



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

*Say no to corruption*

No. CSD/ARN/363/2016- *442*

October 18, 2022

**AEL Textiles Limited**  
**(formerly Arshad Energy Limited) and its directors**  
Through chief executive,  
404, 4<sup>th</sup> Floor, Business Centre,  
Mumtaz Hassan Road,  
**Karachi**

**Subject: In the matter of Show Cause Notice dated July 5, 2021 under Section 301 of the Companies Act, 2017 and Section 304 thereof - Arshad Energy Limited**

Dear All,

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

Regards,

*M.A.H.*  
*18-10-2022*

Muhammad Anwar Hashmi  
Additional Joint Director

*Annexed: As above*

**Copy to:**

**AEL Textiles Limited**  
**(formerly Arshad Energy Limited) and its directors**  
Through chief executive,  
16<sup>th</sup> Floor, Tricon Corporate Centre,  
Main Jail Road, Gulberg II,  
**Lahore**





# 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*

**AEL Textiles Limited (formerly Arshad Energy Limited)**

Show Cause Notice No. & Date      No.CSD/ARN/363/2016-529 dated July 5, 2021

Dates of Hearings:                      September 1, 2021, November 30, 2021, March 28, 2022 and October 10, 2022

Hearing attended by:                  Mr. Shafiq Ijaz, Company Secretary

### 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. No.CSD/ARN/363/2016-529 dated July 5, 2021 (the SCN), under clause (m) of Section 301 read with clause (b) of Section 304 of the Companies Act, 2017 (the Act), issued to Arshad Energy Limited (the Company) and its board of directors, hereinafter collectively referred to as the Respondents.

2. Brief facts of the case are that the Company is a public limited company. The Company is engaged in the business of generation and distribution of electricity. The shares of the Company are listed at Pakistan Stock Exchange (PSX). Review of directors' report of the Company for the year ended June 30, 2020 transpires that the Company's business operations were remained suspended for the whole year and the Company in its annual audited financial statements for the year reported "NIL" sales. The concerned department of the Securities and Exchange Commission of Pakistan (the Commission) vide letter dated June 7, 2021 sought explanation of the Company for closure of its operations and advised to provide revival plan in this regard. The Company in response vide letter dated June 10, 2021 stated that "the Company is continuously monitoring the furnace oil prices and will start generation once the prices of oil come in viable range." It was also noted that the Company has not provided any concrete revival plan in support of its commitment to revive the operations. Moreover, the Additional Registrar of Companies, Company Registration Office, Karachi approached this Commission for grant of



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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 for a whole year.

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 the Court.

4. In response to the SCN, the Company Secretary through letter dated July 16, 2021 stated that: *"We request your honour to please allow us time till 31 August 2021 to address the captioned matter."* The Company Secretary again vide another letter dated August 31, 2021 stated that: *"We request your honour to please allow us time till 30 September 2021 to address the captioned matter."*

5. In order to provide the opportunity of hearing to the Respondents, the matter was fixed for September 1, 2021. On the date of hearing, Mr. Shafiq Ijaz, Company Secretary appeared. He, *inter alia*, submitted that:

- (i) Operations of the Company are closed due to high cost of furnace oil.
- (ii) The Company be given time till September 30, 2021 as in next board meeting to be held in September, the board would decide about various options including winding-up, de-listing or restructuring of the Company;

6. Subsequent to the aforesaid hearing, the Company Secretary, through letter dated September 30, 2021, *inter alia*, submitted that:

*"In this regard, it is to inform that we are preparing different options of revival of the company operations. The same was discussed in Board meeting held on September 30, 2021. We informed the Board that the matter will be placed in next Board meeting to be arranged before 31<sup>st</sup> October, 2021. We request your honour to please allow us time till 31 October 2021 to address the captioned matter."*

7. The Company Secretary, through another letter dated November 9, 2021, *inter alia*, submitted that: *"In this regard, it is to inform that we are preparing different options of revival of the company operations. We request your honour to please allow us time till 20 November 2021 to address the captioned matter."*

8. A hearing in the matter was re-fixed for November 30, 2021. During the hearing, the Company Secretary appeared and, *inter alia*, submitted that:

- (i) A potential acquirer intends to acquire more than 51% shares of the Company and the acquirer being expert in textile business would revive the operations;





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- (ii) The management has no intention to suspend the business operations of the Company;
- (iii) The matter may be adjourned for next 2 to 3 months so that the process of acquisition be completed.

