

**Subscription
Opens:
28 January 2001**

PROSPECTUS

HAKKANI PULP & PAPER MILLS LIMITED

A Public Company Limited by Shares

**Subscription
Closes:
07 February 2001**

ISSUE OF 8,000,000 ORDINARY SHARES OF TK. 10 EACH (AT PAR) TOTALLING TK. 80,000,000.00 OF WHICH 3,000,000 ORDINARY SHARES OF TK. 10 (AT PAR) TOTALLING TK. 30,000,000.00 HAVE BEEN SUBSCRIBED BY LOCAL INVESTORS UNDER PRE-IPO PRIVATE ARRANGEMENT AND PUBLIC OFFERING OF 5,000,000 ORDINARY SHARES OF TK. 10.00 EACH (AT PAR) TOTALLING TK. 50,000,000.00.

AUTHORISED CAPITAL

Tk. 500,000,000 Divided into 50,000,000 ordinary shares of Tk. 10/- each

MANAGER TO THE ISSUE

AAA Consultants & Financial Advisers
Amin Court, 4th Floor, 62-63, Motijheel C/A,
Dhaka-1000.

UNDERWRITTEN BY:

Investment Corporation of Bangladesh
Bangladesh Shilpa Rin Sangstha
Peoples Insurance Company Limited
Raspi Securities and Management Limited

REGISTERED & HEAD OFFICE:

2/10, D.T. Road,
North Pahartali, Chittagong

If you have any queries about this document, you may consult your stock broker or dealer, bank manager, lawyer, professional accountant or other professional adviser.

PROSPECTUS

FOR

Issue of 8,000,000 ordinary shares of Tk. 10.00 each (at par) totalling Tk. 80,000,000.00 of which 3,000,000 ordinary shares of Tk. 10.00 (at par) totalling Tk. 30,000,000.00 have been subscribed by local investors under Pre-IPO private placement arrangement.

Public offering of 5,000,000 ordinary shares of Tk. 10.00 each (at par) totalling Tk. 50,000,000.00

Underwriting Commission @ 2.5% on Tk. 50,000,000.00 aggregating Tk. 1,250,000.00

OPENING DATE FOR SUBSCRIPTION: 28 January 2001
CLOSING DATE FOR SUBSCRIPTION: 07 February 2001

Underwriters

Name of Underwriters	Address
Investment Corporation of Bangladesh	8 DIT Avenue (12-15 th Floor), Dhaka. Phone: 9565818, 9565046, 9558397
Bangladesh Shilpa Rin Sangstha	BIWTA Bhaban, (5 th Floor), 141-143 Motijheel C.A., Dhaka. Phone: 9565818, 9565046, 9558397
Peoples Insurance Company Limited	Sena Kalyan Bhaban(Floor#3), Motijheel C/A, Dhaka. Phone: 9564166
Raspi Securities and Management Limited	House#55A (1 st Floor), Road#4A, Dhanmondi, Dhaka-1209. Phone#8619048

Manager to the Issue

AAA Consultants & Financial Advisers

Amin Court, 4th Floor, 62-63, Motijheel C/A, Dhaka-1000

Date of Publication of the Prospectus
31 December, 2000 in the Daily Star

CONSENT OF THE SECURITIES AND EXCHANGE COMMISSION HAS BEEN OBTAINED TO THE ISSUE OFFER OF THESE SECURITIES UNDER THE SECURITIES AND EXCHANGE ORDINANCE, 1969 AND PUBLIC ISSUE RULES, 1998. IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS CONSENT THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE COMPANY, ANY OF ITS PROJECTS OR THE ISSUE PRICE OF ITS SHARES OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINION EXPRESSED WITH REGARD TO THEM, RESPONSIBILITY FOR WHICH

