



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
PROFESSIONAL SERVICES & POLICY DIVISION**

GUIDELINES FOR ISSUE OF SHARES AT A DISCOUNT

These Guidelines will apply to issue of shares at a discount by any company to whom the Companies (Issue of Capital) Rules, 1996 apply.

2. The following policy would be followed by the Commission while considering the applications for issue of shares at a discount: -

(a) Discount shall be allowed if the financial projections establish that injection of fresh capital will result in enough profits enabling the Company to amortize the discount within a period of not more than 5 year.

¹(b) A banking company proposing to issue shares at a discount shall be required to obtain prior approval of the State Bank of Pakistan and a copy of the consent letter shall be provided to the Commission while seeking approval under section 84 of the Companies Ordinance, 1984.

(c) Commission may impose such conditions as it may deem fit while granting sanction under section 84 of the Companies Ordinance. Such conditions may include the following:-

- (i) that shares allotted to sponsors and directors at a discount shall not be disposed of by allottees for a period of three years.
- (ii) that the percentage of shares held by the directors shall not increase as a consequence of allotment made otherwise than by way of right offer.

¹ Amended by the Commission in its meeting held on 31st May, 2011



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3. The issuers desirous of issuing shares at a discount shall accordingly submit adequate information/documents requisite, as below, for an early decision by the Commission whether to grant or not to grant the sanction applied for under sub-section (2) of section 84 of the Companies Ordinance 1984: -

A. Issue at discount to existing shareholders as a right issue.

(i) a statement signed by all the directors of the Company (except the nominee directors), who were present at the board meeting in which the issue of shares at discount was decided upon stating that the funds in question are essentially required and they have explored all other avenues of funding available and shares at a discount are being issued as a last resort.

(ii) the detail of issue of shares at par or at a discount in the last five years stating purpose, utilization of funds and benefits arisen to the Company and its shareholders. The amount of capital injected thereby and the increase in profit before tax in consequence thereof shall be stated.

(iii) A certified copy of the notice of general meeting published and circulated among the shareholders.

(iv) A copy of the statement annexed to the said notice in pursuance of section 160 (1)(b) *ibid*; setting out information required under that section and containing all the material facts concerning the issue of shares at discount, including the matters listed in these guidelines.



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- (v) A certified copy of resolution passed in the general meeting authorizing issue of shares at discount.
- (vi) A certified copy of minutes of the respective general meeting indicating the number of shareholders present in person or through proxies.
- (vii) A certified copy of the underwriting agreement which shall *inter alia* contain a clause that the underwriter shall subscribe or arrange to subscribe any unsubscribed portion of the offer within fifteen days of being called upon to do so by the company alongwith a copy of due diligence report by underwriters. It should be mandatory on the issuer to make available at its registered office for inspection, the due diligence report of the underwriters.
- (viii) A copy of financial plan, projections and others information as listed in rule 5(ii) of the Companies (Issue of Capital) Rules, 1996 alongwith the schedule of discount amortization.
- (ix) In case of discount more than 10 percent, a copy of the project appraisal report by a Development Financial Institution, a commercial bank or an investment bank.
- (x) Break-up value of the Company's share at the end of last financial year as determined by the auditor. In case of discount exceeding 10 percent, breakup value of shares based on valuation of assets by a consulting engineer registered with Pakistan Engineering Council may also be provided.
- (xi) Audited annual accounts for the last three years alongwith latest half yearly and quarterly accounts.



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(xii) Turnover details and market share price of Company's share during preceding 6 months.

(xiii) Details of advances/loans to the associated companies and directors during preceding three years and justification thereof.

(xiv) Latest pattern of shareholding and variation in shareholding of the shareholders, having 10% or more shares in the company in the last six months and after the proposed issue.

B. Issue of shares at discount by way of other than right offer.

In addition to requirements laid in foregoing paragraph "A" above, companies will be required to submit: -

- (i) Significance of the project and its national importance, if that forms the basis for the application.
- (ii) If an arrangement has been made with a person to whom shares are proposed to be allotted, a copy of the agreement/ consent of that person.