



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

*Say no to corruption*

No. CSD/ARN/234/2015- 448

October 20, 2022

Board of Directors,  
Dar es Salam Textile Mills Limited.  
Through the Chief Executive  
House No. 37, Street No. 14,  
Cavalry Ground,  
Lahore Cantt

**Subject:** In the matter of Show Cause Notice dated February 21, 2019 under Section 301 of the Companies Act, 2017 and Section 304 thereof - Dar es Salaam Textile Mills Limited

Dear All,

Please find enclosed, herewith, copy of the order passed by Mr. Abid Hussain, Executive Director, Head of Department (Adjudication Department-I) for your record and necessary action.

Regards,

  
20.10.2022.

Muhammad Anwar Hashmi  
Additional Joint Director

*Annexed: As above*





# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I Adjudication Division

*SAY NO TO CORRUPTION*

Before

**Abid Hussain - Executive Director/ Head of Department**

*In the matter of*

**Dar es Salaam Textile Mills Limited**

Show Cause Notice No. & Date      No.CSD/ARN/234/2015-2867 dated February 21, 2019

Dates of Hearings:                      March 20, 2019, August 26, 2019, September 2, 2019, October 6, 2020, November 11, 2020, November 25, 2020, December 16, 2020, January 22, 2021, July 27, 2021, September 3, 2021, November 8, 2021, December 2, 2021, December 14, 2021, January 3, 2022, April 12, 2022, and October 7, 2022

Hearing attended by:                      Ms. Abida Mukhtar, Chief Executive

### ORDER

**Under clause (m) of Section 301 read with clause (b) of Section 304 of the Companies Act, 2017**

This Order shall dispose of the proceedings initiated through Show Cause Notice No.CSD/ARN/234/2015-2867 dated February 21, 2019 (the SCN), under clause (m) of Section 301 read with clause (b) of Section 304 of the Companies Act, 2017 (the Act), issued to the Board of Directors and Dar es Salaam Textile Mills Limited (the Company) through its Chief Executive, hereinafter collectively referred to as the Respondents.

2. Brief facts of the case are that the Company is a public limited company incorporated in Pakistan on September 28, 1989. The Company is engaged in the business to manufacture and sale of yarn. The shares of the Company are listed at Pakistan Stock Exchange (PSX). As per the available information, the Company suspended its operations during the year ended June 30, 2016 as reported by the directors in their report to the members. The Additional Registrar of Companies, Company Registration Office, Lahore approached this Commission for grant of sanction in terms of clause (b) of Section 304 of the Act read with clause (m) of Section 301 of the Act to present a petition before the honorable High Court for winding-up of the Company on the ground that business operations of the Company remained suspended since the year ended June 30, 2016.

3. In view of the above, proceedings under Sections 301 and Section 304 of the Act were initiated against the Respondents through the aforesaid SCN requiring them to show cause as to why petition for winding-up of the Company may not be presented by the Registrar before



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the honorable Court. While issuing SCN, a hearing in the matter was also fixed which was scheduled to be held on March 20, 2019.

4. In response to the SCN, the Company Secretary through letter dated March 13, 2019 requested adjournment as concerned director was out of country.

5. In order to provide the opportunity of hearing to the Respondents, the matter was again fixed for August 26, 2019, September 2, 2019, October 6, 2020, November 11, 2020, November 25, 2020 and December 16, 2020. Hearings on the said dates could not be convened due to adjournment requests from the Respondents on one or the other reasons. Thereafter, hearing in the matter was fixed for January 22, 2021. On the date of hearing, Ms. Abida Mukhtar, Chief Executive, appeared. During the hearing, she, *inter alia*, submitted that:

- (i) the management is devising up strategy for revival plan.
- (ii) the Company is generating revenues from rental income. In this regard, approvals of shareholders and from UBL were sought.
- (iii) we want to exit from textile business due to general crisis and want to change line of business as per Memorandum of Association (MOA) / Articles of Association (AOA) and as per provisions of the Act.
- (iv) we entered into a transaction of sale of the Company with a perspective buyer, however, due to COVID-19 and delay in obtaining approval of creditors the deal was not materialized.