CONDITION UNDER SECTION 2CC OF SECURITIES AND EXCHANGE ORDINANCE, 1969

- The Company shall not account for any upward revaluation of its fixed assets creating reserve without clearance from Securities and Exchange Commission.
- Directors from "sponsor group" shall be proportionate to their actual shareholding in the paid up capital of the company. Directors shall be elected from amongst the institutional investors proportionate to their holding of shares. If holding is more than 5% but less than 10%, it will have at least one director in the Board. Representative of the general investors who do not fall under above categories shall elect their director in the annual general meeting (AGM) proportionate to their share holdings.
- Joint share certificate of the sponsors/directors shall be in the custody of a schedule bank. No splitting of shares shall be made without prior intimation to the Commission.
- Private placement of shares shall be subject to a lock-in for one year (excepting mutual fund, portfolio manager and other financial institutions). Shares in private placement if falls under the category of sponsors shall be locked-in for three years.
- Allotment letters shall not be traded and endorsement/renunciation shall not be permissible.
- Share certificate shall be issued within 90 (ninety) days from the close of subscription.
- The account of the Company shall be audited within 120 (one hundred twenty) days of the close of the financial year of the Company. Annual general meeting (AGM) shall be held within 6 (six) months from close of the financial year.
- Dividend if declared shall be payable within 60 (sixty) days of its declaration, falling which interest shall be payable @18% from the date of declaration and penal provision will also attract under the Securities and Exchange Ordinance, 1969. If no dividend is proposed by the Company with profit, an agenda shall be placed in the Annual General Meeting requiring a special resolution.
- If the Company fails to make any profit for two consecutive years, Securities and Exchange Commission (SEC) may appoint auditor(s) for special audit investigation for the affairs of the company. The Company shall bear the cost of such audit.

GENERAL INFORMATION

- The Prospectus has been prepared by AAA Consultants & Financial Advisers from information supplied by Hakkani Pulp & Paper Mills Limited (the company) which is publicly available and also several discussions with Managing Director and related executives of the company. The Directors of Hakkani Pulp & Paper Mills Limited and Partners of AAA Consultants & Financial Advisers collectively and individually, having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein are true and correct in all material respects and that there are no other material facts the omission of which would make any statement herein misleading.
- No person is authorised to give any information or to make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by the company or AAA Consultants & Financial Advisers.
- This issue, as contemplated in this document, is made in Bangladesh and is subject to the exclusive jurisdiction of the courts of Bangladesh. Forwarding this Prospectus to any person resident outside Bangladesh in no way implies that the issue is made in accordance with the laws of that country or is subject to the jurisdiction of the laws of the country.
- A copy of this Prospectus can be obtained from the office of AAA Consultants & Financial Advisers, the underwriters that are named on the front page of this Prospectus and the stock exchange where the securities will be traded.

DECLARATION

DECLARATION ABOUT THE RESPONSIBILITY OF THE DIRECTORS AND OFFICERS OF THE COMPANY "HAKKANI PULP & PAPER MILLS LIMITED" IN RESPECT OF PROSPECTUS.

This prospectus has been prepared, seen and approved by us and we collectively and individually accept full responsibility for the authenticity and accuracy of the information given in the prospectus, documents, financial statements, annexures, papers submitted to the Commission in support thereof and, after making all reasonable inquiries, that all conditions and requirements regarding this public issue and prospectus have been met and that there are no other information or documents the omission of which would make any information or statement herein misleading, for which the Commission may take any civil, criminal or administrative action against us as it may deem fit.

We also confirm that full and fair disclosure has been made in this prospectus, to enable investors to make an informed decision for investment.

Sd/Chairman	Sd/Managing Director	Sd/Director	Sd/Director
M. A. Kabir	(Md. Golam Mostafa)	(Md. Abdullah)	(Hosna Ara Begum)
Md. Golam Hayer	(Md. Golam Kibria)	(Md. Golam Sarwar)	(Md. Golam Sarwar)

Sd/Managing Director (Md. Solaiman) (Rahman) Manager(Accounts) Company Secretary

DECLARATION ABOUT FILING OF PROSPECTUS WITH THE REGISTRAR OF JOINT STOCK COMPANIES

A dated and signed copy of this prospectus has been filed for registration with the Registrar of Joint Stock Companies and firms, Bangladesh, as required by Section 138(1) of the Companies Act 1994 vide RJSC's Receipt No. 0048319 dated 26 December 2000.

