistan's first SOP producer located at Port Qasim Industrial Area Karachi, Pakistan.



- A couple of other Chemical Manufacturers like Ittehad Chemicals are intending to start the production facility.

MODAM - MULTIPURPOSE MODARABA FOR INDEFINITE PERIOD

CHEMICAL BUSINESS - HCL

Continued-----

- **HYDROCHLORIC ACID** is a strong inorganic acid that is used in many industrial processes such as refining metal including pickling of steel, dissolving many metals. Other uses include pH control and neutralization, Regeneration of ion exchangers, laboratory uses etc.
- **HCL** can be sold in the market as such @ 5-6k/ton, but it can be used to produce **Calcium chloride** (a value added product having great export potential) through reaction of limestone ($\text{CaCO}_3 + 2 \text{HCl} \rightarrow \text{CaCl}_2 + \text{CO}_2 + \text{H}_2\text{O}$)
- **CALCIUM CHLORIDE** is mainly used as sodium chloride for **de-icing of roads** in the winter & as brine in refrigeration plants, as a chemical in **swimming pools and water treatment plants**. It is also used as a food additive & food preservative, besides having usage in metallurgy, oil-well drilling, and rubber, paper, dye and paint industries.

Calcium Chloride requires further CAPEX in plant and Machinery (Rs. 500~Rs. 600million). MODAM is planning to add this plant in 02~03 years time. CaCl_2 has great export potential and multiple applications.

MODAM - MULTIPURPOSE MODARABA FOR INDEFINITE PERIOD

VENTURE CAPITAL & BUSINESS REVIVAL ACTIVITIES

Amount allocated – Rs. 100.00 million

- Revival of shell Listed companies is a specialized avenue that will give **MODAM** an edge over other Modarabas and Investment Banks, thereby providing healthy stream of Income.
- Modaraba shall also undertake reverse mergers, financial restructuring etc.
- MODAM** is at an advanced stage for the revival of **Drekkar Kingsway Limited (DKL)**, a listed shell Company.
- MODAM** shall lead the market resource mobilization for **DKL**, in the subsidiary status of MODAM, whereby MODAM shall take-up 10% equity in DKL with four (4) directors on the Board of DKL.
- Under **DKL's** Revival/Rehabilitation Plan, an agreement has been signed with the Oilboy (Private) Limited for the transfer of Oilboy's business to the **DKL** for the fuel & energy supplies ("Energy Products") trading business in Pakistan.
- Please note that these stream of income is not included in the Financial Projections disseminated along with RoL.

	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25	30-Jun-26
Financial Impact	100,000,000	120,000,000	144,000,000	172,800,000	207,360,000

STRATEGIC INVESTMENTS IN FINANCIAL SERVICES & FINTECH

Amount allocated – Rs. 250.00 million

- Modaraba intends to invest in ~10% equity of **LSE Financial Services Limited (LSEFSL)**, an Investment Finance Services under NBFC Regulations, and transform into a Corporate Restructuring Company.
- LSEFSL** is very healthy investment bank with strong asset base (and negligible liabilities) with investments in PACRA (33%), NCCPL (~23%), CDC (10%) & PMEX (7.5%), besides owning a sizeable part of LSE plaza consisting of two towers at the prime location of Lahore.

LSE Financial Services Limited			
Analysis	June 30, 2021	June 30, 2020	
EPS	1.84	1.25	Rs./Share
Working Capital	4.22	3.73	Times
Debt Equity Ratio	0.09	0.09	Times
Book Value	24.33	23.23	Rs./Share
Dividend Declared	0.90	0.70	Rs./Share

Proposed Strategy

1. Acquisition of Control
2. Repositioning of LSEFSL
3. Listing on PSX
4. Expansion and Diversification

	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25	30-Jun-26
Financial Impact	27,000,000	29,400,000	32,280,000	35,736,000	39,883,200

UNDERWRITING & IPO SUPPORT FUND

Amount allocated – Rs. 100.00 million

- Modaraba also aims to provide Underwriting & IPO Support Funding to boost the fund-raising & IPO activities in the country.
- Most of the companies having good balance sheet are reluctant to come to Stock Exchange because of the perceived burden of initial listing charges.
- Under an agreement with such companies, Modaraba will pay the conventional listing process charges to the consultants, financial, legal and corporate advisors (excluding statutory fees of SECP, PSX, CDC, stamp duties etc.) after a due diligence of these potential listing companies.
- Modaraba shall get reimbursement of its paid charges against a future-dated “Warrant” exercisable at some discounted equity value of the Company, covered in the agreement.

	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25	30-Jun-26
Financial Impact	44,000,000	76,800,000	110,160,000	159,192,000	231,530,400

“QUESTIONS AND ANSWERS”