



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

Khurshid Spinning Mills Limited

Number and date of notice: CSD/ARN/212/2015-3191-3192 dated March 27, 2017

Date of hearings: April 13, 2017, April 27, 2017, May 8, 2017, May 22, 2017,
August 9, 2017, September 7, 2017, September 25, 2017,
December 6, 2017, April 2, 2018, April 2, 2018 and May 14, 2018

Representation: Mr. Ali Mudassar, Company Secretary, Khurshid Spinning Mills
Limited

Mr. Binyamin
(Authorized Representatives)

ORDER

UNDER SECTION 309 READ WITH SECTION 305 OF THE COMPANIES ORDINANCE, 1984

This order shall dispose of proceedings in the matter of show cause notice dated March 27, 2017 (*the "SCN"*) under Section 309 read with Section 305 of the Companies Ordinance, 1984 (*the "Ordinance"*) issued to Khurshid Spinning Mills Limited (*the "Company"*) and directors (*the "respondents"*) of the Company.

2. The facts leading to this case, briefly stated, are that the Company Registration Office Faisalabad, approached this office for grant of sanction in terms of clause (b) of Section 309 read with clause (c) of Section 305 of the Ordinance, to present a petition before the Honorable High Court for winding up of the Company on the grounds that the Company's business has been suspended since 2011.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 1 -

3. Subsequently, SCN was served on the respondents indicating the aforesaid grounds to present a petition for winding up of the Company. In order to provide opportunity of personal hearing, the case was fixed on April 13, 2017, April 27, 2017, May 8, 2017, May 22, 2017 and August 9, 2017 however no response was received from the Respondents to the hearing notices issued by the Commission. The case was again fixed on September 7, 2017. The Company vide letter dated September 5, 2017 informed that the SCN and the subsequent hearing notices have not been received by the Company or the directors. It was requested that the Company may be allowed some time to submit a response to the SCN. The matter was again fixed for hearing on September 25, 2017. The Company vide letter dated September 14, 2017 in response the hearing notice dated September 8, 2017 submitted the following;

"We wish to resume the principle business i.e. manufacturing of yarn in our facility but from past several years spinning units in Pakistan are suffering heavy losses due to which we are not in a position to continue as is evident from our previous financial statement. To keep the assets of the Company from in working condition and to pay overdue liabilities of banks, company has leased out its facility to Beacon Impex (Pvt.) Limited (Lessee). Now keeping in view the notice served by your good self, the Company has decided to start its operation again and we are negotiating with the lessee to vacate our production facilities so that we can resume operations under our name.

In view of the above, you are hereby humbly requested to extend our hearing date by providing us some reasonable time so that we may be able to settle important issues with lessee and respond you with maximum progress on the said subject."

4. Hearing in the matter was held on September 25, 2017. Mr. Ali Mudassar, Company Secretary, and Mr. Binyamin (the "Authorized Representatives") appeared on the date of the hearing and reiterated the earlier submissions made in the written reply. The Authorized Representatives requested further time to consider different options for the Company's future instead of winding it up. The Company was allowed time of sixty days for board meeting and devising future strategy. Hearing was again held on December 6, 2017 in which the Authorized Representatives informed that the Company is generating Rs. 3 million rent per month and loans are being repaid therefore the Company may be allowed time for revival. The Company was allowed time of three months for presenting a viable revival plan along with necessary steps taken in that regard.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 2 -

5. Hearings were accordingly scheduled on April 2, 2018 and April 18, 2018 which were adjourned at the request of the chief executive officer of the Company citing illness of the Company Secretary being Authorized Representative. The Company submitted a written response dated

May 9, 2018 reproduced hereunder:

"We are pleased to inform you that the spinning business operations of the Company are now on the brink of revival. The existing lessee of plant and machinery and other facilities located at mills of the Company i.e. M/s Beacon Impex (Private) Limited has duly made Public Announcement of Intention (PAI) to Acquire up to 67.2546% shares (8,860,650 ordinary shares) or control of Khurshid Spinning Mills Limited under the Securities Act, 2015. The PAI was communicated to the Company, Pakistan Stock Exchange and the Commission on 07 May 2018 and has also been advertised in Nawwa-i-Waqt, Urdu newspaper and The Nation, English newspapers on 08 May 2018 (copies submitted to PSX and the Commission).

