



PAKISTAN STOCK EXCHANGE LIMITED

PSX/N-322

NOTICE

March 21, 2019

Reproduced hereunder Order dated March 20, 2019 passed by Commission whereby Commission has dropped the winding up proceedings initiated through Show Cause Notice under Section 309 read with Section 305 of the Companies Ordinance, 1984 w.r.t. S.G Power Limited, for information of all concerned.

(Copy of the same is also available on our Website www.Psx.com.pk)



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

S. G. Power Limited

Number and date of notice: CSD/ARN/201/2015-378-84 dated August 24, 2015

Date of hearings: September 14, 2015, November 20, 2015,
February 15, 2016, May 9, 2016, May 26, 2016,
December 21, 2016, March 22, 2017, April 17, 2017,
July 17, 2017, August 16, 2017, August 22, 2017,
November 29, 2017, December 21, 2017, January 4, 2018,
March 21, 2018 and July 2, 2018.

Representation: Mr. M. Javed Panni
Chief Executive, MJ Panni Associates
(Authorized Representative)

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 August 24, 2015 under Section 309 read with Section 305 of the Companies Ordinance, 1984 (the "Ordinance") issued to S. G. Power Limited (the "Company") and its directors hereinafter referred to as Respondents.

2. The facts leading to this case, briefly stated, are that the Company Registration Office Karachi, has requested 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 grounds that the Company's business has been suspended since 2006.

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117



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 1 -

3. Show cause notice dated August 24, 2015 was served on the Company and its directors under Section 309 read with Section 305 of the Ordinance indicating the aforesaid grounds to present a petition for winding up of the Company.

4. In order to provide opportunity of personal hearing, the case was fixed on September 14, 2015. Mr. M. Javed Panni, Chief Executive, M.J Panni & Associates (the "Authorized Representative") through letter dated September 10, 2015 responded that they have requested the Company directors to prepare and submit the revival plan of the Company so as to start its operations activities in the foreseeable future and requested that the hearing may be fixed at a later date. The next hearing was fixed on November 20, 2015 and the authorized representative attended the hearing wherein he submitted that company is considering to start new business. He further submitted that the revival is connected with sister concern S.G. Allied Business Limited (the called S.G. Fibre Limited). Further time was requested for more submissions. The next hearing in the matter was held on February 15, 2016 which was attended by the authorized representative and submitted the following reply on behalf of the Directors of the Company:

- i. *The Company used to supply power to its sole buyer M/s S.G Fibre Limited, a sister concern. Due to adverse market conditions faced by SG Fibre, its plant was shut down in December 2006. As a result, SG Power had no option but to shut down its operations and ever since then the plant remains shut force majeure;*
- ii. *The Company will be able to restart its operation once S.G. Fibre goes into a new line of business as being planned by the sister concern. Revival of S.G. Fibre is in hand.*
- iii. *At the last hearing, it was explained to the Executive Director that as soon as S.G. Fibre restarts its operations, S.G. Power will start generating/supplying powers to the sister concern. The Executive Director desired that we should produce resolution of Board of Directors of S.G. Fibre Limited for starting a new line of business.*
- iv. *A meeting of the Board of Directors of S.G. Fibre has been held on 3.12.2015 in which new line of business was considered and has been decided that Company may establish cold storage facilities, enter into trading of fruits and vegetables and cultivation of indoor vegetables, herbs, etc, For entering into new line of business.*
- v. *M/S Muniff Ziauddin & Co, Chartered Accountants have been engaged as consultant to prepare the feasibility report. The feasibility report is expected to be received by the end of March, 2016.*



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 2 -

229

vi. *The Company will submit its revival plant by June 30, 2016, by when the Company will have better idea if power needs of the sister concern.*

5. The authorized representative was advised through letter dated February 16, 2016 to provide an undertaking from the chief executive of the Company that no assets of the Company will be sold before submission of revival plans and feasibility reports. The authorized representative through letter dated February 22, 2016 provided the same.

6. Hearing in the matter was fixed again on May 9, 2016. On request of the authorized representative, the hearing was adjourned and next hearing was fixed on May 26, 2016. The authorized representative attended the hearing and submitted the following written reply on behalf of directors of the company:

- i. *The Company used to supply power to its sole buyer M/s S.G. Fibre, a sister concern. Due to adverse market conditions faced by S.G. Fibre, its plant was shut down its operations and ever since then the plant remains shut force majeure.*
- ii. *The Board of Directors of S.G. Fibre Ltd have approved the proposal to enter into new lines of businesses and alterations in the Memorandum of Association will be approved by the shareholders in EOGM called on June 6, 2016.*
- iii. *As soon as the cold storage facilities are installed, the electricity generation will be started by the Company. This may take a period of 4 months or so.*

7. The Commission through letter dated May 30, 2016 required further information/documents from the Company including undertaking signed by all directors of the Company that no land and building of the Company will be sold and proceeds from sale of old machinery will be utilized solely for new line of business. It was further asked to provide a business plan signed by all the directors of the Company and that as soon as cold storage facilities are installed at S.G. Allied Business Limited (then called S.G. Fibre Limited), power generation will be started by the Company. The authorized reply submitted his reply dated June 30, 2016 to the aforesaid letter along with necessary documents.

8. Another hearing was fixed on December 21, 2016. The authorized representative of the company attended the hearing and submitted that the only customer of the Company is S.G. Allied Business

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317



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 3 -

Limited (then called S.G. Fibre Limited) and on revival of the aforementioned sister concern, the Company will start production of power. The matter was adjourned till February 28, 2017.

