



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

Pangrio Sugar Mills Limited

Number and date of notice:	CSD/ARN/229/2015-2336-37 dated January 13, 2017
Date of hearing:	February 2, 2017, April 12, 2017 & May 4, 2017
Present:	None

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 January 13, 2017 (*the "SCN"*) under Section 309 read with Section 305 of the Companies Ordinance, 1984 (*the "Ordinance"*) issued to Pangrio Sugar Mills Limited (*the "Company"*) and directors of the Company (*the "Respondents"*). The facts leading to this case, briefly stated are that the Company was incorporated on June 12, 1984 as a public limited company. The Company is listed on Pakistan Stock Exchange (previously Karachi and Lahore Stock Exchanges). The principle business of the Company is to manufacture and sell white sugar. The Company's business operations are suspended for last three years.

2. The review of last filed annual accounts for the year ended September 30, 2014 (*the "Accounts"*) shows that Note I.2 to the accounts states as follows:

"During the year the company has incurred a loss of Rs. 43.742 million (2013: Loss Rs. 112.650 million). As of the reporting date, company's equity is negative by Rs. 865.632 million (September 2013: Rs.821.890 million). Its accumulated loss amounted to Rs.974.132 million (2013: Rs.930.390 million) and its current liabilities exceeded current assets by Rs. 628.104 million (September 2013: Rs. 499.602 million). During the year the company opted not to carry on its operations in order to contain its losses as against the higher loss anticipated from operations due to high prices and unavailability of sugar cane, poor market price of sugar and other factors beyond the control of management.

As of the reporting date, the Company has defaulted in payment of four installments to NBP amounting to Rs. 9.9 million. (for details refer note 11.2 & 13.3.1).



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During the year, the Company's appeal relating to the settlement of loan of BEL has been dismissed by High Court resulting in permitting BEL to proceed with recovery through sale of assets. Official Assignee issued the letter for publication of sale of mortgage properties. The company has now filed appeal in supreme court against the order which is pending. (for details refer note 11.1).

In the presence of such an acute shortage of cane - availability coupled with unfavourable production conditions due to increased cost of production and non availability of fund, there is uncertainty regarding operations of mills during the current crushing season 2014-2015 too.

These conditions indicate existence of material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These financial statements have, however, been prepared using going concern assumption on the basis of facts narrated in above referred notes."

3. The review of the auditors' report on the accounts by Aslam Mali & Company, Chartered Accountants (the "Auditors") depicted that the auditors have given an adverse audit opinion on the accounts. The auditors stated that because of the significance of the matters discussed below, the accounts do not give a true and fair view of the state of the Company's affair as at September 30, 2014:

"As disclosed in note 1.2 to the financial statements, during the year, the company has incurred a loss of Rs. 43.742 million (2013: Loss of Rs. 112.650 million). As of the reporting date, company's equity is negative by Rs. 865.632 million (2013: Rs. 821.890 million), its accumulated loss amounted to Rs. 974.132 million (2013: Rs. 930.390 million) and its current liabilities exceeded its current assets by Rs. 628.104 million (2013: Rs. 499.60 million). The equity of the company is negative, it has adverse current ratio, it has not carried out any operation during the year and start of operations for the subsequent period is not imminent, it generated insufficient cash flows and its financial liabilities are long overdue. Further the company has defaulted in payment to National Bank of Pakistan and companies appeal related to BEL has been dismissed by High Court and Official Assignee issued the letter for publication of sale of mortgage properties. These conditions indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of its business.

The financial statements have been prepared on going concern basis by the management."

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4. Previously, the auditors of the Company in the auditors' report for the year ended September 30, 2013 had also given an adverse opinion on the accounts for the year ended September 30, 2013.
5. The Directors' Report to the shareholders for the years ended September 30, 2014 also states that, "As the mill did not operate during the season under review i.e. Crushing season 2012 -13, there was no production of sugar".
6. The Additional Registrar of Companies, Company Registration Office, Karachi has approached 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 ground that the Company has suspended its business from past three years.
7. The SCN was issued to the directors and the Company and a hearing was also fixed for February 2, 2017 in this regard. No reply was received from the Company. The hearing was rescheduled for April 12, 2017 however once again no response was received from the Company and the respondents. A final hearing opportunity was scheduled for May 4, 2017 for which also no reply was received from the Company or the respondents.
8. It is necessary to advert to the following relevant provisions of the Ordinance;

Clause (c) of section 305 of the Ordinance states that a company may be wound up by the Court if the company does not commence its business within a year from its incorporation, or suspends its business for a whole year;

Section 309 of the Ordinance states that an application to the Court for the winding up of a company shall be by petition presented, subject to the provisions of this section, either by the company, or by any creditor or creditors (including any contingent or prospective creditor or creditors), or by any contributory or contributories, or by all or any of the aforesaid parties, together or separately, or by the registrar, or by the Commission or by a person authorised by the Commission in that behalf.



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In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 309 of the Ordinance have been delegated to Executive Director (Corporate Supervision Department).

9. Before proceeding further, I would like to highlight that the business activity of the Company remains suspended. Twice the auditors in their audit reports for the financial years ended September 30, 2013 and for the financial year ended September 30, 2014 have given adverse audit opinions while highlighting the going concern issue of the Company and that the business operations of the company are suspended. The respondents have failed to furnish any reply to the SCN issued nor did they attend any hearing opportunity provided to them. The accounts under Note 1.2 to the accounts also aptly mention the state of affairs of the Company and that the business operations have been stopped. In note 1.2, a paragraph has also been added highlighting the fact that present conditions indicate existence of material uncertainty, which may cast significant doubt about the ability of the Company to continue as a going concern, and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. It is therefore established that the business operations of the Company have been suspended by the Company attracting the provision 305(c) of the Ordinance. I, therefore, in exercise of the powers conferred on me under section 309 of the Ordinance, hereby authorize the Additional Registrar, Company Registration Office, Karachi to present a petition for winding up of the Company.

Abid Hussain
Executive Director

Announced:
June 14, 2017
Islamabad