



Imperial Sugar Limited

MR. HAFIZ MAQSOOD MUNSHI
Manager
Companies & Securities Compliance – RAD
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
KARACHI - 74000

REF. #: ISL-PSX/20/0033

Date: February 17, 2020

Dear Sir

**IMPERIAL SUGAR LIMITED (“the Company”)
PLACEMENT OF THE COMPANY IN THE DEFAULTERS’ SEGMENT UNDER CLAUSES
5.11.1.(b) AND (I) OF THE PSX REGULATIONS**

We refer to your letter No. PSX/Gen-533 dated 12 February 2020 on the captioned matter.

We again briefly explain you the facts of our case. We are confident that after reading these facts you would appreciate that the Notice under reference is not applicable to the Company and the Company is well on its way to roll-out the new business plan approved by its stakeholders. The case of our Company is totally different from other listed companies in Pakistan which have negative equities, huge losses, no surplus cash / assets, total liabilities in excess of total assets and hence no chances on revival of business. On a plain reading of balance sheet of our Company, you would appreciate and agree that our Company has an unmatched potential / edge over other companies to undertake business with maximum returns for all stakeholders.

The Company under the authority of resolutions of its shareholders duly passed in their Annual General Meetings is in the process of disposal of its assets and ultimate set up of an Independent Power Producer (IPP) Project of 225 MW, based on Liquefied Natural Gas (LNG) subject to regulatory approvals. Progress to-date is that the Company has disposed of assets of one of its two sugar units i.e. Mian Chanu Unit of the Company during the year ended 30 September 2017 and this asset sale transaction is a landmark in the history of sugar sector of Pakistan in terms of the total value of the transaction.

A significant chunk of sale proceeds (Rupees 2.984 billion) has been invested in high return bank deposits (as high as 13.40%) after payment of liabilities of the Company, pending the disposal of remaining sugar unit of the Company. The Company is quite hopeful of striking a good deal for disposal of the remaining sugar unit of the Company and ultimately raise the required funds for roll-out of the business plan. The acquisition transactions in the sugar sector usually occur before the commencement of cane crushing season. As this years’ cane crushing season has already started hence, we are hopeful that in the forthcoming window i.e. end of this years’ cane crushing season and the start of next years’ cane crushing season, the deal for disposal of the remaining sugar unit of the Company shall materialize.

You would agree that IPP Project cannot be housed / parked in the existing legal structure of the Company and a special purpose vehicle (wholly owned subsidiary) has to be incorporated for this purpose, as IPPs have specific debt equity ratios, resultant tariffs and regulatory compliances to make.

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Hence, the Company i.e. Imperial Sugar Limited shall be a Holding Company as part of its future business plan and shall get only the returns from its wholly owned subsidiary company.

It is quite natural for any person to get confused from the picture being portrayed by the financial statements of the Company and wrongly interpreted as “*suspended business for a whole year.*”

It is quite important to note here that this picture stands portrayed till disposal of remaining sugar unit of the Company, investment of net sale proceeds of assets of the Company in special purpose vehicle (wholly owned subsidiary company) for IPP Project and ultimate earning of dividends from that wholly owned subsidiary company.

The business plan of the Company sounds a bit long-term but you can well imagine the potential on offer to a listed Company with ultimate hard-cash in excess of Rupees 10 billion (disposal of remaining sugar unit of the Company).

We share below some key statistics pertaining to the Company which clearly demonstrate what is stated above, depict steps taken to maximize shareholders' wealth and reflect potential on offer to the Company:

Available cash and bank balances as of December 31, 2019 are Rupees 2.984 billion.

Mark-up being earned on aforesaid funds is as high as **13.40%**.

Gross Markup Income earned till December 31, 2019 on surplus funds is **Rupees 603.971 million**.

Fair value of remaining Asset of the Company located at Phalia - **Rupees 8 billion plus**.

Remaining liabilities of the Company as at December 31, 2019 (excluding deferred tax) are **Rupees 651.159 million**.

We agree that the disposal of remaining sugar unit of the Company at Phalia is taking time due to macro-economic conditions, high cost of funds, large size of transaction etc. However, positive indicators are active market for sugar units in Pakistan (as evident from recent transactions of sale of Gulf Sugar and Baba Farid Sugar Mills) signifying interest of investors in sugar sector. Further, the outlook of sugar sector is also quite good. We are confident that the Company shall be able to strike a good deal, which is in the best interest of all stakeholders, for disposal of Phalia Unit in best possible time.

We give you below food for thought. We trust that this shall help all in interpretation of PSX Regulation No. 5.11.1.(b) once for all.

The word “suspend” has neither been defined in the Companies Act, 2017 nor in the PSX Regulations. It has been judicially interpreted in three main Pakistani cases, namely, Habib Bank Ltd V Golden Plastic Pvt Ltd., 1991 MLD 124, Re: Alliance Motors (Pvt.) Ltd., 1997 MLD 1966 and Joint Registrar of Companies vs Sh. Fazal Rehman and Sons Ltd., 2008 CLD 465.

Joint Registrar of Companies vs. Sh Fazal Rehman and Sons Ltd., 2008 CLD 465 discusses what is meant by the phrase “suspends its business for a whole year” as occurring in Section 305(b) of the Companies Act, 1984:

“suspend’ within the contemplation of provisions of section 305(C), will mean that the business is completely set at naught for a certain period....”

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“paying of liabilities, seeking credit lines from banks and raising constructions are acts in furtherance of the business. These activities are business activities and in presence thereof, it cannot be said that business is suspended. Business will be deemed to be suspended, when there is no business activity at all or when there is complete cessation of business for a certain period.”

Chitty J.’s definition of “suspends its business” in Re: The Tomlin Patent Horse Shoes Company Ltd. (1986) 55 L.T.R. 314) was quoted with approval in both Habib Bank Ltd. V Golden Plastic Pvt. Ltd., 1991 MLD 124 and Re: Alliance Motors (Pvt.) Ltd., 1997 MLD 1966 and it is also relevant in the present circumstances:

“Although there may be a suspension of the business of a company for the space of one year, the Court will not make an order, under subsection (2) of section 79 of the Companies Act, 1962, to wind-up the company unless it is satisfied that there has been an intention on the part of the company to abandon its business or inability to carry it on.”

The learned judge also said in the Tomlin case quoted above that the phrase “suspends its business” did not mean the same thing as “business has been suspended”.

The fact that the Company is actively taking all the steps for rolling-out the duly approved business plan for the benefits of its shareholders amply demonstrates that the business has neither been “completely set at naught”, nor has there been a “complete cessation of business” and nor do these activities signify “an intention on the part of the company to abandon its business”. It has not suspended its business.

Based on the aforesaid, we request your honor to withdraw the letter and notice under reference and oblige.

Sincerely yours

IMPERIAL SUGAR LIMITED

COMPANY SECRETARY