



Before Mr. Abid Hussain, Executive Director

In the matter of

M/s. Adil Textile Mills Limited

Number and date of show cause notice
Date of Hearing
Present

EMD/233/72/02 dated June 30, 2009
August 03, 2016
Mr. M. Ikhwan Younas, Account Manager,
Ms. Hamdia Haq, legal representative

ORDER

Under Section 309 read with Section 305 of the Companies Ordinance, 1984

This order will dispose of the proceedings in the matter of show cause notice Section 309 read with Section 305 of the Companies Ordinance, 1984 ("the Ordinance") issued to the following Directors of Adil Textile Mills Limited ("the Company"):

S.N.	Name of Director
1.	Mr. Adil Mehmood, Chief Executive
2.	Mr. Aqeel Ahmad, Director
3.	Mr. Rizwan Hameed, Director
4.	Mr. Zulfiqar Ali, Director
5.	Ms. Nusrat Shaheen, Director
6.	Mr. Shahid Qureshi, Director
7.	Mr. Saqib Masood, Director

2. The facts leading to the case, briefly narrated that the Company Registration Office ("CRO") approached this office for grant of sanction in terms of clause (b) of Section 309 read with Section 305 of the Ordinance to present a petition to the honorable Court for winding up the Company on the grounds that the Company had suspended business since September 2007 and that the management had no intention to resume its operations. Moreover, the auditors, in their audit report on accounts of the Company for year ended June 30, 2008, expressed disclaimer opinion indicating material uncertainty and significant doubts on the ability of the Company to continue as going concern.

3. Show cause notice dated June 30, 2009 was served on the Company indicating the aforesaid grounds to present a petition of winding up of the Company. The Company failed to provide written submissions in



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response to the said show cause notice. In order to provide an opportunity of personal hearing, the matter was fixed before the then authorized officer, Mr. Ali Azeem Ikram, on May 26, 2011. On request of Mr. Javed Panni, authorized representative of the Company, the hearing was re-fixed on June 16, 2011. On the date of hearing the authorized representative submitted personally and in written form that the Company was shut down due to crisis prevailing in textile industry and the size of the Company is no more viable to operate. Also, the Company admitted to dismissal financial position of the Company, i.e. paying off routine expenses through sale of raw material, accumulated losses to the extent of 274. 164 million and outstanding bank loan to extent of Rs. 128.332 million, owing to which commercial banks are not willing to provide financing. The Company requested time period of six months i.e. till December 2011 and consequently again requested additional time i.e. till June 30 2012 to prepare and submit revival plan. The Company was however directed to submit revival plan by February 15, 2012 and hearing was fixed on March 21, 2013. Thereafter, additional time till December 31, 2013 was given to submit revival plan. The Company however failed to provide the same despite lapse of said timeline and was issued reminders dated February 26, 2014 and September 05, 2014. The Company submitted financial projections, through its letter dated September 30, 2014, reflecting profits from year 2016. It was also stated that the sponsors have injected funds for resuming operations and directors are in process of negotiations with financial institutions for restructuring loans which is expected to bear positive results. The said financial projections were certified as approved by board of directors on August 2014. The Company, vide letter dated September 17, 2014, was asked to clarify the said projection by providing underlying assumptions, evidence of receipt of funds from sponsors, details of sales for period July to September 2014 and copy of loan agreement between directors and Company. The Company failed to respond to said queries despite reminders on October 29, 2014 and April 22, 2015. On repeated requests of the Company to adjourn hearing opportunities, a final opportunity was given on August 03, 2016. Mr. M. Ikhwan Younus, account manager of the Company and Ms. Hamdia Haq, legal representative (collectively called representatives of Company) appeared before the undersigned reiterating their earlier submissions that sponsors have injected funds, machinery is renovated, considerable progress has been made since 2014 and sought extension in time for revival. However the representatives of the Company failed to cross verify their submissions with the financial statements for periods 2014-2015, failed to provide evidence of funds injected through any financial statements, substantive grounds demonstrating revival of plant and machinery or any other substantial evidence that could reflect intention or action of the Company to revive the operations. Subsequent to hearing, the Company gave additional submissions that included, in addition to reiterating its submissions, the following:

- a) evidence of payment of electricity and gas bills
- b) quotations called for repair work in 2014



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- c) invoice of purchase of cable in 2014
- d) payment of outstanding annual listing fee to Pakistan Stock Exchange (January 2016)
- e) notice of eligibility of shares of the Company eligible for induction in Central Depository System (2016)
- f) copy of FIR dated September 29, 2010 pertaining to theft of machinery parts that impeded operations of the Company.
- g) final submission that the Company had invested huge amount to restart operations however was unable to do so owing to electricity connection problems and thus require another year for revival of mill.

4. 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).

5. Before proceeding any further, it is imperative to mention some important facts. The Company is a public limited company, incorporated under the Ordinance in 1989 and its shares were listed on then Karachi Stock Exchange now Pakistan Stock Exchange. The principal business of the Company is manufacturing and sale of yarn. The records of this Commission already enumerated above, reflect incapability to revive the operations of the Company for almost a decade i.e. since 2007. Also, the Company despite being given ample time, i.e. of almost 7 years, deliberately submitted a rather bogus revival plan in 2014 falsely depicting resumption of operations/ profitability from 2016, devoid of any reasonable assumptions /fulfillment of obligations for revival of plant & machinery or demonstrable commitments from the directors/ financing from banks. In 2016, the Company in an attempt to mislead Commission once again, submitted bills/quotations/invoices related to year 2014 and copy of FIR regarding machinery parts theft dated 2010 to validate intentions to restart operations and at the same time sought another year for reviving operations on pretext of electricity connection problems. Needless to mention that mere payment of outstanding fee to PSX/ CDC does not demonstrate financial viability or operational restoration.

6. In the audit report to shareholders for year ended June 30, 2015 by Kamran & Co. Chartered Accountants, the auditor, has observed that the Company has incurred a loss (before writing back liabilities) of Rs.12.36 million, its accumulated losses are Rs. 385.27 million and its current liabilities exceeds its current assets by 181.76 million. The auditor also observed non-compliance with International Accounting Standards



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(IAS), inappropriate going concern assumption, non-confirmation of lease liabilities, loans and parties balances, adverse key financial ratios, discontinuance of operations, non-verification of stock in hand and fixed assets and retirement of key personnel thereby giving opinion that books of accounts have not been kept as required under Companies Ordinance, 1984 and expressed disclaimer of opinion. Directors' report for the aforesaid period does not appropriately respond to the said observations of auditors, merely repeats closure of mills owing to energy crisis, stating further that it intends to resume operations but requires Rs. 100 million and is in process of hiring GM. Interim reports for periods September 2015- March 2016 were not filed.

7. There are no substantive grounds or underlying records i.e. financial statements/ financial plans/ submissions etc. that could be construed as intention or commitment of the directors for revival of the Company since closure of operations in 2007. After considering explanation provided by the directors, facts placed before me by the Department and carefully reviewing circumstances of the case, I am of the view that the Company is liable to be wound up since its business has been suspended since 2007 and it has failed to demonstrate that the same shall be revived.

8. For the foregoing, I, in exercise of the powers conferred on me under Section 309 of the Ordinance hereby authorize the Registrar, Company Registration Office Lahore, to present a petition for winding up of Adil Textile Mills Limited.

Abid Hussain
Executive Director
Corporate Supervision Department

Announced:

October 06, 2016