SAUDI PAK LEASING

SAUDI PAK LEASING COMPANY LIMITED

No. SPLC-TFC3/PSX/2021/0034

Dated: January 27, 2021.

Javedan Cor

Mr. Hafiz Maqsood Munshi
Manager,
Companies and Securities Compliance- RAD
Stock Exchange of Pakistan,
Karachi,

SUBJECT: Restructuring of Term Finance Certificates of M/s. Saudi Pak Leasing Company (SPLCTFC-3)

Dear Sir,

This is with reference to your letter No. PSX/Gen-133 dated January 22, 2021, on the captioned subjects.

At the very outset it may please be noted that the reference letter of PSX No. PSX/Gen-1348 dated July 07, 2020, on the subject matter as mentioned in your letter under reply has not been received at our end till date.

Nevertheless, we have already submitted our detailed reply on the subject matter vide our letters dated February 17, 2020, and December 07, 2020, and other various correspondence with PSX and our CEO has explained in detail with documentary evidence during a hearing in person before the Acting Chief Regulatory Officer of the PSX, Karachi on 16.01.2019 regarding the measures taken by the Company including removal of default of payment of Principle amount, mark-up, and restructuring of the subject TFCs.

In this connection, we reiterate our submission of having noted your instructions for compliance at the earliest possible accordingly. We regret due to prevailing working and economic conditions throughout the country and abroad in wake of ongoing COVID-19 pandemic, which is beyond our control there has been no material progress in this regard despite all our possible endeavors to meet mandatory requirements of regulators working in adverse circumstances with limited staff in over all lock down conditions everywhere.

SPLC is fully determined to continue with concrete steps already taken to demonstrate that it is on the road of revival. The fact is evident from the considerable concrete efforts that SPLC has made to reduce its obligations towards Creditors /Depositors /TFC holders which were elaborated in detail in our previous correspondence with PSX and hearing / briefing of the CEO before the Acting Chief Regulatory Officer as mentioned ibid. The company under the guidance of its board moving ahead towards its rehabilitation plan already submitted to SECP and shared with the PSX and even in adverse circumstances taking material steps to honor its commitments to the best of its capabilities to do away the defaults to meet mandatory requirements.

Needless to mention here that the courts in the country remained closed for a long time since early last year even now in the existing scenario of ongoing pandemic, proceedings in Courts are at a very slow pace. It is pertinent to mention that we are in litigation to recover our substantial portion of defaulted loans portfolio against SPLC's Customers. It may also be noted that there are number of cases in execution process where financing is secured by Mortgages and these

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Securities and properties are being put to auction for recovery of amount from the defaulters. This is a time consuming exercise conducted under the instructions of the Court and realization of the proceeds is dependent on the Court proceedings for materializing the same.

However, the Management has recently been able to settle some of its TFC liabilities after availing Substantial haircut resulting in reduction of negative equity. It may be noted that the negative equity of PKR 638 million on 31st March, 2020 has since been reduced to PKR 567 million as on June 30, 2020,as per audited annual Accounts for 2020.

It is worth mentioning here that considering the Force –Majeure circumstances the regulators like SBP and SECP have already relaxed mandatory requirements for the entities working under their umbrella keeping in view the prevailing adverse effects and its aftermath both at social and economic fronts in the society viz-a-viz; the world over at large. The COVID-19 is still prevailing in the country at an alarming mark. Consequently, we are also facing the serious problems in recovery due to COVID-19 and its aftermath. The negative effects of pandemic will take long time to overcome and attend normal business/ economic activities at full swing at home and abroad.

It may also be noted that one of our major shareholders i.e. Saudi Pak Industrial and Agricultural Investment Limited (SAPICO) has already appointed financial adviser for divestment of their shares (both ordinary and preference). Hence, Due Diligence notice has been given to us which has already been placed on PSX website viz; PUCARS. The necessary documents / information as per Due Diligence List as provided by the shareholder (SAPICO) had already been provided to them to make this information/documents available on the digital data portal created for information of the interested parties. We are optimistic that once this process is completed the new investor will come up with its own plan and strategy to inject fresh equity for revival of the company, viz-a-viz; meeting all the obligation including the liability of TFC holders and to get the business license restored to run the company within the scope of its charter as envisaged in its Memorandum of Association.

We would also like to share with you that the SECP has issued a Show Cause Notice dated May 18, 2020, to us mainly because of not meeting the MER requirement and after hearing in person of the management and submission of a detailed reply a subsequent Oder September 28, 2020 was issued by the SECP. We have requested SECP to review the order in the light of facts and the Force Majeure circumstances the company had to face beyond its control. Admitting the plea for the grounds mentioned in our submission the SECP has been pleased to allow three online hearings with the management of the company with Ms. Sadia Khan, Commissioner Adjudication Division, along with her team consisting of senior officials of the SECP. To arrive at the final conclusion regarding our request for review the SECP has so far held three hearings with the management of the SPLC and we are waiting for their final verdict to accede to our request.

Moreover, the matter of non-compliance of PSX Regulations on part of our company is already subjudice in the Hon'ble Sind High Court vide suit No. 35 of 2020 for declaration , mandatory and permanent injunction against PSX.

It is therefore, requested that the matter be kept pending till the decision of the Court in the subject matter, Any action against the company on part of the PSX at this stage, will amount to the contempt of Court and uncalled for.

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www.saudipakleasing.com

Please acknowledge receipt of this letter.

Yours Sincerely,

Muhammad Imtiaz Ali
Company Secretary

Encls : As Above.

Copy for information to:
The Acting Chief Regulatory Officer-PSX

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