6. Subsequent to the aforesaid hearing, the Chief Executive, through letter dated February 3, 2021, *inter alia*, submitted that:

*"This is in reference to the meeting held via zoom on January 22 2021 regarding the above-mentioned subject.*

*It is submitted that the Company was asked to explain its way forward regarding its revival of its main line of business. Ms. Abida Mukhtar, the Director and CEO of the Company during the proceedings of hearing apprised you that the management had been exploring the options for potential investments, joint venture, / partnership etc. to overcome the crisis being faced by the Company. However, given the Covid-19 pandemic, it could not be able to solidify any such transaction. In order to ensure continuity of the Company, the management held an Extraordinary General Meeting on April 20<sup>th</sup> 2020 to seek shareholders' consent to lease out the Company premises in absence of any serious buyer.*

*In the Extraordinary General Meeting held on April 20<sup>th</sup> 2020, the management sought approval from the shareholders to lease out the land & building to meet its cash flow requirements and to pay/settle its liabilities towards creditors and lenders if cash flows of the Company permit to do so. The management has been successful in generating funds through leasing the premises. The Company earned a net profit of Rupees 1.68 million in its first quarter ending September 30<sup>th</sup> 2020 and improved its ratios especially Earnings Per Share from negative to positive. The management has also settled its liabilities of Rupees 2 million in a short span of three months through its rental income. Moreover, the management is well aware of the interest of shareholders and striving hard for the revival of the Company by creating source of income which would result in future profits for distribution as dividend to the shareholders. It is hopeful to pay out a dividend to its shareholder in 2022 as well. Given the positive returns of*





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*leasing out its premises, the management is considering to construct additional warehouses to further increase its income. It is pertinent to mention here that the management of the Company has already applied to seek approval from Tehsil Municipal Authority (TMA) for further construction (please see attached documents) and the Company is also considering to change its main line of business from manufacturing to warehousing to revive the Company into a profitable enterprise and in the best interest of the shareholders.*

*It is reiterated that sponsors of the Company are committed to ensure the continuity of the Company and have already injected more than Rupees 100 million in the Company in the form of interest free loan to meet its cashflow requirements and to settle its liabilities. Despite the economic turmoil brought by the Covid-19 pandemic, the management feels that it is working diligently to overcome the challenges. It hopes to seek approval for change of business which will ensure the revival of the Company."*

7. In order to seek updated status, the matter was again fixed for hearing on July 27, 2021, September 3, 2021, November 8, 2021, and December 2, 2021. The aforesaid hearings were not attended by the Respondents. The Company Secretary through letter dated December 1, 2021 informed that the Chief Executive was not available to attend the hearing and requested to adjourn the hearing fixed for December 2, 2021. Keeping in view, hearing in the matter was again fixed for December 14, 2021. However, no one appeared. A hearing in the matter was again fixed for January 3, 2022. On the date of hearing, Ms. Abida Mukhtar, Chief Executive appeared. She reiterated her earlier stance and, *inter alia*, submitted that:

- (i) The management is evaluating its plan to engage in real estate business;
- (ii) The Company possess cash proceeds through sale of plant which would be utilized to revive the operations and business of the Company;

She was advised to provide copy of revival plan and necessary approvals.

8. Subsequent to aforesaid hearing, the Chief Executive, through letter dated January 7, 2022, *inter alia*, provided the updated status of the steps taken for revival of the Company and stated in the following manner:

*"Dar es Salaam Textile Mills Limited, based in Muridke, Sheikhpura district, was set up as a spinning unit in 1989. The Company was listed on the Pakistan Stock Exchange Limited (then Karachi Stock Exchange (Guarantee) Limited). It started its production with 12,480 spindles in 1989 and in 1992, the production capacity was enhanced to 16,320 spindles. Over its two decades of checkered growth; it experienced remarkable returns in early 2000 to extremely challenging times in recent years.*