9. Thereafter, the Company Secretary, through letter dated December 1, 2021, *inter alia*, submitted in the following manner:

*"Please refer to the Securities & Exchange Commission of Pakistan (SECP) letter no. CSD/ARN/363/2016-815 addressed to Arshad Energy Limited (AEL) and our subsequent zoom hearing in respect of the above cited subject. As informed in the hearing, we are submitted the following for your kind consideration.*

*The operations of the Company had been halted due to increase in the price of furnace oil in last couple of years as cost of generation of electricity had increased.*

*Recently a Public Announcement of Intention to Acquire (PI) more than 51% shareholding of the Company has been received from Automotive Plastics (Private) Limited (the Acquirer) under the Securities Act, 2015 (the Act) and Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 (the Regulations). Copy of the notice of is attached as Annexure A. The Sponsors of the Acquirer are well known in the Textile Sector of Pakistan.*

*The offer price and other modalities by the Acquirer shall be subject to the completion of necessary due diligence and other corporate/regulatory formalities. The Sponsors of the Company are evaluating the options and it will take some time before a formal agreement is signed between the Sponsors and the Acquirer.*

*Therefore, it is kindly requested that at least 6 to 8 weeks be provided allowing time for the proposed transaction periodically.*

*We look forward to your kind consideration in respect of the above. We shall be available for any further information/clarification that you require in respect of the above."*

10. Considering the request of the Company, the Commission through its letter dated December 13, 2021 allowed two months time and also advised to furnish progress reports on monthly basis.

11. The Respondents were allowed another hearing opportunity and next hearing in the matter was fixed for March 28, 2022. The Company Secretary appeared and informed that Public Announcement of Intention to acquire 75% shares of the Company was made. It was requested that time till May 2022 be allowed in order to expedite the process of acquisition.



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12. The Company Secretary, thereafter, through letter dated April 16, 2022, *inter alia*, submitted that:

*"Please refer to the Securities & Exchange Commission (SECP) letter no. CSD/ARN/363/2016-178 dated Mar 10, 2022 addressed to Arshad Energy Limited (AEL) and our subsequent zoom hearing on 28 March 2022 in respect of the above cited subject.*

*The operations of the Company had been halted due to increase in the price of furnace oil in last couple of years as cost of generation of electricity had increased. However, the Company is now pursuing the implementation of Alternate / Revival Business Plan as approved by the members in EOGM held on Feb 24, 2022.*

*Further, we have also provided a Public Announcement of Intention to Acquire (PI) more than 51% shareholding of the Company received from Automotive Plastics (Private) Limited (the Acquirer) under the Securities Act, 2015 (the Act) and Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 (the Regulations). The Sponsors of the Acquirer are well known in the Textile Sector of Pakistan. The Acquirer is in the process of conducting due diligence and other necessary formalities before a formal offer is made to the Sponsors of the Company.*

*As informed in the hearing, we shall submit periodically progress report to SECP in respect of development on the above proposed transaction. Therefore, it is kindly requested that sufficient time be provided for proposed transaction to proceed further.*

*We look forward to your kind consideration in respect of the above. We shall be available for any further information/ clarification that you require in respect of the above."*

13. In order to apprise the Commission about progress of the matter, a letter dated August 19, 2022 was received from Mian Muhammad Ahsan, Chief Executive of Automotive Plastics (Pvt) Limited. He, while informing status of takeover of the Company, *inter alia*, submitted that:

*"This is with reference to letter dated 16 April 2022 from Mr. Shafiq Ijaz, Company Secretary, Arshad Textiles Limited (Formerly Arshad Energy Limited) (the "Company" or "AEL") to your good self with respect to SECP's letter no. CSD/ARN/363/2016-529 and subsequent hearings / correspondence on the captioned subject.*

*AEL in its shareholders EOGM held on 24 February 2022 approved modification in the key objects clause in its Memorandum of Association whereby key business of the Company was changed from power generation to textile business. As already presented to you by the Company, the furnace oil based power generation had become unviable in the last many years forcing AEL to shut down its power plant which necessitated change of key business objectives of the Company. Moreover, the Company's name was changed from Arshad Energy Limited to AEL Textiles Limited. Both the changes have already been approved by CRO/SECP and are in full effect now.*





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*We, Automotive Plastic (Private) Limited ("APPL") executed a Share Purchase Agreement on 27 June 2022 with the sponsors of AEL to acquire 5,885,638 shares, being 73.57% of the total paid up Capital of AEL. APPL has already launched the process of Public Tender Offer to purchase shares from general public shareholders as required under the Listed Companies (Substantial Acquisition of Shares and Takeovers) Regulations, 2017. The Manager to Offer has been appointed to steer the process of the acquisition of AEL majority shareholding control. SECP's Public Offering and Regulated Persons Department is fully abreast of the ongoing process which shall complete on 02 September 2022 according to the process timeline.*

*The Sponsors had assured us that the above mentioned Show Cause Notice issued by SECP shall be withdrawn based on the fact that concrete measures for the revival of AEL have moved to an advanced stage. However, to our dismay the said Show Cause Notice is still in place. It will hamper our intention to invest in the Company and take other concrete measures to revive the operations of the Company based on modified key objectives clause in its Memorandum of Association. We attached herewith a copy of the revised business plan approved by the Company's Board with which APPL also concur and shall take appropriate measures for its implementation upon acquisition of majority control with or without required modifications based on current business realities.*

*In view all the above and to facilitate the AEL acquisition process as well as its revival, you are requested to kindly withdraw the above-mentioned Show Cause Notice regarding winding up of the Company. Kindly also send intimation of the removal of Show Cause Notice to PSX.*

*We will be happy to provide any further information or explanations that you may require with respect to our above request."*

As per the business plan, it was, *inter alia*, stated that:

*"The Sponsors of Arshad Energy Limited have decided to change the company's primary business from generation and distribution of electricity to textile trading and manufacturing and ancillary matters.*

*The company will be engaged in trading of textile goods, especially garments and fabric.*

*Later on, it is intended that the company will also start toll manufacturing, subject to entering into suitable arrangements with third parties."*

14. In order to take the matter to its conclusion, a hearing in the matter was again fixed for October 10, 2022. Mr. Shafiq Ijaz, Company Secretary appeared. It was, *inter alia*, submitted during the hearing that:

- (i) Business plan approved by the shareholders was being executed.



