



Corporate Supervision Department  
Company Law Division

Before Abid Hussain – Executive Director (CSD)

*In the matter of*

**Karim Cotton Mills Limited**

Number and date of notice: EMD/233/144/02-924, dated July 26, 2005  
Final Hearing held on: March 17, 2016  
Present: Mr. Idrees H. Ibrahim, Chief Executive

**ORDER**

**UNDER SECTION 309 READ WITH SECTION 305 OF THE COMPANIES ORDINANCE, 1984**

This order shall dispose of proceedings in the matter of show cause notice (the "SCN") dated July 26, 2005 under section under section 309 read with section 305 of the Companies Ordinance, 1984 ("Ordinance") issued to the Karim Cotton Mills Limited (the "Company") and its board of directors (together referred to as the "respondents") of the Company:

2. The brief facts of the case are that the Company has been dormant with its operations suspended since April, 1995. The Company had sold all its assets and discharged its liabilities in December, 1999. Previously, proceedings under section 309 of the Ordinance were initiated against the Company on January 20, 2004 as its operations had been suspended since the year 1995. In response to the proceedings, the Company's chief executive had informed that buy back of shares from minority shareholders was decided at a price of Rs. 16 per share against market value of said shares at Rs0.85 per share, upon direction of the Commission dated September 27, 2000. He further informed that the sponsor directors had plans to revive the Company. Since no revival plan was presented, the proceedings were concluded through order dated June 16, 2004 in terms whereof concerned registrar was authorized to file petition for winding up of the Company.

3. The Company filed an appeal before the Appellate Bench of the Commission against the order of the Commission and the Appellate Bench vide order dated August 31, 2004 decided that the sponsors be given time till December 31, 2004 to revive the Company, either by injecting funds themselves or selling the Company to some other sound business party. The Appellate Bench further directed that in case of failure to revive the Company, the sponsors to initiate voluntary winding up within fifteen days of the extended time, failing which fresh sanction for filing



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winding up petition against the Company might be granted by the department. Thereafter, the Company informed that the buy-back process had been completed and that Company had entered into an agreement with a sound party to purchase the entire shareholding from sponsor for which trading in shares might be allowed. Since, the Company failed to revive its operations, the SCN dated July 26, 2005 was issued to the Company and various opportunities for hearings were provided afterwards.

4. The Company through their letter dated January 30, 2010 again took up the matter of the revival of the Company. However, as the Company was merely a shell company with no assets and insignificant shareholding of the general public after the buy-back of shares on April 1, 2002, it was advised that the Company might choose to become an unlisted company. With regard to the management's proposal that the Company might be acquired by Al-Shaheer Corporation, the Commission was of the view that in such a case, the sponsor would be required to give an option to all the existing shareholders for sale of shares to them and to delist the Company following due process. Furthermore, the potential acquires needed to give an offer to all the existing shareholders of the Company for acquisition of shares under the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 before the acquisition of shares from the existing sponsors of the Company. In connection with this, a presentation made by Mr. Rahim Jan on behalf of the Company, in 2010 was not found cogent as revival plan to be implemented through Al-Shaheer Corporation was mere acquisition of shares of the Company. Subsequently, the proposed revival plan could not be implemented till the year 2014 despite repeated correspondence exchanged with the Company.

5. In hearing held on May 13, 2014 the chief executive of the Company informed that the Al-Shaheer Corporation had backed out from its proposal and presently the Company was engaged with another company Reliance Exim for revival through investment. According to the chief executive, the negotiation process was expected to be finalized within 45 days. However, revival of the Company could not become a reality. Subsequently, it was disclosed in the Company financial statements for the year ended June 30, 2015 that the management had executed a memorandum of understanding ("MOU") dated May 3, 2014 with another party Agro Allianz Private Limited ("AAPL") for revival of the company through a scheme of arrangement for



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merger. It was further disclosed that the Company had filed petition for approval of scheme of arrangement with the High Court of Sindh and based on expected revival the financial statements were prepared under going concern assumption. The Company through its letter dated December 17, 2014 stated that it had paid all outstanding dues of stock exchanges, held its overdue annual general meetings and also had filed overdue annual and interim accounts with the Commission. The Company further provided profile of AAPL, its audited financial statements for the year 2014 and a copy of MoU signed with it. A hearing in the matter was held on January 6, 2016 and the chief executive appeared before Executive Director (CSD) and stated that the petition for merger of the Company with AAPL was filed with the High Court and it was expected to be granted soon. He further stated that as a result of revival of the Company's operations after merger, minority shareholders will be benefitted. Another hearing was fixed on March 2, 2016, however, the Company through its letter dated February 9, 2016 stated that the merger petition was fixed for hearing before court on February 26, 2016 and the proceedings may be held in abeyance till the decision of the petition. Subsequently, through letter dated February 27, 2016 the Company informed that hearing was held on February 26, 2016 before the High Court and the case was re-fixed for March 7, 2016. In another hearing before the executive director (CSD), the chief executive stated that the hearing in respect of merger petition was fixed by the High Court on March 17, 2016. He was informed that the Company might need to seek clearance from stock exchange for merger with AAPL whose books were also required to be audited by an auditor having satisfactory QCR rating.

6. Subsequently, as informed by the Company through various correspondences, the merger petition was adjourned and re-fixed several times by the High Court due to one or the other reason. Finally, through order dated August 18, 2016, the honourable High Court, allowed the petition for merger of the AAPL and the Company despite the reservations of the stock exchange and the Commission, which were communicated to the honourable High Court following the due process.

7. In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 309 of the Ordinance have been delegated to Executive Director (Corporate Supervision Department). Since, the honourable High Court has allowed the



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petition for merger of AAPL and the Company, there is a high probability that the Company may be revived as per the agreement between the Company and the AAPL, which appears to be a financially sound party. As per information provided by the Company, the AAPL was incorporated on January 22, 2013 and during the year 2014, it generated revenues of Rs. 1.476 billion yielding after tax profit of Rs.64.337 million. Moreover, grant of sanction by the High Court for the aforesaid merger, is a concrete evidence of efforts of the management of the Company for its revival, which will also be beneficial for the minority shareholders of the Company. In the current circumstances the chances of revival of the Company appear to be realistic.

8. For the forgoing reasons, in exercise of the powers conferred by section 309 of the Ordinance, I hereby conclude the subject proceedings without any adverse order against the Company. The department is directed to closely watch the progress on merger pursuant the honorable High Court's order to ensure that merger is successfully completed and the Company is revived as per the sanctioned scheme of arrangement.

**Abid Hussain**  
Executive Director (CSD)

**Announced:**  
October 28, 2016  
Islamabad