



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

Khalid Siraj Textile Mills Limited

Number and date of notice: CSD/ARN/157/2015 dated January 26, 2017

Date of hearings: February 15, 2017, May 03, 2017, September 11, 2017, December 04, 2017, January 10, 2018, February 08, 2018, November 26, 2018, December 27, 2018

Authorized representatives:
(on behalf of the Company) Mr. Kamil Fateh, Mr. Muhammad Sarwar, Mr. Muhammad Naeem, Mr. Fahim Sikandar, Mian Tayyab Iqbal, Mr. Naeem Wazir

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 under Section 309 read with Section 305 of the Companies Ordinance, 1984 (“Ordinance”) dated January 26, 2017 issued to Khalid Siraj Textile Mills Limited and directors (collectively called “respondents”) of the Company.

2. The facts leading to this case, briefly stated, are that the Company Registration Office Lahore, approached this office for grant of sanction in terms of clause (b) of Section 309 read with clause (c) of Section 305 of the Ordinance to present a petition before the Honorable High Court for winding up of the Company on the grounds that the Company has suspended its operations since 2013.

3. Show cause notice dated January 26, 2017 was served on the respondents under clause (b) of Section 309 read with clause (c) of Section 305 of the Ordinance indicating the aforesaid grounds to present a petition for winding up of the Company.

4. The respondents were provided opportunity of personal hearing on February 15, 2017. The Company vide letter dated February 13, 2017 authorised Mr. Kamil Fateh and Mr. Muhammad Sarwar to appear before the undersigned on February 15, 2017 however both the authorized representatives failed to appear on the said date of hearing. Another opportunity of hearing was given to the Company on May 03,



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2017. Mr. Muhammad Naeem, being the authorised representative, appeared before the undersigned. Mr. Naeem informed in the hearing that the Company has become operational after February 2017 and sales amounting to Rs. 53 million have been made; assets are intact and time period of 3 months be granted for revival of the operations of the Company. Considering the aforementioned request of the Company, an opportunity of hearing was fixed on September 11, 2017. Mr. Muhammad Sarwar, being authorised representative for the aforementioned date of hearing, appeared before the undersigned and requested further time for resumption of operations. Another opportunity of hearing was provided to the Company on January 10, 2018. Mr. Fahim Sikandar, being authorized representative of the Company, appeared on the date of hearing and informed that operations have been closed again in July; directors are arranging funds for working capital and option of delisting is also under consideration by the directors. However, Mr. Fahim failed to provide any evidence with respect to any negotiations with banks, viability plans for restarting operations or concrete steps taken for revival of the Company. On request of the Company, fifteen days were provided to revert with submissions before the undersigned. The Company failed to provide any written submissions and Mian Tayyab Iqbal, CEO of the Company appeared before the undersigned on hearing opportunity on February 08, 2018. Mr. Tayyab stated that the Company is hopeful that all the issues will be resolved. However the whole textile industry is in losses and only way forward is to make considerably high amount of investments which currently is not available. Moreover legal cases regarding surrendering of shares is also impeding any plans for buyback of shares. The Company shall also endeavor to explore more avenues for revenue generation. He assured that the results of revival measures undertaken by the Company shall be depicted in the annual audited financial statements for year ended June 30, 2018.

5. In view of the above submissions assuring revival of operations, the financial statements for year ended June 30, 2018 were examined and it transpired that the operations of the Company remained ceased. During the year, the Company had incurred a net loss of Rs. 75.776 million resulting in accumulated losses of Rs. 429.102 million. Moreover, the auditors, Kamran & Co. Chartered Accountants had expressed an adverse opinion in their report to members regarding the financial position of the Company as at June 30, 2018. In view of the continued closure of operations, a hearing in the matter was scheduled on December 27, 2018. Mian Tayyab Iqbal and Mr. Naeem Wazir, being authorized representatives, appeared on the aforesaid date of hearing. It was reasserted that the Company is hopeful that initiatives taken by government shall help revive the company. On query as to why the Company could not rely on sales to local buyers, the Company stated that it is reliant on exports. Further, the authorized representative once again requested time for resolving operational issues and addressing observations of the auditors of the Company.



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

Section 305 of the Ordinance states:

“305. Circumstances in which company may be wound up by Court.- A company may be wound up by the Court:

(c) if the company does not commence its business within a year from its incorporation, or suspends its business for a whole year;”

Section 309 of the Ordinance states:

“309. 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, together or separately, or by the registrar, or by the Commission or by a person authorised by the Commission in that behalf.”

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).

8. Before proceeding further, it would be necessary to deliberate upon certain important facts regarding the Company. The Company was incorporated in Pakistan on January 17, 1988, as a public limited company under the Ordinance. The shares of the Company are quoted on Pakistan Stock Exchange. Principal business of the Company is to manufacture and sale of yarn and other related/ allied operations. The commercial operations of the Company are ceased since the year 2013. The financial statements for year ended June 30, 2018 reflect that operations remained ceased and no sales was reported. The auditor Kamran & Co., Chartered Accountants have expressed an adverse opinion on financial health of the Company for the aforesaid year. Further, in addition to other qualifications, the auditors had specifically stated that the Company is facing financial crisis, have lost key management without replacement and commercial operations remain ceased. Moreover, the latest available financial statements for the quarter ended March 31, 2019 continue to reflect closure of operations and dismissal financial position whereby the accumulated losses are 438.744 million as opposed to share capital amounting to Rs. 107.00 million,



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the current liabilities exceed its current assets by Rs. 208.824 million. 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. The directors have also failed to submit any prospective plans with respect to its operational or financial viability and efforts for revival of the Company despite being given ample opportunities.

9. The comments of the authorized representative have also not found to be cogent as they either primarily focus on past events or uncertain future of the Company. Despite giving ample opportunity and considerable time, extending to more than two years, to provide plans or evidence validating the assertions by representatives, no working plan was provided and the Company remained closed and stagnant. It is established fact that the Company is not a going concern and in the current circumstances, the chances of revival of the Company are bleak. The invoked provisions of the Ordinance are unambiguous i.e. provide closure of business for more than one year as a basis of going to court to seek winding up of 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 2013. It is a settled principle of law that a company is liable to be wound up under (c) of section 305 of the Ordinance 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 309 of the Ordinance, hereby authorize the Additional Registrar, Company Registration Office, Lahore to present a petition for winding up of Khalid Siraj Textile Mills Limited.

Abid Hussain
Executive Director

Announced:

August 07, 2019
Islamabad