



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT

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No. SC/NBFC-SLCL/2018 - 55

June 04, 2018

Ms. Farah Azeem,  
Chief Executive Officer,  
Security Leasing Corporation Limited,  
Head Office,  
Block-B, 5<sup>th</sup> Floor, Lakson Square Building No.3,  
Sarwar Shaheed Road,  
**Karachi.**

Subject: - **ORDER IN THE MATTER OF SHOWCASUE NOTICE ISSUED TO SECURITY LEASING CORPORATION LIMITED, THROUGH ITS CHIEF EXECUTIVE OFFICER UNDER SECTION 282 J(1), J (2) & J (3) OF THE COMPANIES ORDDINANCE, 1984.**

Dear Madam,

Please find enclosed herewith a copy of order issued in the title matter for your record & necessary action.

Regards,

Saima Ahrar  
Joint Director (SCD)



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION

BEFORE COMMISSIONER (SPECIALIZED COMPANIES DIVISION)

**IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO SECURITY LEASING CORPORATION LIMITED, THROUGH ITS CHIEF EXECUTIVE OFFICER UNDER SECTION 282 J (1), J (2) & J (3) OF THE COMPANIES ORDINANCE, 1984**

**Date of hearing**

**March 15, 2018**

***Present on behalf of***

*Security Leasing Corporation Limited* (i) *Mr. M.R. Khan – Chairman*  
(ii) *Ms. Farah Azeem – Chief Executive Officer*  
(iii) *Mr. M. Riaz Khokhar*

*Assisting the Commissioner (SCD)* (i) *Mr. Imran Inayat Butt-Executive Director*  
(ii) *Mr. Nasir Askar- Director*  
(iii) *Ms. Saima Ahrar-Joint Director*  
(iv) *Mr. Zeeshan Nawaz-Deputy Director*

***Date of interim Order***

**March 21, 2018**

**ORDER**

This is further to the Securities and Exchange Commission of Pakistan (“Commission”) interim order dated March 21, 2018 issued to Security Leasing Corporation Limited (“SLCL”) in the matter of Show Cause Notice (hereinafter referred to as the (“SCN”) dated December 28, 2017.

2. In the interim order, it was stated that request of SLCL for grant of time to comply with the minimum equity requirement (“MER”) would be considered after reviewing its performance for the period ended March 31, 2018. Moreover, SLCL was also restricted from issuing any fresh leases till final order.

3. SLCL submitted its quarterly accounts as of March 31, 2018. Examination of the accounts revealed that SLCL remains in financial distress and is in continuous non-compliance with MER. With no injection of fresh funds by the sponsors/directors and absence of concrete, viable, time bound plan for its revival, the operational performance of the company continues to present a grim outlook. My main observations are as follows:

i. Total assets of SLCL marginally decreased from Rs. 710 million as of December 31, 2017 to Rs. 699 million as of March 31, 2018. On the other hand, the liabilities of SLCL decreased from Rs. 638 million as of December 31, 2017 to Rs. 578 million as of March 31, 2018. The decrease in liabilities can be attributed to de-recognition of financial liabilities amounting to Rs. 60 million.

- ii. As a result of de-recognition of financial liabilities, the equity of SLCL increased from Rs. 47 million as of December 31, 2017 to Rs. 97 million as of March 31, 2018. The positive equity of Rs. 97 million as of March 31, 2018 can be attributed to deferred tax assets (“DTA”) amounting to Rs 400 million recognized by SLCL. The statutory auditors of SLCL have provided the following adverse comments on DTA in the half yearly accounts of December 31, 2017 and have called for its de-recognition:

*“The Company has recorded deferred tax asset of Rs400.088 million (June 30, 2017: 400.087 million) based on its future plans which projects that future taxable profit would be available against which such deferred tax assets could be utilized. However there is no sufficient appropriate audit evidence that the management’s plans are feasible and ultimate outcome will improve the Company’s current situation as discussed in (a) above, therefore, sufficient future taxable profits will not be available against which deferred tax asset could be utilized.*

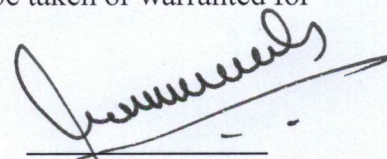
*Further, deferred tax asset should be derecognized. Had the deferred tax asset been derecognized, deferred tax asset and equity would have been lower by and loss for the period would have been higher by Rs 400.087 million.”*

Taking into account the adverse comments of the statutory auditors, the adjusted equity of SLCL works out to negative Rs 303 million which is significantly lower than the MER of Rs 50 million required under the Non-Banking Finance Companies and Notified Entities Regulations 2008 for non-deposit taking leasing companies.

4. In view of the foregoing, it is established that SLCL is non-compliant with the MER and there are no substantial grounds to suggest that it would be able to recover from this shortfall in the near future. Moreover, SLCL’s weak operational position, deteriorating financial performance, non-compliance with MER, its inability to pay off the outstanding liabilities, no injection of fresh funds by the sponsors/directors, absence of concrete, viable, time bound plan for its revival as well as settlement with the creditors and adverse remarks by its statutory auditors on the recognition of DTA has also raised serious doubts about it’s ability to operate as a going concern.

5. On the basis of these grounds, cancellation of license under section 282J (2) of the Ordinance and winding up of SLCL under section 282 J (3) of the Ordinance can be immediately initiated. However, I am providing one final opportunity to SLCL to comply with the MER by June 30, 2018. SLCL is directed to submit the statement of its equity as of June 30, 2018 duly accompanied by a certificate from its statutory auditor on or before July 31, 2018. In case SLCL fails to comply with this order by July 31, 2018, its license to undertake leasing shall stand cancelled under section 282J (2) of the Ordinance and the department shall initiate proceedings for its winding-up under section 282J (3) of the Ordinance.

6. This Order is issued without prejudice to any action, which may be taken or warranted for the above said defaults under any other provision of the law.

  
(Zafar Abdullah)  
Commissioner

**Announced: June 4 , 2018**

**Islamabad**