



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Company Law Division
(Enforcement Department)

Before Abdul Rehman Qureshi, Commissioner

IN THE MATTER OF

M/s Airblue Limited

Date of Application	May 17, 2004
Date of hearing	June 01, 2004
Present	<i>On Behalf of the Company:</i> Mr. Atique Mirza, Director Finance / Company Secretary Mr. Umar Sharif, Barrister, Mr. Tarik S. Jawaid, Consultant

ORDER
APPLICATION UNDER SECTION 86(1) OF THE COMPANIES ORDINANCE, 1984
FOR GRANT OF APPROVAL TO ISSUE FURTHER SHARE CAPITAL WITHOUT
RIGHT ISSUE

This order shall dispose of an application dated May 17, 2004 by M/s Airblue Limited (the "Company") seeking permission of the Commission, under the provisions of Section 86(1) of the Companies Ordinance, 1984 (the "Ordinance") to issue further share capital without right issue.

2. The applicant is an unlisted public company having authorized capital of Rs.800,000,000/- and paid up capital Rs. 100,000,000/-. The existing three shareholders of the Company have passed a special resolution on May 12, 2004 approving the issue of 15,080,000 shares without right shares in two tranches as under:-

- (i) 7,540,000 shares of Rs.10 each at a price of Rs.10/- per share in July, 2005; and
- (ii) 7,540,000 shares of Rs.10 each at a price of Rs.10.50 per share in July, 2006.

3. The Company intends to get enlisted on Karachi Stock Exchange in the second half of the current year and proposes to raise capital of Rs.170 million through private placement and

Rs.120 million through IPO. By doing so, the capital of the company shall be reaching the level of Rs.476.20 million.

4. As regards issuance of shares other than right issue, the Company in its application has stated that the capital structure envisages issuance of additional shares to sponsors only without right issue subsequent to IPO and listing of the Company. The first tranche of 7,540,000 shares will be offered during the month of July 2005 at a price of Rs.10/- per share whereas the second tranche of 7,540,000 shares shall be offered during the month of July 2006 at a price of Rs.10.50 per share. In the event of non-subscription of these shares by the sponsors during subscription period, the offer will automatically lapse. The Company, however, has undertaken that the prospectus for public offering shall fully and conspicuously disclose the complete details of the above proposed issue which shall take place after the public offer of shares.

5. The rationale for the issuance of shares to sponsors only without right shares after the public offering of shares has been explained as to reward the sponsors for development of the business concept. The share price may discount / add premium to the price of the stock for the futuristic event of the additional issue. As regards issuance of shares to the sponsors in two tranches, it has been stated that it will be beneficial to the shareholders as the Company would get approx. a year's time to deploy funds raised through subscription and to convert them into revenue generating assets.

6. The request of the Company has been examined in the light of the provisions of Section 86 of the Ordinance. The Company was also provided an opportunity of hearing on June 01, 2004. On the date of hearing Mr. Umar Sharif, Advocate, Mr. Atique Mirza, Director Finance / Company Secretary, and Mr. Tarik S. Jawaid, Consultant, appeared before me. Mr. Umar Sharif, Advocate repeated the same arguments as were already submitted in their application. He also quoted the case of M/s Azgard Nine Limited (formerly Legler Nafees Denim Mills Limited) (the "Azgard") in which the Commission had allowed the Company to issue shares otherwise than cash..

7. I have considered all the relevant facts, and perused the documents placed before me. The provisions of Sub-section (1) of Section 86 of the Ordinance require that any further issue of capital shall be offered to the existing shareholders in proportion to the existing shares held by

them. However, the Commission may, on application of the company on the basis of special resolution passed by it, allow the company to raise its further capital without issue of right shares. I have also gone through the facts of the case of the Azgard and observed that circumstances of that case are not identical to the case under consideration as the said company is already a listed concern having about 1200 shareholders and it has been permitted to issue shares at premium.

8. The applicant company is not yet listed and at present it has only 3 shareholders who will be the beneficiaries as a result of issuance of shares after two years at face value. Further, the issuance of further capital is normally considered by the management when company needs further funds for expansion or for working capital requirements. Moreover, there may be substantial variation in the share price of the company in the coming two years. Thus determination of price at this moment is totally unjustified. Moreover, it appears that the sponsors neither need funds nor they are sure about the subscription of shares in July, 2005 and July, 2006 as it has been stated in the application that they may or may not subscribe the additional capital during the subscription period and in case of non-subscription, the offer of share will automatically lapse.

9. Under the circumstance, I am of the considered view that the application of the Company do not meet the requirements of the provisions of Section 86(1) of the Ordinance and defeat the spirit of the law. Therefore, the request made by the Company cannot be acceded to. The application is, therefore, rejected.

(Abdul Rehman Qureshi)
Commissioner (CLD)

Announced
June 03, 2004
ISLAMABAD