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- (ii) The discussion with the 73% acquirers of shares was under process to finalize mode of payment.
- (iii) The acquirer also made announcement to acquire 11% shares from the general public.
- (iv) The trading in the shares of the Company was active.
- (v) The instance proceedings be withdrawn so that the process of transfer of sponsors shares and revival of the business of the Company may take place as per plan.

15. In this regard, a letter dated October 11, 2022 was also received, which stated that:

*"Please refer to the Securities & Exchange Commission (SECP) letter no. CSD/ARN/363/2016-340 dated Sep 07, 2022 addressed to Arshad Energy Limited (AEL). We are submitted the following response relating to our subsequent zoom hearing dated 10 October 2022 in respect of the above cited subject for your kind consideration.*

*The operations of the Company had been halted due to increase in the price of furnace oil in last couple of years as cost of generation of electricity had increased. However, the company is now pursuing the implementation of Alternated / Revival Business Plan as approved by the members in EOGM held on Feb 24, 2022 and the assets of the Company have been sold at competitive price in accordance.*

*Further, as already informed that a Public Announcement of Intention to Acquire (PI) more than 51% shareholding of the Company was received from Automotive Plastics (Private) Limited (the Acquirer) under the Securities Act, 2015 (the Act) and Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 (the Regulations). The Sponsors of the Acquirer are well known in the Textile Sector of Pakistan.*

*In the meantime, Sponsors of AEL signed a Share Purchase Agreement on 27 June 2022 with Automotive Plastics (Private) Limited for the sale of AEL Sponsors entire shareholding being 73.57% in AEL. The Acquirer, APPL, has also completed the regulatory requirements included Public Tender Offer (PTO) in September 2022. Now, the acquisition transaction is at complete stage."*

16. Relevant legal provisions are reproduced as under:

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

*"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*





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*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."*

17. I have reviewed the facts of the case and considered the written and oral submissions made by the Respondents and state that:

- (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 windup the Company, rather they exhibited their continuous efforts for its revival through various options.
- (ii) the Respondents are of the view that subsequent to takeover of 73.57% shares by Automotive Plastic (Private) Limited, the Company would be revived as acquirers are one of the key player of textile business. In this regard, the acquirers through letter dated September 5, 2022 submitted report to the Commission in accordance with the Securities Act, 2015 and under regulation 26 of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017, in terms of which, it was *inter alia*, stated that: *"In accordance with the Takeover Laws, the Acquirer made a firm intention to issue Offer Letters to shareholders of AEL, for the purpose of offering to purchase their respective ordinary shares in the Company on date of book closure. However, successful shareholders of the Target tendered their shares to the Acquirer for selling during the Acceptance Period which were fully accepted."*
- (iii) the Company through its progress report dated October 5, 2022 disseminated through PSX stated that: *"In this regard, it is to inform you that currently management of the Company is pursuing the implementation of Alternate/Revival business plan as approved by members in EOGM held in February 24, 2022".* As per available information, the members of the Company in EOGM held on February 24, 2022, *inter alia*, passed following special business: *"FURTHER RESOLVED THAT the alternate/revival business plan, as recommended by the Board of Directors of the Company and placed before the meeting, duly initiated by the Chairman of the Board of Directors Alternate/Revival Business Plan, be and is hereby approved and adopted."*
- (iv) the Respondents are also of the view that due to the proceedings of winding-up, the sponsors shares are frozen and cannot be transferred to acquirers unless proceedings of winding-up are concluded.



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18. Keeping in view the above, I am of the considered view that opportunity should be provided to the Respondents for revival of the Company's operations. I am also of the view that Alternate/Revival Business Plan (**the Plan**) as approved by the shareholders in EOGM dated February 24, 2022 is beneficial for all of the stakeholders including the shareholders, the creditors, the investors and the capital market. Therefore, I am of the considered view that granting sanction to file winding-up petition at this juncture, may jeopardize efforts of the management of the Company and garble the revival of the Company. Keeping in view, I hereby drop the proceeding initiated through the SCN without any adverse action. The Respondents are hereby, advised to keep the Commission updated on quarterly basis about the revival of the Company till its conclusion. I also hereby request the Off-site II Department of the Commission to keep the Company on its watchlist till finality of its revival plan and recommend necessary proceedings, if any, as deemed appropriate.

19. 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 18, 2022**  
Islamabad