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Dewan Group nears revival, submits debt restructuring plan to creditors

By Javed Mirza

KARACHI: Dewan Group has finally shown willingness to revive itself by submitting a debt restructuring plan to its creditors, which entails the sale of four companies and shareholding in Dewan Petroleum.

According to the proposal made available to The News, Dewan Mushtaq Group has offered a two-pronged, mutually beneficial debt restructuring plan to the steering committee of banks. The committee, headed by Habib Bank President Zakir Mehmood, comprises more than a dozen banks, which have around Rs50 billion outstanding loan on the group. The revival plan involves immediate respite in working capital and restructuring of the existing outstanding loan.

Dewan Group, plunged into a financial crisis after a rift emerged between the two brothers, Dewan Yousaf and Dewan Zia. Zia, obtaining all the financing on his repute, later part his ways from the group and established Dewan Petroleum (Pvt.) Limited. After Zia's departure, the banks stopped financing the group, brining operations of the companies to a halt.

The proposal said that the immediate respite strategy would give a head-start to the companies in terms of market standing, fully operational plants and well-established supply line, which will go a long way in maintaining the sustainable level of debt within the acceptable limits.

The group has proposed to have well-structured, self-liquidating, short-term working capital facilities of Rs7.310 billion for sugar, textiles, automotives and fibre divisions. This will be in addition to a no objection certificate in favour of Lotte Pakistan to use one of the four lines of Dewan Salman Fibres Limited on a tolling basis.

The group has proposed to dispose of two sugar units, Bawany Sugar and Khoski Sugar, to achieve a viable and sustainable debt restructuring, which is in the interest of all the stakeholders.

The Bawany Sugar has been sold at Rs500 million to Omni Group, led by Anwar Majeed, and the proceeds will go directly to the banks. Khoski Sugar, which is a part of Dewan Sugar Mills, will be sold with the consent of the creditors and financial institutions, holding charge on all the assets of the mills.

The group has also asked the creditors' committee to dispose of Dewan Cement South, formerly Pakland Cement, and Dewan Cement North, formerly Saadi Cement.

Omni Group has expressed interest in acquiring both and the sale proceeds will go directly to the banks to reduce the debt.

The group has also offered Dewan Salman Fibres' all 30 percent stake in Dewan Petroleum Limited to the banks at fair market value.

DeGolyer and Macnaughton Canada has assessed this 30 percent shareholding, on the basis of proven reserves, at $148 million and if the probable and possible reserves are included, the value is estimated to be $216 million.

The group has offered the stake at a five percent discount, which comes to $180 million or Rs15.3 billion.

Dewan Group has sought the restoration and continuation of working capital lines to its companies and the availability of credit lines to ensure smooth recovery.

It proposes to reschedule the remaining debt on a sustainable basis. The loan outstanding against the units, other than the Dewan Cement and Khoski Sugar, may be converted into long-term loans to be repaid during a period of 10 to 12 years with three years grace period, it was proposed.

The group has appointed Burj Capital and Crosby Markets (Private) Limited as their

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adviser-consultants to deal with the banks.

Sources criticised the State Bank of Pakistan for staying away during the entire course and watched the debt swelling to around Rs50 billion.

According to the proposal, Dewan Sugar Mills Limited requires Rs200 million as start-up cost, Rs135 million as overdraft facility, Rs650 million as sugar pledge financing, Rs100 million cash finance for distillery and Rs80 million LC facility for polypropylene.

Dewan Farooque Motors Limited requires Rs150 million in December and Rs100 million in January as working capital requirements in the form of demand loan, LC facility of Rs1 billion and Rs400 million financing against imported merchandise.

Dewan Salman Fibres Limited requires LC facility of Rs1.215 billion for PSF, Rs765 million for ASF for the first quarter of operations, which will drop down to Rs400 million from there on and Rs400 million LC facility for PTA.

Dewam Salman Fibres also requires demand of loan of Rs615 million for the commencement of operations and interest will be serviced on a quarterly basis at the rate of 14 percent per annum.

Dewan Textiles requires Rs1.1 billion LC facility against the pledge of cotton and Rs200 million financing for local, foreign bill discounting against pledge of yarn.

Dewan Khalid Textiles needs Rs100 million LC facility and Rs50 million financing for bill discounting against pledge.

Dewan Mushtaq Textiles requires Rs100 million LC financing and Rs50 million bill discounting financing, while Dewan Farooque Spinning Mills needs Rs200 million LC financing and Rs100 million bill discounting financing.

There are hundreds of law suits pending in the courts by the lending banks against the group and against banks by the group, which are a hurdle in the approval of this proposal.

The sources said that a number of banks, including the MCB Bank are still not aware of this proposal as the steering committee has not circulated the proposal among a number of the lending banks.