



Corporate Supervision Department  
Company Law Division

Before Abid Hussain – Executive Director (CSD)

*In the matter of*

**Dewan Automotive Engineering Limited**

Number and date of Show Cause Notice: CSD/ARN/95/2015-1190-1191 dated November 02, 2015

Cause Notice:

Date of hearings: November 16, 2015, April 06, 2016, April 15, 2016, November 24, 2016, December 12, 2016, December 29, 2016, January 18, 2017, February 06, 2017, April 24, 2017, May 03, 2017 June 23, 2017, October 09, 2017, October 31, 2017, November 08, 2017 June 28, 2018, November 14, 2018 December 03, 2018, and July 25, 2019.

Present: Mr. Haroon Iqbal (CEO & Director), Mr. S. M. Raza (Senior General Manager) and Mr. Muhammad Hanif German (General Manager Group Corporate Affairs)

**ORDER**

**UNDER SECTION 301 READ WITH SECTION 304 OF THE COMPANIES ACT, 2017**  
**(UNDER SECTION 305 READ WITH SECTION 309 OF THE REPEALED COMPANIES**  
**ORDINANCE, 1984**

This Order shall dispose of proceedings, initiated in the matter of Show Cause Notice dated November 02, 2015 ("SCN") under Section 309 read with Section 305 of the repealed Companies Ordinance, 1984 ("repealed Ordinance"), (now recite as Section 301 read with Section 304 of the Companies Act 2017 the "Act"). The said SCN was issued to board of directors and M/s Dewan Automotive Engineering Limited (the "Company") through Chief Executive (collectively referred as "Respondents") of the Company.



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2. The facts leading to this case, briefly stated, are that the Company had suspended its business since year 2011 and had not held its Annual General Meetings ("AGM") for the years ended June 30, 2013 and June 30, 2014. In this regard, Company Registration Office Karachi approached this Office for grant of sanction in terms of the then clause (b) & (c) of Section 305 read with clause (b) of Section 309 of the repealed Ordinance (now clause (c) & (m) of Section 301 read with clause (b) of Section 304 of the Act), to present a petition before the Honorable High Court for winding up of the Company on the ground that

- a. the Company had suspended its business for more than a whole year, and
- b. the Company has failed to convene its AGMs for the year ended June 30, 2013 and 2014.

3. In this regard, a SCN was served upon the Respondents under Section 309 read with Section 305 of the repealed Ordinance indicating the grounds to present a petition for winding up of the Company and to show cause as to why a petition for winding up of the Company may not be presented by the Registrar of the Companies to the Competent Court. Simultaneously, hearing was fixed on November 16, 2015. It was however observed that no reply was received from the Respondents. Subsequently, the Respondents were provided hearing opportunity on April 06, 2016. In response to that, Mr. Haroon Iqbal, CEO & director of the Company vide his letter dated April 05, 2016 requested for adjournment for a week. Considering the request the hearing was re-fixed on April 25, 2016. However, upon request, hearing was held on April 15, 2016. Mr. Haroon Iqbal (CEO & director) and Mr. Muhammad Hanif German (Assistant General Manager Corporate Affairs) appeared for the hearing on April 15, 2016 as Authorized Representative. During the hearing proceedings, the Authorized Representatives submitted that

*"The Company had initiated the restructuring that was stuck up due to problem with textile sector. This restructuring process will take 180 days to complete. Banks have also been taking onboard. This winding up will adversely restructuring process. Three months' time will be allowed for revival/restructuring plan after restructuring the group liabilities with Banks."*

4. The request of the Authorized Representative was acceded to, and further time was allowed to the Company for filing of revival plan with the Commission, which however was not filed subsequently. Therefore, the Commission vide its letters dated July 25, 2016; and September 19, 2016,



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advised the board of directors to submit the revival/ restructuring plan. However, the requisite information was again not submitted to the Commission.

5. Further to this, hearing in the matter was fixed on November 09, 2016. However, on the request of the Respondents, the hearing was held on October 18, 2016, which was attended by Authorized Representative and submitted that *the company is reviving and AGMs for the year 2013 to 2016 will be held by November 30, 2016 and default will be rectified.*

6. Subsequently numerous hearing opportunities were provided to the respondents on November 24, 2016, December 15, 2016, December 29, 2016, January 18, 2017, February 06, 2017, April 24, 2017, May 03, 2017, June 23, 2017, August 09, 2017 and August 28, 2017. The Authorized Representative attended hearing held on October 09, 2017, and submitted that *overdue AGMs would be held soon. Two units of the company will be operational in future of Farooque Motors Ltd. The Company will revive after restructuring.* Considering the response of the Authorized Representative, matter was deferred until October 31, 2017, and subsequently re-fixed on November 08, 2017. The said hearing was attended by Authorized Representatives, wherein they again reiterated the viewpoint as submitted earlier.