DECLARATION BY THE ISSUE MANAGER ABOUT THE APPROVAL FROM SEC FOR ANY MATERIAL CHANGES

In case of any material changes in any agreement, contract, instrument, facts and figures, operational circumstances and statement made in the Prospectus subsequent to the preparation of the prospectus and prior to its publication shall be incorporated in the prospectus and the said prospectus should be published with the approval of the Commission.

For Manager to the Issue

Sd/Managing Partner
AAA Consultants & Financial Advisers.

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For Issuer

Sd/Managing Director
Hakkani Pulp & Paper Mills Limited

DUE DILIGENCE CERTIFICATE OF THE ISSUE MANAGER

To Securities and Exchange Commission
Dhaka.

Dear Sir,

Sub: Public Offer of 5,000,000 Ordinary Shares of Taka 10.00 each at par by Hakkani Pulp & Paper Mills Limited.

We, the under-noted Issue Manager to the above mentioned forthcoming issue, state as follows:

- We, while finalizing the draft prospectus pertaining to the said issue, have examined various documents and other materials (as per list attached) as relevant for adequate disclosures to the investors.
- On the basis of such examination, and the discussion with the Company; its directors and other officers and other agencies; independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the Company.

WE CONFIRM that:

- the draft prospectus forwarded to the Commission is in conformity with the documents, materials and papers to the Issue;
- all the legal requirements connected with the said issue have been duly complied with;
- the disclosures made in the draft prospectus are true, fair and adequate, to enable the investors to make a well informed decision as to investment in the proposed issue.

For Manager to the Issue

Sd/Managing Partner
AAA Consultants & Financial Advisers

DUE DILIGENCE CERTIFICATE OF THE UNDERWRITERS

To Securities and Exchange Commission
Dhaka.

Dear Sir,

Sub: Public Offer of 5,000,000 Ordinary Shares of Taka 10.00 each at par by Hakkani Pulp & Paper Mills Limited.

We, the under-noted Underwriter(s) to the above mentioned forthcoming issue, state as follows:

- We, while underwriting the above mentioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant to our underwriting decision.
- On the basis of such examination, and the discussion with the Company; its directors and other officers, and other agencies; and the contents of the documents and other materials furnished by the Company; and our underwriting agreement(s) dated 29 May, 4 June, 23 July, 20 September, 2000.

WE CONFIRM that:

- all information as are relevant for our underwriting decision has been received by us and that the draft prospectus forwarded to the Commission has been approved by us;
- we shall take up on payment any under-subscribed securities against the above-mentioned public issue within 15(fifteen) days of calling up thereof by the issuer.
- this underwriting commitment is unequivocal and irrevocable.

For Underwriter(s)

Sd/Investment Corporation of Bangladesh
Bangladesh Shilpa Rin Sangstha
Peoples Insurance Company Limited
Raspi Securities and Management Limited.

AVAILABILITY OF PROSPECTUS

Prospectus of the Company will be available at the following address:

