



Securities and Exchange Commission of Pakistan  
Securities Market Division  
Primary Market Approvals and Development Department

No: SMD/PMADD/CI/71/2021/41

November 23, 2021

**Mr. Abdul Rehman Qureshi,**  
Consultant,  
Husein Sugar Mills Limited,  
House # 7/1, Street # 23, F-8/2,  
Islamabad.

**Subject: Application for issuance of Preference Shares under regulation 6(iv) of the Companies (Further Issue of Shares) Regulations, 2020 read with section 58 of the Companies Act, 2017- Husein Sugar Mills Limited**

Dear Sir,

Please refer to the application of Husein Sugar Mills Limited (the Company) dated September 01, 2021 and subsequent correspondence regarding the captioned subject.

2. In this regard, I am directed to inform you that based on the special resolution passed in the Extraordinary General Meeting of the Company held on August 27, 2021 and the contents of the application, the Securities and Exchange Commission of Pakistan in exercise of its powers under Section 83 of the Companies Act, 2017 (the **Act**) read with regulation 6 of the Companies (Further issue of Shares) Regulations, 2020 (the **Regulations**) is pleased to allow the Company to issue 14,445,000 listed, cumulative, non-voting, non-participatory, irredeemable & convertible Preference Shares (1 ordinary share for every 2 preference shares) at par value of Rs. 10/- per share by way of right offer to the existing shareholders.

3. The aforesaid approval is, however, subject to the following terms and conditions:

- A. The Company shall ensure that appropriate disclosures as envisaged in Schedule 1 of the Regulations are incorporated in Schedule 1 including the following:
- Purpose of the issue;
  - Item-wise break-up of utilization of proceeds of the issue raised from issuance of preference shares;
  - Enhanced paid up capital after issuance of both tranches of right issue;
  - Term Sheet of the issue shall be made part of schedule I; and
  - The following risk disclosures:
    - 60% of the proceeds amounting to Rs. 87,103,173 shall be utilized to pay director's loan, thereby making it a related party transaction. This carries substantial related-party risks and may prove detrimental to the investor's interest.
    - The Company for the year ended Sep 2020 reported loss per share of Rs. 7.43 and negative cash flows from operations indicating more expenses than revenues for the year, thereby increasing bankruptcy risk. This is also evident from the



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significant increase in liabilities of the Company as on June 2021 as compared to September 2020.

- Finance cost of the Company has increased on Y2Y basis by 69% in comparison to 2019 majorly because of mark-up paid on loans/borrowings and has negatively impacted profitability of the Company.
- B. The Company shall place Schedule 1 on PSX website, as soon as the offer letters are dispatched to the members (i.e. within one day of book closure).
- C. Any change in the purpose or utilization of proceeds of preference shares as stated in Schedule 1 may be made only with prior approval of the preference shareholders and such change shall be disseminated to the public through announcement at PSX.
- D. The Company shall issue only fully paid shares.
- E. The Company shall not amend, alter, vary or reassess the terms and conditions of the issue without approval of the preference shares holders and the Commission.
- F. In case the issuer claims that the preference shares being issued by it are Shariah Compliant then it shall also obtain approval of the Commission under the Shariah Governance Regulations, 2018.
- G. The Company shall intimate the Commission and the securities exchange about issuance of shares within seven days of the issuance.
- H. The Company shall within 30 days from the date of issuance of preference shares submit a report to the Commission along with the allotment register clearly indicating names of the directors, associated companies, banks and financial institutions.
- I. The company shall at all times comply with the applicable regulatory framework.
- J. The following disclaimer shall be made in the approval letter:

4. Please note that this approval is being given based on the documents / information submitted to this office and hence the Commission bears no responsibility whatsoever for the, express or implied, agreement(s) executed between the Company and the person(s) to whom shares are proposed to be issued.

5. Please acknowledge receipt.

Regards,

*Saima Ahrar*  
Saima Ahrar  
Joint Director

CC:

- i. The CEO, PSX, Stock Exchange Building, Stock Exchange Road, Karachi – 74000.
- ii. The CEO, CDC House, 99-B, Block B, S.M.C.H.S, Main Shahr-e-Faisal, Karachi
- iii. Registrar of Companies, CRO Lahore.