*In Fiscal Year 2013-14, the Company suffered electricity disconnection from August 2013 to November 2013 owing to floods in the area that resulted in reduced production and higher costs. Moreover, due to deteriorating market conditions, pressure from all creditors – banks and market, reduced market demand, the management shut down operations of the Company in August 2014. The management tried to raise working capital to restart operations via foreign investment, however given the circumstances of the textile industry in Pakistan and country risk, the deal fell through. With the increasing pressure of banks to service its debt, the management felt that the most viable solution would be to sell the unit to a credible party. The old management entered into a rental agreement with Sally Textile with the understanding of future sale. Unfortunately, due to Sally Textile's inability to satisfy the lead lender, the deal fell*



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through. Sally Textile officially withdrew their Public Offer on 28<sup>th</sup> November 2016. After the rescinding of the Public Offer, the original stakeholders with new management took back physical possession of the unit in March 2017.

After repossession, the new management initially tried to sell the company to other textiles, however given the overall economic condition of the sector in 2017, it was an unsurmountable task. Therefore, by end of fiscal year 2018, the management assessed the liquidity requirements of the Company, keeping in mind the market conditions, and obtained approval in April 2018 to sell freehold land, buildings, plant and machinery and stores and spares, to revive the company by entering into trading of man made fibers (including but not limited to polyester, viscose and acrylic), yarn and shares. Although the management successfully sold the plant and machinery in the fiscal year 2018-2019 and paid off some of its creditors, it was unable to sell the land & building at a desired price. The foremost reason for the delay in sale of land and building was the global pandemic of Covid 19. Nonetheless, the management was successful in letting out some of its warehouses and in the last quarter of 2020, after much deliberation, the management of the Company decided to hold an Extra Ordinary General Meeting on April 20, 2020. The meeting was held to obtain approval from shareholders for leasing out the premises. The management felt that until an offer arises from a party for its land and building, it is essential for it to generate income to meet cashflow requirements and reduce liabilities. Therefore, in the interim period the management decided to lease out its land and building.

Given the positive returns from rental, the management sought approval to change its main line of business to leasing/warehousing property. The main idea behind changing the main line of business was to revive the Company. Therefore, with regards to the Company, the management held an Extra Ordinary General Meeting on April 15<sup>th</sup>, 2021 and sought approval from the shareholders to change its principal line of business and the name of Company. The management took the decision to change its main line of business as it had seen success in renting/leasing out its premises on a competitive rate and the name change was required as per law.

Subsequent to June 30, 2021; the management witnessed a substantial increase in the value of its land. Therefore, during its AGM, the management felt that it was the opportune time for the Company to seek new investment opportunities as well. If the management was able to dispose of the land and building, it could pay of its debt and yield beneficial returns and better ratios for the Company and its shareholders. Therefore, the management took the decision to change its main line of business as it had seen success in renting/leasing out its premises on a competitive rate and the name change was required as per law.

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The management is excited towards its new line of business as it was successful in selling the land and building at a desired price. The management believes it will take it six to eight months to fully execute the deal and to implement its change of name and new business plan. Please see





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*attached our 5-years plan for the new business line. The management is quite thrilled to be able to revive the company and be a source of motivation for other firms to think outside the box. The management would also like to thank SECP for encouraging the management and being a source of support throughout its challenging times."*

The Company, however, did not share its five years plan along with the aforesaid reply.

9. Next hearing in the matter was fixed for April 12, 2022. Ms. Abida Mukhtar, Chief Executive, appeared. She reiterated her stance for revival of the Company. She was advised to submit progress report for implementation of the revival plan. Subsequent to hearing, the Company through letter dated July 6, 2022 stated that:

*"This is in continuation to our previous quarter period ended March 31, 2022, progress report regarding the resumption / commencement of the business operations, we report that:*

*As reported in our previous progress report dated April 4, 2022 regarding successful disposal of the factory premises comprising of land & building and now the management is concentrating on the recovery of the balance amount of sale price and the settlement of financial obligation thereof.*

*At the time of writing this progress report; recovery of balance amount is being pursued and it is expected that the buyer would clear the amount within next 30 to 45 days. Once the balance amount is fully recovered; then the management will be in a better position to implement the envisaged business plan. We will keep updated the Commission of the progress in this regard."*