Name & Address	Contact Person	Tel. No.
Issuer:		
Hakkani Pulp & Paper Mills Limited 2/10, D.T. Road, North Pahartali, Chittagong.	Mr. Md. Golam Mostafa Managing Director	751463-5
Issue Manager:		
AAA Consultants & Financial Advisers Suite # 404, Amin Court, 62-63 Motijheel C.A., Dhaka.	Mr. Khwaja Arif Ahmed Managing Partner	9559802 9567726
Underwriters:		
Investment Corporation of Bangladesh		
8, DIT Avenue (12-15 th Floor), Dhaka.	Mrs. Zeenat Iftikhar Assistant Manager	9563455-7 9563457-7
Bangladesh Shilpa Rin Sangstha		
BIWTA Bhaban, 15 th floor, 141-143 Motijheel C.A., Dhaka.	Mr. Md. Moshirul Hossain Assistant Manager	9534555 9553546
Peoples Insurance Company Limited		
Sena Kalyan Bhaban(Floor#3), Motijheel C/A, Dhaka.	Mr. Iqbal Hussain Manager(R/I)	9564166
Raspi Securities and Management Limited		
House#55A (1 st Floor), Road#4A, Dhanmondi, Dhaka.	Mr. Md. Abdur Razzak Managing Director	8619048
Stock Exchanges:		
Dhaka Stock Exchange Limited (DSE) 9/F, Motijheel C.A., Dhaka.	DSE Library	9564601-7
Chittagong Stock Exchange Limited (CSE) CSE Building, 1060, Sk. Mujib Road, Agrabad C.A., Chittagong.	CSE Library	714632-3 720871-3

Prospectus is also available on the web site (www.secd.org) or of the Securities and Exchange Commission (SEC).

RISK FACTORS

- Imported pulp and chemical will be used for manufacturing of offset and writing and printing paper. 82.70% of the total raw material consumption is pulp and chemical which will be procured abroad origin. Only 17.21% of the total raw material is locally available. Therefore any change in the prices of imported raw materials may adversely affect adversely profitability of the company.
- Any adverse fluctuation in the exchange rate of Taka may increase foreign exchange liability.
- Any imposition of duties/taxes either on finished product or on imported chemical by the Government of Bangladesh may have adverse effect on production.
- The project is located near the river Karnaphuli, as such flood or tidal bore may damage plant and machinery of the project.

- Failure of power supply is a common phenomenon in Bangladesh. Loss of working hours due to power failure may occur.
- As major portion of raw material will be imported from abroad and be cleared through Chittagong Port, port congestion may disrupt the smooth operation of the project.
- If general demand of paper falls in the market, the company may face adverse situation to market its product.
- A part of the machinery of the project is second hand and reconditioned which may adversely affect production and profitability.
- Investment in equity security involves risk. Investors should keep in mind that there is a difference between equity security and debt security. As a residual owner, the claim of an equity shareholder comes last and in an extreme situation he/she may lose his/her entire investment.
- No bank or financial institutions have appraised cost of the project for which the funds are being raised.
- At present the company is a closely held family company. All the directors are member of the same family.
- Company may be delisted which may affect liquidity.
- At present the company has only one paper expert who is also engaged for other paper and board mill of the same management. The project may face lack of technical support due to shortage of technical people.
- The project is under implementation and is a green field. As such it may not declare dividend for next 2-3 years.
- At present, assets of the company have no insurance coverage from any insurance company.