After the planned acquisition of ordinary shares and control of the Company, M/s Beacon Impex (Private) Limited shall discontinue the existing lease arrangement and shall immediately commence the commercial spinning business operations of the Company. This means that Khurshid Spinning Mills Limited, the listed company shall resume the spinning business in its own name and in its own legal structure.

The proposed acquisition of ordinary shares from sponsors of the Company and resumption of spinning business is in the interest of all stakeholders and will benefit the shareholders of at large.

You would note that the Company is placed in defaulters' segment and trading in shares of the Company is suspended by Pakistan Stock Exchange Limited (PSX) mainly due to the Show Clause Notice under reference. PSX has also levied penalties on the Company relating to late submission of quarterly and annual accounts. We stress here that the Company is not in default in making payment of any fees of Pakistan Stock Exchange Limited. PSX vide its letter No. KSE.C-630-7462 dated 09 September 2015 to the Chief Executive of the Company duly expressed its intention to consider the request of the Company for waiver of penalty on late submission of 2nd and 3rd quarterly accounts for the period ended 30 September 2013,



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 3 -

31 December 2013 and 31 March 2014 respectively. Hence, the amount of remaining penalty comes to Rupees 155,000 which the Company is willing to pay with the undertaking not to repeat such default in future.

You would agree that the formalities and essence of Securities Act, 2015 and related substantial acquisition regulations cannot be achieved if a company is in defaulters' segment and trading in shares of that company is suspended by Pakistan Stock Exchange Limited. Public Offer under the Securities Act, 2015 mainly to minority shareholders is an essential required compliance by the acquirer, as it shall be acquiring control of the Company. The Public Offer by the acquirer-under the Securities Act, 2015 cannot be properly implemented under the current state of listing affairs of the Company.

Based on the aforesaid, we request your honor:

- To withdraw the show cause notice under reference and oblige;
- To facilitate the roll out / execution of the aforesaid revival plan of the Company, issue directions for removal of Company's name from defaulters' segment and resumption in trading of shares of the Company and unblock of sponsors' shares so that M/s Beacon Impex (Private) Limited through its Manager to the Offer can complete all formalities of the Securities Act, 2015 and related substantial acquisition regulations within the shortest possible time."

6. A final hearing opportunity was provided on May 14, 2018 before concluding the proceedings. The Authorized Representatives appeared for hearing and reiterated the written submissions regarding intended acquisition of the Company by Beacon Impex (Private) Limited (Beacon) which is also the current lessee. Newspaper advertisements regarding the public announcement of intention to acquire up to 67.2546% shares of the Company, published by Beacon on May 8, 2018 in the Urdu daily Nawa-i-Waqt and English daily, the Nation, have been provided by the Company with its letter dated May 9, 2018. The Authorized Representatives submitted that the Company is on the defaulters segment of the Pakistan Stock Exchange Limited (PSX) and to facilitate the acquisition of the Company by Beacon, the SCN may be withdrawn so that trading in shares of the Company can be resumed. The Company assured that all other issues with PSX will be resolved and the acquisition process will be started by Beacon and after the planned acquisition of ordinary shares and control of the Company, Beacon shall discontinue the existing lease



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 4 -

arrangement and shall immediately commence the commercial spinning business operations of the Company. I am of the firm view that revival of sick companies should be welcomed instead of pushing such companies for winding up.

7. In terms of notification S.R.O 751(I)/2017 dated August 2, 2017 the power to adjudicated cases under Section 309 of the Ordinance has been delegated to Executive Director (Corporate Supervision Department).

8. I have analyzed the facts of the case, the arguments made during the hearing proceedings and the written submissions of the Company. I have noticed that Beacon has already published its public announcement of intention in newspapers and has initiated the process of acquisition of the Company. I, hereby conclude that the proceedings initiated against the Company be dropped with no further action.

Abid Hussain
Executive Director

Announced:
May 16, 2018
Islamabad