10. In order to conclude the instant proceedings, a hearing opportunity in the matter was allowed for October 7, 2022. On the date of hearing, Ms. Abida Mukhtar, Chief Executive, appeared. During the hearing, it was, *inter alia*, submitted that:

- (i) the Company is in the process of the revival, however, winding-up proceedings are hindrance in the said revival.
- (ii) we have revival plans either through (i) start of real estate business or (ii) merger with a group poultry company or (iii) to completely sell off the Company/ induct a strategic investor. The Company is considering these options.
- (iii) the revival is beneficial for all stakeholders and necessary approvals to change the name of the Company and alter MOA/AOA were also sought from the shareholders.
- (iv) the Company has settled Rs. 55 crore debt and its liabilities. We have all No Objection Certificates of creditors.
- (v) the Company took major steps for the purpose of compliance and all Annual General Meetings were held on time.
- (vi) the Company should be given at least 1-2 years for revival and instant proceedings be closed, so that we may revive for the best interest of all stakeholders.

11. Subsequent to the hearing, the Chief Executive, through another letter dated October 10, 2022, *inter alia*, stated that:



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"This is in reference to the meeting held through Zoom on October 7, 2022 regarding the above stated subject and in view of the detailed discussion and also to provide a written record. Our reply is given as under:

As the SECP is aware, the board of Dar es Salaam Textile Limited is an active board that has worked relentlessly towards the revival of the company. Since 2015, the board and management have tried to pay down the debt of the highly leveraged company and turn it into a profitable and viable entity. From trying to sell it as a whole unit i.e., as a textile mill, to selling parts of it, entering into rental contracts to converting it into a real estate entity – the board has tried and tested all routes.

The numerous Extra Ordinary General Meetings held nearly every year since 2018, document the boards efforts. In these EOGMs, the board focused on the disposal of the Plant & Machinery, Land & Building and other assets to generate funds to implement an alternate business plan. The initial plan of yarn trading could not be implemented as the management was only able to partially execute the plan. The main reason was pre covid slowdown of the economy and it being an election year in Pakistan. In the subsequent EOGM, despite the winding up proceedings initiated by SECP in 2019, the board of Directors sought approval for temporary leasing of the premises to meet the daily cash requirements and to reduce the debt. The leasing option proved to be beneficial and the management strategized with the board to increase /add more warehouses on the premises and changing the main line of business toward real estate. Please note that due to the winding up proceeding initiated by SECP; it was a bit cumbersome to proceed with. Nonetheless, the management persistently pursued all avenues.

During this time, the board received an offer to buy the land and building- the offer was substantial enough to pay down the total debt of the company and even its contingent liabilities. The management is proud to say that it cleared all of its debt and paid-off all financial institutions, government and labor dues and trade and market creditors. Please see attached NOCs.

In our recent board meeting held on 5<sup>th</sup> October 2022, after much discussion, the management determined that the real estate option was no longer viable. The main reason is that in the past year, the market has seen a sharp increase in the price of land. Hence, with the funds left over, the real estate projections do not promise a viable option. Therefore, for the management to revive the entity, we have the following options

- 1) Merge with another business – Poultry Farm – Super Bird Pvt and / or
- 2) Sell the entity itself.

For the management to execute either of these options, the management is now requesting in writing to the SECP to withdraw the winding up proceeding initiated against the company. As discussed in our zoom call, by doing so, the SECP will be ensuring that the company remains a listed company that provides employment, pays its taxes and is a profitable entity functioning in Pakistan. We believe we are one of the few teams that have been successful in turning around a highly leveraged company and appreciate the continuous support of SECP."