MANAGEMENT PERCEPTION OF RISK FACTORS

- Major portion of the raw materials, imported from foreign origin, is adequate for meeting the production. Raw materials are also available in different foreign sources, viz. USA, Canada, Switzerland, Germany, Malaysia, Finland. Beside management is thinking to establish buffer stock to prevent raw material crisis or short supply.
- Fluctuation rate of Taka in comparison with Dollar is a common phenomenon in Bangladesh. Business community as well as our economy is habituated with the fluctuation. It is expected that the company also will not face any serious problem with this fluctuation.
- Our Government is pursuing proactive industrial policy that has laid solid foundation and is expected to continue.
- The project building are being designed and constructed in a manner that the plinth level has sufficient height and out of reach of flood level. Therefore it is unlikely to enter floodwater into factory building.
- From past experience it is known that everyday load shedding occurs for 3-4 hours. To meet the power problem, management is contemplating to procure a standby generator.
- Present Government and Port Authority always try to enter the factors that cause port congestion. As Chittagong Port is the main inlet of imported goods, it is expected that the Government will also take special care, if any port problem sustain for long.
- Entire demand of offset and writing and printing grade of paper which the project is going to produce is currently meeting by import from Indonesia, Malaysia, Japan etc. Beside there is no other mill which is presently producing such grade of paper and also there is no other alternative to use these type of writing/printing and offset paper. It is also unlikely to setup another mill to produce such grade of paper overnight. Therefore, management is very much optimistic that the project will face least problem to market its product and demand of paper will increase day by day.
- Generally paper machineries are second hand and reconditioned. Most of the paper mills of Bangladesh having reconditioned machineries are performing satisfactorily without any failure. It is expected that machineries of Hakkani Pulp & Paper Mills Limited will run satisfactorily.
- The management is successfully managing another paper and board mill for more than a decade. Besides another chemical factory and other training and service oriented business are operating successfully by the same management. Therefore it is not likely to go the company to a situation of liquidation.
- As the company has no long term project loan from any Bank or Financial Institution, no appraisal was made for project cost accordingly. However the IPO has been underwritten by Investment Corporation of Bangladesh (ICB), Bangladesh Shilpa Rin Sangstha (BSRS), Peoples Insurance Company Limited and Raspi Securities Management Limited for an amount of Tk.25,000 million, 20,000 million, 2.50 million and 2.50 million. All the underwriters specially ICB and BSRS has thoroughly appraised the project and found justified and issued Due Diligence Certificate.
- The Director of the company are experienced and energetic and are capable of managing other projects and businesses within the group. However with the induction of new directors as per conditions of SEC the board of the company will be broad based.
- The management is aware of the present rules and regulations of Stock and Exchange Commission and will take care regarding regulation.
- Though the project has only one paper expert presently working with the group the management is contemplating to recruit few more technical experts immediately after implementation of the project. Besides the German Consultant, IP-Consult is also available for all sorts of technical support.
- Project implementation work is progressing in full swing and the management is expecting to complete the project within a short period.
- After successful implementation all assets of the company will be insured.

USE OF PROCEEDS

Sources:
The total proceeds of Tk. 80.0 million, Tk.30 million from pre-IPO private placement and Tk.50 million from initial Public Offering, will be used to meet the balance cost of project implementation, working capital, IPO expenses etc. The break-up of the above is shown below.

Sources of Funds	Tk. in '000
Pre-IPO private placement	30,000
Initial Public Offering (IPO)	50,000
Total	80,000

(Tk. in '000)

Particulars	Uses of Pre-IPO Funds		Total
	Funds used	Funds yet to be used	
1. a) Land & Land Development b) Outstanding Bills for Land Development	600	0	876
2. Building & Other Civil Works a) Main Machine House(factory) b) Outstanding Bills for Construction Materials c) Other Civil Works (in progress)	5,170	3,073	9,996
3. Workshop d) Boiler House e) Power House f) Chemical Storage House g) Hydro Pulp House h) Bittern House	2,139	1,130	12,051
4. Digestor House j) Washing Power House k) Pump House l) Labour House m) Overhead Wall n) Boundary Tank	1,261	1,807	1
5. a) Office Equipment b) Outstanding Bills for Office Equipment	119	80	199
6. Machinery(Pulper & Super Calender) a) L/C Margin to Bank b) Balance Payment to Bank	1,211	1,210	2,421
7. Security Deposit (PDB)	12	-	12
8. a) Pre-production Expenses. b) Outstanding expenses for Pre-production	249	166	415
9. Repayment of loan to HPBML 10. Case Line Installation	2,635	255	2,635
Total uses of Pre-IPO Funds	10,086	19,914	30,000

(Tk. in '000)

Particulars	Uses of IPO Funds		Total
	Sub total	Total	
1. a) Land & Land Development b) Earth cutting for road & leveling c) Sand & Soil d) Labour & supervision	325	1,348	
2. Building & Civil Works a) Laboratory, Store Building etc. b) Finished Godown c) Raw Materials Godown d) Guard Room, Security office, Labour office.	4,207	2,889	
	2,486	213	
	9,795		

