

# Progress Report & Revival Plan



**SECURITY LEASING  
CORPORATION  
LIMITED**

# Progress Report

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## **Incorporation**

Security Leasing Corporation Limited ("the Company") was incorporated in Pakistan on December 6, 1993 and commenced its operations on May 21, 1995. The Company is a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and engaged in the business of leasing. The registered office of the Company is situated at Block B, 5th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi, Pakistan. The Company is listed on Pakistan Stock Exchange.

### **1. Operation**

The Operating activities of the company during the past few years were discontinued due to cancelation of leasing licence from SECP .Despite this unexpected turn of events, the management is making efforts to revive the Company.

### **2. Basic Facts- Financial Health /Institutional indebtedness / Creditor's Settlement**

One of the major problems being currently faced by the Non Bank Financial Institutions (NBFIs) in general and Leasing Companies in particular includes fund mobilization constraints relating mainly to the currently higher interest rate scenario, squeezing of margins, non-availability of long-term funds, non-availability of multi-lateral credit lines, etc. The financing facilities of the Company were abruptly withdrawn by the banks which resulted in reduction of portfolio of leasing and other finances. The private sector especially NBFCs could not attract any funding in form of either equity or financing facility due to crowding out by high fiscal borrowings of government in the preceding years. The Company was feeling extraordinary pressure on its repayment capacity due to constant reduction of portfolio and absence of sizeable fresh business. Therefore, the Company negotiated on different occasion with its lenders of long- and short-term funding for the re-profiling of its financial liabilities and now the company has requested all its lenders to make full and final settlement by offering Specific leased assets under charge, additional lease assets from the portfolio and all the properties owned by the Company.

- a) Following the downturn in the leasing sector in 2008 and thereafter when banks' credit lines to leasing companies were suddenly choked and SLCL also became one of the victims, the company entered into restructuring arrangements with various creditors. Despite the serious financial problems that arose for the company over time due to lack of availability of additional funding from the banks and slow pace of recovery from the lessees, it was able to meet its restructured liabilities to various creditors and as a result thereof its total institutional indebtedness was brought down to Rs. 744 million as of 30 June 2015.
- b) Following prolonged parleys with various creditors, they after examining the company's financials in great detail, came to the conclusion that under its best possible scenario the company was unlikely to repay its outstanding obligations at more than 10% thereof. As a result the company was able to reach settlement with various secured creditors and paid them 10% down payment in full and final settlement of their dues, thereby reducing further its total institutional indebtedness to Rs. 390.678 million as of 30 June 2019.

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- c) In the meantime new ground realities had emerged. In early 2018 SLCL was served with a notice by SECP that since according to the report of its External Auditors relating to its annual accounts for 2016-17 the company was no longer considered "a going concern", it asked Pakistan Stock Exchange (PSX) to put its name on the 'Defaulter Segment' with a view to preventing the sale and purchase of its shares in the market to be followed by delisting of the company and other actions including the winding up of the company. While the company was waiting for further discussion with SECP, on 26 November 2018 it received another notice from PSX stating that in the light of the company's independent auditors' reports on its annual accounts for 2016-17 and 2017-18 it is clear that the company is no longer "a going concern and as such PSX is considering placing it on the 'Defaulter Segment' with other actions to follow. PSX put the company's name again on the 'Defaulter Segment' on 4 October 2019. PSX has also forbidden the trading of company's shares with effect from 24 October 2019. It has further issued a notice to company's directors that in case of its continuous default, the process of delisting the company from PSX would begin on 22 January 2020 followed by other actions including its winding up by SECP.
- d) The current indebtedness is Sukuk-II involving an amount of Rs. 231.054 million, Soneri Bank Limited Rs. 16.436 million, BOK 97.012 million and BOP 38.67 million.
- e) It was also explained that majority holders of Sukuk-II involving Rs. 231,million have already agreed to settle on the basis of 10% down payment.
- f) Settlement with creditors @ 10% of principal of outstanding amount sometime in 2020
- g) SLCL has been regularly requesting creditors to resolve the matter amicably for which till to date efforts were made through correspondences and meetings for reaching at certain level of settlement with creditors. In view of the present ground realities and serious problems, inter alia, with SECP and PSX, SLCL is requesting you to consider proposal for settlement with creditors and be accepted while considering the current scenario / financial health and serious problems with SECP & PSX etc.

### **3. Reduction In Earning**

The reduction in the earning asset base due to no disbursements, created following major problems:-

- a) The proportion of non-earning assets being carried by the Company has been increased.
- b) The earning stream of the Company has reduced without a corresponding decrease in the fixed overheads.

### **4. Current Challenges**

- Inadequate Equity
- Liquidity crunch.
- Insufficient resources to meet the fixed cost
- Economic and political scenario and pandemic Covid 19

## **5. Pragmatic Action Plan**

These following measures would certainly enable the Company to achieve its goals and results would start to improve in the coming period

- Injection of fresh equity by the investors /sponsors /stakeholders
- Improvement in recovery status for dissemination to the market participants that the Company is back in business.
- Prompt Settlement of liabilities
- Generation of fund from the sale of some assets

# Revival Plan

## **REVIVAL PLAN**

### **Injection of Funds**

Investors/sponsors/shareholders may inject certain amount of money in order to recommence the Company's business operations and create an assets base at reasonable rate of return.

### **Strategy**

The concrete steps have been taken for revival of the company during the last 6 months. The following are the major elements of company's restructuring plan that will result in its turnaround.

- The company has engaged as its legal advisor who have wide experience of recovery related matters to assist the company in the recovery of outstanding amounts from the borrowers. The new legal counsel of the company has developed a new strategy to expedite recovery of a sizable amount of company's toxic leases.
- The company is in the process of negotiation with financial institutions for settlement of their outstanding liabilities. The following is a summarized status of the negotiations with various financial institutions:
- The management is in the process of finalizing settlement with different banks in respect of their outstanding of liabilities.
- The management is currently in negotiation with 51% holders of Sukuk-II for settlement of their outstanding of Rs. 231 million.
- The company has a plan to sell off some of its assets to inject funds in its operations and for settlement of its outstanding liabilities.

### **Timeline**

As a result of the above restructuring plan the company will generate income in coming periods. It may be reiterated here that the Company is taking serious steps aggressively for its revival. Hopefully this process will be accomplished within a period of one year it may be pertinent to mention here that the Company is taking utmost efforts and necessary steps for its revival /rehabilitation and inter alia approaching to potential buyer/investor and various government and private organisations