



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

Drekkar Kingsway Limited

Number and date of notice: CSD/ARN/100/2015 dated October 03, 2018
Date of hearings: October 18, 2018, November 26, 2018, December 17, 2018,
March 27, 2019, July 04, 2019
Authorized representatives: Mr. Zahir Shah, Advocate

ORDER

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

This order shall dispose of proceedings in the matter of show cause notice dated October 03, 2018 under clause (m) of Section 301 read with clause (b) of Section 304 of the Companies Act, 2017 (the “Act”) issued to Drekkar Kingsway Limited (“the Company”) and board of directors (collectively called the “respondents”) of the Company.

2. The facts leading to this case, briefly stated, are that the Company Registration Office (CRO) Islamabad, approached this office for grant of sanction in terms of clause (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 grounds that the Company has sold its fixed assets in 1996 and the business of the company is suspended for past several years.

3. A show cause notice dated October 03, 2018 (the “SCN”) was served on the respondents under clause (m) of Section 301 read with clause (b) of Section 304 of the Act, indicating the aforesaid grounds to present a petition for winding up of the Company. Further, the Company was provided with opportunity of hearing on October 18, 2018 and November 26, 2018. However no one appeared on the aforesaid dates of hearings.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 1 -

4. A letter from Mr. Zahir Shah, advocate dated November 26, 2018 stating to be responding on behalf of the Company was received in this office. It was also stated that the Company was looking at the following options:

- a) The Company is willing to change the structure of the Company into a holding company. They will fulfil all necessary requirements in this regard. The Company already has a 95.5% subsidiary namely Invest Forum (Private) Limited. The Company is looking into acquiring another company for fulfilling the holding company structures.
- b) Second option is to acquire assets of an existing business to adopt that business as major activity of the Company. The Company could acquire the entire existing business and merge it with and into the Company.
- c) The Company shall take all necessary steps including approval from shareholders in extra ordinary general meeting or all necessary approvals.

5. The Company was provided opportunities of hearing on December 17, 2018 and March 27, 2019 however no one appeared on the aforementioned dates. Mr. Zahir Shah vide his letter dated March 28, 2019 sought adjournment and requested further time for providing written submissions in response to the aforesaid show cause notice. However despite providing ample time, the Company did not provide any further submissions. Final opportunity of hearing was provided to the respondents on July 04, 2019. Mr. Zahir Shah appeared on date of hearing seeking adjournment and seeking 5 more days to submit written response which was acceded. However, the respondents persistently failed to provide any further submissions.

6. It is necessary to advert to the following relevant provisions of the Ordinance:

“301. Circumstances in which a company may be wound up by Court.- A company may be wound up by the Court-
(m) if a listed company suspends its business for a whole year.

304. Provisions as to applications for winding up.- 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,



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 2 -

together or separately or by the registrar, or by the Commission or by a person authorised 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;"

7. In terms of the Commission's notification SRO 889 (I)/ 2019 dated July 29, 2019, the powers to adjudicate cases under section 304 of the Act have been delegated to Executive Director (Corporate Supervision Department).

8. Before proceeding further, it would be necessary to deliberate upon certain important facts regarding the Company. The Company was incorporated in Pakistan as a public limited company with shares quoted on Pakistan Stock Exchange. Principal business of the Company is manufacturing of all types of electrical appliances, cosmetics, leather goods, machinery, components and parts. The Company sold its plant and machinery related to production in 1996. The business of the Company remained suspended since long. As per the latest available financial statements of the Company for the period ended March 31, 2019, the Company is stated to be engaged in making equity investments in undervalued profitable situations. The aforementioned financial statements continue to reflect closure of operations and dismissal financial position whereby the accumulated losses are Rs. 70.007 million and its equity is eroded that stands at Rs. 29.992 million as against the paid up capital of Rs. 100 million. The Company has stated that these circumstances give rise to significant uncertainty as to the ability of the Company to continue operations as a going concern in foreseeable future. In addition, the auditors of the Company, Horwath Hussain Chaudhury & Co., have given an adverse review report on financial statements of the Company for the period December 31, 2018 stating that the Company is not in a position to continue as going concern as directors have not indicated any commitment to provide cash flow projections and future plan to revive the operations of the Company. This is in addition to the fact that the directors have also failed to submit any prospective plans to the Commission with respect to its operational or financial viability and efforts for revival of the Company despite being given ample opportunities.

9. The submission of the authorized representative are vague and not found to be cogent as respondents have failed to provide any concrete plans or demonstrate any efforts that could validate the intentions of directors to resume commercial operations and revive the Company. Moreover, in view of the



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 3 -

disclosures made in the directors' report to members for period ended March 31, 2019, the seizure of records and surrendering of Trading Right Entitlement Certificate by the subsidiary i.e. Invest Forum (Private) Limited ("IFPR") do not justify the stance of the Company to rely on IFPR for revival. Despite giving ample opportunities to the respondents and extending time period of almost a year to provide plans or evidence validating the assertions by respondents, no working plan was provided and the operations of the Company remained closed. Therefore, it is established that the primary business of the Company continues to remain closed and the chances of revival of the Company are bleak in the current circumstances, The provisions of the Act invoked in the instant case are unambiguous in allowing closure of business for more than one year, as a basis, for seeking winding up of the Company from the court of law. There are no concrete plans or efforts disclosed to members that could validate the intention of directors to resume commercial operations and revive the Company.

10. From the above discussion and after careful consideration of all the facts of this case, I am of the view that the Company is liable to be wound up as its business has been suspended since long. It is a settled principle of law that a company is liable to be wound up under (m) of section 301 of the Act as it has suspended its business for a whole year furthermore there is no reasonable plan on grounds for its revival.

11. For the forgoing, I, in exercise of the powers conferred on me under Section 304 of the Act, hereby authorize the Additional Registrar, Company Registration Office, Islamabad to present a petition for winding up of Drekkar Kingsway Limited.

Abid Hussain
Executive Director

Announced:
October 09, 2019
Islamabad