12. Relevant legal provisions are reproduced as under:

Clause (m) of Section 301 of the Act, *inter alia*, states that:

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NIC Building, Jinnah Avenue, Blue Area, Islamabad, Pakistan  
PABX: 9207091-94 (232), TEL: 92-51-9100472, FAX: 92-51-9100440





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*"A company may be wound up by the Court-  
(m) if a listed company suspended its business for a whole year."*

Clause (b) of Section 304 of the Act, *inter alia*, states as under:

*"An application to the Court for the winding up of a company shall be by petition presented, subject to the provisions of this section, either by the company, or by any creditor or creditors (including any contingent or prospective creditor or creditors), or by any contributory or contributories, or by all or any of the aforesaid parties, together or separately or by the registrar, or by the Commission or by a person authorized by the Commission in that behalf: Provided that- (b) the registrar shall not be entitled to present a petition for the winding up of a company unless the previous sanction of the Commission has been obtained to the presentation of the petition: Provided that no such sanction shall be given unless the company has first been afforded an opportunity of making a representation and of being heard."*

13. I have reviewed the facts of the case and considered the written and oral submissions made by the Respondents during the course of the proceedings. The matter is summarized in the following manner:

- (i) the proceedings initiated through the SCN were primarily based on the grounds that operations of the Company remained suspended for more than a year. It was observed that at no point of time, the Respondents showed their willingness to wind-up the Company rather they exhibited their continuous efforts for its revival through various options.
- (ii) the Respondents are of the view that the Company is generating rental income. As per available information disclosed in its annual audited financial statements for the year ended June 30, 2022, the Company reported rental income of Rs. 11 million (2021: 19.750 million). The Respondents in this regard also submitted that: *The leasing option proved to be beneficial and the management strategized with the board to increase /add more warehouses on the premises and changing the main line of business toward real estate. Please note that due to the winding up proceeding initiated by SECP; it was a bit cumbersome to proceed with. In this regard, I am of the view that the Respondents have proceeded to alter MOA/ AOA of the Company to change the object clause, which ultimately would have bearing on the instant proceedings.*
- (iii) it was informed that the Company paid its liabilities outstanding towards financial institutions and all No Objection Certificates were obtained. The Respondents stated that: *The management is proud to say that it cleared all of its debt and paid-off all financial institutions, government and labor dues and trade and market creditors. The Respondents are also of the view that: Since 2015, the board and management have tried to pay down the debt of the highly leveraged company and turn it into a profitable and viable entity.*
- (iv) the shareholders of the Company in extra ordinary general meeting held on November 20, 2021 approved alternate business plan. In terms of the said plan, the Company intends to engage in leasing / warehousing and in allied real estate business and for the purpose necessary approvals of the shareholders were obtained. The Respondents, however, through the correspondence have stated that: *In our recent board meeting held on 5<sup>th</sup> October 2022, after much discussion, the management determined that the real estate option was no longer viable. The main reason is that in the*



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*past year, the market has seen a sharp increase in the price of land. Hence, with the funds left over, the real estate projections do not promise a viable option. Therefore, for the management to revive the entity, we have the following options (1) Merge with another business – Poultry Farm and / or (2) Sell the entity itself or induct a strategic investor.*

- (v) the Respondents are also of the view that due to the proceedings of winding-up, the Company is unable to proceed further to implement its revival plan and sought time to implement the plan.

14. Considering the stance of the Respondents and available information, I am of the view that opportunity should be provided to the Respondents for revival of the Company's operations in the best interest of the shareholders. I am of the view that to grant sanction to file winding-up petition at this juncture may jeopardize the interests of its shareholders in particular general public which hold 35% shareholding of the Company. Therefore, I hereby drop the proceeding initiated through the SCN without any adverse action. The Board of Directors of the Company (**the Board**), through its Chairman; and all members of the Board including Chief Executive of the Company are, however, advised to implement its revival plan **within one year** from the date of this order to ensure compliance of the requirements of the Act, and also to report progress on implementation of the revival plan, on quarterly basis to PSX for public dissemination and to the Offsite-II Department, Supervision Division of the Commission for its information. The Respondents are also advised to disclose the said quarterly progress in all the upcoming financial statements of the Company including quarterly, half-yearly and annual financial statements.

15. Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for the imposition of penalties in respect of any default, omission, or violation of the Act.

**Abid Hussain**  
Executive Director  
Head of Department  
Adjudication Department-I

**Announced: October 20, 2022**  
Islamabad