9. Next hearing in the matter was held on March 22, 2017 which was adjourned at the request of the authorized representative. Thus hearing was again fixed on April 17, 2017. The authorized representative of the Company attended the hearing and requested further time for revival. A two months time was allowed. Another hearing in the matter was fixed on July 17, 2017 which was adjourned at the request of the authorized representative who submitted vide his letter dated July 14, 2017 that they have advised the management of the Company to prepare the expansion plan for power generators to meet requirements of S.G. Allied Business Limited (then called S.G. Fibre Limited) and that feasibility report is under preparation and would be submitted in due course of time.

10. In view of the aforesaid, next hearing in the matter was fixed on August 16, 2017 which was not responded and hearing was again fixed on August 28, 2017. The authorized representative appeared on the hearing date and submitted a revival/ expansion plan for the Company. He requested time till December 31, 2017 which was granted. Further hearing in the matter was fixed on November 29, 2017 and December 21, 2017 which were not attended by anyone. However, next hearing dated January 4, 2018 was attended by the authorized representative wherein he submitted written submissions as follows:

"The Company is sister concern of S.G. Allied Businesses Limited (SGABL). The Company has re-started its operation and is on path of revival. SGABL has already set-up a new pilot project of Cold Storage. As a result, sale of electricity to the sister concern has commenced and revenue of Rs.500,000 for the month of May and June 2017. On coming into operation, the Company has acquired 2 new generators (one 30 KW and other 100 KW) worth Rs.3.664 million. When Phase II and Phase III of SGABL comes into operation, the old generators will be disposed off and replaced with new ones to meet the requirement of the sister concern. The Revival Plan of the Company has already been submitted to the Commission vide letter dated August 16, 2017.

As the Company is now on the path of recovery, it is prayed that the show-cause notice may kindly be withdrawn and no penal action be taken against the Company and its directors."



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 4

11. Next hearing in the matter was held fixed on March 21, 2018 which was adjourned at the request of the authorize representative. The final hearing in the matter was fixed on July 2, 2018 wherein the authorized representative presented the following written submissions:

"On behalf of the Company, we would like to make the following submissions:

1) *The Company is producing electricity to meet the current demand of S.G. Allied Businesses Ltd (sister concern) (SGABL). For this purpose two new generators with capacity of 30 KW and 100 KW are fully operational.*

2) *Financial results for 9 month ended March 31, 2018 have been as follows:*

(Rs.)

| | | |
|---|-----------------------------------|-------------|
| 1 | Sale | 1,350,000 |
| 2 | Cost of sales | (1,333,458) |
| 3 | Gross Profit | 16,542 |
| 4 | Administrative & Selling Expenses | (3,863) |
| 5 | Operating Profit | 12,679 |
| 6 | Loss after taxation | (80,433) |

3) *S.G. Allied Businesses cold storage expansion project (Phase-II) is underway and it is expected to come into commercial operation by October/November, 2018.*

4) *In the area of vertical farming at SGABL, trial production has commenced and commercial operation will start in a couple of months.*

5) *It is planned to acquire another two new generators of the same capacity to meet the additional electricity demand of the sister concern for new cold storage facilities and indoor vertical farming.*

6) *The Company is now well on path of revival and the management is confident that the Company will become fully operational by the end of 2018 or early 2019.*

In light of these facts, it is prayed that show cause notice under section 309 may be withdrawn.

12. The authorized representative through his letter dated December 7, 2018 provided further submissions as follows:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 5 -

- i. "The associated company, M/S S.G. Allied Business Ltd (SGAB), have undertaken new lines of businesses and established cold storage facilities and vertical farming facilities for production of herbs and vegetables.
- ii. With undertaking of new businesses by the associated company, the Company has acquired new generators and is providing the required electricity to the associated company as per their requirement.
- iii. The construction of 2nd phase of cold storage of SGAB is in progress and the management is hopeful that, the new storage capacity will be in commercial operation shortly. Thus power sale by the Company will further increase.
- iv. The Company is following its Revival Plan submitted to the Commission in August 2017.
- v. Current generators capacity of 220 KW is sufficient to cater to the need of SGABL. Company's current priority is to ensure smooth supply of electricity and in case of gas shutdown, which the Company is currently facing, SSGC not being able to supply gas from December to February. In view of the same, three diesel generators will be installed in the near future.
- vi. The financial results for the year ended June 30, 2018 have been as follows:

(Rs)

| | | |
|---|-------------------------------|-----------|
| 1 | Sale of electricity | 1,750,000 |
| 2 | Electricity Generation cost | 4,329,901 |
| 3 | Administrative & selling Exp. | 247,959 |
| 4 | Financial charges | 94,920 |
| 5 | Loss per share | (0.12) |

In light of the above submission it is prayed that show cause notice under section 309 of the Companies Ordinance, 1984, may kindly be withdrawn.

13. I have analyzed the facts of the case, the arguments made during the hearing proceedings and the written submissions of the Company. I have noted that the Company has been able to revive its operations and has reported sales of Rs.2,384,921 in the six months period ended December 31, 2018.

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6/7/1



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 6

14. In terms of notification S.R.O 1003(I)/2015 dated October 15, 2015 the power to adjudicated cases under Section 309 of the Ordinance has been delegated to Executive Director (Corporate Supervision Department).

15. From the facts stated above and after careful consideration I have observed that the Company has revived its operations and thus removed the grounds on which the SCN was issued, therefore I see no reason to sanction the winding up of the Company when the grounds alleged in the SCN no longer exist. Therefore, under the powers conferred upon me, I, hereby conclude that the proceedings initiated against the Company be dropped with no further action.

Abid Hussain
Executive Director

Announced:
March 20, 2019
Islamabad

7/7