7. Later on, hearing in the matter was fixed on June 28, 2018. During the said hearing, the Authorized Representative submitted that the company is in operation. It is however mainly dependent on Dewan Farooque Motors Ltd, to resume and continue its operations. He further informed that latest status of the Company will be submitted by July 20, 2018. Later on, Mr. Haroon Iqbal vide his letter dated July 17, 2018 submitted update on the matter, brief of which is as follows:

- During the ongoing financial, year ended on June 30, 2018, the Company has resumed its operations. The Company reported sale of Rs 4.205 million and Rs 17.004 million for the period ended March 31, 2018 and June 30, 2018, respectively. Furthermore, sales tax amounting to Rs.2.891 was also charged.
- In addition to above sales tax, income tax amounting to Rs. 1.368 million was deducted against sale proceeds of the Company, and the Company has deducted Rs.0.307 million withholding income tax and input sales tax on its purchases was Rs. 1 .283 million.



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Hence, the Company has started contributing towards national exchequer by undergoing economic activity.

- The Company during the year under review has hired 22 employees and will hire more employees in future, thus it has started creating jobs.
- The Company has held all the overdue AGMs till financial year ended June 30, 2017 and AGM for the financial year ended June 30, 2018 will also be held within time.
- The Company has resumed its operations and AGMs have been held, was duly communicated to Pakistan Stock Exchange, the copy of which was shared with you during hearing and is being again enclosed with these submissions.
- With respect to sale of the Company's assets to a bank against settlement of liabilities, it was submitted that in prior years three of the Companies namely Dewan Motorcycles Limited, Delta innovations Limited and Delta Climate Control Engineering Limited were merged with and into the Company. Hence, the Company has land and building location in Sujawal area where operations of the Company have been resumed, during the year ended June 30, 2017. Therefore, sale of assets to a bank against settlement of liabilities would not affect company's operations in any way.
- The Company has successfully settled the liabilities of one out of two lenders, and it is expected that liabilities of remaining lender will also be settled in amicable manner.
- The sponsors are committed to make the Company operation and have provided interest free loan to the Company to meet its working capital requirements.
- All above factors are positive turnaround, management is endeavoring its best to boost its operations, therefore considering the above submission it is humbly requested that subject show cause notice under section 309 of the repealed Companies Ordinance, 1984 may kindly be withdrawn

8. Based on the aforesaid reply of the Company, it was necessitated that hearing needs to be fixed. So the Authorized Representative were advised to appear on November 14, 2018. However, Mr. Hanif German vide his letter dated November 12, 2016 requested for adjournment until first week of December 2018. Hearing was then fixed on December 03, 2018, which was attended by the Authorized Representatives. During the hearing proceedings, it was submitted that the Company made some sale during the year ended June 30, 2018 as well as during the quarter ended September



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30, 2018. Since the Company has resumed its business, the SCN in this regard may please be withdrawn.

9. Hearing in the matter was scheduled on July 25, 2019, wherein the Authorized Representative submitted that the operations of the Company has been resumed since 2017. The Company already held its overdue AGMs i.e. for the year ended June 30, 2013 and June 30, 2014. Therefore, both observations of the Commission have been met and compliance has been ensured. It is therefore requested to withdraw the show cause proceedings.

10. In terms of notification S.R.O. 889 (I)/2019 dated July 29, 2019, the power to adjudicated cases under Section 304 of the Act has been delegated to Executive Director (Corporate Supervision Department).

11. I have analyzed the facts of the case and the submission made by the Authorized Representative during the hearing. I would like to mention that the SCN was issued on the grounds that the Company had suspended its operation for more than one year and did not convene its AGMs for the year ended June 30, 2013 and June 30, 2014. In this regard, I hereby discuss both the occurrences as follows:

- With regard to convening AGMs, I have reviewed the record of the Company available with the Commission. In this regard, I observe that the Company has convened its AGMs for the year ended June 30, 2013 and June 30, 2014. Furthermore, the Company has also convened its AGMs up to year ended June 30, 2018. This shows that the Company has made compliance with regard to convening of AGMs.
- With regard to suspension of operations, the Authorized Representative submitted vide his letter dated July 17, 2018, that during the financial year ended on June 30, 2018, the Company has resumed its operations. The Company reported sale of Rs 4.205 million and Rs 6.250 million for the period ended March 31, 2018 and March 31, 2019, respectively.



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I have also reviewed the annual audited accounts of the Company for the year ended June 30, 2018. It is mentioned in the Directors Report attached with the said Accounts that *during the year under review, the started its operations as it commenced the auto parts for Daehan-Dewan Motors (Pvt) Limited against the order received from them.* It is further stated in the directors Report that *through the Company started limited operations based on the group company requirement; the company could not tap the market in absence of working capital line. Once the working capital is available then the company can exploit its full potential.*

12. The aforesaid facts shows that the Company has made effort to revive its business and has convened its overdue AGMs. From the above stated circumstances; I, hereby close the proceedings initiated against the Company.

Abid Hussain  
Executive Director

**Announced:**

August 6, 2019

Islamabad