Particulars			
3. Guest Room, Toilet Erection & Installation for Plant & Machinery:	5,083		
a) Fees for Foreign Technician	906		
b) Local Employees & Staff	5,012	11,899	
c) Cost of Fittings, Fixing pipes etc.			
4. Cost of Boiler:	1,810		
a) Gas Fire Boiler	1,200		4,110
b) Auto Burner, Panel Board	1,100		
c) Installation charges of Boiler			
5. Cost of Deep Tube Well:	510		
a) Boring & Soil Test	924		
b) Cost of Pump & Motor	656	2,090	18,024
c) Pipes, Fittings & Installation			
6. Cost of Electrical Installation & Substation:			
a) Transformer, HT, LT Switchgear, and other accessories	4,325		4,720
b) HT, LT Cable & Fitting			205
7. Office Equipment			2,488
8. Security Deposit and Guaranty			5,450
9. IPO Expenses			7,895
10. Initial Working Capital (approx.)			80,000
Total uses of IPO Funds			80,000

Above tables do not show total cost of each individual items. Only programme of expenses against Pre-IPO and IPO funds are shown. For detailed complete picture of the project please also see section "Plan of Operation and Discussion of Financial Condition" under heading "Project Cost and Financial Plan".

IMPLEMENTATION SCHEDULE

Item of Works	Date of Completion	Target date of Completion	Percentage of Completion (%)
a. Land and Land Development	--	1 month after IPO	85%
b. Construction of Building & Civil	--	8 months after IPO	22%
c. Erection & Installation of	--	10 months after IPO	Nil
d. Trial Operation	--	11 months after IPO	Nil
e. Commercial Operation	--	12 months after IPO	Nil

Details of IPO expenses are shown as follows:

Particulars	Taka in Lacs
Manager to the Issue fee	8.00
Underwriting Commission	12.50
Fees to Securities & Exchange Commission	2.40
Brokerage Commission	5.00
Banker to the Issue	1.25
Printing of prospectus and forms	1.00
Advertisement in two daily news papers(full prospectus)	6.50
Advertisement of abridged version of prospectus and notices, etc.	1.15
Listing fee to DSE & CSE	9.50
Stamp Fee	3.20
Post Issue Expenses	3.00
Others	1.00
Total	64.50

DESCRIPTION OF BUSINESS

COMPANY BACKGROUND & THE PROJECT
Hakkani Pulp & Paper Mills Ltd. was incorporated as a Public Limited Company with the Registrar of the Joint Stock Companies, Government of the People's Republic of Bangladesh in the year 1990. The authorized capital of the Company is Tk. 500.00 million comprising of 50 million ordinary shares of Tk. 10.00 each.

The project envisages setting up of a pulp and paper mill having an annual production capacity of 12,000 M.T. at Mouza - Halim Khanchar, P.S. Pota, Chittagong. The project will produce Offset, Writing and Printing paper. Paper consumption are increasing day by day with the increase of population, mass education as well as its diversified use. A new dimension has been added as one of the major packing materials with the emergence of the export oriented Ready-made Garments Industries. Beside significant quantity of special paper like writing and printing paper, offset paper, Bond paper and Kraft paper, etc. are imported every year to meet the requirement of the country at a cost of substantial amount of foreign exchange.

In the back drop of the above situation Hakkani Pulp & Paper Mills Limited has undertaken setting up of a pulp and paper mill in Bangladesh with the technical assistance of PP Consultant of Germany to produce different grammage of papers from 57 GSM to 150 GSM.

THE PRODUCT

The project will be capable of producing Offset, Writing and Printing paper in different grammage. Production capacity of the project based on 3 shifts operation of 8 hours per day and 300 working days in a year is given below:

Items	Annual
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